2009-2010

SENATE APPROPRIATIONS

MINUTES

ATTENDANCE

Committee: SENATE APPROPRIATIONS BASE BUDGET

DATES / NAMES	3/11													
Sen. Garrou, Co-Chair	✓													
Sen. Albertson. Co-Chair	✓													
Sen. Dannelly, Co-Chair	✓													
Sen. Swindell, Co-Chair	✓													
Sen. Apodaca	✓													
Sen. Atwater	✓													
Sen. D. Berger	✓													
Sen. P. Berger														
Sen. Bingham														
Sen. Blake	✓													
Sen. Boseman														
Sen. Brock	✓													
Sen. Brown	✓													
Sen. Brunstetter	✓													
Sen. Clary	✓													
Sen. Clodfelter	✓													
Sen. Davis	✓													
Sen. Dorsett	✓													
Sen. East	✓													
Sen. Foriest	✓													
Sen. Forrester														
Sen. Goss	✓													
Sen. Graham														
Sen. Hartsell	✓													
Sen. Hoyle	✓													
Sen. Hunt	✓													
Sen. Jacumin	✓													

ATTENDANCE

Committee: SENATE APPROPRIATIONS BASE BUDGET

DATES / NAMES	3/11													
Sen. Jenkins	✓													
Sen. Jones	✓													
Sen. Kinnaird	✓													
Sen. Malone	✓													
Sen. McKissick	✓													
Sen. Nesbitt	✓													
Sen. Preston	✓													
Sen. Purcell	✓													
Sen. Queen	✓													
Sen. Rand	✓													
Sen. Rouzer	✓													
Sen. Rucho	✓													
Sen. Shaw														
Sen. Snow	✓													
Sen. Soles														
Sen. Stein	✓													
Sen. Stevens	✓													
Sen. Tillman	✓													
Sen. Vaughan	✓													
Sen. Weinstein	✓													

ATTENDANCE 2009

Committee: SENATE APPROPRIATIONS BASE BUDGET

NAMES \ DATES	3/17	3/24	4/7 AM	4/7 PM		4/27	4/28	5/6	5/13	7/2	7/7	8/5			
Sen. Garrou, Co-Chair	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			
Sen. Albertson. Co-Chair	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓			
Sen. Dannelly, Co-Chair	✓	✓	✓	✓	✓			✓		✓		✓			
Sen. Swindell, Co-Chair	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓			
Sen. Apodaca	✓	✓	✓	✓		✓		✓							
Sen. Atwater	✓	✓	✓	✓	✓	✓			✓	✓	✓				
Sen. D. Berger	✓	✓	✓	✓				✓		✓					
Sen. P. Berger	✓	✓	✓	✓				✓							
Sen. Bingham	✓		✓	✓	✓	✓									
Sen. Blake	✓	✓	✓	✓	✓							✓			
Sen. Boseman	✓		✓	✓											
Sen. Brock	✓	✓	✓	✓	✓			✓							
Sen. Brown	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓			
Sen. Brunstetter	✓	✓	✓	✓	✓			✓	✓		✓	✓			
Sen. Clary	✓		✓	✓				✓							
Sen. Clodfelter	✓	✓	✓	✓											
Sen. Davis	✓		✓	✓	✓				✓	✓	✓				
Sen. Dorsett	✓	✓	✓	✓	✓	✓	✓				✓				
Sen. East	✓	✓	✓	✓	✓			✓				✓			
Sen. Foriest	✓	✓	✓	✓	✓	✓			✓						
Sen. Forrester	✓		✓	✓											
Sen. Goss	✓	✓	✓	✓		✓	✓	✓			✓	✓			
Sen. Graham	✓	✓			✓	✓		✓							
Sen. Hartsell	✓	✓	✓	✓	✓	✓				✓	✓				
Sen. Hoyle	✓	✓	✓						✓						
Sen. Hunt	✓		✓	✓	✓				✓	✓					
Sen. Jacumin	✓	✓	✓		✓	✓	✓		✓		✓				

ATTENDANCE

Committee: SENATE APPROPRIATIONS BASE BUDGET

NAMES \ DATES	3/11 17			4/1 pm		4/12	4/21	5/6	5/13	5/26	5/27	5/28			
Sen. Jenkins	✓		✓	✓					✓		✓	✓			
Sen. Jones		✓	✓	✓						✓	✓	✓			
Sen. Kinnaird	✓	✓	✓	✓	✓	✓			✓			✓			
~~Sen. Malone~~	✓	✓	✓	✓	✓					Blue					
Sen. McKissick	✓	✓	✓	✓											
Sen. Nesbitt	✓	✓	✓	✓		✓			✓						
Sen. Preston	✓		✓	✓		✓				✓					
Sen. Purcell	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			
Sen. Queen	✓	✓	✓	✓	✓	✓		✓	✓	✓					
Sen. Rand	✓		✓	✓	✓						✓	✓			
Sen. Rouzer	✓	✓	✓	✓						✓					
Sen. Rucho	✓		✓	✓		✓		✓							
Sen. Shaw															
Sen. Snow	✓	✓	✓	✓	✓	✓		✓	✓		✓	✓			
Sen. Soles	✓			✓	✓	✓									
Sen. Stein	✓	✓	✓	✓						✓		✓			
Sen. Stevens	✓	✓	✓	✓	✓	✓									
Sen. Tillman	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓				
Sen. Vaughan	✓	✓			✓		✓	✓		✓	✓	✓			
Sen. Weinstein	✓	✓	✓	✓	✓	✓			✓	✓	✓	✓			
Non-members 3-17-04															
ALRAN	✓		✓												
Goodall															
Boswright 3-24-04															
Blue											✓	✓			

750 + numbers

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Linda Garrou, Co-Chair
Senator Charles W. Albertson, Co-Chair
Senator Charlie Smith Dannelly, Co-Chair
Senator A. B. Swindell, Co-Chair

Wednesday, March 11, 2009

Senator GARROU,
submits the following with recommendations as to passage:

FAVORABLE

S.B.(CS #1) **287** State Hlth Plan $/Good Health Initiatives.
Sequential Referral: None
Recommended Referral: None

TOTAL REPORTED: 1

Committee Clerk Comments:

Principal Clerk ____
Reading Clerk ____

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The Senate Committee on **Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Wednesday	March 11, 2009	10:00 a.m.	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
SB 287	State Hlth Plan $/Good Health Initiatives.	Senator Rand

Senator Linda Garrou, Co-Chair
Senator Charles W. Albertson, Co-Chair
Senator Charlie Smith Dannelly, Co-Chair
Senator A. B. Swindell, Sr. Chair

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
Minutes
03/11/29

The Senate Appropriations/Base Budget Committee met at 10:00 a.m. in room 643 LOB, at 10 a.m. Senator Linda Garrou, co-Chair, presided. 46 members were in attendance.

The only item on the agenda was **SB 287, "State Health Plan $/Good Health Initatives."**

Senator Rand explained his bill. He called upon Jack Walker of the State Health Plan to explain the bill and help answer questions.

Senator Albertson motioned for a favorable report of the Committee Substitute.

With no further business before the committee, Senator Garrou adjourned the Committee.

Respectfully Submitted,

Senator Linda Garrou, Co-Chair

Andrew Dugan, Committee Assistant

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S D

SENATE BILL 287
PROPOSED COMMITTEE SUBSTITUTE S287-PCS55166-LN-2

Short Title: State Hlth Plan $/Good Health Initiatives. (Public)

Sponsors:

Referred to:

February 25, 2009

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE FUNDS FOR THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES AND TO MAKE OTHER CHANGES RELATED TO THE STATE HEALTH PLAN.

Whereas, the General Assembly must act quickly and prudently to maintain a financially stable State Health Plan to ensure that all members of the Plan have affordable access to medically necessary health benefits and services within available resources; and

Whereas, in order to meet current fiscal obligations the General Assembly must appropriate $250,000,000 for the 2008-2009 fiscal year to cover the current year shortfall in funds; and

Whereas, estimates indicate that a substantially larger appropriation will be necessary to maintain the fiscal integrity of the Plan in the next and ensuing fiscal periods; and

Whereas, in order to ensure continued access to medically necessary health care to Plan members, the Plan must implement measures to contain costs through premium increases, benefit changes, and healthy lifestyle programs that not only reduce costs but improve member health; and

Whereas, the Plan estimates that over 70,000 Plan members use tobacco, resulting in a cost to the Plan of $2,000 per member per year more than the cost of providing coverage for nonusers of tobacco; and

Whereas, over 60% of North Carolina adults are obese or overweight; and

Whereas, obesity is linked to an over 37% increase in health care spending at a cost of $732.00 per member per year; and

Whereas, weight management and cessation of tobacco use have been demonstrated to result in improved member health and substantial savings in health care costs making it fiscally prudent to implement smoking cessation and weight management incentives and initiatives with mechanisms to verify member compliance with smoking cessation and weight management requirements; Now, therefore,

The General Assembly of North Carolina enacts:

PART ONE: APPROPRIATIONS, DEFINITIONS, AND SCOPE.

SECTION 1.(a) Appropriation for 2008-2009 fiscal year. – There is appropriated from the Savings Reserve Account established in G.S. 143C-4-2 to the Health Benefit Reserve Fund established in G.S. 135-44.5 the sum of two hundred fifty million dollars ($250,000,000) for the 2008-2009 fiscal year. These funds shall be used to address the shortfall in funds

available for the payment of health care and administrative costs under the State Health Plan for Teachers and State Employees ("Plan") for the 2008-2009 fiscal year.

SECTION 1.(b) General Fund appropriation for 2009-2011 fiscal biennium. – Notwithstanding G.S. 143C-5-2, there is appropriated from the General Fund to the Reserve for the State Health Plan in the Office of State Budget and Management the sum of one hundred sixteen million six hundred fifty-six thousand six hundred fifty-eight dollars ($116,656,658) for the 2009-2010 fiscal year and the sum of two hundred forty-two million four hundred sixty thousand eight hundred sixty-four dollars ($242,460,864) for the 2010-2011 fiscal year. These funds shall be used to cover health care and administrative costs to the Plan in the 2009-2011 fiscal biennium.

SECTION 1.(c) Highway Fund appropriation for the 2009-2011 fiscal biennium. – Notwithstanding G.S. 143C-5-2, there is appropriated from the Highway Fund to the Reserve for the State Health Plan in the Office of State Budget and Management the sum of five million four hundred forty-three thousand nine hundred seventy-seven dollars ($5,443,977) for the 2009-2010 fiscal year and the sum of eleven million three hundred fourteen thousand eight hundred forty dollars ($11,314,840) for the 2010-2011 fiscal year. These funds shall be used to cover health care and administrative costs to the Plan in the 2009-2011 fiscal biennium.

SECTION 1.(d) All other agency funds required to fund the premium increase enacted in this act, other than funds appropriated in subsections (b) and (c) of this section, are appropriated for the 2009-2011 fiscal biennium.

SECTION 1.(e) Definitions. – As used in this act unless the context clearly requires otherwise:

(1) "Plan." – The State Health Plan for Teachers and State Employees.

(2) "Basic plan." – The Plan's PPO option providing for 70/30 in-network coverage after deductibles and co-payments.

(3) "Smoking" or "Smoking cessation." – Includes cessation of the use of all tobacco products.

(4) "Standard plan." – The Plan's PPO option providing for 80/20 in-network coverage after deductibles and co-payments.

SECTION 1.(f) Scope. – In the event of a conflict between the provisions of this act and Article 3A of Chapter 135 of the General Statutes, this act prevails.

PART TWO: HEALTH BENEFIT CHANGES.

SECTION 2.(a) Eliminate PPO Plus Option. – Effective July 1, 2009, the PPO Plus option (90/10 in-network coverage) under the State Health Plan for Teachers and State Employees ("Plan") is eliminated. The Executive Administrator shall provide notice to all members of the Plan that this option will no longer be available as of July 1, 2009. Employees enrolled in the Plan's Plus option shall have the choice of enrolling in the Basic or Standard plan options for the 2009-2010 benefit year.

SECTION 2.(b) Implement Comprehensive Wellness Initiative.

(1) Program development. – The Plan shall develop a Comprehensive Wellness Initiative that includes a focus on smoking cessation and weight management and that is designed to be implemented effective July 1, 2010, for smoking cessation and July 1, 2011, for weight management. Benefit levels shall be determined by the Plan based upon tobacco use or the inability of the member to meet national, evidence-based healthy weight clinical guidelines. For purposes of the Comprehensive Wellness Initiative, "member" includes all State Health Plan primary subscribers and their covered dependents. The Plan shall develop a process whereby a Plan member may appeal the Plan's basis for action it takes due to the member's failure or refusal to comply with the Plan's smoking cessation or weight management requirements.

(2) Smoking cessation. – Effective July 1, 2010, all members of the Plan who do not have Medicare as their primary coverage shall be enrolled in the Basic Plan under the Plan's PPO unless the subscriber can attest that the subscriber or any qualifying dependent does not smoke or otherwise use tobacco products. The Plan shall develop a mechanism for verifying that the member does not smoke or use other tobacco products. Tobacco use will be reassessed annually at the time of Plan enrollment. All subscribers who have attested that neither they nor their dependents use tobacco, or whose medical provider certifies in writing that the member is participating in a smoking cessation program, shall have the choice of remaining in the Basic plan option or enrolling in the Standard plan option. For purposes of the smoking cessation initiative, "member" includes all members covered under the Plan. As used in this section, "smoking cessation program" means active participation in a Plan-approved cessation program to include counseling or use of tobacco cessation medications.

(3) Weight management. – Effective July 1, 2011, all members of the Plan who do not have Medicare as their primary coverage shall be enrolled in the Basic Plan under the Plan's PPO Plan unless the subscriber attests that the weight and height ratio of the member is within a range determined by the Plan based on evidence-based healthy weight clinical guidelines, or unless the member's physician certifies in writing that the member has a medical condition that prevents the attainment of the specified weight range and that the member is actively participating in a Plan-approved weight management program. In either case, the member shall have the option to enroll in the Basic or Standard Plan.

Not later than October 1, 2009, the Executive Administrator shall inform Plan members of the healthy lifestyle initiatives, requirements for compliance, and consequences of noncompliance. The Executive Administrator shall provide to members education and training to assist members in complying with healthy lifestyle initiatives. The Executive Administrator may implement incentive initiatives to further encourage member achievement in smoking cessation, weight management, and other integrated health management programs.

The Executive Administrator shall report to the Committee on Employee Hospital and Medical Benefits recommendations the Plan may have for additional sanctions that may be imposed when the Executive Administrator finds that a member intentionally makes a false statement on a Plan document.

SECTION 2.(c) Prescription drug co-payments. – G.S. 135-45.6(b) reads as rewritten:

"(b) Prescription Drugs. – The Plan's allowable charges for prescription legend drugs to be used outside of a hospital or skilled nursing facility shall be as determined by the Plan's Executive Administrator and Board of Trustees, which determinations are not subject to appeal under Article 3 of Chapter 150B of the General Statutes. Co-payments and other allowable charges or coverage for prescription drugs shall be as follows:

(1) The Plan will pay allowable charges for each outpatient prescription drug less a copayment to be paid by each covered individual equal to the following amounts: pharmacy charges up to ten dollars ($10.00) for each generic prescription, ~~thirty dollars ($30.00)~~ thirty-five dollars ($35.00) for each preferred branded prescription without a generic equivalent, ~~and forty dollars ($40.00) for each preferred branded prescription with a generic equivalent drug,~~ and ~~fifty dollars ($50.00)~~ fifty-five dollars ($55.00) for each nonpreferred branded ~~or generic~~ prescription. For each branded prescription drug with a generic equivalent drug, the member shall pay the generic

co-payment plus the difference between the Plan's gross allowed cost for the generic prescription and the Plan's cost for the branded prescription drug.

(2) The Plan shall provide coverage of nonacute specialty medications under the Plan's pharmacy benefit through a specialty pharmacy vendor under contract with the Plan. The Plan may transfer coverage of specified specialty disease medications covered under the Plan's medical benefit to the contracted specialty pharmacy vendor. Specialty medications are biotech medications or other medications that exceed four hundred dollars ($400.00) cost to the Plan per prescription. The Plan shall impose a co-payment in the amount of twenty-five percent (25%) of the Plan's gross allowed cost of the specialty drug not to exceed one hundred dollars ($100.00) per prescription per 30-day supply.

(3) The Plan may exclude coverage of drugs that have therapeutic equivalents that are available over the counter. Before excluding coverage under this subdivision, the Plan shall consult with the Plan's Pharmacy and Therapeutics Committee.

~~These co-paymentsapply to all optional alternative plans available under the Plan.~~

(4) Allowable charges shall not be greater than a pharmacy's usual and customary charge to the general public for a particular prescription. Prescriptions shall be for no more than a ~~34-day~~30-day supply for the purposes of the copayments paid by each covered individual. By accepting the copayments and any remaining allowable charges provided by this subsection, pharmacies shall not balance bill an individual covered by the Plan. A prescription legend drug is defined as an article the label of which, under the Federal Food, Drug, and Cosmetic Act, is required to bear the legend: "Caution: Federal Law Prohibits Dispensing Without Prescription." Such articles may not be sold to or purchased by the public without a prescription order. Benefits are provided for insulin even though a prescription is not required. ~~The Plan may use a pharmacy benefit manager to help manage the Plan's outpatient prescription drug coverage. In managing the Plan's outpatient prescription drug benefits, the Plan and its pharmacy benefit manager shall not provide coverage for sexual dysfunction, growth hormone, antiwrinkle, weight loss, and hair growth drugs unless such coverage is medically necessary to the health of the member. The Plan and its pharmacy benefit manager shall not provide coverage for growth hormone and weight loss drugs and antifungal drugs for the treatment of nail fungus and botulinium toxin without approval in advance by the pharmacy benefit manager.~~ The Plan may adopt utilization management procedures for certain drugs, but in no event shall the Plan provide coverage for sexual dysfunction or hair growth drugs or nonmedically necessary drugs used for cosmetic purposes. Any formulary used by the Plan's Executive Administrator and pharmacy benefit manager shall be an open formulary. Plan members shall not be assessed more than two thousand five hundred dollars ($2,500) per person per fiscal year in copayments required by this subsection. The Plan's Pharmacy Benefit Manager, or any pharmacy or vendor participating in the Plan shall charge the Plan for any prescription legend drug dispensed under the Plan's pharmacy benefit based upon the original National Drug Code (NDC) as established by the manufacturer of the prescription legend drug and published by the United States Food and Drug Administration.

Co-payments for drugs purchased under the Plan's Maintenance Medication Retail Pharmacy Network Initiative shall be as provided under G.S. 135-45.11(c). Co-payments authorized under this subsection apply to all optional alternative plans available under the Plan."

SECTION 2.(d) Routine eye examinations not covered. – Effective January 1, 2010, G.S. 135-45.8(13) reads as rewritten:

"**§ 135-45.8. General limitations and exclusions.**

The following shall in no event be considered covered expenses nor will benefits described in G.S. 135-45.6 through G.S. 135-45.11 be payable for:

...

(13) Charges for routine eye examinations, eyeglasses or other corrective lenses (except for cataract lenses certified as medically necessary for aphakia persons) and hearing aids or examinations for the prescription or fitting thereof."

SECTION 2.(e) Deductible and co-payment changes. – Effective July 1, 2009, the Executive Administrator shall make the following changes to deductibles, coinsurance maximums, and co-payments under the Basic and Standard PPO Plans:

(1) Basic plan (70/30):

a. Increase the in-network annual deductible to eight hundred dollars ($800.00) for member-only coverage and to one thousand six hundred dollars ($1,600) for the out-of-network annual deductible for member-only coverage.

The aggregate maximum annual deductible for employee-child and employee-family coverage shall be three times the member-only annual deductibles.

b. Increase the in-network coinsurance maximum to three thousand two hundred fifty dollars ($3,250) for member-only coverage and to six thousand five hundred dollars ($6,500) for member-only out-of-network maximum coinsurance. The aggregate maximum coinsurance for employee-child and employee-family coverage shall be three times the member-only coinsurance maximums.

c. Increase the in-network primary care co-payment to thirty dollars ($30.00) per covered individual.

d. Increase the in-network specialist co-payment to seventy dollars ($70.00) per covered individual.

e. Increase the in-network and out-of-network inpatient co-payment to two hundred fifty dollars ($250.00) per covered individual.

f. Increase prescription drug co-pays as required under G.S. 135-45.6(b) as enacted by this act.

g. Except as otherwise provided in this act, co-payments and coinsurance for coverage not otherwise listed in this subdivision shall remain as applicable in the 2008-2009 benefit year.

(2) Standard plan (80/20):

a. Increase the in-network annual deductible to six hundred dollars ($600.00) for member-only coverage and to one thousand two hundred dollars ($1,200) for the member-only out-of-network annual deductible.

The aggregate maximum annual deductible for employee-child and employee-family coverage shall be three times the member-only annual deductibles.

b. Increase the in-network coinsurance maximum to two thousand seven hundred fifty dollars ($2,750) for member-only coverage and to five thousand five hundred dollars ($5,500) for member-only out-of-network maximum coinsurance. The aggregate maximum coinsurance for employee-child and employee-family coverage shall be three times the member-only coinsurance maximums.

c. Increase the in-network urgent care co-payment to seventy-five dollars ($75.00) per covered individual.

d. Increase the in-network primary care co-payment to twenty-five dollars ($25.00) per covered individual.

e. Increase the in-network and out-of-network specialist co-payment to sixty dollars ($60.00) per covered individual.

f. Increase the in-network and out-of-network inpatient co-payment to two hundred dollars ($200.00) per covered individual.

g. Increase prescription drug co-pays as required under G.S. 135-45.6(b) as enacted by this act.

h. Except as otherwise provided in this act, co-payments for coverage not otherwise listed in this subdivision shall remain as applicable in the 2008-2009 benefit year.

SECTION 2.(f) Limitation on authority to change benefits. – G.S. 135-45(g) reads as rewritten:

"(g) The Executive Administrator and Board of Trustees shall not change the Plan's comprehensive health benefit coverage, co-payments, deductibles, out-of-pocket expenditures, and lifetime maximums in effect on ~~July 1, 2008,~~ July 1, 2009, or a later act of the General Assembly, that would result in a net increased cost to the Plan or in a reduction in benefits to Plan members as a whole unless and until the proposed changes are directed to be made in an act of the General Assembly."

SECTION 2.(g) Premium increases. – Premium rates for contributory coverage established in accordance with G.S. 135-44.6 shall be increased to seven and eight-tenths percent (7.8%) for contributory coverage for the 2009-2010 fiscal year and shall be increased by an additional seven and eight-tenths percent (7.8%) over the premium rate for contributory coverage for the 2010-2011 fiscal year.

SECTION 2.(h) Effective July 1, 2009, G.S. 135-45.11 is amended by adding the following new subsection to read:

"(c) Maintenance Medication Retail Pharmacy Network Initiative. – The Plan shall implement a maintenance medication retail pharmacy network initiative that will reduce pharmaceutical costs to the Plan and to members with respect to refills of long-term maintenance drugs. To ensure access to pharmaceutical care throughout the State, the Plan shall establish a network of retail pharmacies that agree to participate in the maintenance retail network under the Plan's contract terms and shall offer all retail pharmacies an opportunity to join the network. The Plan may require that after two 30-day refills of maintenance medications, members would be required to obtain maintenance medications from a pharmacy in the maintenance retail network or by mail order. For each three-month supply of maintenance medications the member obtains from a pharmacy participating in the maintenance retail network or by mail order, the member will be responsible for not more than two and one-half times the monthly co-payment for a 30-day supply of a drug subject to the co-payments and allowable charges under G.S. 135-45.6(b). If the member purchases the maintenance drug from a source other than a maintenance retail network pharmacy or by mail order, the member shall be required to pay fifty percent (50%) of the Plan's gross allowed cost of the maintenance medication. The Plan may impose an increased co-payment for the purchase of less than a three-month supply of a maintenance medication from a maintenance network

pharmacy or by mail. Under the increased co-payment, the member shall be responsible for fifty percent (50%) of the Plan's gross allowed cost of the maintenance medication for each 30-day supply of the maintenance medication purchased from a network pharmacy or by mail. This subsection does not apply to medications taken for acute conditions or specialty medications."

PART THREE: ELIGIBILITY CLARIFICATION.

SECTION 3.(a) Dependent child clarifications. – G.S. 135-45.1(10) reads as rewritten:

"(10) Dependent child. – A natural, legally adopted, or foster child or children of the employee and or spouse, unmarried, up to the first of the month following his or her 19th birthday, whether or not the child is living with the employee, as long as the employee is legally responsible for such child's maintenance and support. Dependent child also includes a stepchild of the member who is married to the stepchild's natural parent. To be eligible, the stepchild must have his or her primary residence with the member. Dependent child shall also include any child under age 19 who has reached his or her 18th birthday, provided the employee was legally responsible for such child's maintenance and support on his or her 18th birthday. Dependent children of firefighters, rescue squad workers, and members of the national guard are subject to the same terms and conditions as are other dependent children covered by this subdivision. Eligibility of dependent children is subject to the requirements of G.S. 135-45.2(d). The Plan may require documentation from the member confirming a child's eligibility to be covered as the member's dependent."

SECTION 3.(b) Eligibility of full-time students. – G.S. 135-45.2(d) reads as rewritten:

"(d) A foster child is covered as a dependent child (i) if living in a regular parent-child relationship with the expectation that the employee will continue to rear the child into adulthood, (ii) if at the time of enrollment, or at the time a foster child relationship is established, whichever occurs first, the employee applies for coverage for such child and submits evidence of a bona fide foster child relationship, identifying the foster child by name and setting forth all relevant aspects of the relationship, (iii) if the claims processor accepts the foster child as a participant through a separate written document identifying the foster child by name and specifically recognizing the foster child relationship, and (iv) if at the time a claim is incurred, the foster child relationship, as identified by the employee, continues to exist. Children placed in a home by a welfare agency which obtains control of, and provides for maintenance of the child, are not eligible participants.

Coverage of a dependent child may be extended beyond the 19th birthday under the following conditions:

(1) If the dependent is a full-time student, ~~aged 19 years and one month~~ through the end of the month following the student's 26th ~~birthday,~~birthday. As used in this section, a full-time student is a student who is pursuing a course of study that represents at least the normal workload of a full-time student at a school or college accredited by the state of jurisdiction. In accordance with applicable federal law, coverage of a full-time student that loses full-time status due to illness may be extended for one year from the effective date of the loss of full-time status provided that the student was enrolled at the time of the onset of the illness.

(2) The dependent is physically or mentally incapacitated to the extent that he or she is incapable of earning a living and (i) such handicap developed or began to develop before the dependent's 19th birthday, or (ii) such handicap

developed or began to develop before the dependent's 26th birthday if the dependent was covered by the Plan in accordance with G.S. 135-45.2(5)a."

SECTION 3.(c) Waiting periods subject to federal law. – G.S. 135-45.3(b) reads as rewritten:

"(b) ~~"Newly~~ Except as otherwise required by applicable federal law, newly acquired dependents (spouse/child) enrolled within 30 days of becoming an eligible dependent will not be subject to the 12-month waiting period for preexisting conditions. A dependent can become qualified due to marriage, adoption, entering a foster child relationship, due to the divorce of a dependent child or the death of the spouse of a dependent child, and at the beginning of each legislative session (applies only to enrolled legislators). Effective date for newly acquired dependents if application was made within the 30 days can be the first day of the following month. Effective date for an adopted child can be date of adoption, or date of placement in the adoptive parents' home, or the first of the month following the date of adoption or placement. Firefighters, rescue squad workers, and members of the national guard, and their eligible dependents, are subject to the same terms and conditions as are new employees and their dependents covered by this subdivision. Enrollments in these circumstances must occur within 30 days of eligibility to enroll."

SECTION 3.(d) G.S. 135-45.4(b)(5) reads as rewritten:

"(5) To administer the 12-month waiting period for preexisting conditions under this that Article, the Plan must give credit against the 12-month period for the time a person was covered under a previous plan if the previous plan's coverage was continuous to a date not more than 63 days before the effective date of coverage. As used in this subdivision, a "previous plan" means any policy, certificate, contract, or any other arrangement provided by any accident and health insurer, any hospital or medical service corporation, any health maintenance organization, any preferred provider organization, any multiple employer welfare arrangement, any self-insured health benefit arrangement, any governmental health benefit or health care plan or program, or any other health benefit arrangement. Waiting periods for preexisting conditions administered under this Article are subject to applicable federal law."

SECTION 3.(e) Eligibility audit. – The Executive Administrator shall provide for an audit of dependent eligibility under the Plan. The audit shall be designed to determine whether all dependents currently covered under the Plan are eligible for coverage under current law. Upon identification of an individual who is enrolled as a dependent but not eligible, the Plan shall disenroll the ineligible dependent effective within 10 days of sending written termination notice to the employee. The notice shall state the date upon which disenrollment will become effective and the basis on which the determination of dependent ineligibility is made. Notwithstanding any other provision of law, the Executive Administrator may waive requirements to collect from the member reimbursement for claims paid for the ineligible covered individual.

SECTION 3.(f) Cessation of coverage of ineligible individuals. – G.S. 135-45.12 is amended by adding the following new subdivision to read:

"(8) The last day of the month in which a covered individual is found to be ineligible for coverage."

SECTION 3.(g) Documentation of dependent eligibility. – G.S. 135-45.3 is amended by adding the following new subsection to read:

"(c) When an eligible or enrolled member applies to enroll the member's eligible dependent child or spouse, the member shall provide the documentation required by the Plan to verify the dependent's eligibility for coverage."

PART FOUR: NC HEALTH CHOICE CHANGES.

SECTION 4.(a) Over-the-counter medications. – Coverage of over-the-counter medication authorized under G.S. 108A-70.21(d) for the NC Health Choice Program shall become effective on the later of July 1, 2010, or the date upon which the Department of Health and Human Services assumes full responsibility for administration and processing of claims under the NC Health Choice Program.

SECTION 4.(b) Subrogation. – For the period authorized under subsection (a) of this section, the right of subrogation under G.S. 108A-57 applies to the State Health Plan for payments made by the Plan under the NC Health Choice Program. This subsection expires on the later of July 1, 2010, or the date upon which the Department of Health and Human Services assumes full responsibility for administration, processing, and payment of claims under the NC Health Choice Program.

SECTION 4.(c) DHHS Subrogation under NC Health Choice. – G.S. 108A-57 is amended by adding the following new subsection to read:

"(c) This section applies to the administration of and claims payments made by the Department of Health and Human Services under the NC Health Choice Program established under Part 8 of this Article."

SECTION 4.(d) G.S. 108A-70.21(g) reads as rewritten:

"(g) Purchase of Extended Coverage. – An enrollee in the Program who loses eligibility due to an increase in family income above two hundred ~~fifty percent (250%)~~percent (200%) of the federal poverty level and up to and including two hundred ~~seventy five percent (275%)~~ 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 benefits, copayments, and other conditions of enrollment under the Program applicable to extended coverage purchased under this subsection shall be the same as those applicable to an NC Kids' Care enrollee whose family income equals two hundred ~~fifty percent (250%)~~ percent (200%) of the federal poverty level."

PART FIVE: OTHER CHANGES.

SECTION 5.(a) G.S. 135-45.4(b)(2) reads as rewritten:

"(2) Employees not enrolling or not adding dependents when first eligible may enroll later on the first of any following month, but will be subject to a twelve-month waiting period for preexisting conditions except as provided in subdivision (a)(3) of this section. The waiting period under this subdivision is subject to applicable federal law."

SECTION 5.(b) Utilization management functions. – G.S. 135-44.4 is amended by adding the following new subdivisions to read:

"(13a) The Plan and its pharmacy benefit manager may implement and administer pharmacy and medical utilization management programs and programs to detect and address utilization abuse of benefits.

...

(29) For transplant and bariatric medical procedures, the Plan may restrict coverage to certain in-network providers that are designated by the Plan's claims processing contractor."

SECTION 5.(c) G.S. 135-44.1(b) reads as rewritten:

"(b) ~~Six~~ A majority of the members of the Board of Trustees in office shall constitute a quorum. Decisions of the Board of Trustees shall be made by a majority vote of the Trustees present, except as otherwise provided in this Part."

SECTION 5.(d) G.S. 135-45.9(b) reads as rewritten:

"(b) Notwithstanding any other provision of this Part, the following necessary services for the care and treatment of chemical dependency and mental illness shall be covered as provided in this section: allowable institutional and professional charges for inpatient care,

outpatient care, intensive outpatient program services, partial hospitalization treatment, and residential care and treatment:

(1) For mental illness treatment:

a. Licensed psychiatric ~~hospitals;~~ hospitals or State psychiatric hospitals accredited by the Joint Commission on the Accreditation of Healthcare Organizations;

b. Licensed psychiatric beds in licensed general hospitals;

c. Licensed residential treatment facilities that have 24-hour on-site care provided by a registered nurse who is physically located at the facility at all times and that hold current accreditation by a national accrediting body approved by the Plan's mental health case manager;

d. Area Mental Health, Developmental Disabilities, and Substance Abuse Authorities or County Programs in accordance with G.S. 122C-141;

e. Licensed intensive outpatient treatment programs; and

f. Licensed partial hospitalization programs.

(2) For chemical dependency treatment:

a. Licensed chemical dependency units in licensed psychiatric ~~hospitals;~~ hospitals or in State psychiatric hospitals accredited by the Joint Commission on the Accreditation of Healthcare Organizations;

b. Licensed chemical dependency hospitals;

c. Licensed chemical dependency treatment facilities;

d. Area Mental Health, Developmental Disabilities, and Substance Abuse Authorities or County Programs in accordance with G.S. 122C-141;

e. Licensed intensive outpatient treatment programs;

f. Licensed partial hospitalization programs; and

g. Medical detoxification facilities or units."

SECTION 5.(e) Section 28.22A(k) of S.L. 2007-323 reads as rewritten:

"**SECTION 28.22A.(k)** Subsection (j) of this section expires ~~June 30, 2009.~~ June 30, 2011."

PART SIX: SALARY-RELATED CONTRIBUTIONS.

SECTION 6.(a) Effective for the 2009-2011 fiscal biennium, 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.

Notwithstanding any other provision of law, an employing unit that is subject to Part 3A of Article 3A of Chapter 135 of the General Statutes and that hires or has hired as an employee a retiree that is in receipt of monthly retirement benefits from any retirement system supported in whole or in part by contributions of the State shall enroll the retiree in the active group and pay the cost for the hospital-medical benefits if that retiree is employed in a position

that would require the employer to pay hospital-medical benefits if the individual had not been retired.

SECTION 6.(b) Effective July 1, 2009, the State's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for the 2009-2010 fiscal year are: (i) eight and forty-four hundredths percent (8.44%) – Teachers and State Employees; (ii) thirteen and forty-four hundredths percent (13.44%) – State Law Enforcement Officers; (iii) eleven and seventy-six hundredths percent (11.76%) – University Employees' Optional Retirement System; (iv) eleven and seventy-six hundredths percent (11.76%) – Community College Optional Retirement Program; (v) seventeen and sixty-one hundredths percent (17.61%) – Consolidated Judicial Retirement System; and (vi) four and forty hundredths percent (4.40%) – Legislative Retirement System. Each of the foregoing contribution rates includes four and forty hundredths percent (4.40%) for hospital and medical benefits. The rate for Teachers and State Employees, State Law Enforcement Officers, Community College Optional Retirement Program, and for 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 6.(c) Effective July 1, 2010, the State's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for the 2010-2011 fiscal year are: (i) eight and eighty-four hundredths percent (8.84%) – Teachers and State Employees; (ii) thirteen and eighty-four hundredths percent (13.84%) – State Law Enforcement Officers; (iii) twelve and sixteen hundredths percent (12.16%) – University Employees' Optional Retirement System; (iv) twelve and sixteen hundredths percent (12.16%) – Community College Optional Retirement Program; (v) eighteen and one hundredths percent (18.01%) – Consolidated Judicial Retirement System; and (vi) four and eighty hundredths percent (4.80%) – Legislative Retirement System. Each of the foregoing contribution rates includes four and eighty hundredths percent (4.80%) for hospital and medical benefits. The rate for Teachers and State Employees, State Law Enforcement Officers, Community College Optional Retirement Program, and for 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 6.(d) Effective July 1, 2009, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2009-2010 fiscal year to the State Health Plan for Teachers and State Employees are: (i) Medicare-eligible employees and retirees – three thousand four hundred thirteen dollars ($3,413) and (ii) non-Medicare-eligible employees and retirees – four thousand four hundred eighty-two dollars ($4,482).

SECTION 6.(e) Effective July 1, 2010, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2010-2011 fiscal year to the State Health Plan for Teachers and State Employees are: (i) Medicare-eligible employees and retirees – three thousand six hundred eighty dollars ($3,680) and (ii) non-Medicare-eligible employees and retirees – four thousand eight hundred thirty-four dollars ($4,834).

PART SEVEN: EFFECTIVE DATE.

SECTION 7. Sections 1(b), 1(c), 1(d), 2(c) through (e), 2(g), and 2(h) of this act become effective July 1, 2009. Section 4(d) of this act applies to applications for the purchase of extended coverage made on and after July 1, 2008. The remainder of this act is effective when it becomes law.

VISITOR REGISTRATION SHEET

Appropriations/Base Budget — March 11, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Rebekah H Wrenn	UNC Eshelman School of Pharmacy
Kim Fordham	UNC Eshelman School of Pharmacy
	Pozen Spruill
	JD, AL, PA
	SEANC
	SEANC
	Justice Uffice
	NMRS
	NCEL
Thanhhoa Nguyen	UNC - Eshelmen School of Pharmacy
	NCRSP

VISITOR REGISTRATION SHEET

Appropriations/Base Budget — March 11, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

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Nabil Kamas	Campbell university School of pharmacy NCAP
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Elizabeth Todd	UNC Eshelman School of Pharmacy NCAP
Katie Young	UNC Eshelman School of Pharmacy NCAP
Ramonna Cvelich	UNC Eshelman School of Pharmacy NCAP
JEFFREY RICHARD	UNC Eshelman School of Pharmacy NCAP
Kelly Martin	UNC Eshelman School of Pharmacy NCAP
Paul Cubita	UNC Eshelman School of Pharmacy NCAP
Sarah Gilfillan	UNC Eshelman School of Pharmacy NCAP
Kathryn Merkel	UNC Eshelman School of Pharmacy NCAP

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Appropriations/Base Budget — March 11, 2009

Name of Committee — **Date**

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MARK WERMS	MEDCO
	Pepper Group
DAVID BARNES	
David Rich	NCCA
Robert Rich, MD	NCAFP
Brian Forrest MD	NCAFP
Christopher Snyder MD	NCAFP
Leigh Foushee, PharmD, CPP	NC Association of Pharmacists
Michael Nnadi, PharmD, MHS	NC Association of Pharmacists
Angela Alston, Pharmd Candidate	NC Association of Pharmacists
ERIN DUFF, PharmD candidate	NC Association of Pharmacists

VISITOR REGISTRATION SHEET

Appropriations/Base Budget — **Name of Committee**

March 11, 2009 — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Crystal Scarpena, PharmD Candidate	North Carolina Association of Pharmacists
Marlena Abernethy-Page PharmD Candidate 2009	- NC Association of Pharmacists - Campbell University
Katie Bayliss PharmD candidate 2009	North Carolina Association of Pharmacists - UNC Chapel Hill
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Amy Wigglesworth PharmD Candidate 2009	NC Association of Pharmacists - UNC Chapel Hill
Ali Mehrizi PharmD candidate 2009	NCAP - UNC Chapel Hill
Ryan Owenby PharmD Candidate 2009	North Carolina Association of Pharmacists - UNC Chapel Hill
Trisha Weishuhn PharmD. Candidate 2009.	North Carolina Association of Pharmacists UNC Chapel Hill
Drew Huggins PharmD Candidate 2009	NCAP UNC-Chapel Hill
W. MARK MOORE, PHARMD, MS, MBA REGISTERED PHARMACIST	NCAP CAMPBELL UNIVERSITY
Ryan Swanson	NC Association of Pharmacists 109 Church St. Chapel Hill, NC 27513

Approps

VISITOR REGISTRATION SHEET

3-11-09

Senate ~~Finance~~ Committee
Name of Committee

~~March 4, 2009~~
Date

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Suzanne Beasley Malysz	SEANC
Ardis Watkins	SEANC
Jack W Walker	State Health Plan
Anne Rogers	State Health Plan
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Lorraine Munk	SHP
Ed Regan	NCREA
Jim Hedrick	NCPE/FB
Brooke Rawls	Physicians Pharmacy Alliance & PCNC

VISITOR REGISTRATION SHEET

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Senate ~~Finance~~ Committee
Name of Committee

3-11-09
~~March 4, 2009~~
Date

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Cam Cowe	BPMHL
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Daniel Etun	K&L GATES
Amy McConkey	Smith Anderson
Anecha Pretto	UNC-CH, School of Medicine Div. Speech & Hearing
Joni Allen	BEGINNINGS
Kamini Adderley	UNC-CH Eshelman School of Pharmacy
Elizabeth Young	UNC-CH Eshelman School of Pharmacy
Allie Bennett	UNC-CH Eshelman SOP
Alesha Thomas	UNC Eshelman School of Pharmacy

VISITOR REGISTRATION SHEET

Approps 3-11-09

Senate ~~Finance~~ Committee — ~~March 4, 2009~~

Name of Committee — **Date**

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NAME	FIRM OR AGENCY AND ADDRESS
Emily Heil	UNC Pharmacy Student
Christina Teeter	UNC Pharmacy Student
Namrata Patel	UNC SOP student
Mary Mims	Campbell SOP student
Nichde Wilson	Campell SOP Student
Mindy Wassum	Campbell SOP Student
ROD C BROWN, DC	NC CHIROPRACTIC ASSN.
Anthony W. Hamm, DC	NC Chiropractic Assoc.
R.J. WEBER	NC CHIROPRACTIC ASSOC.
Patricia Rooney	NCACC
[signature]	UCPS

Senate Appropriations/Base Budget Committee
Wednesday, March 11, 2009, 10:00 a.m.
643 LOB

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

SB 287	State Hlth Plan $/Good Health Initiatives.	Senator Rand

Presentations

Other Business

Adjournment

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2009

Legislative Actuarial Note

HEALTH BENEFITS

BILL NUMBER: Proposed Committee Substitute S287-PCS55166-LN-2

SHORT TITLE: State Hlth Plan $/Good Health Initiatives.

SPONSOR(S): Senator Rand

SYSTEM OR PROGRAM AFFECTED: State Health Plan for Teachers and State Employees (Plan).

FUNDS AFFECTED: State General Fund, State Highway Fund, other State employer receipts; premium payments for dependents of active employees and retired employees of State agencies and universities, local public schools and local community colleges; premium payments for coverages selected by eligible former employees; premium payments for coverages selected by firefighters, rescue squad workers, members of the National Guard, and certain authorized local governments.

BILL SUMMARY: The Senate Proposed Committee Substitute appropriates funds, authorizes premium rate increases, make benefit and provider related changes, and other various changes to the Plan.

EFFECTIVE DATE: Sections 1(b), 1(c), 1(d), 2(c) through (e), 2(g), and 2(h) of this act become effective July 1, 2009. The benefit changes in Section 2(b)(2) become effective July 1, 2010, in Section 2(b)(3) on July 1, 2011, and in Section 2(d) on January 1, 2010. The remainder of this act is effective when it becomes law.

ESTIMATED IMPACT ON STATE:

Current FY 2008-2009

Appropriated Funds

Section 1(a) appropriates the sum of $250 million from the Savings Reserve Account ("Rainy Day Fund") of the General Fund for the 2008-09 fiscal year. These funds are to be used to finance a shortfall in funds available to pay health care benefits, administrative costs, and adequately fund the Plan's beginning cash balance on July 1, 2009.

2009-2011 Biennium

Increased Premium Contributions

Appropriated Funds

Sections 1(b), (c), and (d) appropriate the estimated required funds to support increased employer contributions to continue non-contributory benefit coverage for eligible employees and retired employees enrolled in the Plan for the 2009-2011 Biennium. These appropriations correspond to an annual 7.8% premium increase in non-contributory premium rates for the fiscal year beginning July 1, 2009, and an

additional annual premium increase of 7.8% for the fiscal year beginning July 1, 2010. Historically, the Plan has applied a premium increase in October of the first fiscal year of a biennium; however, the premium increases in the bill propose to change that methodology to an annual increase at the beginning of each fiscal year of a biennium. The table reflects the allocation of appropriated funds by fund source:

Additional Employer Contributions
Appropriated Funds

Fund Source	FY 2009-10	FY 2010-11	Biennium
General Fund	$116,656,658	$242,460,864	$359,117,522
Highway Fund	$5,443,977	$11,314,840	$16,758,817
Other Funds	$24,066,409	$50,019,968	$74,086,377
Total	$146,167,044	$303,795,672	$449,962,716

Employee Funds

Section 2(g) of the proposed bill authorizes an annual 7.8% premium increase in contributory premium rates for the fiscal year beginning July 1, 2009, and an additional annual premium increase of 7.8% for the fiscal year beginning July 1, 2010. The estimated additional premium contributions from this proposed change is listed below:

Additional Employee Contributions
For Contributory Dependent Coverage

Fund Source	FY 2009-10	FY 2010-11	Biennium
Employee Contributions	$29,924,240	$62,194,967	$92,119,207

Total Increased Premium Contributions From Appropriated and Employee Funds

The table reflects the total additional premium contributions projected to be received by the Plan over the 2009-2011 Biennium as a result of the proposed rate increase of premium increase:

Total Additonal Premium Contributions
From Appropriated and Employee Funds

Fund Source	FY 2009-10	FY 2010-11	Biennium
Appropriated			
General Fund	$116,656,658	$242,460,864	$359,117,522
Highway Fund	$5,443,977	$11,314,840	$16,758,817
Other Funds	$24,066,409	$50,019,968	$74,086,377
Sub-total	$146,167,044	$303,795,672	$449,962,716
Employee Contributions	$29,924,240	$62,194,967	$92,119,207
Total	$176,091,284	$365,990,639	$542,081,923

Financial Savings for the 2009 Biennium

Per the requirements of Senate Rule 42.2, House Rule 36.2, and G.S. 120-114 actuarial analyses have been prepared with respect to the bill's proposed benefit and other changes that are estimated to affect the financial condition of the Plan. A summary of the proposed changes are described below including the estimated actuarial impact of these changes.

Sections 2(c), (d), and (e) of the bill propose various benefit changes to include increased annual deductibles, annual co-insurance maximums, increased office visit co-pays, increased outpatient prescription drug co-pays, a new specialty drug co-pay, utilization of a specialty drug vendor, and plan member incentives for using a to be established extended retail and mail order network of pharmacies for acquiring maintenance medications. Effective January 1, 2010, the proposed bill also eliminates the current in-network routine eye examination benefit offered under the Plan.

A summary of the out-of-pocket changes for medical benefit related services are summarized in the table below:

Medical Benefits	PPO Basic		PPO Standard	
Plan Member Co-pays (per visit)	Current	New Co-pay	Current	New Co-pay
Primary Care	$25	$30	$20	$25
Specialty Care	$50	$70	$40	$60
Urgent Care	$75	$75	$50	$75
Inpatient Hospital	$200	$250	$150	$200
Annual Deductible				
In-network	$600	$800	$300	$600
Out-of-network	$1,200	$1,600	$600	$1,200
Coinsurance Maximum				
In-network	$2,500	$3,250	$1,750	$2,750
Out-of-network	$5,000	$6,500	$3,500	$5,500

For acute prescription drugs, the co-pay for brand drugs increases from $30 per script to $35 per script, brand drugs with a generic equivalent from $40 per script to $10 plus the difference in the Plan's gross allowed cost of the brand drug and the Plan's cost of the generic equivalent drug, and from $50 per script to $55 per script for non-preferred brand drugs.

For outpatient maintenance prescription drugs, the bill authorizes an Extended Retail Mail Order network for plan members to purchase maintenance medications, in three month supply quantities with a co-pay incentive, from select retail pharmacies or via mail order through the Plan's pharmacy benefit manager. The requirements to implement this maintenance medication benefit include plan members purchasing maintenance medications at 2.5 times the normal one-month co-pay for a non-maintenance generic, brand, or non-preferred brand drug in a three month supply quantity. Based on increased co-pay amounts authorized in the proposed bill, the following co-pays will apply for a three month supply of a maintenance medication: $25 for a generic equivalent, $87.50 for a brand drug, and $137.50 for a non-preferred drug. A penalty of 50% of the Plan's gross cost for a maintenance drug is paid by a plan member if they elect to purchase drugs outside of the established network or in quantities of less than a three month supply. Plan members are allowed to purchase an original 30-day supply of a maintenance medication plus two refills without penalty before having to comply with the Extended Retail Mail Order network requirements.

The proposed bill authorizes a new co-pay tier for specialty prescription drugs determined to be "biotech" medications or other select costly medications that cost the Plan in excess of $400 per prescription. The new per script co-pay will be equal to 25% of the Plan's cost for the drug or a maximum of $100. The current co-pays for specialty drugs range from $30 to $50 per script. The bill also authorizes the Plan to contract with a specialty drug vendor through which to channel plan member purchases of specialty drugs on an outpatient basis or in a professional office or institution setting.

Aon Consulting, the consulting actuary for the State Health Plan for Teachers and State Employees, estimates that the implementation of the bill's proposed benefit changes, and implementation of an Extended Retail Mail Order pharmacy network with benefit incentives and penalties for maintenance medications, will yield the following projected savings:

Aon Consulting
Projected Financial Savings
Benefit and Provider Related Changes

Category	FY 2009-10	FY 2010-11	Biennium
Medical Benefits	$118,866,918	$139,542,217	$258,409,135
Outpatient Prescription Drugs (acute drugs)	$22,162,147	$24,092,234	$46,254,381
Specialty Drugs	$3,086,315	$3,396,887	$6,483,202
Extended Retail Mail Order (maintenance drugs)	$36,407,085	$55,105,625	$91,512,710
Total	$180,522,465	$222,136,963	$402,659,428

Hartman & Associates, the consulting actuary for the General Assembly's Fiscal Research Division, estimates that estimates that the implementation of the bill's proposed benefit changes, and implementation of an Extended Retail Mail Order pharmacy network with benefit incentives and penalties for maintenance medications, will yield the following projected savings:

Hartman & Associates
Projected Financial Savings
Benefit and Provider Related Changes

Category	FY 2009-10	FY 2010-11	Biennium
Medical Benefits	$118,684,000	$143,713,000	$262,397,000
Outpatient Prescription Drugs (acute drugs)	$24,015,000	$24,225,000	$48,240,000
Specialty Drugs	$3,136,000	$3,417,000	$6,553,000
Extended Retail Mail Order (maintenance drugs)	$40,368,000	$46,914,000	$87,282,000
Total	$186,203,000	$218,269,000	$404,472,000

Provided below is a comparison table reflecting the specific results of each consulting actuary by the type of benefit and provider change proposed in the bill.

Projected Financial Savings by Type

Category	Aon Consulting (Plan) FY 2009-10	FY 2010-11	Biennium	Hartman & Assoc. (General Assembly) FY 2009-10	FY 2010-11	Biennium
Medical Benefits						
Primary Care Co-pay (Increase)	$8,518,038	$9,571,177	$18,089,215	$8,116,000	$9,257,000	$17,373,000
Specialist Co-pay (Increase)	$29,077,025	$32,672,003	$61,749,028	$27,125,000	$31,713,000	$58,838,000
Urgent Care Co-pay (Increase)	$739,560	$830,997	$1,570,557	$854,000	$994,000	$1,848,000
Inpatient Co-pay (Increase)	$2,158,037	$2,424,849	$4,582,886	$1,970,000	$2,247,000	$4,217,000
Routine Eye Exam (Eliminate Benefit) (Eff. 1/2010)	$2,158,693	$7,193,591	$9,352,284	$2,540,000	$7,039,000	$9,579,000
Deductible and Coinsurance Max (Increase)	$76,215,565	$86,849,600	$163,065,165	$78,079,000	$92,463,000	$170,542,000
Sub-total	$118,866,918	$139,542,217	$258,409,135	$118,684,000	$143,713,000	$262,397,000
Outpatient Prescription Drugs (acute drugs)						
Brand Drug Co-pay (Increase)	$11,734,884	$12,173,684	$23,908,568	$12,010,000	$11,741,000	$23,751,000
Brand Drug with Generic Equivalent (Increase)	$4,632,720	$5,644,491	$10,277,211	$6,285,000	$6,536,000	$12,821,000
Non-Preferred Brand Drug Co-pay (Increase	$3,089,092	$3,204,602	$6,293,694	$3,530,000	$3,671,000	$7,201,000
Reduce from 34-Day supply to 30-Day Supply	$2,705,451	$3,069,457	$5,774,908	$2,190,000	$2,277,000	$4,467,000
Sub-total	$22,162,147	$24,092,234	$46,254,381	$24,015,000	$24,225,000	$48,240,000
Specialty Drugs						
Establish a Specialty Drug vendor	$1,682,177	$1,835,102	$3,517,279	$1,665,000	$1,887,000	$3,552,000
Specialty Drug Copay (Establish)	$1,404,138	$1,561,785	$2,965,923	$1,471,000	$1,530,000	$3,001,000
Sub-total	$3,086,315	$3,396,887	$6,483,202	$3,136,000	$3,417,000	$6,553,000
Maintenance Drugs						
Extended Retail-Mail Order (Establish)	$36,407,085	$55,105,625	$91,512,710	$40,368,000	$46,914,000	$87,282,000
Grand Total	$180,522,465	$222,136,963	$402,659,428	$186,203,000	$218,269,000	$404,472,000

In addition, included in the table below is a comparison of the cost estimates by component and by each consulting actuary, for their respective savings estimates pertaining to the proposed Extended Retail Mail Order program:

Estimated Plan Savings From Extended Retail Mail Order Rx

Aon Consulting

Year	Gross Cost	Mem Copay	Copay Penalty	Net Plan Rx Savings	Admin Savings	Net Rx+Admin Savings	Risk Adjusted Net Rx+Admin[1] Savings
FY 2009-10	$42,439,959	($17,348,361)	$11,315,163	$36,406,761	$4,045,556	$40,452,317	$36,407,085
FY 2010-11	$71,255,486	($26,707,734)	$10,059,812	$54,607,564	$6,620,908	$61,228,472	$55,105,625
Total	$113,695,445	($44,056,095)	$21,374,975	$91,014,325	$10,666,464	$101,680,789	$91,512,710

Hartman & Associates

Year	Gross Cost	Mem Copay	Copay Penalty	Net Plan Rx Savings	Admin Savings	Net Rx+Admin Savings	Risk Adjusted Net Rx+Admin[2] Savings
FY 2009-10	$50,940,181	($20,128,339)	$7,839,291	$38,651,133	$5,541,208	$44,192,341	$40,368,003
FY 2010-11	$56,506,057	($21,166,532)	$7,979,621	$43,319,146	$6,064,053	$49,383,199	$46,914,039
Total	$107,446,238	($41,294,871)	$15,818,912	$81,970,279	$11,605,261	$93,575,540	$87,282,042

Footnotes:

[1] Includes 10% risk adjustment factor.

[2] Net Savings reflects 2 week lag in the first year and 5% risk factor reduction. Values reflect 3% utilization increase in extended pharmacy (retail & mail).

Other Proposed Changes Affecting the Plan

Section 2(a) of the proposed bill eliminates the PPO Plus benefit alternative for plan members effective July 1, 2009. Employees currently in this plan will be provided the option to enroll in the remaining PPO Basic or PPO Standard plans. The PPO Plus alternative currently offers 90/10 coverage for an additional premium charge paid by the plan member.

Section 2(b) of the proposed bill implements a "Comprehensive Wellness Initiative" to focus on smoking cessation and weight management efforts.

The smoking cessation program will commence July 1, 2010 and will require all non-Medicare plan members to be enrolled in the PPO Basic plan unless the subscribing employee or retired employee can attest that they or any enrolled dependent do not smoke or otherwise use tobacco products. For eligible employees or retired employees who have attested that neither they nor their enrolled dependents use tobacco products, or if their medical provider certifies that a plan member is in a smoking cessation program, they will have the option to enroll in the PPO Standard plan.

Aon Consulting, consulting actuary for the Plan, estimates the smoking cessation program will save approximately $3.4 million in claims cost for the FY 2010-11. However, the administrative costs to begin implementation are estimated by Aon to offset any first year savings. Aon consulting noted that until further administrative costs and program implementation issues are determined, estimating future savings to the Plan is not possible at this time. Hartman and Associates, consulting actuary for the General Assembly's Fiscal Research Division, does not project any financial impact to the Plan from the proposed smoking cessation program. According to Hartman and Associates, the lack of program parameters and specific administrative costs prevents any reasonable analysis to be conducted.

The weight management program authorized in the proposed bill will begin effective July 1, 2011. Under this program all non-Medicare plan members will be enrolled in the PPO Basic plan unless the subscribing employee or retired employee attests that the ratio of weight and height of the employee or retired employee, or for any of their enrolled dependents, meets certain evidence-based healthy weight clinical guidelines. A plan member who cannot meet the Plan's weight and height ratio guidelines will remain in the PPO Basic plan unless a medical provider certifies the plan member has a medical condition that prevents them from attaining a specified ration of weight and height, or if the member is actively participating in a Plan-approved weight management program.

Neither the Plan's consulting actuary, Aon Consulting, nor the General Assembly's consulting actuary, Hartman and Associates, have estimated any financial impact due to the weight management program. The July 1, 2011 implementation date and yet to be developed administrative costs and program implementation requirements do not allow for any reliable financial projection at this time.

Reconciliation of Plan's Financial Requirements

According to available information from the Executive Administrator of the Plan, the Plan needs an immediate appropriation of $250 million for the current 2008-2009 fiscal year to operate through June 30, 2009, and to provide for an adequate beginning cash balance to begin operations for the new fiscal year commencing July 1, 2009. In addition, for the new biennium beginning July 1, 2009 the Plan is estimated to require over $1.2 billion in additional financial support to remain solvent and maintain minimum claim stabilization reserves for the 2009-2011 biennium. If the Plan were to maintain current benefit levels and

assuming a 9% per capita claims trend, the Plan would require an estimated 30.8% premium increase for the biennium (effective October 1, 2009).

The proposed bill addresses this projected shortfall by authorizing the following changes:

1. Proposing a 7.8% annual premium increase on July 1 of each fiscal year of the biennium for non-contributory and contributory premium rates; this change moves the historical date to increase premium rates from October 1 in the first year of a biennium, and moves to an annual premium increase;

2. Eliminating the current PPO Plus option benefit alternative;

3. Increase plan member out-of-pocket requirements for certain medical and prescription drug benefits; and

4. Establishing an Extended Retail Mail Order program for administering benefits for outpatient prescription drug benefits involving maintenance medications.

A financial summary table provided below provides a projected reconciliation of the financial related changes authorized under the bill assuming the Plan's consulting actuary's estimate of projected financial need for the 2009-2011 biennium, their projected financial savings due to benefit and other provider related changes, and their estimate of additional premium contributions:

State Health Plan
Summary of Financial Changes
Senate Proposed Committee Substitute to Senate Bill 287
($ Million)

	FY 2009-10	FY 2010-11	Biennium
1) Projected Financial Support Required Before Any Adjustments	$528.1	$704.2	$1,232.3
2) Adjust for Proposed FY 2008-09 Special Appropriation of $250M	($107.1)	($142.9)	($250.0)
3) Adjust for Elimination of PPO Plus (Net Adjustment)	($14.4)	($24.4)	($38.8)
4) Adjusted Financial Support Required for the 2009-11 Biennium	$406.6	$536.9	$943.5
5) Benefit Reductions Effective July 1, 2009			
Medical			
Primary Care Co-pay (Increase)	($8.5)	($9.6)	($18.1)
Specialist Co-pay (Increase)	($29.1)	($32.7)	($61.8)
Urgent Care Co-pay (Increase)	($0.7)	($0.8)	($1.5)
Inpatient Co-pay (Increase)	($2.2)	($2.4)	($4.6)
Deductible and Coinsurance Maximum (Increase)	($76.2)	($86.9)	($163.1)
Routine Eye Exam (Eliminate Benefit) {Effective January 1, 2010}	($2.2)	($7.2)	($9.4)
Sub-total	($118.9)	($139.6)	($258.5)
Outpatient Acute and Specialty Prescription Drugs			
Brand Drug Co-pay (Increase)	($11.8)	($12.2)	($24.0)
Brand Drug with Generic Equivalent (Increase)	($4.6)	($5.6)	($10.2)
Non-Preferred Brand Drug Co-pay (Increase	($3.1)	($3.2)	($6.3)
Reduce from 34-Day supply to 30-Day Supply per script	($2.7)	($3.1)	($5.8)
Specialty Drug Copay (Establish)	($1.4)	($1.6)	($3.0)
Establish a Specialty Drug vendor	($1.7)	($1.8)	($3.5)
Sub-total	($25.3)	($27.5)	($52.8)
Total -- Benefit Reductions	($144.2)	($167.1)	($311.3)
6) Extended Retail Mail Order Network (Outpatient Maintenance Drugs)	($36.4)	($55.1)	($91.5)
7) Appropriations by the General Assembly			
Premium increase for Employing Agencies (July 1, 2009 = 7.8%, July 1, 2010 = 7.8%)			
General Fund	($116.7)	($242.5)	($359.2)
Highway Fund	($5.4)	($11.3)	($16.7)
Other Employer Funds	($24.1)	($50.0)	($74.1)
Total Employer Funds	($146.2)	($303.8)	($450.0)
8) Premium increases for Dependent Coverage (July 1, 2009 = 7.8%; July 1, 2010 = 7.8%) Paid by Employees and Retirees for Enrolled Spouses and Dependent Children			
Total Employee Funds	($29.9)	($62.2)	($92.1)
9) Plan's Other Operating Adjustments	($0.3)	$2.5	$2.2
10) Balance	$49.6	($48.8)	$0.8

Note: The $800,000 balance remaining at the end of the biennium is a product of rounding error and a difference in projected ending balances between financial projections estimating total financial requirements and final requirements after the proposed premium increases, benefit changes, and other program changes. This difference is not expected to have an adverse effect on the Plan's finances.

ASSUMPTIONS AND METHODOLOGY:

The actuarial analyses used by each respective consulting actuary are on file with the Fiscal Research Division. Copies of each respective consulting actuary's analysis, including assumptions, are also attached to the original copy of this Legislative Actuarial note.

Summary Information and Data about the Plan

The Plan administers health benefit coverage for active employees from employing units of State agencies and departments, universities, local public schools, and local community colleges. Eligible retired employees of authorized employing units may also access health benefit coverage under the Plan. Eligible dependents of active and retired employees are authorized to participate in the Plan provided they meet certain requirements. Employees and retired employees of selected local governments may also participate in the Plan under certain conditions. Members of fire, rescue squads, and the National Guard may also obtain coverage under the Plan provided they meet certain eligibility criteria.

As of July 1, 2008, the State finances the Plan on a self-funded basis and administers benefit coverage under a Preferred Provider Option (PPO) arrangement. The Plan's receipts are derived through premium contributions, investment earnings and other receipts. Premiums for health benefit coverage are paid by (1) employing agencies for active employees, (2) the Retiree Health Benefit Fund for retired employees, and (3) employees and retirees who elect dependent coverage. Total requirements for the Plan are estimated to be $2.6 billion for FY 2008-09. The Plan's PPO benefit design includes three alternative benefit levels offered to plan members. The three alternative benefit levels include the following:

1) The "Basic" 70/30 plan that offers higher out-of pocket requirements in return for lower fully contributory dependent premiums;

2) The "Standard" 80/20 plan; and

3) The "Plus" 90/10 plan with enhanced benefits via lower out-of pocket requirements as compared to the other PPO plan alternatives offered.

Employees and retired employees electing coverage under the Plus alternative must make a partially contributory premium contribution for their own coverage. The Basic and Standard plans offer coverage to employees and retired employees on a noncontributory basis. Coverage for dependents under all plans is offered on a fully contributory basis.

Financial Condition

Financial Projection (Revised) for FY 2008-09 -- For the fiscal year beginning July 1, 2008, the Plan began its operations with a beginning cash balance of $139.8 million. Receipts for the year are projected to be $2.3 billion from premium collections, $53.9 million from Medicare Part D subsidies, and $2.7 million from investment earnings, for a total of slightly over $2.3 billion in receipt income for the year. Projected disbursements from the Plan are expected to be $2.4 billion in claim-payment expenses and $168.7 million in administration and claims-processing expenses for projected total expenses of nearly $2.6 billion for FY 2008-09. The Plan's net operating loss is projected to be approximately $264.4 million for the fiscal year, assuming a 9% annual claims growth trend.

Projected operating losses are expected to deplete the Plan's cash balance of $139.8 million and leave it without sufficient operating resources to continue operations for the fiscal year. It is currently estimated by

the Plan's Executive Administrator that the Plan will not be able to pay claims on a timely basis by March 31, 2009.

Consequently, the reforecast of Plan finances now indicates that the Plan will require up to $300 million in additional resources to operate for the balance of the 2008-09 fiscal year. This amount represents the estimated funds necessary to pay claims and administrative expenses through June 30, 2009, plus funding a minimum stabilization reserve equal to 7.5% of projected claims, and assuming a future premium rate increase effective October 1, 2009.

Other Information

Additional assumptions include Medicare benefit "carve-outs," cost containment strategies including prior approval for certain medical services, utilization of the "Blue Options" provider network, case and disease management for selected medical conditions, mental health case management, coordination of benefits with other payers, a prescription drug benefit manager with manufacturer rebates from formularies, and fraud detection, and other authorized actions by the Executive Administrator and Board of Trustees to manage the Plan to maintain and improve the Plan's operation and financial condition where possible. Claim cost trends are expected to increase at a rate of 9% annually according to the Plan's consulting actuary. Investment earnings are based upon a 4.5% return on available cash balances.

Enrollment Data as of December 31, 2008

I. No. of Participants	Basic	Standard	Plus	Total	Percent of Total
Actives					
Employees	11,623	271,243	47,687	330,553	49.6%
Dependents	20,454	115,875	28,156	164,485	24.7%
Sub-total	32,077	387,118	75,843	495,038	74.2%
Retired					
Employees	1,726	127,081	17,967	146,774	22.0%
Dependents	1,117	14,935	3,476	19,528	2.9%
Sub-total	2,843	142,016	21,443	166,302	24.9%
Former Employees with Continuation Coverage					
Employees	60	1,349	344	1,753	0.3%
Dependents	61	501	182	744	0.1%
Sub-total	121	1,850	526	2,497	0.4%
Firefighters, Rescue Squad & National Guard					
Employees	-	3	2	5	0.0%
Dependents	-	3	-	3	0.0%
Sub-total	-	6	2	8	0.0%
Local Governments					
Employees	72	1,577	319	1,968	0.3%
Dependents	141	637	218	996	0.1%
Sub-total	213	2,214	537	2,964	0.4%
Total					
Employees	13,481	401,253	66,319	481,053	72.1%
Dependents	21,773	131,951	32,032	185,756	27.9%
Grand Total	**35,254**	**533,204**	**98,351**	**666,809**	**100%**
Percent of Total	**5.3%**	**80.0%**	**14.7%**	**100.0%**	

II. Enrollment by Contract	Basic	Standard	Plus	Total
Employee Only	2,684	328,635	49,246	380,565
Employee Child(ren)	4,958	36,903	8,589	50,450
Employee Spouse	2,274	18,145	4,469	24,888
Employee Family	3,565	17,570	4,015	25,150
Total	**13,481**	**401,253**	**66,319**	**481,053**

Percent Enrollment by Contract	Basic	Standard	Plus	Total
Employee Only	19.9%	81.9%	74.3%	79.1%
Employee Child(ren)	36.8%	9.2%	13.0%	10.5%
Employee Spouse	16.9%	4.5%	6.7%	5.2%
Employee Family	26.4%	4.4%	6.1%	5.2%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Enrollment Data Continued

III. Enrollment by Sex	Basic	Standard	Plus	Total
Female	18,837	334,917	61,752	415,506
Male	16,417	198,287	36,599	251,303
Total	**35,254**	**533,204**	**98,351**	**666,809**

Percent Enrollment by Sex	Basic	Standard	Plus	Total
Female	53.4%	62.8%	62.8%	62.3%
Male	46.6%	37.2%	37.2%	37.7%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

IV. Enrollment by Age	Basic	Standard	Plus	Total
29 & Under	17,390	136,277	27,211	180,878
30 to 44	8,125	107,375	17,315	132,815
45 to 54	5,164	94,548	18,277	117,989
55 to 64	3,195	102,901	23,452	129,548
65 & Over	1,380	92,103	12,096	105,579
Total	**35,254**	**533,204**	**98,351**	**666,809**

Percent Enrollment by Age	Basic	Standard	Plus	Total
29 & Under	49.3%	25.6%	27.7%	27.1%
30 to 44	23.0%	20.1%	17.6%	19.9%
45 to 54	14.6%	17.7%	18.6%	17.7%
55 to 64	9.1%	19.3%	23.8%	19.4%
65 & Over	3.9%	17.3%	12.3%	15.8%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

V. Retiree Enrollment by Category	Employee	Dependents	Total
Non-Medicare Eligible	49,534	12,080	61,614
Medicare Eligible	97,240	7,448	104,688
Total	**146,774**	**19,528**	**166,302**

Percent by Category (Retiree)	Employee	Dependents	Total
Non-Medicare Eligible	33.7%	61.9%	37.0%
Medicare Eligible	66.3%	38.1%	63.0%
Total	**100.0%**	**100.0%**	**100.0%**

SOURCES OF DATA:

Aon Consulting, North Carolina State Health Plan, Financial Projections – October 2008, Total For All Plans – 9% Trend, October 10, 2008.

Aon Consulting, North Carolina State Health Plan, Financial Projections – October 2008, Total For All Plans – 9% Trend, July 2009 & 2010 Rate Increases, $250 Million Grant, No Plus Option – July 2009, Benefit Option with Extended Refill, March 9, 2009.

Aon Consulting, summary estimates of Extended Retail Mail Order savings, March 9, 2009.

Medco Solutions, various outpatient acute, specialty, and maintenance drug data and discount assumptions, March 2009.

State Health Plan, various summarized claims reports for medical claims by category and purpose and time period, December 2008, January 2009.

-Actuarial Note, Hartman & Associates, "Senate Bill 287 PCS551166-LN-2: An Act to Appropriate Funds for the State Health Plan and to Make Other Changes to the State Health Plan", March 9, 2009, original of which is on file in the General Assembly's Fiscal Research Division.

-Actuarial Note, Aon Consulting, "Senate Bill 287 Proposed Committee Substitute S287-PCS55166-LN-2, State Health Plan $/Good Health Initiatives", March, 9 2009, original of which is on file with the Comprehensive Major Medical Plan for Teachers and State Employees and the General Assembly's Fiscal Research Division.

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Mark A. Trogdon

APPROVED BY: Marilyn Chism, Director
Fiscal Research Division

DATE: March 10, 2009

NORTH CAROLINA STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES

SENATE BILL 287
PROPOSED COMMITTEE SUBSTITUTE
S287-PCS55166-LN-2

State Health Plan $/Good Health Initiatives

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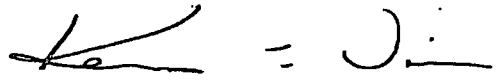
March 2009

ACTUARIAL STATEMENT

The North Carolina State Health Plan for Teachers and State Employees has requested that Aon Consulting prepare an Actuarial Note in response to Senate Bill 287 proposed committee substitute S287-PCS55166-LN-2 entitled "An Act To Appropriate Funds For The State Health Plan For Teachers And State Employees And To Make Other Changes Related To The State Health Plan."

The Actuarial Note was prepared according to generally accepted actuarial principles and practices, in compliance with General Statute 120-114. As required by statute, the Note includes an explanatory statement of the proposed change(s) and, to the extent possible, an estimate of the financial and actuarial effect of the proposed change(s) on the Plan. The Actuarial Note makes no comment or opinion with regard to the merits of the measure for which the Note is prepared; however, any identified technical or mechanical defects have been noted.

We have reviewed the input and results of our analysis for reasonableness, and relied upon the data and information provided by the Plan and their Claims Processing Contractor.



March 9, 2009

Kenneth C. Vieira, F.S.A., M.A.A.A.
Senior Vice President

Date



March 9, 2009

Kirsten R. Schatten, A.S.A., M.A.A.A.
Assistant Vice President

Date

STATE HEALTH PLAN $/GOOD HEALTH INITIATIVES

PLAN CHANGES

The proposed legislation is divided into seven sections. The full text of the bill is attached to this actuarial note. Below is brief summary of the key components of each section.

PART ONE: APPROPRIATIONS, DEFINITIONS, AND SCOPE

This section primarily deals with the appropriations required to fund the program for the next biennium. Section (a) detailed the appropriation of $250 million from the Savings Reserve Account. Sections (b) & (c) are appropriations needed by the general and highway funds.

The amounts set forth in this section were determined based on a financial projection provided by Aon Consulting.

PART TWO: HEALTH BENEFIT CHANGES

This section encompasses the bulk of the financial impact on to State Health Plan related to benefit changes effective July 1, 2009. Each component is summarized below with details of our key assumptions in the "Pricing Approach and Comments" section of this actuarial note.

SECTION 2.(a) Eliminate PPO Plus Option

Effective July 1, 2009, the PPO Plus option (90/10 in-network coverage) under the State Health Plan for Teachers and State Employees ("Plan") is eliminated. The Executive Administrator shall provide notice to all members of the Plan that this option will no longer be available as of July 1, 2009. Employees enrolled in the Plan's Plus option shall have the choice of enrolling in the Basic or Standard plan options for the 2009-2010 benefit year.

SECTION 2.(b) Implement Comprehensive Wellness Initiative

The first section allows the Plan to develop a Comprehensive Wellness Initiative that starts with a focus on smoking cessation and weight management. It is designed to be implemented effective July 1, 2010, for smoking cessation and July 1, 2011, for weight management.

The second and third section detail how certain members who do not meet the program requirements will be enrolled into the Basic plan. Further details of the program are being developed. The program is assumed to be cost neutral.

SECTION 2.(c) Prescription drug co-payments

The legislation will alter the co-payments for the prescription drug program depending on the category of drug. Below are the major components:

The first section changes the current copays:

1. Formulary brand drugs will increase from $30 to $35
2. Non-Formulary brand drugs will increase from $50 to $55
3. For each branded prescription drug with a generic equivalent drug, the member shall pay the generic co-payment plus the difference between the Plan's gross allowed cost for the generic prescription and the Plan's cost for the branded prescription drug.

The second section changes copays for specialty drugs and allows the plan to have a specialty network:

The Plan shall provide coverage of nonacute specialty medications under the Plan's pharmacy benefit through a specialty pharmacy vendor under contract with the Plan. The Plan may transfer coverage of specified specialty disease medications covered under the Plan's medical benefit to the contracted specialty pharmacy vendor. Specialty medications are biotech medications or other medications that exceed four hundred dollars ($400.00) cost to the Plan per prescription. The Plan shall impose a co-payment in the amount of twenty-five percent (25%) of the Plan's gross allowed cost of the specialty drug not to exceed one hundred dollars ($100.00) per prescription per 30-day supply.

The third section allows the plan to exclude coverage of certain over the counter medications.

The fourth section reduces the day supply to 30 days from 34 days. It also addresses utilization management procedures and options for the plan.

2.(d) Routine eye examinations not covered

Routine eye exams will no longer be a covered benefit as of January 1, 2010.

2.(e) Deductible and co-payment changes

There were a number of changes made to the Basic (70/30) and Standard (80/20) plans. These involved increased deductibles, coinsurance maximums, primary and specialty physician office visit co-payments, urgent care co-payments and inpatient co-payments. Details of each change can be found in the attached bill.

2.(f) Limitation on authority to change benefits

This section limits the authority of The Executive Administrator and Board of Trustees to make changes, requiring them to be made by the General Assembly.

2.(g) Premium increases

This section sets the premium increase to 7.8% for each July in the next biennium. This is consistent with the financial projections.

2.(h) Maintenance Medication Retail Pharmacy Network Initiative

This section directs the Plan to implement a maintenance medication retail pharmacy network initiative that will reduce pharmaceutical costs to the Plan and to members with respect to refills of long-term maintenance drugs.

PART THREE: ELIGIBILITY CLARIFICATION.

This section contains clarifications on various dependent categories. It also contains a section that allows the Plan to perform a dependent eligibility audit. The savings resulting from the audit should exceed the cost of performing the audit.

PART FOUR: NC HEALTH CHOICE CHANGES.

This section is related to NC Health Choice and has no financial impact on the State Health Plan.

PART FIVE: OTHER CHANGES

This section contains miscellaneous changes and clarification that have no financial impact on the State Health Plan.

PART SIX: SALARY-RELATED CONTRIBUTIONS

This section sets the funding percentages of the various groups and has no additional cost to the State Health Plan. The percentages are designed to be consistent with the financial projections.

PART SEVEN: EFFECTIVE DATE

Sections 1(b), 1(c), 1(d), 2(c), 2(e), 2(g), and 2(h) of this act become effective July 1, 2009. Section 2(d) becomes effective January 1, 2010. The remainder of this act is effective when it becomes law.

PROJECTED SAVINGS

Section	Plan Design Change			Based on "Midpoint" Increase. 2009-2010 Fiscal Year Cost	2010-2011 Fiscal Year Cost	Total Biennium Cost
Part 1 – Appropriations, Definitions & Scope						
1(a)	$250 million appropriation from savings reserve account			Included in baseline projection		
1(b) - 1(c)	General Fund and Highway Appropriations			Included in baseline projection		
1(d) - 1(f)	Other funds, definition & scope			Included in baseline projection		
Part 2 - Health Benefit Changes						
2(a)	Eliminate PPO Plus Option			Included in baseline projection. Details of savings summarized in pricing		
2(b)	Implement Comprehensive Wellness			Administrative cost assumed to be offset by future savings. No net impact to the plan in the biennium		
2(c)	Prescription Drug Co-payment					
(1)	Preferred Brand	$30 to $35		($11.8)	($12.2)	($24.0)
	Brand with Generic Available	Pay as generic		($4.6)	($5.6)	($10.2)
	Non-Preferred Brand	$50 to $55		($3.1)	($3.2)	($6.3)
(2)	Specialty Drugs	25% coinsurance, $100 max		($1.4)	($1.6)	($3.0)
		Specialty Vendor		($1.7)	($1.8)	($3.5)
(3)	OTC drugs may be excluded			No Cost Impact		
(4)	Day Supply	Reduce from 34 to 30		($2.7)	($3.1)	($5.8)
2(d)	Routine eye exams not covered			($2.1)	($7.2)	($9.3)
2(e)	Deductible and co-payment changes					
		Basic	Standard			
	Deductible to	$800/1600	$600/$1200	($51.8)	($57.6)	($109.4)
	Coinsurance to	$3250/$6500	$2750/$5500	($24.4)	($29.2)	($53.6)
	Primary care copay to	$30	$25	($8.5)	($9.6)	($18.1)
	Specialty care copay to	$70	$60	($29.1)	($32.7)	($61.8)
	Urgent care copay to	$75	$75	($0.7)	($0.8)	($1.5)
	Inpatient copay to	$250	$200	($2.2)	($2.4)	($4.6)
2(f)	Limitation on authority to change benefits			No Cost Impact		
2(g)	Premium Increase of 7.8% for FY10 & FY11			Included in baseline projection		
2(h)	Maintenance medication retail pharmacy network initiative			($36.4)	($55.1)	($91.5)
Part 3 - Eligibility Clarification						
3(a)	Dependent child clarifications			No Cost Impact		
3(b)	Eligibility of full-time students			No Cost Impact		
3(c) - 3(d)	Waiting periods subject to federal law			No Cost Impact		
3(e)	Executive administrator shall provide for an audit of the dependent eligibility under the plan			Savings from the audit should be greater than the cost to provide it		
3(f)	Cessation of coverage of ineligible individuals			No Cost Impact		
3(g)	Documentation of dependent eligibility			No Cost Impact		

Section	Plan Design Change	Based on "Midpoint" Increase		
		2009-2010 Fiscal Year Cost	2010-2011 Fiscal Year Cost	Total Biennium Cost
Part 4 - NC Health Choice Changes				
4(a) - 4(c)	Changes to NC Health Choice have no cost impact on the Plan			
Part 5 - Other Changes				
5(a) - 5(e)	Minor clarifications or changes that have no cost impact			
Part 6 - Salary Related Contributions				
6(a) - 6(f)	Required contribution rates for various entities. These amounts are developed from the baseline projections.			
Total cost of health benefit changes		($180.5)	($222.1)	($402.6)

The baseline projections produced total projected expenses of $2,687,502,073 and $2,919,5 07,795 for the 2010 and 2011 fiscal years respectively.

PRICING APPROACH AND COMMENTS

The following information was compiled and utilized in determining the projected costs or savings of each benefit component addressed in this actuarial note. Due to the inclusion of multiple benefit changes incorporated with imperfect data, all projected savings incorporate a 10% risk factor:

Eliminate PPO Plus Option

- Information was collected from the Plan's data warehouse, EinfoNow. It included detailed eligibility and claims data by plan for Fiscal Year 2008. From this information we were able to develop experience rates specifically for the PPO plus option.
- The claims were then trended at 9% per year and adjusted for the most recent membership levels. We also reviewed the elections effective 7/1/2008 and adjusted our projected expenditures by plan for FY 2010 and 2011 to reflect the experience of the members who moved. These would include prior CMMP members who moved to the Plus option, adjusting their experience accordingly.
- It was then assumed that a benefit reduction of 11.5% would be applied to the medical claims only. Assuming a one month lag produced FY 2010 savings of $56 million and FY 2011 savings of $66 million.
- The savings from lower claims is offset by reduced dependent contributions. Based on the current contribution levels, $41.6 million would not be received as revenue by the Plan. In order to accurately measure the net impact of this benefit you would need to adjust the premium levels appropriately and maintain a consistent reference point.

Implement Comprehensive Wellness Initiative

- Information was provided by the Plan that detailed the administrative costs for implementing the smoking cessation and weight management programs. The costs were projected to be $3,384,308 in FY 2010 and $7,253,282 in FY2011.
- Through conversation with the Plan and the IHM vendors it was assumed that the future savings from these programs would more than offset current expenditures.
- There is currently no net impact to the Plan at this point until further administrative costs and program implementations are determine in the future.

Brand Prescription Drug Copay Changes (Increase Preferred and Non-Preferred Brand $5; Change Brand with Generic Equivalent to Generic Copay and Member pay Cost Difference between Brand and Generic)

- Claims data was received from the Plan's Pharmacy Benefit Manager (PBM) for the period April 5, 2008 through June 27,2008.

- For this period annualized, active employees, non-Medicare retirees and Medicare retirees generated $143,999,486 of paid Brand copayments with 4,069,848 scripts.

- The annualized Brand claims data was projected forward with -4% utilization trend per year and 10% cost trend 1st year/11% cost trend per year thereafter.

- Brand prescription drugs with generic equivalents were assumed to have the same AWP for Brand or Generic with a Generic discount applied.

- The projected claims data was used to quantify the impact of the copay changes.

- Based on an effective date of July 1, 2009, the FY 2010 projected savings for Brand Prescription Drug copays is $19,456,696. The FY 2011 projected savings for Brand Prescription Drug copays is $21,022,777.

Specialty Drug Copay and Exclusive Vendor Changes (Increase Copay to 25% with $100 Max/script and Create Specialty Vendor for all Specialty Drugs)

- Claims data was received from the Plan's Pharmacy Benefit Manager (PBM) for the period July 1, 2007 through June 30,2008.

- For this period, active employees, non-Medicare retirees and Medicare retirees generated $2,232,086 of paid Brand copayments with 46,389 scripts.

- The specialty claims data was used to quantify the impact of the benefit design changes with $2,500 out-of-pocket max applied to total projected prescription drug spend. Trend levels starting at 8.3% were reduced in savings projections to recognize anti-leveraging associated with the benefit design maximums.

- The specialty Vendor network savings projections are provided by Medco and are based on enhanced discounts for a list of specialty drugs that will only be covered in the specialty network by implementing a retail lockout. The list of drugs with retail lockout does not include specialty drugs that may be required on an acute basis. Medco's analysis is based only on ingredient cost with discounts and estimates 4,755 impacted members based on 2008 data.

- Based on an effective date of July 1, 2009, the FY 2010 projected savings for Specialty Prescription Drug changes is $3,086,315. The FY 2011 projected savings for Specialty Prescription Drug changes is $3,396,887.

Prescription Drug Day Supply (Reduce to 30)

- Claims data was received from the Plan's Pharmacy Benefit Manager (PBM) for the period July 1, 2007 through June 30, 2008.

- For this period, active employees, non-Medicare retirees and Medicare retirees generated $25,474,207 of paid co-payments with 1,210,194 scripts for scripts with 1 month fills of 31 to 34 days, 2 month fills of 61 to 68 days and 3 month fills of 91 to 102 days.

- The detailed claims data (FY 2008) was projected forward with 4% utilization trend per year.

- The claims data for these scripts was used to quantify the copay impact of limiting a 1 month fill to 30 days, a 2 month fill to 60 days and a 3 month fill to 90 days.

- Based on an effective date of July 1, 2009, the FY 2010 projected savings for Day Supply changes is $2,705,451. The FY 2011 projected savings for Day Supply changes is $3,069,457.

Routine Eye Coverage Eliminated

- Claims data was received from the Plan's Claims Processing Contractor (CPC) showing Routine Eye office visit claims experience for the period January 1, 2008 through March 31,2008 for all PPO plans separately. The claims experience was also separated for active employees, non-Medicare retirees and Medicare retirees.

- For this period annualized, active employees, non-Medicare retirees and Medicare retirees generated $6,557,857 of Plan paid claims with 109,573 visits.

- The annualized claims data was projected forward with 3% utilization trend per year and 6% cost trend per year.

- Based on an effective date of January 1, 2010, the FY 2010 projected savings for eliminating Routine Eye coverage is $2,158,693. The FY 2011 projected savings for eliminating Routine Eye coverage is $7,193,591.

Deductible and Coinsurance Maximum Changes (Increase Basic Deductible $200/$400 and Coinsurance Maximum $750/$1,500; Increase Standard Deductible $300/$600 and Coinsurance Maximum $1,000/$2,000)

- Claims data was received from the Plan's Claims Processing Contractor (CPC) showing claims experience for all claims subject to deductible and coinsurance for the period July 1, 2007 through June 30,2008 (FY 2008) for the CMM and all PPO plans separately. The claims experience was also separated for active employees, non-Medicare retirees and Medicare retirees.

- For this 12 month period, active employees, non-Medicare retirees and Medicare retirees generated $91,954,962 of paid deductible and $116,899,421 of paid coinsurance.

- The detailed claims data (FY 2008) was projected forward with 3% utilization trend per year and 6% cost trend per year.

- The projected claims data was used to quantify the impact of the deductible and coinsurance maximum changes.

- Based on an effective date of July 1, 2009, the FY 2010 projected savings for deductible and coinsurance maximum changes is $76,215,565. The FY 2011 projected savings for deductible and coinsurance maximum changes is $86,849,600.

Office Visit Copay Change (Increase PCP $5 and Specialty $20)

- Claims data was received from the Plan's Claims Processing Contractor (CPC) showing PCP and Specialty claims experience for the period July 1, 2007 through June 30,2008 (FY 2008) for the CMM and all PPO plans separately. The claims experience was also separated for active employees, non-Medicare retirees and Medicare retirees.

- For this 12 month period, active employees, non-Medicare retirees and Medicare retirees generated $40,327,380 of paid PCP copayments with 2,082,505 visits.

- For this 12 month period, active employees, non-Medicare retirees and Medicare retirees generated $61,139,448 of paid Specialty copayments with 2,109,138 visits.

- The detailed claims data (FY 2008) was projected forward with 3% utilization trend per year and 6% cost trend per year. An additional 10% utilization trend was included for the CMM plan in FY 2009 assuming a first year spike in utilization for all members moving to PPO.

- The projected claims data was used to quantify the impact of the copay changes.

- An adjustment for Specialty copays was applied for Medicare retirees assuming the plan would recover 25% of the savings based on Coordination of Benefits with Medicare.

- Based on an effective date of July 1, 2009, the FY 2010 projected savings for PCP copays is $8,518,038. The FY 2011 projected savings for PCP copays is $9,571,177.

- Based on an effective date of July 1, 2009, the FY 2010 projected savings for Specialty copays is $29,077,025. The FY 2011 projected savings for Specialty copays is $32,672,003

Urgent Care Copay Change (Increase Standard $25)

- Claims data was received from the Plan's Claims Processing Contractor (CPC) showing Urgent Care claims experience for the period July 1, 2007 through June 30,2008 (FY 2008) for the CMM and all PPO plans separately. The claims experience was also separated for active employees, non-Medicare retirees and Medicare retirees.

- For this 12 month period, active employees, non-Medicare retirees and Medicare retirees generated $1,671,386 of paid Urgent Care copayments with 35,753 visits.

- The detailed claims data (FY 2008) was projected forward with 3% utilization trend per year and 6% cost trend per year. An additional 10% utilization trend was included for the CMM plan in FY 2009 assuming a first year spike in utilization for all members moving to PPO.

- The projected claims data was used to quantify the impact of the copay changes.

- An adjustment for Urgent Care copays was applied for Medicare retirees assuming the plan would recover 40% of the savings based on Coordination of Benefits with Medicare.

- Based on an effective date of July 1, 2009, the FY 2010 projected savings for Urgent Care copays is $739,560. The FY 2011 projected savings for PCP copays is $830,997.

Inpatient Copay Change (Increase $50)

- Claims data was received from EinfoNow showing Inpatient claims experience for the period July 1, 2007 through June 30,2008 (FY 2008) for the CMM and all PPO plans separately. The claims experience was also separated for active employees, non-Medicare retirees and Medicare retirees.

- For this 12 month period, active employees, non-Medicare retirees and Medicare retirees generated $6,699,263 of paid Inpatient copayments with 51,076 admissions.

- The detailed claims data (FY 2008) was projected forward with 3% utilization trend per year and 6% cost trend per year.

- The projected claims data was used to quantify the impact of the copay changes.

- An adjustment for Inpatient copays was applied for Medicare retirees assuming the plan would recover 91% of the savings based on Coordination of Benefits with Medicare.

- Based on an effective date of July 1, 2009, the FY 2010 projected savings for Inpatient copays is $2,158,037. The FY 2011 projected savings for Inpatient copays is $2,424,849.

Maintenance Medication Retail Pharmacy Network

- Claims data was received from the Plan's Pharmacy Benefit Manager (PBM) for the period October 4, 2008 through December 26, 2008.

- Maintenance scripts were separated from total scripts representing 77% of total scripts.

- Specialty scripts were removed from Maintenance scripts to define total retail scripts eligible for the Maintenance Medication Retail Pharmacy Network.

- For this period annualized, active employees, non-Medicare retirees and Medicare retirees generated $177,666,814 of paid Maintenance co-payments with 8,554,979 scripts.

- The annualized Maintenance claims data was projected forward with -4% utilization trend per year and 11% cost trend per year for Brand drugs and 6% utilization trend per year and 7% cost trend per year for Generic drugs.

- Brand preferred and non-preferred drugs are assumed to move to higher copays (+$5).

- Brand prescription drugs with generic equivalents are assumed to move to Generic cost and co-payments.

- Penalties are assumed to apply to 10% of Brand scripts and 20% of Generic scripts for FY 2010. Penalties are assumed to apply to 5% of Brand scripts and 10% of Generic scripts for FY 2011.

- Maintenance scripts that do not incur penalties are assumed to move 67% of scripts to 90 day Retail and 33% of scripts to Mail Order.

- Improved discounts, dispensing fees and administrative fees are based on Medco's guaranteed contract terms.

- FY 2010 includes a savings lag of 3 months to allow 100% of scripts to receive 1 initial fill and 2 refills without penalty.

- FY 2010 includes an additional savings lag of 1.5 months to allow 50% of scripts to be filled for 90 days in June in anticipation of higher copays effective 7/1/2009.

- FY 2011 includes a savings lag of 1 month to allow 33% of scripts to receive 1 initial fill and 2 refills without penalty for new maintenance scripts.

- Based on an effective date of July 1, 2009, the FY 2010 projected savings for Maintenance Medication Refill Pharmacy Network is $36,407,085. The FY 2011 projected savings for Maintenance Medication Refill Pharmacy Network is $55,105,625.

HARTMAN & ASSOCIATES, LLC

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668 Link Road
Lexington, NC 27295

March 9, 2009

Mr. Mark Trogdon
Fiscal Research Division
North Carolina General Assembly
300 N. Salisbury Street
Raleigh, NC 27603-5925

Re: Senate Bill 287 PCS55166-LN-2: An Act to Appropriate Funds for the State Health Plan and to Make Other Changes to the State Health Plan

Dear Mr. Trogdon:

This Senate proposed committee substitute to Senate Bill 287 appropriates funds and makes various changes to the North Carolina State Health Plan for Teachers and State Employees (the "Plan"). Unless otherwise noted, these changes are effective July 1, 2009.

The proposed changes to the Plan are as follows:

1. Increase the member copayments for outpatient prescription drugs

	Rx Copays	
	Current	Revised
Preferred Brand	$30	$35
Brand with Generic Equivalent	$40	generic copayment + the difference in the Plan's cost of the brand and the Plan's cost of the generic
Non-preferred Brand	$50	$55
Specialty Drugs	$30-$50	25% of Plan's cost, not to exceed $100

The bill defines specialty drugs as biotech medications or other medications that exceed $400 cost to the Plan per prescription per 30-day supply. Specialty drugs are to be provided through a specialty pharmacy vendor under contract with the Plan.

2. Reduce the maximum prescription drug supply for purposes of member copayments from 34 days to 30 days

3. Implement a maintenance medication retail pharmacy initiative
This program provides that after two 30-day refills of maintenance medications, the member must obtain medication from a network pharmacy or by mail order. The member would pay no more than 2.5 times the copayment for a 30-day supply. If the member does not purchase a 90-day supply from a participating pharmacy or mail order, the member will pay 50% of the allowable charge for the medication. This provision does not apply to medications for acute conditions or specialty medications.

4. Increase the member copayments for hospitalization and office visits

	Member Copayments			
	PPO Standard		PPO Basic	
	Current	Revised	Current	Revised
Primary Care	$20	$25	$25	$30
Specialist	$40	$60	$50	$70
Urgent Care	$50	$75	$75	$75
Inpatient	$150	$200	$200	$250

5. Remove coverage for routine eye exams, effective January 1, 2010

6. Increase the member deductible and coinsurance maximums

	Member Deductible and Coinsurance			
	PPO Standard		PPO Basic	
	Current	Revised	Current	Revised
Deductible In/Out Network	$300/$600	$600/$1200	$600/$1200	$800/$1600
Coinsurance Maximum	$1,750/ $3,500	$2,750/ $5,500	$2,500/ $5,000	$3,250/ $6,500

The maximum annual deductible and coinsurance for members with dependent coverage remains at three times the member-only limits.

7. Eliminate the current PPO Plus option

8. Implement two wellness initiatives
A smoking cessation program, effective July 1, 2010, would require all members who use tobacco and do not have Medicare as their primary coverage to enroll in the PPO Basic option. A weight management program, effective July 1, 2011, would require all members who do not meet healthy weight guidelines and do not have Medicare as their primary coverage to enroll in the PPO Basic option.

9. Make clarifying and technical corrections related to member eligibility, Plan coverage, and approved providers

I have valued the financial impact on the Plan of each benefit change described in items 1 through 6 above, and the estimated savings are itemized in the table below. The level of appropriations to the Plan and the premium increases included in this bill are not part of my analysis. Elimination of the PPO Plus Option has been included by the Plan in determining the baseline funding needs, so I have not included itemization of the impact of that change. No impact is included for the wellness initiatives, since program parameters and administrative costs have not yet been determined. Also, I have not estimated any financial impact from the clarifying and technical corrections.

The estimated savings to the Plan for each benefit change is shown in the following chart for the next two fiscal years:

	Estimated Savings for Fiscal Year Beginning	
Component	July 1, 2009	July 1, 2010
Primary Care Copay	$ 8,116,000	$ 9,257,000
Specialist Copay	27,125,000	31,713,000
Urgent Care Copay	854,000	994,000
Inpatient Copay	1,970,000	2,247,000
Routine Eye Exam Coverage	2,540,000	7,039,000
Deductible & Coinsurance	78,079,000	92,463,000
Preferred Brand Copay	12,010,000	11,741,000
Brand w/ Generic Equiv. Copay	6,285,000	6,536,000
Non-Preferred Brand Copay	3,530,000	3,671,000
Specialty Drug Copay	1,471,000	1,530,000
Decrease 34-day Supply to 30-days	2,190,000	2,277,000
Specialty Drug Contract Change	1,665,000	1,887,000
Extended Retail Rx	35,306,000	41,153,000
Extended Retail Administration	5,062,000	5,761,000
Total Savings	$186,203,000	$218,269,000

As noted above, the impact of eliminating the PPO Plus option effective July 1, 2009 was included in the Plan's baseline funding projection. Thus, it is not included in the above table. I have estimated the net impact of removing this option will be cost neutral. This results from a loss of member premiums of approximately $42.1 million per year, and a reduction in net plan benefits of the same amount.

The savings estimates shown above are based on analysis of medical and prescription drug claims information for the Plan. Data was primarily used from fiscal years 2008 and 2009 to date. These projections assume that the members currently covered under the PPO Plus option will elect the PPO Standard option. The data and assumptions used in this analysis are outlined in Attachment #1.

Projected savings include a two-week claim payment lag for prescription drugs and 45-day lag for medical services. The projections also assume the plan membership remains constant at the December 2008 level of 666,809. All projected savings have been discounted with a risk factor, generally 5-10%, as shown in Attachment #1.

If you have any questions, let me know.

Sincerely,

Mark Hartman

Mark V. Hartman, FSA, MAAA, FCA, EA
Consulting Actuary

MVH/mt

Actuarial Assumptions and Data

Data Sources:

State Health Plan for Teachers and State Employees
- Charge Summary
- Coinsurance and Deductible Levels – Full Population
- Coinsurance and Deductible Levels – Closed Population
- Copay Report
- Financial Reconciliation Report

The above reports were available for Fiscal Year 2008 and Fiscal Year 2009 through January. Reports are on both a paid and an incurred basis.

SHP Distribution of Participants by Age and Gender

State of NC Rx Drug Pull – 1st half FY2009
State of NC Rx Drugs – FY 2007/FY2008

Data Summary:

Distribution of Claims Active Members			
Allowed	Percent of Members		
Charges <=	Standard	Basic	Plus
$0	62.55%	64.71%	40.24%
$100	2.30%	2.71%	2.55%
$200	2.34%	4.07%	2.80%
$300	2.07%	1.58%	2.57%
$400	1.78%	0.90%	2.23%
$500	1.45%	1.36%	1.67%
$600	1.09%	0.90%	1.52%
$700	0.96%	1.36%	1.54%
$800	1.02%	0.90%	1.45%
$900	0.92%	1.58%	1.30%
$1,000	0.85%	0.23%	1.25%
$1,500	3.83%	3.62%	5.16%
$2,000	2.56%	1.58%	4.23%
$2,500	1.73%	2.49%	2.97%
$3,000	1.42%	0.90%	2.49%
$5,000	3.54%	2.94%	6.33%
$10,000	4.91%	4.75%	9.15%
$20,000	3.05%	2.04%	6.18%
$9,999,999	1.64%	1.36%	4.38%
Total	100.00%	100.00%	100.00%

Includes only claims subject to deductible and coinsurance
Separate distributions used for Medicare and non-Medicare retirees

Office Visit Rates PPO Standard FY2008				
Status	Type	Visit Rate Per Member	Copay Increases	Effective Rate
Active Employee	Primary Care	2.87	5	100.0%
	Specialist	2.17	20	98.7%
	Urgent Care	0.08	25	98.4%
	Inpatient	0.05	50	97.7%
	Routine Eye	0.19	n/a	n/a
Medicare Eligible Retiree	Primary Care	3.78	5	70.0%
	Specialist	5.87	20	25.0%
	Urgent Care	0.06	25	15.0%
	Inpatient	0.23	50	65.0%
	Routine Eye	0.04	n/a	n/a
Non-Medicare Retirees	Primary Care	3.24	5	100.0%
	Specialist	3.89	20	98.3%
	Urgent Care	0.06	25	96.7%
	Inpatient	0.06	50	95.7%
	Routine Eye	0.25	n/a	n/a

Separate rates used for PPO Basic and Plus.

Prescription Drug Data Summary July – December 2008			
Category	Rx Count	Gross Cost	Member Copay
Single Source Preferred Brand	1,517,485	$240,708,957	$49,186,024
Single Source Non-Preferred Brand	419,651	69,475,149	20,891,702
Multi Source Brand	167,344	12,811,482	5,690,735
Generic	3,897,258	106,199,847	40,728,123
TOTAL	6,001,738	$429,195,435	$116,496,583

Specialty Drug Data Summary July 2007– June 2008			
Category	Rx Count	Gross Cost	Member Copay
Outpatient Specialty Drugs	43,615	$88,891,916	$2,250,965

Membership:

Distribution by Option and Status				
Status	Standard	Basic	Plus	Total
Active Employee	380,833	31,204	75,109	487,146
Medicare Eligible Retiree	90,918	1,350	11,604	103,872
Non-Medicare Retirees	50.910	1,472	9,667	62,049
Total	522,661	34,026	96,380	653,067

This represents the average membership within each category for the second quarter of Fiscal Year 2009.

Actuarial Assumptions and Methods:

Medical Claim Trends

Office Visit & Inpatient Annual Utilization Trends	
Category	Percent
Primary Care	0.0%
Specialist	2.5%
Urgent Care	1.0%
Inpatient	0.0%

Annual Price Increase: 5.0%

Prescription Drugs

Prescription Drugs Annual Trend Assumptions		
Component	Generic	Brand
Utilization	3.0%	-3.0%
Price	6.0%	9.0%

Maintenance Drugs Percent of Non-Specialty Scripts	
Tier	Percent
Generic	70.4%
Single Source Preferred	92.1%
Other Brand	85.1%
Total	77.3%

Percent of Rx currently at 3-month Supply: 5.0%
Members Meeting $2,500 OOP Max: 5,000
Brand Copay Increase Realization Rate: 92.0%

Specialty Drugs

Savings for the Specialty Drug Contract Change are based on proposed additional discounts the Plan may obtain under an exclusive contract with a specialty pharmacy vendor. While these savings reflect proposed larger discounts, I note that over 60% of the savings is due to six specialty drugs. Thus, this amount could change dramatically with any price or utilization changes in these drugs, and a higher risk factor was applied to this category.

The savings due to the increased member copay on specialty drugs was estimated by analyzing the specialty drug claims from fiscal year 2008. Approximately 85% of these prescriptions are in the non-preferred brand tier. To avoid double counting the effect of the $5 copay increase for that tier and to

account for the $2,500 out of pocket maximum for prescriptions, a 67% realization factor was applied to the increased copayments in this category.

Extended Retail Pharmacy

In modeling the extended retail pharmacy benefit, I have assumed the member copayment for a three-month supply will equal 2.5 times the one-month copayment. Projected pharmacy expenditures are based on reductions in ingredient costs, dispensing fees, and administrative fees through the extended retail pharmacy network and mail order. Proposed values for these factors were provided by the Plan and its pharmacy benefits manager; however, values are not disclosed here due to the Plan's claim of confidentiality under G.S. 135-1.2 and G.S.135-43(b). Other assumptions include:

Extended pharmacy penetration:	60.0% 1st year, 65.0% 2nd year (% of maintenance prescriptions going to 3-month retail or mail order)
Extended pharmacy retail/mail%:	50/50
Scripts subject to copay penalty:	17%

Changes in the member copayments provided by this bill were assumed to be in place in modeling the extended retail pharmacy. Specialty drugs were not included in the extended model.

Risk Factors

Estimated savings were reduced by the risk factors shown below. This provides a margin for adverse deviation and reflects data limitations. In particular, both the projection period and the periods of available data contain significant movement of members between plan options, increasing the likelihood that future experience will not follow past patterns. The risk factors also reflect any conservatism inherent in other assumptions.

Risk Factors	
Category	Percent
Medical Copays	5.0%
Deductible/Coinsurance	5.0%
SS Brand Copays	5.0%
Multi Source Rx Copay	10.0%
Specialty Rx Copay	5.0%
Specialty Rx Contract	20.0%
30 Day Supply Limit	10.0%
Extended Retail Rx	5.0%

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
Minutes
March 24, 2009

The Appropriations Committee met on March 24, 2009 at 9:00 a.m. in room 643. Senator Linda Garrou, Co-Chair presided. 36 members were present.

Treasurer Janet Cowell spoke before the committee to speak about salaries and North Carolina's credit rating. Treasurer Cowell briefed the committee about what other states are doing in terms of funding salaries during a recession; as well as providing other information about the state's finances. Treasurer Cowell then answered questions.

Vance Holliman, Deputy Treasury Secretary, assisted Treasurer Cowell in answering the Committee's questions.

Senator Albert began chairing the meeting. He called upon UNC-System President Erskine Bowles as the next guest before the Committee.

President Bowles spoke before the Committee and outlined the University System's response to the economic crisis. He then took questions from the committee.

Community College President Scott Rawles then spoke before the committee. He also took questions.

With no further business to come before the committee, Senator Albertson adjourned the meeting at 11 a.m.

Respectfully Submitted,

Senator Linda Garrou, co-chair

Senator Charlie Albertson, Co-Chair

Andrew Dugan, Committee/Research Assistant

Principal Clerk ____
Reading Clerk ____

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The Senate Committee on **Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Tuesday	March 24, 2009	9:00 AM	643 LOB

The committee will hear from the following individuals:

State Treasurer, Janet Cowell
President of the University of North Carolina, Erskine Bowles
President of the Community College System, Scott Ralls,
State Superintendent, Department of Public Instruction, June Atkinson,
Chairman and CEO of the State Board of Education, Bill Harrison

Senator Linda Garrou, Co-Chair
Senator Charles W. Albertson, Co-Chair
Senator Charlie Smith Dannelly, Co-Chair
Senator A. B. Swindell, Co-Chair

VISITOR REGISTRATION SHEET

Appropriations/BASE BUDGET 3/24/07

Name of Committee Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Dave Bolick	~~Experient~~
Jean Hadley	FA FRS
Ginger Bowles	UNC GA
Erin Schwabauer	UNC GA
Anita Watkins	UNC GA
Erskine Bowles	UNC GA
Fred Mills	
Jeff Davies	UNC GA
Jani Washington	UNC GA
JAMES O. SMITH	UNC-GA
Ben Bryan	NCTA

VISITOR REGISTRATION SHEET

Approps/Base Budget — 3/24

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Amelie Newkirk	Governor's Office
Carissa Gilbert	Governor's Office
Anneliese Rubin	NCAEC
Noreen Tomlin	NCAEC
Henry Hutaff	N.C.B.A.
Bradford Sneeden	Education Cabinet
Elizabeth Groves	OSBM
Paul Leano	OSBM
Bryan Conrad	OSBM
Joyce Wallace	OSBM
Charlene	OSBM

VISITOR REGISTRATION SHEET

Approps/Base Budget — 3-24-09

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mitch Leonard	SEANC
Patrick Rankin	Senator Hoyle - Intern
Joel Mainprice	[illegible]
David Barnes	Barnes Sprinkle
Meredith Henderson	NCCIU
[illegible]	Ed Consultant
[illegible]	[illegible]
[illegible]	UCICU
Katherine Joyce	NCASA
[illegible]	NCPSC
Emily Doyle	NCPAPA

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Linda Garrou, Co-Chair
Senator Charles W. Albertson, Co-Chair
Senator Charlie Smith Dannelly, Co-Chair
Senator A. B. Swindell, Co-Chair

Tuesday, April 07, 2009

Senator GARROU,
submits the following with recommendations as to passage:

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO COMMITTEE SUBSTITUTE BILL
WITH UNENGROSSED AMENDMENTS

S.B. **202** Appropriations Act of 2009.

Draft Number:	PCS35286
Sequential Referral:	None
Recommended Referral:	
Long Title Amended:	No

TOTAL REPORTED: 1

Committee Clerk Comments:

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The Senate Committee on **Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Tuesday	April 7, 2009	9:00 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
SB 202	Appropriations Act of 2009.	Senator Garrou

Senator Linda Garrou, Co-Chair
Senator Charles W. Albertson, Co-Chair
Senator Charlie Smith Dannelly, Co-Chair
Senator A. B. Swindell, Co-Chair

SENATE APPROPRIATIONS/BASE BDUGET COMMITTEE
Minutes
April, 7 2009

The Senate Appropriations Committee met on April 7, 2009 at 9:00 a.m. in room 643. 48 members were present. Senator Linda Garrou, co-chair, presided.

The only item on the agenda was **Senate Bill 202, "Appropriations Act of 2009."** This bill is the state budget, and was broken into several subsections, presented by different speakers.

The first subsection was the Education portion of the bill, and Senators Vernon Malone and Senator Richard Stevens presented the Education budget. The two went through the major highlights of the budget. Following their presentation, they took the questions from the Committee.

Senator Charlie Dannelly alternated as the presiding Chair. After the conclusion of questions for Senators Malone and Stevens, he recognized Senator William Purcell and Senator Doug Berger to present the DHHS portion of the budget.

Senators Purcell and Berger made some introductory remarks, and stressed the important parts of the budget. They then took questions from the Committee. Susan Morgan from Fiscal Research was recognized to answer a question by Senator Phil Berger.

Senator Dannelly then recognized Senator David Weinstein to present the Natural and Economic Resources portion of the budget.

Senator Weinstein presented the money report of NER, and highlighted the important points.

Senator Floyd McKissick then reviewed certain special provisions for the NER budget. Both Senators then took questions.

Senator Albertson alternated as presiding Chair and recognized Senator Ellie Kinnaird to review the JPS portion of the budget.

Senator Kinnaird highlighted the main points of the money report for the JPS section. Senator John Snow then presented the special provisions of the budget. Both Senators then took questions from the Committee.

Senator Albertson, presiding Chair, then recognized Senator Katie Dorsett to present the General Government portion of the budget.

Senator Dorsett then reviewed the major highlights of the General Government budget. Senator Bob Atwater reviewed the provisions of the budget. The two then answered questions.

Senator A.B. Swindell alternated as Committee Chair and recognized Senator Steve Goss to present the Transportation portion of the budget.

Senator Goss presented both the money report and special provisions of the budget. Questions were then taken.

Karlynn O'Shaughnessy from Fiscal Research was recognized to present the Information Technology section of the budget. No questions were asked.

Senator Swindell then reminded members that the deadline for amendments was approaching. He then called on Marshall Barnes, Mark Trogdon and Stanley Moore, all of Fiscal Research, to present the Salaries and Benefits items in the budget.

Marshall Barnes then presented salary items related to education and government employees. Stanley Moore then reviewed the items related to pensions and retirement.

Senator Albertson alternated as Chair. He recognized Susan Morgan, Fiscal Research, to review Statewide Reserves.

Jim Klinger, Fiscal Research, was then called to present the Capital portion of the budget. He then took questions from the Committee.

Senator Dannelly took over as Chair, and recognized Evan Rodewald of Fiscal Research to present General Availability to the Committee.

The Committee then recessed until 1:30 p.m.

Upon reconvening, Senator Swindell, presiding Chair, entertained Senator Albertson's motion that the PCS of Senate Bill 202 be adopted by the Committee for purposes of discussion. The motion carried.

Senator Jerry Tillman offered an amendment. He explained his amendment. Senator Rand suggested that the amendment is out of order because it did not specify where the appropriation for the amendment would come from. Senator Swindell, presiding Chair, ruled that the amendment was eligible for consideration. The amendment failed.

Senator Rucho asked for division but the request was denied.

The Chair then called on Senator Stevens so that Stevens could introduce his amendment. Stevens explained the amendment. The amendment was adopted by the committee.

Senator Clodfelter was recognized to introduce an amendment. Senator Clodfelter explained the amendment. The Committee adopted the amendment.

Senator Clodfelter then again proposed to amend the committee report, and explained his second amendment. The amendment was adopted.

Senator Jones then moved to amend the committee report, and he explained his amendment. The amendment was adopted.

Senator Jones made another motion to amend the committee report. This amendment failed.

Senator Kinnaird made the next motion to amend the committee report. This motion failed.

Senator Kinnaird made her next motion to amend the committee report. This motion carried.

Senator Kinnaird had a final motion to amend the committee report. After she explained the amendment, Senator Tillman asked a question as to the funding of the amendment. Senator Rand made a comment on the amendment. The motion failed.

Senator Queen made a motion to amend the committee report. Senator Garrou made a comment about the amendment. Senator Clodfelter also made a comment, urging the amendment's defeat. Senator Hartsell agreed. Senator Queen made one additional comment. Senator Garrou made another comment and the committee voted. The motion failed.

Senator Doug Berger made the next motion. Senator Phil Berger asked a question and Senator Doug Berger answered the question. After a series of questions between the two, Senator Rand asked a question to Senator Weinstein if the NER committee had considered Senator D. Berger's amendment. The motion failed.

Senator David Rouzer offered the next motion to amend the committee report. He explained his amendment. Senator Rand asked Senator Rouzer a question. Lanier McRee, of Fiscal Research, spoke on the amendment. Senator Weinstein then asked Ms. McRee a question. Senator Floyd McKissick was recognized to make a comment about the amendment. Senator Rouzer made a final comment on the amendment. Senator Rand then also made a comment, urging the amendment's defeat. Senator Tillman spoke in support of the amendment. Senator Garrou was recognized to ask a question of staff about the amendment. Senator Brock then asked a question of Senator Weinstein in regards to the amendment, but Senator Weinstein was unable to answer the question.

Senator Phil Berger made a comment in support of the amendment. Senator Rouzer made an additional comment in support of his motion. The motion failed.

Senator Nesbitt moved to amend the committee report. He explained his amendment. Senator Tillman asked Senator Nesbitt a question of the amendment. Senator Rand then asked a question of Senator Nesbitt. The motion carried.

Senator Jones then moved to amend the committee report. Senator Jones explained his amendment. The motion carried (later withdrawn).

The committee recessed until 3:15 p.m.

The committee reconvened at 3:15, with Senator A.B. Swindell presiding. Senator Jones motioned to reconsider the vote on his amendment passed immediately before the vote. The motion carried. Senator Jones withdrew his amendment.

Senator Garrou was recognized by the chair to make a motion to amend the committee report. She explained the amendment in detail. Senator McKissick was recognized to make a comment. The motion carried.

Senator Rucho then asked a question about the committee report.

Senator Rand made a motion for a favorable report, as amended. The motion carried.

Respectfully Submitted,

Senator Linda Garrou, Co-Chair

Senator A.B. Swindell, Co-Chair

Senator Charlie Dannelly, Co-Chair

Senator Charlie Albertson, Co-Chair

Andrew Dugan, Committee/Research Assistant

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S D

SENATE BILL 202
PROPOSED COMMITTEE SUBSTITUTE S202-PCS35286-LExf-15

Short Title: Appropriations Act of 2009. (Public)

Sponsors:

Referred to:

February 18, 2009

A BILL TO BE ENTITLED

AN ACT TO MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS OF STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES, AND FOR OTHER PURPOSES.

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 State 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 2009."

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, 2011, according to the following schedule:

Current Operations – General Fund	**2009-2010**	**2010-2011**
EDUCATION		
Community Colleges System Office	$ 1,059,888,269	$ 1,104,442,194
Department of Public Instruction	7,629,717,045	7,773,516,383

University of North Carolina – Board of Governors		
Appalachian State University	149,364,470	150,008,736
East Carolina University		
Academic Affairs	241,853,905	244,133,225
Health Affairs	55,190,729	55,027,390
Elizabeth City State University	37,906,689	38,291,383
Fayetteville State University	60,424,635	60,745,385
North Caroline Agricultural and Technical University	103,280,528	103,283,850
North Carolina Central University	94,300,645	94,193,246
North Carolina School of the Arts	28,632,307	28,786,620
North Carolina State University		
Academic Affairs	421,258,378	428,566,200
Agricultural Extension	61,941,281	60,787,417
Agricultural Research	46,237,503	45,963,661
University of North Carolina at Asheville	40,024,437	40,158,837
University of North Carolina at Chapel Hill		
Academic Affairs	315,711,172	318,502,587
Health Affairs	224,910,569	228,028,319
Area Health Education Centers	52,346,018	52,363,857
University of North Carolina at Charlotte	200,230,007	200,765,231
University of North Carolina at Greensboro	172,612,251	173,265,711
University of North Carolina at Pembroke	61,015,439	61,316,418
University of North Carolina at Wilmington	104,921,437	106,343,768
Western Carolina University	96,273,475	96,370,613
Winston-Salem State University	73,730,343	73,401,502
General Administration	43,643,644	43,627,674
University Institutional Programs	14,772,089	72,744,268
Related Educational Programs	120,250,131	119,595,220
UNC Financial Aid Private Colleges	104,888,915	104,922,915
North Carolina School of Science and Mathematics	19,304,837	19,362,188
UNC Hospitals at Chapel Hill	46,011,882	46,011,882
Total University of North Carolina – Board of Governors	$ 2,991,037,716	$ 3,066,568,103

HEALTH AND HUMAN SERVICES

Department of Health and Human Services		
Division of Central Management and Support	$ 57,334,182	$ 59,306,912
Division of Aging	35,927,363	38,697,945
Division of Blind Services/Deaf/HH	11,354,295	11,279,296
Division of Child Development	282,156,867	346,847,558
Division of Education Services	38,827,103	33,879,011
Division of Health Service Regulation	18,196,075	18,201,413
Division of Medical Assistance	2,528,381,854	3,171,953,118
Division of Mental Health	784,669,194	787,653,305
NC Health Choice	82,928,252	82,828,189
Division of Public Health	182,067,661	183,194,026
Division of Social Services	212,492,287	223,486,076
Division of Vocation Rehabilitation	41,765,979	41,779,037
Total Health and Human Services	$ 4,276,101,112	$ 4,999,105,886

NATURAL AND ECONOMIC RESOURCES		
Department of Agriculture and Consumer Services	$ 61,599,458	$ 61,185,805
Department of Commerce		
Commerce	44,395,214	37,178,108
Commerce State-Aid	18,804,673	15,304,673
NC Biotechnology Center	15,119,010	15,119,010
Rural Economic Development Center	24,019,453	24,019,453
Department of Environment and Natural Resources	207,284,998	200,464,914
Clean Water Management Trust Fund	95,000,000	100,000,000
Department of Labor	17,700,104	17,728,165
JUSTICE AND PUBLIC SAFETY		
Department of Correction	$ 1,292,633,348	$ 1,334,385,357
Department of Crime Control and Public Safety	31,338,905	30,900,591
Judicial Department	470,465,546	471,837,687
Judicial Department – Indigent Defense	134,934,064	121,403,270
Department of Justice	92,102,712	91,344,576
Department of Juvenile Justice and Delinquency Prevention	147,114,599	143,487,981
GENERAL GOVERNMENT		
Department of Administration	$ 69,163,419	$ 69,106,137
Office of Administrative Hearings	3,967,455	3,980,290
Department of State Auditor	13,224,512	13,240,784
Office of State Controller	23,361,150	23,993,456
Department of Cultural Resources		
Cultural Resources	70,522,789	71,919,361
Roanoke Island Commission	1,961,296	1,961,296
State Board of Elections	4,683,822	6,187,615
General Assembly	57,661,786	59,371,264
Office of the Governor		
Office of the Governor	6,113,531	6,119,712

Office of State Budget and Management	6,561,015	6,564,463
OSBM – Reserve for Special Appropriations	5,023,000	4,273,000
Housing Finance Agency	14,608,417	14,608,417
Department of Insurance		
Insurance	31,644,853	31,707,037
Insurance – Volunteer Safety Workers' Compensation	2,000,000	2,000,000
Office of Lieutenant Governor	932,179	932,179
Department of Revenue	84,920,596	85,013,566
Department of Secretary of State	11,364,455	11,438,329
Department of State Treasurer		
State Treasurer	17,272,124	17,285,912
State Treasurer – Retirement for Fire and Rescue Squad Workers	10,804,671	10,804,671
TRANSPORTATION		
Department of Transportation	$ 0	$ 0
RESERVES, ADJUSTMENTS AND DEBT SERVICE		
Reserve for Compensation Increases	$ 65,440,496	$ 56,765,776
Salary Adjustment Fund: 2009-2011 Biennium	0	0
Contingency and Emergency Fund	5,000,000	5,000,000
Reserve for Teachers' and State Employees' Retirement Contribution	21,000,000	21,000,000
Judicial Retirement System Contributions	1,300,000	1,300,000
Reserve for State Health Plan	128,410,208	267,904,114
Information Technology Fund	9,361,985	9,361,985
Reserve for Job Development Investment Grants (JDIG)	19,000,000	27,400,000
Adjust Debt Service	(7,500,000)	7,307,323
Statewide Administrative Support	(3,000,000)	(4,000,000)
Federal Economic Recovery Management	1,000,000	1,000,000
E-Procurement Receipts		(10,000,000)
Biomedical Research Imaging Center (BRIC)	0	0

Biomedical Research Imaging Center (BRIC) Contingency Reserve	74,000,000	100,000,000
Debt Service		
General Debt Service	670,494,697	739,878,445
Federal Reimbursement	1,616,380	1,616,380
TOTAL CURRENT OPERATIONS – GENERAL FUND	**$ 20,031,171,062**	**$ 21,273,226,011**

Capital Improvements -General Fund	**2009-2010**	**2010-2011**
Water Resources Development Projects	$ 17,600,000	$ 0
TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	**$ 17,600,000**	**$ 0**

GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2.(a) The General Fund availability used in developing the 2009-2011 biennial budget is shown below:

	FY 2009-2010	**FY 2010-2011**
Unappropriated Balance Remaining from Previous Year	0	190,568,288
Projected Reversions FY 2006-2007	0	0
Projected Overcollections FY 2006-2007	0	0
Less Earmarkings of Year End Fund Balance		
Savings Reserve Account	0	0
Repairs and Renovations Reserve Account	0	0
Beginning Unreserved Fund Balance	**0**	**190,568,288**
Revenues Based on Existing Tax Structure	**18,030,500,000**	**19,072,800,000**
Nontax Revenues		
Investment Income	136,400,000	153,800,000
Judicial Fees	200,300,000	208,400,000
Disproportionate Share	100,000,000	100,000,000
Insurance	72,500,000	76,500,000
Other Nontax Revenues	195,700,000	201,500,000
Tobacco Trust Fund Transfer	0	0
Highway Trust Fund/Use Tax Reimbursement Transfer	108,500,000	72,800,000
Highway Fund Transfer	17,600,000	17,600,000
Subtotal Nontax Revenues	**831,000,000**	**831,300,000**
Total General Fund Availability	**18,861,500,000**	**20,008,383,971**
Adjustments to Availability: 2009 Session		
Reserve for Tax Adjustments	500,400,000	667,100,000
Federal Fiscal Stabilization Funds – Education	580,966,000	580,966,000
Federal Fiscal Stabilization Funds – General Purpose	129,261,500	129,261,500
IRA Distribution Suspended	(44,000,000)	0
Department of Revenue Improved Enforcement	50,000,000	75,000,000

Transfer from Disproportionate Share Reserve	24,994,954	0
Adjust Transfer from Insurance Regulatory Fund	(2,179,969)	(2,179,969)
Adjust Transfer from Treasurer's Office	(885,321)	(885,321)
Scrap Tire Disposal Account Funds	3,000,000	0
Increase DHHS/HSR Fees	1,122,990	1,122,990
Increase SOS Fees	3,632,700	3,632,700
Administrative Office of the Courts	32,942,179	38,899,425
Reduce Fund Balance – Nurse Educators for Tomorrow	1,000,000	0
Inmate Work Release Fund Increase	500,000	500,000
Reduce Fund Balance – Telecommunications Relay Trust Fund	5,000,000	0
Reduce Fund Balance – Teaching Fellows Trust Fund	4,500,000	0
Reduce Fund Balance – DPI Legacy Funds	2,000,000	0
Subtotal Adjustments to Availability: 2009 Session	**1,292,255,033**	**1,493,417,325**
Revised General Fund Availability	**20,153,755,033**	**21,501,801,296**
Less: General Fund Appropriations	**(20,048,771,062)**	**(21,273,033,668)**
Unappropriated Balance Remaining	**$104,983,971**	**$228,767,628**

SECTION 2.2.(b) Notwithstanding the provisions of G.S. 143C-4-3, the State Controller shall not transfer funds to the Repairs and Renovations Reserve Account on June 30, 2009. This subsection becomes effective June 30, 2009.

SECTION 2.2.(c) Notwithstanding 143C-4-2, the State Controller shall not transfer funds to the Savings Reserve Account on June 30, 2009. This subsection becomes effective June 30, 2009.

SECTION 2.2.(d) Notwithstanding the provisions of G.S. 105-187.9(b)(1), the sum to be transferred under that subdivision for the 2009-2010 fiscal year is one hundred six million ($106,000,000) and for the 2010-2011 fiscal year is seventy-one million ($71,000,000).

SECTION 2.2.(e) Pursuant to G.S. 105-187.9(b)(2), the sum to be transferred under that subdivision for the 2009-2010 fiscal year is two million five hundred thousand dollars ($2,500,000) and for the 2010-2011 fiscal year is one million eight hundred thousand dollars ($1,800,000).

SECTION 2.2.(f) The appropriation made in this act to the Clean Water Management Trust Fund for the 2009-2010 fiscal year is ninety-five million dollars ($95,000,000). The provisions of G.S. 113A-253.1 do not apply for the 2009-2010 fiscal year.

PART III. CURRENT OPERATIONS/HIGHWAY FUND

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 fiscal biennium ending June 30, 2011, according to the following schedule:

Current Operations – Highway Fund	**2009-2010**	**2010-2011**
Department of Transportation		
Administration	$ 80,810,522	$ 81,897,273
Division of Highways		
Administration	32,938,983	32,993,177

Construction	38,910,000	125,110,551
Maintenance	909,957,588	791,660,215
Planning and Research	4,055,402	4,055,402
OSHA Program	355,389	355,389
Ferry Operations	30,126,209	29,726,209
State Aid		
Municipalities	87,071,264	86,200,551
Public Transportation	71,595,962	71,631,962
Airports	17,349,592	17,291,543
Railroads	17,101,153	17,101,153
Governor's Highway Safety	351,779	352,325
Division of Motor Vehicles	101,732,813	101,747,629
Other State Agencies, Reserves, and Transfers	291,143,334	298,336,621
TOTAL	**$ 1,683,500,000**	**$1,658,460,000**

HIGHWAY FUND AVAILABILITY STATEMENT

SECTION 3.2. The Highway Fund availability used in developing the 2009-2011 biennial budget is shown below:

Highway Fund Availability Statement	**2009-2010**	**2010-2011**
Unappropriated Balance From Previous Year	$ 0	$ 0
Beginning Credit Balance	0	0
Estimated Revenue	1,683,500,000	1,658,460,000
Total Highway Fund Availability	**$ 1,683,500,000**	**$ 1,658,460,000**
Unappropriated Balance	$ 0	$ 0

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS

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, 2011, according to the following schedule:

Current Operations – Highway Trust Fund	**2009-2010**	**2010-2011**
Intrastate System	$ 352,674,316	$ 369,455,555
Urban Loops	110,759,502	118,440,179
Aid to Municipalities	39,893,942	41,549,515
Secondary Roads	57,777,091	60,531,355
Program Administration	41,092,320	42,373,920
Turnpike Authority	64,000,000	99,000,000
Transfer to General Fund	108,561,829	72,846,726

GRAND TOTAL CURRENT OPERATIONS AND EXPANSION	**$ 857,490,000**	**$ 884,190,000**

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

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

Total Highway Trust Fund Availability	**$ 857,490,000**	**$ 884,190,000**

PART V. OTHER APPROPRIATIONS

CIVIL FORFEITURE FUNDS

SECTION 5.1.(a) Appropriations. – Appropriations are made from the Civil Penalty and Forfeiture Fund for the fiscal biennium ending June 30, 2011, as follows:

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

SECTION 5.1.(b) All University of North Carolina campuses shall remit all parking fines held in escrow in the amount of eighteen million one hundred eighty-three thousand two hundred fifty-one dollars ($18,183,251) to the Civil Penalties and Forfeitures Fund for appropriation.

EDUCATION LOTTERY

SECTION 5.2.(a) Notwithstanding G.S. 18C-164, the revenue used to support appropriations made in this act is transferred from the State Lottery Fund in the amount of three hundred sixty-eight million seventy thousand two hundred eight dollars ($368,070,208) for the 2009-2010 fiscal year.

SECTION 5.2.(b) Notwithstanding G.S. 18C-164, the appropriations made from the Education Lottery Fund for the 2009-2010 fiscal year are as follows:

Teachers in Early Grades	99,399,395
Prekindergarten Program	84,635,709
Public School Building Capital Fund	147,228,083
Scholarships for Needy Students	36,807,021
Total Appropriation	$368,070,208

SECTION 5.2.(c) Notwithstanding G.S. 18C-164, the North Carolina State Lottery Commission shall not transfer funds to the Education Lottery Reserve Fund for the 2009-2010 fiscal year or the 2010-2011 fiscal year.

INFORMATION TECHNOLOGY FUND AVAILABILITY AND APPROPRIATION

SECTION 5.3.(a) The availability used to support appropriations made in this act from the Information Technology Fund established in G.S. 147-33.72H is as follows:

	FY 2009-2010	**FY 2010-2011**
Interest Income	$100,000	$100,000
IT Fund Balance June 30	$3,359,419	$100,000

Appropriation from General Fund	$9,361,985	$9,361,985
Total Funds Available	**$12,821,404**	**$9,561,985**

SECTION 5.3.(b) Appropriations are made from the Information Technology Fund for the 2009-2011 fiscal biennium as follows:

Office of Information Technology Services	**FY 2009-2010**	**FY 2010-2011**
Information Technology Operations	$7,891,607	$7,891,607
Information Technology Projects	$4,829,797	$4,829,797
Total	$12,721,404	$12,721,404

APPROPRIATION OF CASH BALANCES

SECTION 5.4.(a) State funds, as defined in G.S. 143C-1-1(d)(25), are appropriated and authorized as provided in G.S. 143C-1-2 for the 2009-2011 fiscal biennium as follows:

(1) For all budget codes listed in the Base Budget and Performance Management Information sections of "North Carolina State Budget, Recommended Operating Budget 2009-2011, Volumes 1 through 6," cash balances and receipts are appropriated up to the amounts specified in Volumes 1 through 6, as adjusted by the General Assembly, for the 2009-2010 fiscal year and the 2010-2011 fiscal year. Funds may be expended only for the programs, purposes, objects, and line items specified in Volumes 1 through 6, or otherwise authorized by the General Assembly. Expansion budget funds listed in those documents are appropriated only as otherwise provided in this act.

(2) For all budget codes that are not listed in "North Carolina State Budget, Recommended Operating Budget 2009-2011, Volumes 1 through 6," cash balances and receipts are appropriated for each year of the 2009-2011 fiscal biennium up to the level of actual expenditures for the 2008-2009 fiscal year, unless otherwise provided by law. Funds may be expended only for the programs, purposes, objects, and line items authorized for the 2008-2009 fiscal year.

(3) Notwithstanding subdivisions (1) and (2) of this subsection, any receipts that are required to be used to pay debt service requirements for various outstanding bond issues and certificates of participation are appropriated up to the actual amounts received for the 2009-2010 fiscal year and the 2010-2011 fiscal year and shall be used only to pay debt service requirements.

(4) Notwithstanding subdivisions (1) and (2) of this subsection, cash balances and receipts of funds that meet the definition issued by the Governmental Accounting Standards Board of a trust or agency fund are appropriated for and in the amounts required to meet the legal requirements of the trust agreement for the 2009-2010 fiscal year and the 2010-2011 fiscal year.

SECTION 5.4.(b) Receipts collected in a fiscal year in excess of the amounts authorized by this section shall remain unexpended and unencumbered until appropriated by the General Assembly in a subsequent fiscal year, unless the expenditure of overrealized

receipts in the fiscal year in which the receipts were collected is authorized by the State Budget Act.

Overrealized receipts are appropriated up to the amounts necessary to implement this subsection.

In addition to the consultation and reporting requirements set out in G.S. 143C-6-4, 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 any overrealized receipts approved for expenditure under this subsection by the Director of the Budget. The report shall include the source of the receipt, the amount overrealized, the amount authorized for expenditure, and the rationale for expenditure.

SECTION 5.4.(c) Notwithstanding subsections (a) and (b) of this section, there is appropriated from the Reserve for Reimbursements to Local Governments and Shared Tax Revenues for each fiscal year an amount equal to the amount of the distributions required by law to be made from that reserve for that fiscal year.

AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

SECTION 5.5.(a) Appropriations of funds received under the American Recovery and Reinvestment Act of 2009 are made for the 2009-2011 fiscal biennium, according to the following schedule:

	2009-2010	2010-2011
Fiscal Stabilization: Education	$ 580,965,782	$ 580,965,782
Fiscal Stabilization: General	129,261,335	129,261,335
Medicaid Disproportionate Share	7,314,833	7,314,833
Title I Grants	128,728,180	128,728,180
Title I School Improvement	38,336,500	38,336,500
IDEA: Part B	157,205,000	157,205,000
IDEA: Part B (Preschool)	6,035,500	6,035,500
Homeless Assistance	645,000	645,000
Education Technology	8,179,529	8,179,529
School Lunch Equipment	3,313,727	-
State Energy Programs	37,994,500	37,994,500
HOME Investment Partnership Program	26,076,344	26,076,344
Homelessness Prevention Fund	14,539,194	14,539,194
IDEA: Part C	6,365,500	6,365,500
TANF Supplemental Grants	27,075,000	9,025,000
Community Services Block Grant	8,748,333	11,664,444
Child Care and Development Block Grants	67,543,000	-
Vocational Rehabilitation Agency Funding	9,014,504	9,014,504
Older Blind Individuals/VR	521,182	521,182
Child Support Enforcement (Incentive Payments)	2,214,542	330,000
Weatherization Assistance Grants	131,954,536	-
Medicaid FMAP Increase	920,377,105	514,514,239
Medicaid FMAP Increase-local administration	-	-
Foster Care and Adoption FMAP Increase	2,840,410	726,309
Prevention and Wellness Fund Grants (Immunization)	5,689,500	5,689,500

Senior Meals Programs	1,384,392	1,384,392
Byrne/Justice Assistance Grants	17,245,779	17,245,779
Violence Against Women: Services-Training-Officers-Prosecutors (STOP) Grants	3,784,000	-
Victims of Crime Act (VOCA) Grants: Victim Compensation	647,906	-
Victims of Crime Act (VOCA) Grants: Victim Assistance	1,110,000	-
Internet Crimes Against Children Task Force Program	879,040	-
Unemployment Insurance: Administration	7,323,699	7,323,699
Employment Services Grants (Wagner-Peyser)	11,091,396	-
Community Service Employment for Older Americans	1,583,153	1,583,153
Energy Efficiency and Conservation Block Grants	29,025,150	29,025,150
Clean Water State Revolving Funds	71,443,500	-
Drinking Water Revolving Funds	65,625,000	-
State Clean Diesel Program	1,730,000	-
Community Development Block Grant: Non-Entitlement Funds	6,040,307	6,040,307
Workforce Investment Act: Youth Activities	12,535,349	12,535,349
Workforce Investment Act: Adult Activities	5,168,583	5,168,583
Workforce Investment Act: Dislocated Worker Activities	22,209,637	22,209,637
Transit Capital Assistance	103,304,242	-
Highway Infrastructure Investment	$ 735,527,000	$ -
TOTAL	**$ 3,418,597,166**	**$1,795,648,421**

SECTION 5.5.(b) If funds received from the American Recovery and Reinvestment Act of 2009 exceed the amount set out in subsection (a) of this section, such additional funds are hereby appropriated for the appropriate fiscal year.

OTHER RECEIPTS FROM PENDING GRANT AWARDS

SECTION 5.6. Notwithstanding G.S. 143C-6-4, State agencies may, with approval of the Director of the Budget and after consultation with the Joint Legislative Committee on Governmental Operations, spend funds received from grants awarded subsequent to the enactment of this act. The Office of State Budget and Management shall work with the recipient State agencies to budget grant awards according to the annual program needs and within the parameters of the respective granting entities. Depending on the nature of the award, additional State personnel may be employed on a permanent or time-limited basis. The Office of State Budget and Management shall consult with the Joint Legislative Commission on Governmental Operations prior to expending any funds received from grant awards. Funds received from such grants are hereby appropriated and shall be incorporated into the certified budget of the recipient State agency.

PART VI. GENERAL PROVISIONS

EXPENDITURES OF FUNDS IN RESERVES LIMITED

SECTION 6.1. All funds appropriated by this act into reserves may be expended only for the purposes for which the reserves were established.

BUDGET CODE CONSOLIDATIONS

SECTION 6.2. Notwithstanding G.S. 143C-6-4, the Office of State Budget and Management may adjust the enacted budget by making transfers among purposes or programs for the purpose of consolidating budget and fund codes or eliminating inactive budget and fund codes. The Office of State Budget and Management shall change the authorized budget to reflect these adjustments.

BUDGET REALIGNMENT

SECTION 6.3. Notwithstanding G.S. 143C-6-4(b), the Office of State Budget and Management, in consultation with the Office of the State Controller and the Fiscal Research Division, may adjust the enacted budget by making transfers among purposes or programs for the sole purpose of correctly aligning authorized positions and associated operating costs with the appropriate purposes or programs as defined in G.S. 143C-1-1(d)(23). The Office of State Budget and Management shall change the certified budget to reflect these adjustments only after reporting the proposed adjustments to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division. Under no circumstances shall total General Fund expenditures for a State department exceed the amount appropriated to that department from the General Fund for the fiscal year.

ESTABLISHING OR INCREASING FEES PURSUANT TO THIS ACT

SECTION 6.4.(a) Notwithstanding G.S. 12-3.1, an agency is not required to consult with the Joint Legislative Commission on Governmental Operations prior to establishing or increasing a fee as authorized or anticipated in this act.

SECTION 6.4.(b) In establishing or increasing a fee as authorized or anticipated in this act, if adoption of a rule would otherwise be required under Article 2A of Chapter 150B of the General Statutes, an agency may adopt a temporary rule as this constitutes a "recent act of the General Assembly" under G.S. 150B-21.1(a)(2). Pending adoption and review of the temporary rule, the agency may adopt an emergency rule under G.S. 150B-21.1A based solely on the need to raise revenue to fund services.

AUTHORIZATION TO ESTABLISH RECEIPT SUPPORTED POSITIONS

SECTION 6.5. Notwithstanding any other provision of law, a department, institution, or other agency of State government may establish receipt-supported positions authorized in this act upon approval by the Director of the Budget. The Director, if necessary, may establish a receipt-supported position pursuant to this section at an annual salary amount different from the salary amount set out in this act if (i) funds are available from the proposed funding source and (ii) the alternative salary amount remains within the established salary range grade identified for the job classification of the affected receipt-supported position established in this act. The Director shall not change the job classifications or increase the number of receipt-supported positions specified in this act without prior consultation with the Joint Legislative Commission on Governmental Operations.

FISCAL CRISIS/FURLOUGH FLEXIBILITY

SECTION 6.6.(a) Findings. – The General Assembly finds that:

(1) The extreme fiscal crisis affecting North Carolina's economy, the national economy, and global economic markets has substantially reduced the State's revenue projections for the 2009-2011 biennium.

(2) Economies in State expenditures and maximized efficiencies in State operations must be effected immediately and systematically in order to meet the compelling State interest of enacting a balanced budget in accordance

with the State Constitution and to protect the interests of the people of North Carolina.

(3) Given the broad scope and depth of other budget reduction and efficiency measures required by this act, allowing voluntary furloughs and requiring mandatory furloughs of public employees, when necessary, is a reasonable measure to avoid disruptive mass layoffs and the elimination of positions in public employment, to preserve the public health, safety, and welfare and to continue the effective administration of important governmental functions in the interest of the people of North Carolina.

SECTION 6.6.(b) To achieve savings identified in the management flexibility reserves established in this act, State agencies may:

(1) Reduce salary-related expenditures by (i) reductions in purchased services and contractual services, (ii) reductions in force, and (iii) with the approval of the Director of the Budget, implementation of furloughs in accordance with subsections (c) through (g) of this section; and

(2) Reduce non-salary expenditures such as purchases of supplies and equipment, maintenance expenses, rental and lease expenses, and any other allowable reductions in non-salary expenditures.

SECTION 6.6.(c) Definitions. – The following definitions apply in this section:

(1) Compensation. – Base rate of compensation, not including pay for shift premiums, overtime, or other types of extraordinary pay.

(2) Essential positions. – Any position deemed by the head of an agency to be necessary to perform the critical functions of that agency to protect the health or safety of the agency's employees, students, clients, or patients of the public agency or to protect the general public.

(3) Furlough. – A temporary period of leave from employment without pay.

(4) Nonessential positions. – Any position in a public agency that is not designated as essential positions by the head of that agency.

(5) Public employee. – Any person employed (i) in the executive, legislative, or judicial branch of State government, (ii) by The University of North Carolina, (iii) by the North Carolina Community College System, or (iv) by a local school administrative unit. The term includes public officers.

(6) Public agency. – Any State agency, department, or institution; and the executive, legislative, and judicial branches of State government; The University of North Carolina; the North Carolina Community College System; and local school administrative units.

SECTION 6.6.(d) Furlough Flexibility. – For the 2009-2010 and 2010-2011 fiscal years, public agencies have management flexibility to allow voluntary furloughs and to require mandatory furloughs of public employees to generate necessary economies and efficiencies in budgeting.

SECTION 6.6.(e) Compensation and Benefits. – A period of furlough shall only affect or reduce a public employee's base salary or compensation. A period of furlough shall not affect or diminish a public employee's continuous service, length of aggregate service, retirement service credits, anniversary date, eligibility for authorized holiday leave, longevity pay, or the accrual of vacation and sick leave. Periods of furlough shall be applied equitably to all essential and nonessential positions regardless of the funding source of the position. A furloughed public employee who is a member of:

(1) Any of the State-supported retirement plans administered by the Retirement Systems Division of the Department of the State Treasurer shall be considered in active service during any period of furlough and shall be entitled to all of the same benefits to which the employee was entitled on the

workday immediately preceding the furlough. During a furlough period, the public agency shall pay both the employee and employer contributions to the Retirement Systems Division on behalf of the furloughed public employee as though that employee were in active service.

(2) The State Health Plan for Teachers and State Employees shall be considered eligible for coverage under the Plan on the same basis as on the workday immediately preceding the furlough. The employing public agency shall pay contributions on behalf of the furloughed employee as though the employee were in active service.

SECTION 6.6.(f) Policies. – The Office of State Budget and Management (OSBM) and the State Board of Education (SBE) shall each adopt policies necessary for the implementation of this section. The policies shall govern (i) the scheduling of furloughs, (ii) the amount of notice that must be given to a public employee prior to the effective date of a period of furlough, (iii) whether furloughs may be taken in increments of full days, (iv) the continued accrual of annual and sick leave, (v) treatment of part-time employees, and (vi) any other matter related to the implementation of this section. The OSBM and SBE shall provide maximum flexibility to public agencies and public employees in the scheduling of furlough days to provide public agencies the ability to effectively manage furloughs of employees employed in essential positions so as not to affect critical functions. The policies shall provide that a public employee whose normal workday exceeds eight hours per day will sustain the same proportionate reduction as a public employee who works eight hours per day. The Office of State Personnel shall provide technical assistance to OSBM, as requested, in developing a plan for the implementation of furloughs.

SECTION 6.6.(g) The OSBM and SBE shall adopt emergency rules for the implementation of this section in accordance with G.S. 150B-21.1A, except that notwithstanding G.S. 150B-21.1A(d) those emergency rules may remain in effect until the expiration of this subsection. This subsection expires June 30, 2011.

SECTION 6.6.(h) Subsection (b) of this section is effective July 1, 2009. The remainder of this sections is effective when it becomes law.

INFORMATION TECHNOLOGY OPERATIONS

SECTION 6.7.(a) Office of Information Technology Services Budget. – Notwithstanding G.S. 147-33.88, the Office of Information Technology Services shall develop an annual budget for review and approval by the Office of State Budget and Management in accordance with a schedule prescribed by the Director of the Office of State Budget and Management. The approved Office of Information Technology Services budget shall be included in the Governor's budget recommendations to the General Assembly.

The Office of State Budget and Management shall ensure that State agencies have an opportunity to adjust their budgets based on any rate changes proposed by the Office of Information Technology Services.

SECTION 6.7.(b) Enterprise Projects. – The State Chief Information Officer shall consult the respective State agency chief information officers to identify specific State agency requirements prior to the initiation of any enterprise project. State agency requirements shall be incorporated into any enterprise agreement signed by the State Chief Information Officer. Enterprise projects shall not exceed the participating State agencies' ability to financially support the contracts.

The State Chief Information Officer shall not enter into any information technology contracts without obtaining written agreements from participating State agencies regarding apportionment of funding. State agencies agreeing to participate in a contract shall:

(1) Ensure that sufficient funds are budgeted to support their agreed shares of enterprise agreements throughout the life of the contract.

(2) Transfer the agreed-upon funds to the Office of Information Technology Services in sufficient time for the Office of Information Technology Services to meet contract requirements.

SECTION 6.7.(c) Notwithstanding the cash management provisions of G.S. 147-86.11, the Office of Information Technology Services may procure information technology goods and services for periods of up to a total of three years where the terms of the procurement contract require payment of all, or a portion, of the contract purchase price at the beginning of the agreement. All of the following conditions shall be met before payment for these agreements may be disbursed:

(1) Any advance payment complies with the Office of Information Technology Services budget.

(2) The State Controller receives conclusive evidence that the proposed agreement would be more cost-effective than a multiyear agreement that complies with G.S. 147-86.11.

(3) The procurement complies in all other aspects with applicable statutes and rules.

(4) The proposed agreement contains contract terms that protect the financial interests of the State against contractor nonperformance or insolvency through the creation of escrow accounts for funds, source codes, or both, or by any other reasonable means that have legally binding effect.

The Office of State Budget and Management shall ensure the savings from any authorized agreement shall be included in the Office of Information Technology Services calculation of rates before the Office of State Budget and Management annually approves the proposed rates. The Office of Information Technology Services shall report to the Office of State Budget and Management on any State agency budget impacts resulting from multiyear contracts.

The Office of Information Technology Services shall submit a quarterly written report of any authorizations granted under this subsection to the Joint Legislative Oversight Committee on Information Technology and to the Fiscal Research Division.

SECTION 6.7.(d) State agencies developing and implementing information technology projects shall use the State infrastructure to host their projects. The State Chief Information Officer may grant an exception if the State agency can demonstrate any of the following:

(1) Using an outside contractor would be more cost-effective for the State.

(2) The Office of Information Technology Services does not have the technical capabilities required to host the application.

(3) Valid security requirements preclude the use of State infrastructure, and a contractor can provide a more secure environment.

GEOGRAPHIC INFORMATION CONSOLIDATION

SECTION 6.8.(a) Findings. – The General Assembly finds that there is a critical need for consolidating the investments made in geographic information systems and developing common infrastructures in order for the State to reap all the potential benefits of geographic information systems at the lowest cost.

SECTION 6.8.(b) Implementation Plan. – The recommendations outlined in the 2008 legislative report prepared by the State Chief Information Officer, the Geographic Information Coordinating Council, and the Office of State Budget and Management, made pursuant to Section 6.13 of S.L. 2008-107, entitled "State Geographic Information Consolidation Implementation Plan," shall be implemented in four distinct work streams, as follows:

(1) Transferring the Center for Geographic Information and Analysis to the Office of the State Chief Information Officer and establishing appropriated

funding for staff activities supporting the Geographic Information Coordinating Council, statewide standards, and the coordination of data acquisition.

(2) Reestablishing the professional services component and refocusing that effort toward current needs of the community while reducing those overhead costs.

(3) Revitalizing the NC OneMap project by leveraging new technology in the market to reduce costs while increasing utility of the service.

(4) Establishing a geographic information systems Reserve Fund for the acquisition of data layers which may be useful to multiple organizations and through which data acquisition may be procured to reduce cost.

SECTION 6.8.(c) Transfers of Agencies, Powers, Duties. – The statutory authority, powers, duties, functions, records, personnel, property, and unexpended balances of appropriations, allocations, or other funds of the State agencies and subunits listed in this subsection are transferred from those entities to the State Chief Information Officer, Office of Information Technology Services, with all of the elements of a Type II transfer as defined by G.S. 143A-6:

(1) The North Carolina Geographic Information Coordinating Council.

(2) The Center for Geographic Information and Analysis.

The Center for Geographic Information and Analysis shall remain in its current office space unless the State Chief Information Officer determines otherwise.

SECTION 6.8.(d) Center for Geographic Information and Analysis Coordination. – The State Chief Information Officer shall coordinate a professional services component for geographic information systems coordination with the Center for Geographic Information and Analysis that is refocused toward current community needs.

SECTION 6.8.(e) North Carolina Geographic Information Coordinating Council Coordination. – The State Chief Information Officer, in cooperation with the North Carolina Geographic Information Coordinating Council shall coordinate the refocusing of the NC OneMap geographic information systems infrastructure project to leverage new technology, to increase the utility of geographic information systems services, and to reduce geographic information systems data layer costs through singly managed contracts.

SECTION 6.8.(f) Geographic Information Systems Reserve Fund. – There is established in the Office of State Budget and Management the Geographic Information Systems Reserve Fund, which shall be nonreverting, for the purpose of acquiring and managing, at the lowest cost, data layers useful to multiple State and local organizations, according to the priorities set by the North Carolina Geographic Information Coordinating Council. The Geographic Information Systems Reserve Fund may receive private grants and may include State, federal, local, and matching funds.

SECTION 6.8.(g) Information Technology Fund. – Of the funds appropriated in this act to the Information Technology Fund, the sum of six hundred fifty thousand dollars ($650,000) for the 2009-2010 fiscal year and the sum of six hundred fifty thousand dollars ($650,000) for the 2010-2011 fiscal year shall be used to effectuate the transfer of the Center for Geographic Information and Analysis, including the cost of moving personnel positions, as provided by this act.

BEACON DATA INTEGRATION

SECTION 6.9.(a) The Office of the State Controller, in cooperation with the State Chief Information Officer, shall continue the implementation of the BEACON Strategic Plan for Data Integration, issued in April 2008. The plan shall be implemented under the governance of the BEACON Project Steering Committee and in conjunction with leadership in appropriate

State agencies and with the support and cooperation of the Office of State Budget and Management.

While it is the intent that this initiative provide broad access to information across State government, the plan shall comply with all necessary security measures and restrictions to ensure that access to any specific information held confidential under federal or State law shall be limited to appropriate and authorized persons.

SECTION 6.9.(b) The Office of State Controller shall give the Criminal Justice Data Integration Pilot Program first priority for funding and for system development and implementation.

The Office of State Controller shall determine the amount of funding required to (i) fully support the Criminal Justice Data Integration Pilot Program effort and (ii) develop full operational capability in Wake County during the 2009-2010 fiscal year. The Office of State Controller shall not otherwise obligate these funds.

SECTION 6.9.(c) By September 1, 2009, the Office of State Controller shall report to the Joint Legislative Oversight Committee on Information Technology and to the Fiscal Research Division on (i) funding requirements and sources of funds for the Criminal Justice Data Integration Pilot Program for the 2009-2010 fiscal year and (ii) the anticipated uses of any remaining funds for the BEACON Data Integration Program. The Office of State Controller shall spend funds to support the BEACON Data Integration Program only as is specifically authorized in Section 6.16(d) of S.L. 2008-107.

By October 1, 2009, the Office of State Controller, in coordination with the State Chief Information Officer, shall also report on future costs for implementing the BEACON Data Integration Program, including outside vendor costs. This report shall include a detailed explanation of potential costs and the efforts participating agencies are making to reduce these costs. This report shall be presented to the Joint Legislative Oversight Committee on Information Technology and written reports shall be provided to the House of Representatives and Senate Appropriations Committees and to the Fiscal Research Division.

CRIMINAL JUSTICE DATA INTEGRATION PILOT PROGRAM

SECTION 6.10.(a) The Office of the State Controller, in cooperation with the State Chief Information Officer and under the governance of the BEACON Project Steering Committee, shall continue the development of the Criminal Justice Data Integration Pilot Program in Wake County as specified in Section 6.15 of S.L. 2008-107. The Office of State Controller shall achieve and demonstrate full operational capability of the pilot program in Wake County before the system is expanded to other areas of the State.

SECTION 6.10.(b) The Criminal Justice Data Integration Pilot Program shall continue to comply with all necessary security measures and restrictions to ensure that access to any specific information held confidential under federal and State law shall be limited to authorized persons.

SECTION 6.10.(c) The Office of State Controller shall develop a detailed plan for the statewide expansion of the Criminal Justice Data Integration Pilot Program. This plan shall include the following:

(1) An implementation schedule;
(2) The requirements individual users must meet to participate in the program;
(3) Detailed cost information for the development and implementation of a statewide system, including any user costs;
(4) A governance structure for management and oversight of the system; and
(5) Any other issues associated with the implementation of the system.

The Office of State Controller shall submit this plan to the House of Representatives and Senate Appropriations Committees, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division by January 31, 2010.

SECTION 6.10.(d) The Office of State Controller shall work with the data integration software vendor to ensure that licenses are obtained at the least possible cost.

SECTION 6.10.(e) A State agency data center shall host the Criminal Justice Data Integration Pilot Program. The Office of State Controller shall identify a State data center to host the program and shall report its recommendation to the Joint Legislative Oversight Committee on Information Technology by August 31, 2009.

SECTION 6.10.(f) Funds appropriated for the Criminal Justice Data Integration Pilot Program shall only be used for that program. The Criminal Justice Data Integration Pilot Program shall have first priority for funds available to the BEACON Data Integration Program.

SECTION 6.10.(g) The Office of State Controller shall continue to provide quarterly written reports on the program's progress to the House of Representatives and Senate Appropriations Committees, to the Joint Legislative Oversight Committee on Information Technology, and to the Fiscal Research Division beginning October 1, 2009.

OFFICE OF INFORMATION TECHNOLOGY SERVICES/UNC BULK PURCHASING OF INFORMATION TECHNOLOGY

SECTION 6.11. The General Administration of The University of North Carolina, with assistance from the Office of Information Technology Services and the Office of State Budget and Management, shall consolidate information technology infrastructure purchasing which includes, but is not limited to, personal computer and printer purchases for all 16 State universities, the North Carolina School of Science and Mathematics, and General Administration, by creating a bulk purchasing process that will realize savings through efficiencies. General Administration may choose to utilize the Office of Information Technology Services' existing bulk contracts. Information technology infrastructure expenditure shall not be authorized without complying with this section.

JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON INFORMATION TECHNOLOGY/ REVIEW AND REPORT ON CURRENT LAW

SECTION 6.12. By April 1, 2010, the Joint Legislative Oversight Committee on Information Technology shall review State information technology-related legislation and develop recommendations for amendment of current laws and shall submit its written report of recommendations for legislative action to the Appropriations Committees of the Senate and the House of Representatives. The Joint Legislative Oversight Committee on Information Technology shall provide interested parties with the opportunity to identify and define pertinent information technology issues by offering testimony on (i) issues associated with current legislation, (ii) the impact of information technology laws on specific entities; and, (iii) recommendations for improving information technology organization and operations within the State.

OFFICE OF INFORMATION TECHNOLOGY SERVICES/NETWORK INTEGRATION/FEASIBILITY STUDY AND COORDINATION PLAN

SECTION 6.13.(a) The State Chief Information Officer shall negotiate and coordinate with MCNC to identify efficiencies that might be achieved through increased cooperation and elimination of duplicative efforts in management of the State's network infrastructure operated by the Office of Information Technology Services and by the North Carolina Research and Education Network operated by MCNC. Potential efficiencies include, but are not limited to, shared infrastructure, personnel, contracted services, and support.

SECTION 6.13.(b) Office of Information Technology Services and the Office of State Budget and Management, in conjunction with MCNC, shall conduct a study to determine the feasibility of coordinating the operation of the North Carolina Research and Education Network and the State network infrastructure. The feasibility study shall define the capabilities

and limitations of the Office of Information Technology Services and MCNC and document services currently provided by Office of Information Technology Services and MCNC. Further, the feasibility study shall identify:

(1) Current and potential State agency network requirements.
(2) The organization currently supporting each network requirement.
(3) Requirements that are currently unsupported by either organization.
(4) Costs associated with each requirement.
(5) Potential cost savings resulting from network integration.
(6) Policy and operational issues associated with the coordination.

The study shall be reviewed by the Office of State Budget and Management, which shall validate and certify the identified efficiencies and cost savings. Office of Information Technology Services and MCNC shall complete the feasibility study and present it to the Joint Legislative Oversight Committee on Information Technology by October 31, 2009.

SECTION 6.13.(c) Following review of the feasibility study by Office of State Budget and Management, and if Office of State Budget and Management certifies that the efficiencies and savings identified in the study are valid, accurate, and substantial enough to justify increased coordination, then Office of Information Technology Services and MCNC shall develop a plan to coordinate their operations. The coordination plan shall include at least the following:

(1) Definition of requirements to achieve Statewide integration.
(2) Detailed information on the allocation of responsibility for each requirement and component.
(3) An estimate of the associated costs with each requirement or component, including what the costs to each agency would be without coordination.
(4) Priorities for integration.
(5) A schedule for implementation.
(6) Detailed cost information for the development and integration of a single network.
(7) A governance structure for management and oversight of the network.
(8) A means for resolution of any issues identified during the feasibility study.

The coordination plan shall be completed by February 28, 2010, and shall be presented to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Oversight Committee on Information Technology.

SECTION 6.13.(d) Prior to implementation of the plan, Office of Information Technology Services and MCNC shall complete a memorandum of agreement that specifies their respective roles and responsibilities and defines payment schedules. By January 1 each year, Office of State Budget and Management shall report to the Joint Legislative Oversight Committee on Information Technology regarding the status of the coordination plan and the cost savings realized during the previous fiscal year.

UPGRADE STATE PORTAL

SECTION 6.14.(a) The Office of State Budget and Management, in coordination with the Office of the State Chief Information Officer, shall develop a detailed plan to upgrade the State portal. The upgrade plan shall include consideration of the need to (i) improve State services for citizens and businesses; (ii) offer online services; (iii) provide crucial, up-to-the-minute emergency information; and (iv) provide a multipurpose, interactive Web portal.

SECTION 6.14.(b) Prior to developing the plan, the Office of State Budget and Management shall obtain the advice and assistance of State and local government agencies, businesses operating within the State, and private citizens to ensure that all potential users have the opportunity to submit recommendations for inclusion in the final plan.

The Office of State Budget and Management shall also conduct an inventory of capabilities that are available on other states' portals. With the assistance of State agencies, the Office of State Budget and Management shall prioritize potential capabilities. Based on these priorities, the Office of State Budget and Management shall develop a phased plan to allow incremental implementation that includes a detailed time line for each phase and shall include the cost associated with each phase.

SECTION 6.14.(c) The interactive Web portal shall include the capability for citizens, businesses, and State and local government agencies to complete online transactions, obtain live help from State agencies, and access emergency information in real time. The portal shall include appropriate security measures and devices to include encryption, enterprise-class firewalls/gateway security, real-time intrusion prevention and detection, virtual private networks, vulnerability management, and virus protection.

SECTION 6.14.(d) By December 1, 2009, the Office of State Budget and Management shall submit the upgrade plan to the Joint Legislative Oversight Committee on Information Technology and to the Fiscal Research Division. The report shall include an explanation of any recommendations that were not included in the final plan with an explanation as to why each was not included and the cost associated with implementation of those items.

IT GSA SCHEDULES/STUDY

SECTION 6.15. The Office of State Budget and Management shall conduct a study to determine the feasibility of using General Services Administration schedules for the acquisition of information technology products and services. The study shall include review of the following:

(1) Any cost savings resulting from the use of General Services Administration schedules for the acquisition of information technology goods and services. This shall include any reductions in overhead that could be realized from the use of General Services Administration schedules.
(2) Any benefits resulting from implementation.
(3) Any negative impacts resulting from implementation.
(4) Any legislative changes required to implement General Services Administration schedules.

By February 1, 2010, the Office of State Budget and Management shall submit the results of the study to the Joint Legislative Oversight Committee on Information Technology and to the Fiscal Research Division.

USE OF ELECTRONIC FORMS AND DIGITAL SIGNATURES

SECTION 6.16.(a) The Office of State Budget and Management shall develop a plan to increase the use of electronic forms and digital signatures throughout State government. In developing the plan, first the Office of State Budget and Management shall conduct an inventory of all paper or electronic forms currently in use by executive branch agencies. The Office of State Budget and Management may hire temporary help for the collection and compiling of the data for the inventory.

SECTION 6.16.(b) After completing the inventory, the Office of State Budget and Management shall develop a plan for converting one or more paper forms to an electronic format. The plan shall include a detailed business case for the conversion, including cost, cost savings, cost avoidance, and any impact on productivity.

SECTION 6.16.(c) The Office of State Budget and Management shall assess the potential cost of converting all identified forms in the inventory to an electronic format and establish a timetable for achieving conversion as soon as practicable.

SECTION 6.16.(d) The Office of Information Technology Services shall provide technical assistance to the Office of State Budget and Management in the development of the plan to increase the use of electronic forms and digital signatures.

SECTION 6.16.(e) Executive branch State agencies shall provide all information requested by Office of State Budget and Management in conducting the inventory and in all other issues related to the development of this plan.

SECTION 6.16.(f) The Office of State Budget and Management shall submit the plan to the Joint Legislative Oversight Committee on Information Technology on or before March 1, 2010.

POSITION TRANSFER REPORTS/OFFICE OF INFORMATION TECHNOLOGY SERVICES/OSC

SECTION 6.17.(a) By November 1, 2009, the Office of Information Technology Services shall submit a written report to the Appropriation Committees of the Senate and the House of Representatives, to the Joint Legislative Oversight Committee on Information Technology, and to the Fiscal Research Division regarding the transfer of information technology (IT) positions associated with IT consolidation. The report shall include the following:

(1) The numbers and types of positions transferred to the Office of Information Technology Services from other State agencies, an explanation as to why each position was moved to Office of Information Technology Services, the cost associated with each position, and how that cost is allocated.

(2) The number and types of information technology positions remaining with each State agency, an explanation as to why the positions were retained by the agency, and the total cost for each position.

(3) The number and location of positions eliminated as a result of IT consolidation and the associated cost savings.

(4) Any new positions created within Office of Information Technology Services to support IT consolidation, the reason each position was created, and the associated cost.

SECTION 6.17.(b) By November 1, 2009, the Office of the State Controller shall submit a written report to the Appropriations Committees of the Senate and House of Representatives, to the Joint Legislative Oversight Committee on Information Technology, and to the Fiscal Research Division on the transfer of positions associated with the implementation of the BEACON (HR)/Payroll project. The report shall include the following:

(1) The numbers and types of positions transferred to the Office of the State Controller from other State agencies, an explanation as to why each position was moved to the Office of the State Controller, the cost associated with each position, and how that cost is allocated.

(2) The number and types of positions remaining with each State agency, an explanation as to why the positions were retained by the agency, and the total cost for each position.

(3) The number and location of positions eliminated as a result of the implementation of the BEACON HR/Payroll system and the associated cost savings.

(4) Any new positions created within the Office of the State Controller to support BEACON HR/Payroll, the reason each position was created, and the associated cost.

PART VII. PUBLIC SCHOOLS

CHILDREN WITH DISABILITIES

SECTION 7.1. The State Board of Education shall allocate funds for children with disabilities on the basis of three thousand five hundred dollars and seventy-seven cents ($3,500.77) per child for a maximum of 173,249 children for the 2009-2010 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 2009-2010 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.

FUNDS FOR ACADEMICALLY GIFTED CHILDREN

SECTION 7.2. The State Board of Education shall allocate funds for academically or intellectually gifted children on the basis of one thousand one hundred sixty-three dollars and seven cents ($1,163.07) per child. A local school administrative unit shall receive funds for a maximum of four percent (4%) of its 2009-2010 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 58,597 children for the 2009-2010 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.

USE OF SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES

SECTION 7.3.(a) 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 in grades 4 and 7.

SECTION 7.3.(b) 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. Sales tax hold harmless reimbursement received by the county under G.S. 105-521, and

d. 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.

(11) "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.

(12) "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.

(13) "Sales assessment ratio studies" means sales assessment ratio studies performed by the Department of Revenue under G.S. 105-289(h).

(14) "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.

(15) "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.

(16) "Supplant" means to decrease local per student current expense appropriations from one fiscal year to the next fiscal year.

(17) "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 7.3.(c) Eligibility for Funds. – Except as provided in subsection (g) 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 7.3.(d) Allocation of Funds. – Except as provided in subsection (f) 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's 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 7.3.(e) 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 7.3.(f) 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 7.3.(g) 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 2009-2011 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 7.3.(h) Reports. – The State Board of Education shall report to the Joint Legislative Education Oversight Committee prior to May 1, 2010, if it determines that counties have supplanted funds.

SECTION 7.3.(i) 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.

SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING

SECTION 7.4.(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 seven hundred eighty-eight thousand seven hundred eighty-nine dollars ($788,789), excluding textbooks, for the 2009-2010 fiscal year and a base of seven hundred eighty-eight thousand seven hundred eighty-nine dollars ($788,789) for the 2010-2011 fiscal year.
(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 fully fund 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 7.4.(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 2009-2011 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 7.4.(c) Phase-Out Provisions. – If a local school administrative unit becomes ineligible for funding under this formula because of (i) an increase in the population of the county in which the local school administrative unit is located or (ii) 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 continued for nine years after the unit becomes ineligible.

SECTION 7.4.(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.

(3) "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.

(4) "Sales assessment ratio studies" means sales assessment ratio studies performed by the Department of Revenue under G.S. 105-289(h).

(5) "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.

(6) "Supplant" means to decrease local per student current expense appropriations from one fiscal year to the next fiscal year.

(7) "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 7.4.(e) Reports. – The State Board of Education shall report to the Joint Legislative Education Oversight Committee prior to May 1, 2010, if it determines that counties have supplanted funds.

SECTION 7.4.(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.

REPLACEMENT SCHOOL BUSES/FUNDS

SECTION 7.5.(a) The State Board of Education may impose any of the following conditions on allotments to local boards of education for replacement school buses:

(1) The local board of education shall use the funds only to make the first, second, third, or fourth 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 four years.

(3) The local board of education shall 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 Department of Administration, Division of Purchase and Contract, in cooperation with the State Board of Education, shall solicit bids for the direct purchase of school buses and activity buses and shall establish a statewide term contract for use by the State Board of Education. Local boards of education and other agencies shall be eligible to purchase from the statewide term contract. The State Board of Education shall also solicit bids for the financing of school buses.

(5) A bus financed pursuant to this section shall meet all federal motor vehicle safety regulations for school buses.

(6) Any other condition the State Board of Education considers appropriate.

SECTION 7.5.(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.

DISCREPANCIES BETWEEN ANTICIPATED AND ACTUAL ADM

SECTION 7.6.(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 7.6.(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.

LITIGATION RESERVE FUNDS

SECTION 7.7. The State Board of Education may expend up to five hundred thousand dollars ($500,000) each year for the 2009-2010 and 2010-2011 fiscal years from unexpended funds for certified employees' salaries to pay expenses related to litigation.

LEA FLEXIBILITY

SECTION 7.8.(a) The State Board of Education may implement temporary modifications to the limitations on budget flexibility set out in G.S. 115C-105.25. For the 2009-2010 and 2010-2011 fiscal years, local school administrators shall 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.

SECTION 7.8.(b) Within 14 days of the date this act becomes law, the State Board of Education shall notify each local school administrative unit and charter school of the amount the unit shall reduce from the State General Fund appropriations. The State Board shall determine the amount of the reduction for each unit on the basis of average daily membership.

SECTION 7.8.(c) Each unit shall report to the Department of Public Instruction on the flexibility budget reductions it has identified for the unit within 30 days of the date this act becomes law.

NORTH CAROLINA VIRTUAL PUBLIC SCHOOLS

SECTION 7.9.(a) Beginning with the 2010-2011 fiscal year, the State Board of Education shall implement an allotment formula for e-learning developed pursuant to Section 7.16(d) of S.L. 2006-66.

The North Carolina Virtual Public School (NCVPS) shall be available at no cost to all high school students in North Carolina who are enrolled in North Carolina's public schools, Department of Defense schools, and schools operated by the Bureau of Indian Affairs.

The Department of Public Instruction shall communicate to local school administrative units all applicable guidelines regarding the enrollment of nonpublic school students in these courses.

SECTION 7.9.(b) In order to ensure funds are available to operate NCVPS for the 2009-2010 fiscal year, the State Board of Education shall use funding sources in the following order:

(1) The General Fund appropriation for NCVPS;
(2) Available funds received under the American Recovery and Reinvestment Act;
(3) Up to six million dollars ($6,000,000) of funds appropriated for school technology;
(4) Funds from the State Public School Fund.

SECTION 7.9.(c) NCVPS courses shall be available only to high school students.

SECTION 7.9.(d) The State Board of Education shall report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division by December 15, 2009, on its implementation of this section.

LEARN AND EARN ONLINE

SECTION 7.10.(a) Funds are appropriated in this act for the Learn and Earn Online program. This program will allow high school students to enroll in college courses to qualify for college credit. Online courses shall be made available to students through The University of North Carolina and the North Carolina Community College System.

SECTION 7.10.(b) Funds shall be used for:

(1) Course tuition and only those technology and course fees and textbooks required for course participation; and
(2) A liaison position in the Department of Public Instruction to coordinate with The University of North Carolina and the North Carolina Community College System and to communicate course availability and related information to high school administrators, teachers, and counselors.

SECTION 7.10.(c) The State Board of Education shall determine the allocation of Learn and Earn Online course offerings across the State.

SECTION 7.10.(d) The State Board of Education shall allot funds for tuition, fees, and textbooks on the basis of and after verification of the credit hour enrollment of high school students in Learn and Earn Online courses. The Office of State Budget and Management shall transfer sufficient funds from the State Public School Fund to the Community Colleges System Office for courses offered by community colleges.

SECTION 7.10.(e) The University of North Carolina program shall report to The University of North Carolina Board of Governors, and the North Carolina Community College program shall report to the State Board of Community Colleges. The Department of Public Instruction shall report to the State Board of Education.

SECTION 7.10.(f) Both The University of North Carolina and the North Carolina Community College System shall provide oversight and coordination, including coordination with the Department of Public Instruction and with the North Carolina Virtual Public School (NCVPS), to avoid course duplication.

SECTION 7.10.(g) The programs shall establish course quality and rigor standards and shall conduct course evaluations to ensure that the online courses meet the established standards.

SECTION 7.10.(h) Local school administrative units may purchase textbooks for Learn and Earn Online courses through the Department of Public Instruction's textbook warehouse in the same manner as textbooks that have been adopted for public school students by the State Board of Education.

SECTION 7.10.(i) Funds appropriated for Learn and Earn Online that are unexpended or unencumbered at the end of each fiscal year shall not revert but shall remain available for expenditure.

SECTION 7.10.(j) Subsection (i) of this section becomes effective June 30, 2009.

ABCS OF PUBLIC EDUCATION

SECTION 7.11. Notwithstanding G.S. 115C-105.36, the State Board of Education shall place a one-year moratorium on financial awards paid to school personnel in the 2009-2010 fiscal year based on 2008-2009 student academic performance.

The State Board of Education shall develop a plan to restructure the ABCs Accountability System and report the restructuring plan to the Governor and General Assembly by January 31, 2010.

SCHOOL CONNECTIVITY INITIATIVE

SECTION 7.12.(a) Up to three hundred thousand dollars ($300,000) may be transferred annually to the Office of the Governor for NC Virtual (NCV) within the Education Cabinet. These funds may be used for services to coordinate e-learning activities across all State educational agencies.

SECTION 7.12.(b) Of the funds allocated for the School Connectivity Initiative, the sum of two hundred fifty thousand dollars ($250,000) may be used annually to sustain the Education E-Learning Portal.

SECTION 7.12.(c) Section 7.6(a) of S.L. 2008-107 reads as rewritten:

"**SECTION 7.6.(a)** Up to ~~six~~ three hundred thousand dollars ~~($600,000)~~($300,000) may be transferred annually through June 30, 2013, to the Friday Institute at North Carolina State University to evaluate the effectiveness of using technology and its impact on 21st Century Teaching and Learning outcomes approved by the State Board of Education. The Friday Institute shall report annually to the State Board of Education on the evaluation ~~results, including recommendations for continued implementation of the school connectivity initiative that improves teaching and learning.~~ results."

SECTION 7.12.(d) Funds allocated to the School Connectivity Initiative shall carry forward to the next fiscal year until the project is fully implemented by June 30, 2010.

SECTION 7.12.(e) Subsection (d) of this section becomes effective on June 30, 2009.

DROPOUT PREVENTION GRANTS

SECTION 7.13.(a) Dropout Prevention Grants. – The Committee on Dropout Prevention, as reestablished in Section 7.14 of S.L. 2008-107, may use funds appropriated in this act to provide grants to new recipients or to extend additional funding to organizations that received funding previously.

SECTION 7.13.(b) Criteria for Dropout Prevention Grants. – The following criteria apply to all types of dropout prevention grants approved by the Committee:

(1) Grants shall be issued in varying amounts up to a maximum of one hundred fifty thousand dollars ($150,000).

(2) These grants shall be provided to innovative programs and initiatives that target students at risk of dropping out of school and that demonstrate the potential to (i) be developed into effective, sustainable, and coordinated dropout prevention and reentry programs in middle schools and high schools and (ii) serve as effective models for other programs.

(3) Grants shall be distributed geographically throughout the State and throughout the eight educational districts as defined in G.S. 115C-65. No

more than three grants shall be awarded in any one county under this section in a single fiscal year.

(4) Grants may be made to local school administrative units, schools, local agencies, or nonprofit organizations.

(5) Grants shall be to programs and initiatives that hold all students to high academic and personal standards.

(6) Grant applications shall state (i) how grant funds will be used, (ii) what, if any, other resources will be used in conjunction with the grant funds, (iii) how the program or initiative will be coordinated to enhance the effectiveness of existing programs, initiatives, or services in the community, and (iv) a process for evaluating the success of the program or initiative.

(7) Programs and initiatives that receive grants under this section shall be based on best practices for helping at-risk students achieve successful academic progress, preventing students from dropping out of school, or for increasing the high school completion rate for those students who already have dropped out of school.

(8) Priority for grants shall be given to proposals that demonstrate input from the local community and coordination with other available programs or resources.

(9) Grantees shall assure their compliance with applicable laws and rules regulating conflicts of interest.

(10) Priority for grants shall be given to programs that would serve students in local schools that have a four-year cohort graduation rate of less than sixty-five percent (65%). The Committee shall establish a grant rating cutoff score at such a level as to allow for consideration of all viable grants in this priority category. The Committee may require grantees to provide supplemental information in response to any prior reviewer comments.

(11) The demonstrated need for a grant, level of collaboration, ability to increase attendance, persistence, academic success, ability to increase parental involvement, and graduation shall be given more weight than the quality of the written grant.

(12) Grants shall be made no later than November 1, 2009.

The Committee shall report to the Joint Legislative Commission on Dropout Prevention and High School Graduation and the Joint Legislative Education Oversight Committee on the grants awarded under this section by March 1, 2010.

SECTION 7.13.(c) Evaluation. – The Committee shall evaluate the impact of the dropout prevention grants awarded under this section. In evaluating the impact of the grants, the Committee shall consider:

(1) How grant funds were used, including the services provided for teen pregnancy prevention and for pregnant and parenting teens;

(2) The success of the program or initiative, as indicated by the evaluation process stated in its grant application;

(3) The extent to which the program or initiative has improved students' attendance, test scores, persistence, and graduation rates;

(4) How the program or initiative was coordinated to enhance the effectiveness of existing programs, initiatives, or services in the community;

(5) What, if any, other resources were used in conjunction with the grant funds;

(6) The sustainability of the program;

(7) The number, gender, ethnicity, and grade level of students being served as well as whether the students left school due to pregnancy or parenting responsibilities;

(8) The potential for the program to serve as a model for achieving successful academic progress for at-risk students; and

(9) Other indicators of the impact of the grant on dropout prevention.

The recipients of the dropout prevention grants awarded under this section shall report to the Committee on Dropout Prevention by January 31, 2011, and by September 30, 2011. The reports shall provide information to assist the Committee in conducting its evaluation. The reports shall include a statement that the recipients used grant funds for the purposes appropriated by the General Assembly and complied with applicable laws, regulations, and terms and conditions of the grant documents. The Committee shall make an interim report of the results of its evaluation of the grants awarded under this section by March 31, 2011, to the Joint Legislative Commission on Dropout Prevention and High School Graduation and to the Joint Legislative Education Oversight Committee. The Committee shall make a final report of the results of its evaluation of the grants awarded under subsection (c) of this section by November 15, 2011, to the Joint Legislative Commission on Dropout Prevention and High School Graduation and to the Joint Legislative Education Oversight Committee.

SECTION 7.13.(d) Of the funds appropriated in this act for the Committee on Dropout Prevention, the sum of one million dollars ($1,000,000) for the 2009-2010 and 2010-2011 fiscal years shall be used to award new grants, as well as additional grants to previous grant recipients, in accordance with subsection (b) of this section.

SECTION 7.13.(e) Funds appropriated for the dropout prevention grants for the 2009-2010 fiscal year and the 2010-2011 fiscal year shall not revert but shall remain available for expenditure until August 31, 2011.

SECTION 7.13.(f) Of the funds appropriated for the dropout prevention grants, the sum of one hundred thousand dollars ($100,000) for the 2009-2010 and 2010-2011 fiscal years may be used to issue a request for proposals from qualified vendors on a competitive basis to contract as a consultant to assist with the evaluation. The factors to be considered in awarding the contract shall be identified in the request for proposals.

SECTION 7.13.(g) Of the funds appropriated for the dropout prevention grants, the Department of Public Instruction may use up to fifty thousand dollars ($50,000) in fiscal years 2009-2010 and 2010-2011 for its administrative assistance to the Committee and provide technical assistance under this section.

DEPARTMENT OF PUBLIC INSTRUCTION/BUDGET FLEXIBILITY

SECTION 7.14. Notwithstanding G.S. 143C-6-4, the Department of Public Instruction may reorganize, if necessary, to implement the budget reductions set out in this act. The Department shall report to the Joint Legislative Commission on Governmental Operations on any reorganization.

BUSINESS EDUCATION TECHNOLOGY ALLIANCE

SECTION 7.15. G.S. 115C-102.15 is repealed.

CRITICAL FOREIGN LANGUAGE PILOT FUNDS DO NOT REVERT

SECTION 7.16.(a) Funds appropriated for the Critical Foreign Language Pilot that are unexpended or unencumbered shall not revert but shall remain available for expenditure through June 30, 2010.

SECTION 7.16.(b) This section becomes effective June 30, 2009.

NORTH CAROLINA 1:1 LEARNING PROJECT

SECTION 7.17.(a) Funds appropriated for the North Carolina 1:1 Learning Project that are unexpended or unencumbered at the end of the 2008-2009 fiscal year shall not revert but shall remain available for expenditure through June 30, 2010.

SECTION 7.17.(b) This section becomes effective June 30, 2009.

ASSESSMENT AND ACCOUNTABILITY

SECTION 7.18.(a) Funds appropriated in this act for assessment and accountability shall be used to develop new end-of-course and end-of-grade tests, identify national assessments, or both, as determined by the State Board of Education. The development of any new tests replacing end-of-course and end-of-grade tests shall be aligned with the new essential standards and included in the State Board of Education's new accountability restructuring plan.

SECTION 7.18.(b) Notwithstanding G.S. 115C-174.11, the State Board of Education shall investigate and pilot a developmentally appropriate diagnostic assessment for students in elementary grades during the 2009-2010 school year. This assessment will (i) enable teachers to determine student learning needs and individualize instruction and (ii) ensure that students are adequately prepared for the next level of coursework as set out by the standard course of study.

The State Board of Education shall report the results of the pilot to the Joint Legislative Education Oversight Committee, the Fiscal Research Division, and the Office of State Budget and Management, by December 1, 2010.

SECTION 7.18.(c) Funds appropriated for assessment and accountability that remain unexpended and unencumbered at the end of the 2009-2010 fiscal year shall not revert but shall remain available for expenditure through June 30, 2011.

DEVELOPMENT OF A PREK-20 DATA SYSTEM

SECTION 7.19.(a) The Department of Public Instruction, the North Carolina Community College System, and The University of North Carolina shall collaboratively develop and systematically determine the technical specifications and data standards for a PreK-20 data system to centralize student data collected about students enrolled in prekindergarten programs through doctoral programs. The PreK-20 data system shall build upon the current capacity, programs, and initiatives of the Department of Public Instruction, the North Carolina Community College System, and The University of North Carolina.

The Department of Public Instruction, the North Carolina Community College System, and The University of North Carolina shall also collaboratively develop a strategy for tracking students for five years after they complete their education at a North Carolina public educational institution.

SECTION 7.19.(b) The PreK-20 data standards and specifications shall include:

(1) The types and forms of data to be included in a PreK-20 data system, including longitudinal data and the use of a unique student identifier;

(2) The capacity of a shared PreK-20 data system;

(3) The degree and extent of cooperation between a shared PreK-20 data system and the current data collection systems of the Department of Public Instruction, the North Carolina Community College System, and The University of North Carolina;

(4) The minimum capacity and technical specifications needed for each data system to feed into a shared PreK-20 data system; and

(5) The ability for data in a shared PreK-20 data system to be understood and used by interested stakeholders, including federal and other State agencies.

SECTION 7.19.(c) Standards and specifications shall conform to the guidelines and instructions governing any funds received through the American Recovery and Reinvestment Act of 2009 for this purpose.

SECTION 7.19.(d) Standards and specifications shall be submitted to the Education Cabinet no later than January 1, 2010. The Education Cabinet shall review these

standards and submit its recommendations regarding them to the Joint Legislative Education Oversight Committee, the Fiscal Research Division, and the Office of State Budget and Management by March 1, 2010.

ELIMINATE CERTAIN TESTS

SECTION 7.20.(a) The State Board of Education shall identify and eliminate certain unnecessary or duplicative tests not required by the federal government for No Child Left Behind (NCLB) to determine Adequate Yearly Progress (AYP).

SECTION 7.20.(b) G.S. 115C-174.10 reads as rewritten:

"**§ 115C-174.10. Purposes of the Statewide Testing Program.**

The ~~three~~ testing programs in this Article have three purposes: (i) to assure that all high school graduates possess those minimum skills and that knowledge thought necessary to function as a member of society; (ii) to provide a means of identifying strengths and weaknesses in the education process in order to improve instructional delivery; and (iii) to establish additional means for making the education system at the State, local, and school levels accountable to the public for results."

SECTION 7.20.(c) G.S. 115C-174.11 reads as rewritten:

"**§ 115C-174.11. Components of the testing program.**

(a) Assessment Instruments for First and Second Grades. – The State Board of Education shall adopt and provide to the local school administrative units developmentally appropriate individualized assessment instruments consistent with the Basic Education Program for the first and second grades, rather than standardized tests. Local school administrative units may use these assessment instruments provided to them by the State Board for first and second grade students, and shall not use standardized tests except as required as a condition of receiving a federal grant under the Reading First Program.

~~(b) Competency Testing Program.~~

~~(1) The State Board of Education shall adopt tests or other measurement devices which may be used to assure that graduates of the public high schools and graduates of nonpublic schools supervised by the State Board of Education pursuant to the provisions of Part 1 of Article 39 of this Chapter possess the skills and knowledge necessary to function independently and successfully in assuming the responsibilities of citizenship.~~

~~(2) The tests shall be administered annually to all ninth grade students in the public schools. Students who fail to attain the required minimum standard for graduation in the ninth grade shall be given remedial instruction and additional opportunities to take the test up to and including the last month of the twelfth grade. Students who fail to pass parts of the test shall be retested on only those parts they fail. Students in the ninth grade who are enrolled in special education programs or who have been officially designated as eligible for participation in such programs may be excluded from the testing programs.~~

~~(3) The State Board of Education shall:~~

~~a. Adopt one or more nationally standardized tests or other nationally standardized equivalent measures that measure competencies in the verbal and quantitative areas; or~~

~~b. Develop and validate alternate means and standards for demonstrating minimum competence. These standards must be as difficult as the tests adopted pursuant to subdivision (1) of this subsection.~~

~~The State Board of Education shall adopt a policy to identify which students and under what circumstances students may pass one of these tests in lieu of the testing requirement of subdivision (2) of this subsection.~~

~~(3a) Students with disabilities who fail to pass the competency test adopted pursuant to subdivision (2) of this subsection after two attempts shall be given the opportunity to take and pass one of the alternate tests adopted pursuant to subdivision (3) of this subsection.~~

(4) Repealed by Session Laws 1996, Second Extra Session, c. 18, s. 18.14.

(c) Annual Testing Program.

(1) The State Board of Education shall adopt ~~a system of annual testing~~ the tests for grades three through ~~12.~~ 12 that are required by federal law or as a condition of a federal grant. These tests shall be designed to measure progress toward reading, communication skills, and mathematics for grades three through eight, and toward competencies ~~designated by the State Board~~ for grades nine through 12. ~~The State Board may develop and implement a plan for high school end-of-course tests that must be aligned with the content standards developed under G.S. 115C-12(9c).~~ Students who do not pass the tests adopted for eighth grade shall be provided remedial instruction in the ninth grade. ~~This assistance shall be calculated to prepare the students to pass the competency test administered under subsection (b) of this section.~~

(2) If the State Board of Education finds that additional testing in grades three through 12 is desirable to allow comparisons with national indicators of student achievement, that testing shall be conducted with the smallest size sample of students necessary to assure valid comparisons with other states.

(d) The State Board of Education shall not require the public schools to administer any standardized tests except for those required by federal law or as a condition of a federal grant.

The State Board of Education shall adopt and provide to local school administrative units all tests required by federal law or as a condition of a federal grant."

SECTION 7.20.(d) G.S. 115C-174.12 reads as rewritten:

"**§ 115C-174.12. Responsibilities of agencies.**

(a) The State Board of Education shall establish policies and guidelines necessary for minimizing the time students spend taking tests administered through State and local testing programs, for minimizing the frequency of field testing at any one school, and for otherwise carrying out the provisions of this Article. These policies and guidelines shall include the following:

(1) Schools shall devote no more than two days of instructional time per year to the taking of practice tests that do not have the primary purpose of assessing current student learning;

(2) Students in a school shall not be subject to field tests or ~~national tests~~ other standardized tests during the two-week period preceding the administration of end-of-grade tests, end-of-course tests, or the school's regularly scheduled final exams; and

(3) No school shall participate in more than two field tests at any one grade level during a school year unless that school volunteers, through a vote of its school improvement team, to participate in an expanded number of field tests.

These policies shall reflect standard testing practices to insure reliability and validity of the sample testing. The results of the field tests shall be used in the final design of each test. The State Board of Education's policies regarding the testing of children with disabilities shall (i) provide broad accommodations and alternate methods of assessment that are consistent with a child's individualized education program and section 504 (29 U.S.C. § 794) plans, (ii) prohibit

the use of statewide tests as the sole determinant of decisions about a child's graduation or promotion, and (iii) provide parents with information about the Statewide Testing Program and options for students with disabilities. The State Board shall report its proposed policies and proposed changes in policies to the Joint Legislative Education Oversight Committee prior to adoption.

The State Board of Education may appoint an Advisory Council on Testing to assist in carrying out its responsibilities under this Article.

(b) The ~~Superintendent of Public Instruction~~Chief Executive Officer shall be responsible, under policies adopted by the State Board of Education, for the statewide administration of the testing program provided by this Article.

(b1) The ~~Superintendent~~ Chief Executive Officer shall notify local boards of education by October 1 of each year of any field tests that will be administered in their schools during the school year, the schools at which the field tests will be administered, and the specific field tests that will be administered at each school.

(c) Local boards of education shall cooperate with the State Board of Education in implementing the provisions of this Article, including the regulations and policies established by the State Board of Education. Local school administrative units shall use the annual ~~and competency testing programs~~ tests to fulfill the purposes set out in this Article. Local school administrative units are encouraged to continue to develop local testing programs designed to diagnose student ~~needs further.~~needs."

REMOVE BARRIERS TO LATERAL ENTRY INTO TEACHING

SECTION 7.21.(a) The State Board of Education shall:

(1) Review the lateral entry program and identify and remove from it barriers to the lateral entry of skilled individuals from the private sector into the teaching profession;

(2) Reduce the coursework requirements for lateral entry by consolidating the required competencies into fewer courses and fewer semester hours of coursework; and

(3) Provide additional opportunities for individuals to complete coursework online and at community colleges.

SECTION 7.21.(b) The State Board of Education shall report to the Joint Legislative Education Oversight Committee by January 15, 2010, on its implementation of this section.

NO PAY DECREASE FOR TEACHERS WHO BECOME ASSISTANT PRINCIPALS

SECTION 7.22.(a) G.S. 115C-285(a) is amended by adding a new subdivision to read:

"**§ 115C-285. Salary.**

(a) Principals and supervisors shall be paid promptly when their salaries are due provided the legal requirements for their employment and service have been met. All principals and supervisors employed by any local school administrative unit who are to be paid from local funds shall be paid promptly as provided by law and as State-allotted principals and supervisors are paid.

Principals and supervisors paid from State funds shall be paid as follows:

...

(8) A teacher who becomes an assistant principal without a break in service shall be paid, on a monthly basis, at least as much as he or she would earn as a teacher employed by that local school administrative unit."

SECTION 7.22.(b) This section becomes effective July 1, 2009, and applies to all persons initially employed as assistant principals on or after that date.

INCREASE CLASS SIZE

SECTION 7.23. Notwithstanding any other provision of law, the allotment ratios, the maximum class size, and the maximum average class size limits for each grade level in the public schools shall be two students higher beginning with the 2009-2010 school year than they were for the 2008-2009 school year.

It is the intent of the General Assembly that this increase remain in effect for a maximum of two years and that lower class sizes be restored as soon as State revenues make it fiscally responsible to do so.

FUND ONLY ONE SCHOOL SYSTEM PER COUNTY.

SECTION 7.24.(a) Notwithstanding any other provision of law, beginning with the 2010-2011 fiscal year, the State Board of Education shall allot State funds on the basis of only one local school administrative unit per county. To implement this change, the State Board shall change formulas that allot funds on a per local school administrative unit basis to formulas that allot funds on a per county basis. If the amount previously allotted per local school administrative unit was graduated on the basis of average daily membership, the amount allotted per county shall be graduated on the basis of the total average daily membership of all units located in the county.

If a city school administrative unit is located in more than one county, the State Board of Education shall include in each county's average daily membership the average daily membership of the county's students in the city school administrative unit.

If a county contains more than one local school administrative unit, the State Board shall divide the amount allotted on a per county basis between the units on the basis of average daily membership.

SECTION 7.24.(b) This section does not apply to allotments to the Nash-Rocky Mount School Administrative Unit, the Edgecombe County School Administrative Unit, the Cleveland County School Administrative Unit, or the Gaston County School Administrative Unit.

DEPOSIT PUBLIC SCHOOL BUILDING CAPITAL FUNDS INTO STATE PUBLIC SCHOOL FUND

SECTION 7.25. Notwithstanding the provisions of G.S. 115C-546.1(b), the Secretary of Revenue shall not remit any funds for credit to the Public School Building Capital Fund during the 2009-2011 fiscal biennium but shall deposit in the State Public School Fund the funds that would have otherwise been deposited in the Public School Building Capital Fund pursuant to G.S. 115C-546.1(b). The Department of Public Instruction may continue to use these funds to support six positions in the School Planning Division.

TEACHERS FOR GEOGRAPHICALLY ISOLATED K-12 SCHOOLS

SECTION 7.26. The State Board of Education shall modify its policy on the allotment of additional classroom teachers to schools containing grades K-12 when consolidation is not feasible due to the geographic isolation of the school. In administering this policy with regard to a school located in a local school administrative unit in which the average daily membership is less than 1.5 per square mile, the State Board of Education shall, at a minimum:

(1) Allot teachers to the geographically isolated school on the basis of one classroom teacher per grade level; and

(2) Allot teachers to the remainder of the local school administrative unit under the regular teacher allotment formula.

The State Board of Education may allot additional teachers to the local school administrative unit if demographic conditions warrant.

ENSURE ACCESS TO THE EVAAS SYSTEM

SECTION 7.27. The State Board of Education shall use funds appropriated to the State Public School Fund for the 2009-2011 fiscal biennium to ensure that all local school administrative units and charter schools have access to SAS EVAAS (Education Value Added Assessment System).

LOCAL BOARDS MUST INFORM PUBLIC ABOUT SCHOOL REPORT CARDS

SECTION 7.28. G.S. 115C-47 is amended by adding a new subdivision to read:

"**§ 115C-47. Powers and duties generally.**

In addition to the powers and duties designated in G.S. 115C-36, local boards of education shall have the power or duty:

...

(53) To Inform the Public About the North Carolina School Report Cards Issued by the State Board of Education. – Each local board of education shall ensure that the report card issued for it by the State Board of Education receives wide distribution to the local press or otherwise."

PLAN FOR STATEWIDE MOTOR COACH PERMIT

SECTION 7.29.(a) The State Board of Education, in conjunction with the Division of Motor Vehicles, shall develop a plan for a Statewide permit for commercial motor coach companies that seek to contract with local school systems to transport students, school personnel, and other persons authorized by the school system on school-sponsored trips. The purpose of the permit shall be (i) to ensure student safety, (ii) to ensure safe operations by motor coach companies, (iii) to minimize paperwork, (iv) to minimize visits to the motor coach companies by local school systems, and (v) to minimize the need for motor coach companies to respond to multiple requests for information from multiple local school systems.

SECTION 7.29.(b) In developing the plan for a permit, the State Board of Education and the Division of Motor Vehicles shall consult with the North Carolina School Boards Association, the State Highway Patrol, the North Carolina Pupil Transportation Association, the North Carolina Motor Coach Association, the Federal Motor Carrier Safety Administration, and other interested parties.

SECTION 7.29.(c) The components of the plan shall include, but not be limited to, all of the following:

(1) Scope of the permit.
(2) Standards for issuing the permit.
(3) Duration of the permit.
(4) Process for required inspections.
(5) Entity to conduct required inspections.
(6) Conditions for revoking the permit.
(7) Renewal process.
(8) Schedule of fees to cover the cost of implementation and administration.
(9) Application form and other required documentation.
(10) Dissemination of current permit holders to school systems.
(11) Estimate of costs to implement and number of new positions required.
(12) Impact on motor coach companies that have interstate operations.
(13) Other related issues.

SECTION 7.29.(d) The State Board of Education and the Division of Motor Vehicles shall consult on the proposed plan to the Joint Legislative Commission on

Governmental Operations and to the Fiscal Research Division by January 1, 2010. Before the plan is implemented, the Commission shall make any recommendations, including proposed legislation, to the 2010 General Assembly.

PART VIII. COMMUNITY COLLEGES

COMMUNITY COLLEGE FACULTY SALARY PLAN

SECTION 8.1.(a)

(1) It is the intent of the General Assembly to encourage community colleges to make faculty salaries a priority and to reward colleges that have taken steps to achieve the national average community collage faculty salary, therefore:

a. If the average faculty salary at a community college is one hundred percent (100%) or more of the national average community college faculty salary, the college may transfer up to eight percent (8%) of the State funds allocated to it for faculty salaries.

b. If the average faculty salary at a community college is at least ninety-five percent (95%) but less than one hundred percent (100%) of the national average community college faculty salary, the college may transfer up to six percent (6%) of the State funds allocated to it for faculty salaries.

c. If the average faculty salary at a community college is at least ninety percent (90%) but less than ninety-five percent (95%) of the national average community college faculty salary, the college may transfer up to five percent (5%) of the State funds allocated to it for faculty salaries.

d. If the average faculty salary at a community college is at least eighty-five percent (85%) but less than ninety percent (90%) of the national average community college faculty salary, the college may transfer up to three percent (3%) of the State funds allocated to it for faculty salaries.

e. If the average faculty salary at a community college is eighty-five percent (85%) or less of the national average community college faculty salary, the college may transfer up to two percent (2%) of the State funds allocated to it for faculty salaries.

Except as provided by subdivision (2) of this subsection, a community college shall not transfer a greater percentage of the State funds allocated to it for faculty salaries than is authorized by this subsection.

(2) With the approval of the State Board of Community Colleges, a community college at which the average faculty salary is eighty-five percent (85%) or less of the national average may transfer a greater percentage of the State funds allocated to it for faculty salaries than is authorized by sub-subdivision e. of subdivision (1) of this subsection. The State Board shall approve the transfer only for purposes that directly affect student services.

The State Board of Community Colleges shall adopt guidelines to implement the provisions of this subdivision.

(3) A local community college may use all State funds allocated to it except for Literacy Funds and Funds for Customized Training to increase faculty salaries.

SECTION 8.1.(b) As used in this section:

(1) "Average faculty salary at a community college" means the total nine-month salary from all sources of all nine-month, full-time, curriculum faculty at the

college, as determined by the North Carolina Community College System on October 1 of each year.

(2) "National average community college faculty salary" means the nine-month, full-time, curriculum salary average, as published by the Integrated Postsecondary Education Data System (IPEDS), for the most recent year for which data are available.

SECTION 8.1.(c) The State Board of Community Colleges shall adopt guidelines to implement the provisions of this section.

USE OF BASIC SKILLS FUNDS

SECTION 8.2. 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 instructional technology for literacy labs. This technology may include computers, instructional software and software licenses, scanners for testing, and classroom projection equipment.

FUNDS FOR CAMPUS SECURITY

SECTION 8.3. Notwithstanding G.S. 115D-32 or any other provision of law, a community college may use up to two percent (2%) of the noninstructional State funds allocated to it through the institutional support allotment for the 2009-2010 and 2010-2011 fiscal years for campus security. This may include the hiring of personnel, contracted professional services, surveillance cameras, call boxes, alert systems, and other equipment-related expenditures.

These funds shall be used to supplement and shall not be used to supplant existing local funding for campus security.

FINANCIAL AID PROGRAM ADMINISTRATIVE COSTS

SECTION 8.4. G.S. 115D-40.1(c) reads as rewritten:

"(c) Administration of Program. – The State Board shall adopt rules and policies for the disbursement of the financial assistance provided in this section. Degree, diploma, and certificate students must complete a Free Application for Federal Student Aid (FAFSA) to be eligible for financial assistance. The State Board may contract with the State Education Assistance Authority for administration of these financial assistance funds. These funds shall not revert at the end of each fiscal year but shall remain available until expended for need-based financial assistance.

The State Board shall ensure that at least one counselor is available at each college to inform students about federal programs and funds available to assist community college students including, but not limited to, Pell Grants and HOPE and Lifetime Learning Tax Credits and to actively encourage students to utilize these federal programs and funds. <u>The interest earned on the funds provided in this section may be used to support the costs of administering the Community College Grant Program.</u>"

CARRYFORWARD OF NORTH CAROLINA RESEARCH CAMPUS BIOTECHNOLOGY TRAINING FUNDS

SECTION 8.5.(a) Funds appropriated in S.L. 2006-66, S.L. 2007-323, and S.L. 2008-103 for the Rowan-Cabarrus Community College Biotechnology Training Center and Greenhouse at the North Carolina Research Campus in Kannapolis shall not revert, but shall remain available until expended.

SECTION 8.5.(b) This section becomes effective June 30, 2009.

LEARN AND EARN ONLINE FUNDS

SECTION 8.6.(a) Funds reimbursed to the Community College System for full-time equivalent students participating in Learn and Earn Online courses during the 2008-2009 and 2009-2010 fiscal years shall not revert at the end of the fiscal year, but shall remain available for expenditure up to 12 months after the close of a fiscal year.

SECTION 8.6.(b) Community college student enrollments in Learn and Earn Online shall be considered regular budget full-time equivalent in the curriculum enrollment formula regardless of the term during which the instruction is provided. The North Carolina Community College System may only seek reimbursement from the Department of Public Instruction for technology, course fees, and textbooks required for course participation.

SECTION 8.6.(c) The Office of State Budget and Management shall transfer sufficient funds from the State Public School Fund to the Community Colleges System Office to implement subsection (b) of this section.

SECTION 8.6.(d) Subsection (a) of this section becomes effective June 30, 2009.

CARRYFORWARD OF COLLEGE INFORMATION SYSTEM FUNDS

SECTION 8.7.(a) Funds appropriated in this act to the Community Colleges System Office for the College Information System shall not revert at the end of the 2008-2009 fiscal year but shall remain available until expended. These funds may be used to purchase periodic system upgrades.

SECTION 8.7.(b) Notwithstanding G.S. 143C-6-4, the Community Colleges System Office may, subject to the approval of the Office of State Budget and Management and in consultation with the Office of Information Technology Services, use funds appropriated in this act for the College Information System to create a maximum of three positions if doing so is cost-effective. Personnel positions created pursuant to this subsection shall be dedicated to maintaining and administering information technology and software upgrades to the College Information System.

SECTION 8.7.(c) Subsection (a) of this section becomes effective July 1, 2009.

MODIFY MULTICAMPUS AND OFF CAMPUS CENTER REPORT DATE

SECTION 8.8. G.S. 115D-5(o) reads as rewritten:

"(o) The General Assembly finds that additional data are needed to determine the adequacy of multicampus and off-campus center funds; therefore, multicampus colleges and colleges with off-campus centers shall report annually, beginning September 1, 2005, to the Community Colleges System Office on all expenditures by line item of funds used to support their multicampuses and off-campus centers. The Community Colleges System Office shall report on these expenditures to the Education Appropriation Subcommittees of the House of Representatives and the Senate, the Office of State Budget and Management, and the Fiscal Research Division by ~~October 1~~ December 1 of each year."

REPEAL REPORT ON THE USE OF COMM COLL FACILITIES BY PRIVATE BUSINESSES

SECTION 8.9. G.S. 115D-5(q) is repealed.

MAINTENANCE OF PLANT FLEXIBILITY

SECTION 8.10. Notwithstanding any other provision of law, a community college that received State funds for maintenance of plant pursuant to G.S. 115D-31.2 for the 2008-2009 fiscal year may use noninstructional State funds allocated to it through the institutional support allotment for maintenance of plant for the 2009-2010 and 2010-2011 fiscal years.

The amount of these funds used for the 2009-2010 fiscal year for maintenance of plant shall not exceed the total amount of maintenance of plant funds received for the

2008-2009 fiscal year. The amount of these funds used for the 2010-2011 fiscal year for maintenance of plant shall not exceed fifty percent (50%) of the amount of maintenance of plant funds received for the 2008-2009 fiscal year.

Requested by: Senator

ELIMINATE SOME TUITION WAIVERS

SECTION 8.11.(a) G.S. 115D-5(b) reads as rewritten:

"(b) In order to make instruction as accessible as possible to all citizens, the teaching of curricular courses and of noncurricular extension courses at convenient locations away from institution campuses as well as on campuses is authorized and shall be encouraged. A pro rata portion of the established regular tuition rate charged a full-time student shall be charged a part-time student taking any curriculum course. In lieu of any tuition charge, the State Board of Community Colleges shall establish a uniform registration fee, or a schedule of uniform registration fees, to be charged students enrolling in extension courses for which instruction is financed primarily from State funds; provided, however, that the State Board of Community Colleges may provide by general and uniform regulations for waiver of tuition and registration fees for persons not enrolled in elementary or secondary schools taking courses leading to a high school diploma or equivalent certificate, for training courses for volunteer firemen, local fire department personnel, volunteer rescue and lifesaving department personnel, local rescue and lifesaving department personnel, Radio Emergency Associated Citizens Team (REACT) members when the REACT team is under contract to a county as an emergency response agency, local law-enforcement officers, patients in State alcoholic rehabilitation centers, all full-time custodial employees of the Department of Correction, employees of the Department's Division of Community Corrections and employees of the Department of Juvenile Justice and Delinquency Prevention required to be certified under Chapter 17C of the General Statutes and the rules of the Criminal Justice and Training Standards Commission, trainees enrolled in courses conducted under the ~~New and Expanding Industry Program,~~ Customized Training Program, clients of sheltered workshops, clients of adult developmental activity programs, students in Health and Human Services Development Programs, juveniles of any age committed to the Department of Juvenile Justice and Delinquency Prevention by a court of competent jurisdiction~~, prison inmates~~, members of the North Carolina State Defense Militia as defined in G.S. 127A-5 and as administered under Article 5 of Chapter 127A of the General Statutes, and elementary and secondary school employees enrolled in courses in first aid or cardiopulmonary resuscitation (CPR). ~~Provided further, tuition shall be waived for senior citizens attending institutions operating under this Chapter as set forth in Chapter 115B of the General Statutes, Tuition Waiver for Senior Citizens. Provided further, tuition shall also be waived for all~~

(b1) The State Board shall waive tuition and fees for courses taken by high school students at community colleges, including students in early college and middle college high school programs, in accordance with G.S. 115D-20(4) and this section.

The State Board also shall waive tuition and fees for persons not enrolled in elementary or secondary schools taking courses leading to a high school diploma or equivalent certificate.

SECTION 8.11.(b) G.S. 115B-2 reads as rewritten:

"**§ 115B-2. Tuition waiver authorized.**

(a) The constituent institutions of The University of North Carolina and ~~the community colleges as defined in G.S. 115D-2(2)~~ shall permit the following persons to attend classes for credit or noncredit purposes without the required payment of tuition:

(1) Legal residents of North Carolina who have attained the age of 65.

(2) Any person who is the survivor of a law enforcement officer, firefighter, volunteer firefighter, or rescue squad worker killed as a direct result of a traumatic injury sustained in the line of duty.

(3) The spouse of a law enforcement officer, firefighter, volunteer firefighter, or rescue squad worker who is permanently and totally disabled as a direct result of a traumatic injury sustained in the line of duty.

(4) Any child, if the child is at least 17 years old but not yet 23 years old, whose parent is a law enforcement officer, firefighter, volunteer firefighter, or rescue squad worker who is permanently and totally disabled as a direct result of a traumatic injury sustained in the line of duty. However, a child's eligibility for a waiver of tuition under this Chapter shall not exceed: (i) 48 months, if the child is seeking a baccalaureate degree, or (ii) if the child is not seeking a baccalaureate degree, the number of months required to complete the educational program to which the child is applying.

(5) Any child, if the child (i) is at least 17 years old but not yet 23 years old, (ii) is a ward of North Carolina or was a ward of the State at the time the child reached the age of 18, (iii) is a resident of the State; and (iv) is eligible for services under the Chaffee Education and Training Vouchers Program; but the waiver shall only be to the extent that there is any tuition still payable after receipt of other financial aid received by the student.

The community colleges as defined in G.S. 115D-2(2) shall permit the persons listed in subdivisions (2) through (5) of this subsection to attend classes for credit or noncredit purposes without the required payment of tuition.

(b) Persons eligible for the tuition waiver under subsection (a) of this section must meet admission and other standards considered appropriate by the educational institution. In addition, the constituent institutions of The University of North Carolina shall accept these persons only on a space available basis."

SECTION 8.11.(c) G.S. 115B-5(a) is repealed.

CONTINUING EDUCATION FEES

SECTION 8.12. The fees charged for community college continuing education courses shall be based on the number of hours of class time. The fees shall be:

Class Hours	Cost
1-20	$65.00;
21-50	$120.00;
51-100+	$175.00.

CONSOLIDATE NURSING AND ALLIED HEALTH ALLOTMENTS

SECTION 8.13. The State Board of Community Colleges shall consolidate the Nursing categorical allotment into the Allied Health categorical allotment before distributing funds appropriated in this act. These funds shall be awarded to community colleges based on the full-time equivalent (FTE) enrollment in allied health programs.

CUSTOMIZED TRAINING PROGRAM

SECTION 8.14.(a) Funds appropriated in this act for the Customized Training Program that unexpended and unencumbered on June 30, 2010, may, subject to cash availability and the approval of the Office of State Budget and Management, be carried forward into the 2010-2011 fiscal year for equipment purchases. These funds shall be distributed through the Educational Equipment Reserve.

SECTION 8.14.(b) Projects that create or retain jobs in North Carolina shall receive first priority for funds appropriated for the Customized Training Program.

SECTION 8.14.(c) G.S. 115D-5.1(f) is amended by adding a new subsection to read:

"(f) The State Board shall report on an annual basis to the Joint Legislative Education Oversight Committee on:

...

(1a) The types of services sought by the company, whether for new, expanding, or existing industry."

COMMUNITY COLLEGE FINANCIAL ASSISTANCE FUND BALANCE SHALL BE USED TO OFFER NEED-BASED AID

SECTION 8.15. The balance remaining in Budget Code 66801, Fund 6102 (CCS Financial Assistance) shall be used in the 2009-2010 fiscal year to offer need-based assistance to displaced workers and qualified students. This balance has accumulated due to financial aid refunds received from students in fiscal year 2008-2009 and prior fiscal years.

Requested by: Senators Malone, Stevens

NORTH CAROLINA MILITARY BUSINESS CENTER

SECTION 8.16. The funds appropriated in this act to the Community Colleges System Office for the NC Military Business Center shall be used for the continued operations of the NC Military Business Center. The Military Business Center shall provide services to residents and businesses throughout the State. The purpose of the business center is to serve as a coordinator and facilitator for small- and medium-sized businesses throughout the State seeking to win and complete federal contracts, with a focus on military-related contracts. Activities of the business center shall include:

(1) Training and mentoring eligible businesses on effectively marketing their products and services to military and other federal clients and contracting offices.

(2) Assisting eligible businesses with any required accreditations and qualifications for government contracting.

(3) Teaching eligible businesses about federal set-aside programs and how to take advantage of these programs directly or through partnering with other eligible businesses.

(4) Training and assisting clients with the registration, proposal development, and bidding processes related to military and other federal contracts.

(5) Training eligible businesses on legal and regulatory compliance.

(6) Designing and implementing mentoring programs to facilitate the development of interrelationships between eligible businesses.

(7) Forecasting the need for and assisting eligible businesses in obtaining advanced certifications and accreditations and advanced manufacturing skills and technologies.

(8) Working with Small Business Centers throughout the State to carry out these activities on a statewide basis.

(9) The maintenance of an Internet-based system to match the knowledge, skills, and abilities of active-duty military personnel, veterans, and their families throughout the State with the needs of North Carolina businesses.

(10) The study of community resources and existing business capacity to meet the current and future needs of the military and the development of proposals for further developing community resources and developing or recruiting new businesses to meet those needs.

(11) The marketing of the services provided by the Military Business Center.

PART IX. UNIVERSITIES

USE OF ESCHEAT FUNDS FOR NEED-BASED FINANCIAL AID PROGRAMS

SECTION 9.1.(a) There is appropriated from the Escheat Fund income to the Board of Governors of The University of North Carolina the sum of one hundred twenty-three million six hundred forty-one thousand forty dollars ($123,641,040) for fiscal years 2009-2010 and 2010-2011, to the State Board of Community Colleges the sum of thirteen million nine hundred eighty-one thousand two hundred two dollars ($13,981,202) for 2009-2010 and 2010-2011, and to the Department of Administration, Division of Veterans Affairs, the sum of six million five hundred twenty thousand nine hundred sixty-four dollars ($6,520,964) for years 2009-2010 and 2010-2011. These funds shall be allocated by the State Educational Assistance Authority (SEAA) for need-based student financial aid in accordance with G.S. 116B-7. If the interest income generated from the Escheat Fund is less than the amounts referenced in this section, the difference may be taken from the Escheat Fund principal to reach the appropriations referenced in this section; however, under no circumstances shall the Escheat Fund principal be reduced below the sum required in G.S. 116B-6(f).

SECTION 9.1.(b) The State Education Assistance Authority shall perform all of the administrative functions necessary to implement this 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. SEAA may make recommendations for redistribution of funds to The University of North Carolina, Department of Administration, 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 9.1.(c) There is appropriated from the Escheat Fund to the Board of Governors of The University of North Carolina the sum of one million one hundred fifty-seven thousand dollars ($1,157,000) for the 2010-2011 fiscal year to be allocated to the SEAA for need-based student financial aid to be used in accordance with G.S. 116B-7 and this act. The SEAA shall use these funds only to provide scholarship loans (known as the Millennium Teaching Scholarship Loan Program) to North Carolina high school seniors interested in preparing to teach in the State's public schools who also enroll at any of the Historically Black Colleges and Universities that do not have Teaching Fellows. An allocation of 20 grants of six thousand five hundred dollars ($6,500) each shall be given to the three universities without any Teaching Fellows for the purposes specified in this subsection. The SEAA shall administer these funds and shall establish any additional criteria needed to award these scholarship loans, the conditions for forgiving the loans, and the collection of the loan repayments when necessary.

SECTION 9.1.(d) The State Education Assistance Authority shall transfer to the Escheat Fund the balance of any monies appropriated by this section that are not disbursed for need-based student financial aid; however, the State Education Assistance Authority may retain the interest on those monies that is paid to the State Education Assistance Authority at the beginning of the 2009-2010 fiscal year and at the beginning of the 2010-2011 fiscal year.

THE EDUCATION ACCESS REWARDS NORTH CAROLINA SCHOLARS FUND (EARN)

SECTION 9.2.(a) Of the funds appropriated by this act from the General Fund to the State Education Assistance Authority the sum of sixty million dollars ($60,000,000) for the 2009-2010 fiscal year and the sum of sixty million dollars ($60,000,000) for the 2010-2011 fiscal year shall be allocated to the Education Access Rewards North Carolina Scholars Fund (EARN).

SECTION 9.2.(b) There is appropriated from the Escheat Fund to the State Education Assistance Authority the sum of forty million dollars ($40,000,000) for the 2009-2010 fiscal year and the sum of forty million dollars ($40,000,000) for the 2010-2011

fiscal year to be allocated to the Education Access Rewards North Carolina Scholars Fund (EARN).

SECTION 9.2.(c) The funds appropriated in subsections (a) and (b) of this section shall be used only to fund Education Access Rewards North Carolina Scholars Fund (EARN) grants for academic years beginning on or after July 1, 2009.

TRANSFERS OF CASH BALANCES TO THE GENERAL FUND

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

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

TRANSFER FUNDING TO ROANOKE ISLAND COMMISSION FOR PERFORMING ARTS

SECTION 9.4. The General Assembly finds that in order to expand opportunities for students involved in the performing arts, existing funding for the Summer Institute on Roanoke Island should not be allocated to one specific University of North Carolina institution, but instead be allocated directly to the Roanoke Island Commission, so that any interested University of North Carolina institution may have the opportunity to participate in summer arts enrichment and education programs. Therefore, of the funds appropriated by this act to the Board of Governors of The University of North Carolina and allocated to the Summer Institute of the North Carolina School of the Arts on Roanoke Island program for the 2009-2011 fiscal biennium, the sum of four hundred sixty-one thousand six hundred forty-six dollars ($461,646) shall be transferred for the 2009-2010 fiscal year to the Roanoke Island Commission and the sum of four hundred sixty-one thousand six hundred forty-six dollars ($461,646) shall be transferred for the 2010-2011 fiscal year to the Roanoke Island Commission. The Roanoke Island Commission may use these funds to contract with any of the constituent institutions of The University of North Carolina System to provide music and drama students an education in a professional performing environment while providing a public service to the State.

UNC CENTER FOR ALCOHOL STUDIES

SECTION 9.5.(a) G.S. 20-7(i1) reads as rewritten:

"(i1) Restoration Fee. – Any person whose drivers license has been revoked pursuant to the provisions of this Chapter, other than ~~G.S. 20-17(2),~~ G.S. 20-17(a)(2) shall pay a restoration fee of fifty dollars ($50.00). A person whose drivers license has been revoked under ~~G.S. 20-17(2)~~ G.S. 20-17(a)(2) shall pay a restoration fee of ~~seventy-five dollars ($75.00) until the end of the fiscal year in which the cumulative total amount of fees deposited under this subsection in the General Fund exceeds ten million dollars ($10,000,000), and shall pay a restoration fee of fifty dollars ($50.00) thereafter.~~ seventy-five dollars ($75.00). The fee shall be paid to the Division prior to the issuance to such person of a new drivers license or the restoration of the drivers license. The restoration fee shall be paid to the Division in addition to any and all fees which may be provided by law. This restoration fee shall not be required from any licensee whose license was revoked or voluntarily surrendered for medical or health reasons whether or not a medical evaluation was conducted pursuant to this Chapter. The fifty-dollar ($50.00) fee, and the first fifty dollars ($50.00) of the seventy-five-dollar ($75.00) fee, shall be deposited in the Highway Fund. The remaining twenty-five dollars ($25.00) of the seventy-five-dollar ($75.00) fee shall be deposited in the General Fund of the State. The Office

of State Budget and Management ~~shall certify to the Department of Transportation and the General Assembly when the cumulative total amount of fees deposited in the General Fund under this subsection exceeds ten million dollars ($10,000,000), and~~ shall annually report to the General Assembly the amount of fees deposited in the General Fund under this subsection.

It is the intent of the General Assembly to annually appropriate from the funds deposited in the General Fund under this subsection the sum of five hundred thousand dollars ($500,000) to the Board of Governors of The University of North Carolina to be used for the operating expenses of the Bowles Center for Alcohol Studies ~~Endowment at The~~ the University of North Carolina at Chapel ~~Hill, but not to exceed this cumulative total of ten million dollars ($10,000,000).~~Hill."

SECTION 9.5.(b) Of the funds appropriated by this act to the Board of Governors of The University of North Carolina the sum of five hundred thousand dollars ($500,000) for the 2009-2010 fiscal year and the sum of five hundred thousand dollars ($500,000) for the 2010-2011 fiscal year shall be used for the operating expenses of the Bowles Center for Alcohol Studies at the University of North Carolina at Chapel Hill.

REPEAL FULL TUITION GRANT FOR GRADUATES OF NORTH CAROLINA SCHOOL OF SCIENCE AND MATHEMATICS WHO ATTEND A STATE UNIVERSITY

SECTION 9.6.(a) G.S. 116-238.1(a) reads as rewritten:

"(a) There is granted to each State resident who graduates from the North Carolina School of Science and Mathematics and who enrolls as a full-time student in a constituent institution of The University of North Carolina a sum to be determined by the General Assembly as a tuition grant. The tuition grant shall be for four consecutive academic years and shall cover the tuition cost at the constituent institution in which the student is enrolled. The tuition grant shall be distributed to the student as provided by this section. The grant provided by this section is only available to a student enrolled at the North Carolina School of Science and Mathematics for the 2007-2008 academic year or earlier."

SECTION 9.6.(b) Effective July 1, 2013, G.S. 116-238.1, as amended by this section, is repealed.

CLOSING THE ACHIEVEMENT GAP/GRANTS

SECTION 9.7.(a) Funds appropriated by this act for the 2009-2010 fiscal year and for the 2010-2011 fiscal year to the Board of Governors of The University of North Carolina and allocated to the North Carolina Historically Minority Colleges and Universities Consortium (HMCUC) for "Closing the Achievement Gap," shall be used for the sole purpose of supporting the operations and program activities of the HMCUC. These funds shall be used by the HMCUC members for the public purposes of developing and implementing after-school programs designed to close the academic achievement gap and improving the academic performance of youth at risk of academic failure and school dropout. The HMCUC may also allocate funds to a community-based and faith-based organization that is located in close proximity to the HMCUC member institution for the public purposes stated in this section.

SECTION 9.7.(b) The North Carolina Historically Minority Colleges and Universities Consortium shall report to the Joint Legislative Education Oversight Committee and to the Fiscal Research Division by May 1 of each year, regarding the number of programs funded by the Consortium to Close the Achievement Gap, the location and program structure of the programs, the amount allocated to the program, and purposes for which the funds were awarded, the cost of administering and managing the funds, and any other information requested by the Committee or Fiscal Research Division. The grants awarded pursuant to this section shall also include as a term of the grant that the recipient of the grant report to the Joint Legislative Education Oversight Committee and to the Fiscal Research Division regarding the

amount of the grant received, the program and purposes for which the grant was requested, the methodology used to implement the grant program and purposes, the results of the program funded by the grant, and any other information requested by the Joint Legislative Education Oversight Committee and the Fiscal Research Division.

AMEND LEGISLATIVE TUITION GRANT FOR PART-TIME STUDENTS

SECTION 9.8.(a) G.S. 116-21.2 reads as rewritten:

"**§ 116-21.2. Legislative tuition grants to aid students and licensure students attending private institutions of higher education.**

(a) Grants for Students. – In addition to any funds appropriated pursuant to G.S. 116-19 and in addition to all other financial assistance made available to institutions, or to persons attending these institutions, there is granted to each North Carolina undergraduate student attending an approved institution as defined in G.S. 116-22, a sum, to be determined by the General Assembly for each academic year which shall be distributed to the undergraduate student as provided by this subsection. A full-time North Carolina undergraduate student shall be awarded the full amount of the tuition grant provided by this section. A part-time North Carolina undergraduate student who is enrolled to take at least ~~six~~ nine hours of academic credit per semester shall be awarded a tuition grant in an amount that is calculated on a pro rata basis.

(a1) Grants for Licensure Students. – The legislative tuition grant provided by this section shall also be granted to each full-time licensure student who is enrolled in a program intended to result in a license in teaching or nursing at an approved institution. The legislative tuition grant provided by this section shall be awarded on a pro rata basis to any part-time licensure student who is enrolled to take at least ~~six~~ nine hours of undergraduate academic credit per semester in a program intended to result in a license in teaching or nursing at an approved institution. The legislative tuition grant and prorated legislative tuition grant authorized under this subsection shall be paid for undergraduate courses only. If a course is required for licensure, but is designated as both an undergraduate and graduate course, for purposes of this subsection, the course shall be considered an undergraduate course.

(b) Administration of Grants. – The tuition 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 not approve any grant until it receives proper certification from an approved institution that the student or licensure student applying for the grant is eligible. Upon receipt of the certification, the State Education Assistance Authority shall remit at the times as it prescribes the grant to the approved institution on behalf, and to the credit, of the student or licensure student.

(c) Student or Licensure Student Change of Status; Audits. – In the event a full-time student on whose behalf a grant has been paid in accordance with subsection (a) of this section or a full-time licensure student on whose behalf a grant has been paid in accordance with subsection (a1) of this section is not enrolled and carrying a minimum academic load as of the tenth classroom day following the beginning of the school term for which the grant was paid, the institution shall refund the full amount of the grant to the State Education Assistance Authority. If a part-time student on whose behalf a prorated grant has been paid in accordance with subsection (a) of this section or a part-time licensure student on whose behalf a prorated grant has been paid in accordance with subsection (a1) of this section is not enrolled and carrying a minimum academic load of ~~six~~ nine credit hours per semester in the undergraduate class as of the tenth classroom day following the beginning of the school term for which the grant was paid, the institution shall refund the full amount of the grant to the State Education Assistance Authority. If the matriculated status of a full-time student or a full-time licensure student changes to a matriculated status of part-time student or part-time licensure student by

the tenth classroom day following the beginning of the school term for which the grant was paid, the institution shall refund only the difference between the amount of the full-time grant awarded and the amount of the part-time grant that is awarded pursuant to this section. Each approved institution shall be subject to examination by the State Auditor for the purpose of determining whether the institution has properly certified eligibility and enrollment of students and licensure students and credited grants paid on behalf of them.

(d) Shortfall. – In the event there are not sufficient funds to provide each eligible student or licensure student with a full or prorated grant as provided by subsection (a) of this section or a full or a prorated grant as provided by subsection (a1) of this section:

(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 subsections (a), (a1), and (b) of this section; and

(2) Each eligible student and licensure student shall receive a pro rata share of funds then available for the remainder of the academic year within the fiscal period covered by the current appropriation.

(e) Reversions. – Any remaining funds shall revert to the General Fund."

SECTION 9.8.(b) This section applies to academic semesters beginning on or after July 1, 2009.

GRADUATE NURSE SCHOLARSHIP PROGRAM FOR FACULTY PRODUCTION/REVERT PART OF FUND BALANCE

SECTION 9.9. Effective July 1, 2009, the sum of one million dollars ($1,000,000) shall transfer from the fund balance of the Graduate Nurse Scholarship Program for Faculty Production (also known as Nurse Educators of Tomorrow Scholarship Loan) to the General Fund.

INCREASE UNC UNDERGRADUATE TUITION SURCHARGE

SECTION 9.10.(a) Subsection (b) of Section 89 of Chapter 321 of the 1993 Session Laws as amended by Section 17.10 of Chapter 769 of the 1993 Session Laws reads as rewritten:

"(b) The Board of Governors of The University of North Carolina shall ensure that procedures are established that are necessary to impose a ~~twenty-five percent (25%)~~ fifty percent (50%) tuition surcharge on students who take more than 140 degree credit hours to complete a baccalaureate degree in a four-year program or more than one hundred ten percent (110%) of the credit hours necessary to complete a baccalaureate degree in any program officially designated by the Board of Governors as a five-year program. The calculation of these credit hours taken at a constituent institution or accepted for transfer shall exclude hours earned through the College Board's Advanced Placement or CLEP examinations, through institutional advanced placement or course validation, or through summer term or extension programs. No surcharge shall be imposed on any student who exceeds the degree credit hour limits within the equivalent of four academic years of regular term enrollment, or within five academic years of regular term enrollment in a degree program officially designated by the Board of Governors as a five-year program. ~~The Board shall report to the Joint Legislative Education Oversight Committee by April 1, 1994, on its recommendations for implementing this surcharge.~~"

SECTION 9.10.(b) The Board of Governors shall report to the Joint Legislative Education Oversight Committee by September 1, 2009, regarding the implementation of the increased surcharge.

SECTION 9.10.(c) This section applies to all students who will be sophomores or freshman in the 2009-2010 fall academic semester and to all students who are new undergraduates on or after the effective date of this act.

ENROLLMENT GROWTH REPORTING

SECTION 9.11. G.S. 116-30.7 reads as rewritten:

"**§ 116-30.7. Biennial projection of enrollment growth for The University of North Carolina.**

By ~~September 1~~October 15 of each even-numbered year, the General Administration of The University of North Carolina shall provide to the Joint Education Legislative Oversight Committee and to the Office of State Budget and Management a projection of the total student enrollment in The University of North Carolina that is anticipated for the next biennium. The enrollment projection shall be divided into the following categories and shall include the projected growth for each year of the biennium in each category at each of the constituent institutions: undergraduate students, graduate students (students earning master's and doctoral degrees), ~~first-year~~ first professional students, and any other categories deemed appropriate by General Administration. The projection shall also distinguish between on-campus and distance education students. The projections shall be considered by the Director of the Budget when determining the amount the Director proposes to fund as the continuation requirement for the enrollment increase in the university system pursuant to G.S. 143C-3-5(b)."

UNC BOARD OF GOVERNORS STUDY AND DEVELOP PLAN TO TRANSFER UNC CENTER FOR PUBLIC TELEVISION TO UNC SCHOOL OF THE ARTS

SECTION 9.12. The Board of Governors of The University of North Carolina shall study the feasibility of transferring the University of North Carolina Center for Public Television to the University of North Carolina School of the Arts and shall develop a plan to implement such a transfer. The Board of Governors shall report its findings and recommendations along with the plan by March 1, 2010, to the Joint Education Legislative Oversight Committee and to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Education.

NORTH CAROLINA CENTER FOR ADVANCEMENT OF TEACHING (NCCAT)/PROPERTY SETTLEMENT IF NCCAT TRANSFERRED FROM UNC SYSTEM OR CEASES TO EXIST

SECTION 9.13.(a) If the North Carolina Center for the Advancement of Teaching (NCCAT) is transferred from The University of North Carolina to another State government agency or department, then all of the following shall occur:

(1) The University of North Carolina and Western Carolina University shall both be released and relieved: (i) of any and all responsibilities, duties, and powers related to the administration or management functions of NCCAT, and (ii) of any and all responsibilities and duties arising from any fiduciary relationship existing between Western Carolina University and NCCAT.

(2) Neither The University of North Carolina nor Western Carolina University shall be the fiscal agent for NCCAT.

(3) Western Carolina University shall be granted a permanent easement 40 feet in width over and upon the NCCAT campus for the purpose of providing Western Carolina University and its assignees, agents, joint venturers, lessees, partners, and invitees access to that portion of Western Carolina University's campus currently undeveloped and adjacent to NCCAT. Western Carolina University shall use existing roads across the NCCAT

campus, to the extent possible. If any road is required, it shall be built at Western Carolina University's expense.

SECTION 9.13.(b) If the North Carolina Center for Advancement of Teaching ceases to exist as a State agency or entity, or if NCCAT closes its offices and operation in Jackson County, North Carolina, then the following real property in Jackson County shall be transferred to Western Carolina University and become part of Western Carolina University's campus to be used for any purpose, at Western Carolina University's discretion, appropriate to its mission: all land in Jackson County that (i) was used or under the control of NCCAT at the time it ceased to exist or closed its operations and (ii) was transferred to NCCAT from The University of North Carolina, including all improvements located thereon.

COASTAL DEMONSTRATION WIND TURBINES

SECTION 9.14.(a) The University of North Carolina shall continue the coastal sounds wind energy study set forth in Section 9.12 of S.L. 2008-107 and, pursuant to Section 9.12, shall apply for federal grants to continue the study. Funds appropriated by United States Public Law 111-005, the American Recovery and Reinvestment Act of 2009 (the Federal Act), for renewable energy and allocated to the State of North Carolina shall be used for the development, design, and construction of at least three demonstration wind turbines and necessary support facilities in the sounds or off the coast of North Carolina, and the Director of the Budget shall ensure any available federal funds are secured. The actual placement of the wind turbines and necessary support facilities shall be determined by the coastal sounds wind energy study. The Director of the Budget shall ensure that any available federal funding is secured by the State to construct the wind turbines. The University, in collaboration with the Director of the Budget, shall enter into a contract with a third party by October 1, 2009, to construct, establish, and operate the demonstration turbines and necessary support facilities on or before April 1, 2010.

SECTION 9.14.(b) With respect to the demonstration wind turbines and necessary support facilities authorized by subsection (a) of this section, the facilities authorized under this act shall be constructed in accordance with the provisions of general law applicable to the construction of State facilities. The Department of Environment and Natural Resources is directed to expedite permitting of the project to the extent allowed by law.

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

CHILD CARE SUBSIDY RATES

SECTION 10.1.(a) The maximum gross annual income for initial eligibility, adjusted biennially, for subsidized child care services shall be seventy-five percent (75%) of the State median income, adjusted for family size.

SECTION 10.1.(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. Fees shall be determined as follows:

FAMILY SIZE	PERCENT OF GROSS FAMILY INCOME
1-3	10%
4-5	9%
6 or more	8%.

SECTION 10.1.(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 10.1.(d) Provisions 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) Except as applicable in subdivision (2) of this subsection, 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 10.1.(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 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 10.1.(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 10.1.(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 10.1.(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.

CHILD CARE ALLOCATION FORMULA

SECTION 10.2.(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 to a county based upon the projected cost of serving children under age 11 in families with all parents working who earn less than seventy-five percent (75%) of the State median income.

(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 10.2.(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.

SECTION 10.2.(c) Notwithstanding subsection (a) of this section, the Department of Health and Human Services shall allocate up to twenty million dollars ($20,000,000) in federal block grant funds and State funds appropriated for fiscal years 2009-2010 and 2010-2011 for child care services. These funds shall be allocated to prevent termination of child care services. Funds appropriated for specific purposes, including market rate adjustments, may also be allocated by the Department separately from the allocation formula described in subsection (a) of this section.

CHILD CARE FUNDS MATCHING REQUIREMENT

SECTION 10.3. No local matching funds may be required by the Department of Health and Human Services as a condition of any locality's receiving its initial allocation of child care funds appropriated by this act unless federal law requires a match. If the Department reallocates additional funds above twenty-five thousand dollars ($25,000) to local purchasing agencies beyond their initial allocation, local purchasing agencies must provide a twenty percent (20%) local match to receive the reallocated funds. Matching requirements shall not apply when funds are allocated because of a disaster as defined in G.S. 166A-4(1).

FACILITATE AND EXPEDITE USE OF CHILD CARE SUBSIDY FUNDS

SECTION 10.4. The Division of Child Development of the Department of Health and Human Services shall adopt temporary policies that facilitate and expedite the prudent expenditure of child care subsidy funds. These policies will address the following:

(1) Permitting the local purchasing agencies to issue time-limited vouchers to assist counties in managing onetime, nonrecurring subsidy funding.

(2) Extending the current 30/60 day job search policy to six months when a recipient experiences a loss of employment.

(3) Providing an upfront job search period of six months for former recipients who have lost employment since October 1, 2008.

(4) Providing a job search period of six months for recipients that complete school and are entering the job market.

(5) Notwithstanding any other provision of law, extending the 24-month education time limit for an additional 12 months for a child care recipient

who has lost a job since October 1, 2008, or otherwise needs additional training to enhance his or her marketable skills for job placement due to the economic downturn and who has depleted his or her 24-month allowable education time.

(6) Lowering the number of hours a parent must be working in order to be eligible for subsidy to assist parents who are continuing to work but at reduced hours.

CHILD CARE REVOLVING LOAN

SECTION 10.5. 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.

CHILD CARE MARKET RATE ADJUSTMENTS

SECTION 10.6. Not later than October 1, 2009, the Department shall implement an adjustment to child care market rates, by region, based upon the 2009 Child Care Market Rate Study.

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES ENHANCEMENTS

SECTION 10.7.(a) Administrative costs shall be equivalent to, on an average statewide basis for all local partnerships, not more than eight percent (8%) 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 10.7.(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, a request for proposal process and advertising in a major newspaper.

SECTION 10.7.(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 10.7.(d) The Department of Health and Human Services shall continue to implement the performance-based evaluation system.

SECTION 10.7.(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 2009-2010 and 2010-2011 shall be administered and distributed in the following manner:

(1) Capital expenditures are prohibited for fiscal years 2009-2010 and 2010-2011. For the purposes of this section, "capital expenditures" means expenditures for capital improvements as defined in G.S. 143C-1-1(d)(5).

(2) Expenditures of State funds for advertising and promotional activities are prohibited for fiscal years 2009-2010 and 2010-2011.

SECTION 10.7.(f) A county may use the county's allocation of State and federal child care funds to subsidize child care according to the county's Early Childhood Education and Development Initiatives Plan as approved by the North Carolina Partnership for Children, Inc. The use of federal funds shall be consistent with the appropriate federal regulations. Child care providers shall, at a minimum, comply with the applicable requirements for State licensure pursuant to Article 7 of Chapter 110 of the General Statutes.

SECTION 10.7.(g) For fiscal years 2009-2010 and 2010-2011, 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. The North Carolina Partnership for Children, Inc., shall not spend less on child care subsidies than the spending level for fiscal year 2008-2009.

CONTINUE MORE AT FOUR PROGRAM FOR 2009-2010 FISCAL YEAR

SECTION 10.8.(a) The Department of Public Instruction and Division of Child Development of the Department of Health and Human Services 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 through the 2009-2010 fiscal year. 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 and the Department of Public Instruction.

SECTION 10.8.(b) The Office of School Readiness of the Department of Instruction shall reduce the reimbursement rates per slot statewide. The program funding is reduced by forty million dollars ($40,000,000) recurring beginning for the 2009-2010 fiscal year. The Office of School Readiness, in conjunction with Division of Child Development, shall plan to minimize the number of slots eliminated by reducing the amount of funds paid per slot statewide.

SECTION 10.8.(c) A child whose parent is deployed in the military shall be eligible for participation in the More at Four program.

MORE AT FOUR PROGRAM

SECTION 10.9.(a) The More at Four program is transferred to the Department of Health and Human Services, effective July 1, 2009.

SECTION 10.9.(b) The star rating system currently in place for licensure shall have an additional Plus (+) designation identifying those programs offering a high quality four-year-old classroom. The Plus program shall be administered within the Regulatory Services Section of the Division of Child Development as a high quality four-year-old classroom operated within private child care centers and public schools and will be designated as a Plus program.

SECTION 10.9.(c) The Plus program shall be no less stringent than current standards of the More at Four program in place for the 2008-2009 fiscal year and shall ensure lower ratios of teachers to students and require higher teacher qualifications. The Plus program shall offer a curriculum approved by the Division of Child Development.

SECTION 10.9.(d) Eligibility requirements for the Plus program shall be in accordance with current child care subsidy eligibility requirements as established by the General Assembly. The new reimbursement rate plan shall be in accordance with the child care subsidy program implemented for the 2010-2011 fiscal year.

SECTION 10.9.(e) Public school systems shall be allowed reimbursement through the Division of Child Development for students qualifying for subsidy for its Plus programs. Beginning in school year 2010-2011, the screening process for children applying for subsidy for a Plus program shall occur through the regular subsidy application process in collaboration with local partnerships of the North Carolina Partnership for Children, Inc., county departments of social services, and local school administrative units. Counties are encouraged to develop a single application process for child care subsidy accepted in many locations throughout the county.

SECTION 10.9.(f) Parent payments for the Plus program shall be in accordance with child care subsidy rules adopted by the Division of Child Development for the 2010-2011 fiscal year.

SECTION 10.9.(g) On or before December 1, 2009, the Division of Child Development shall report on the star-rated system and the incorporation of the Plus program.

The report will include an analysis of the star-rated system and identify the standards for each and the differences between the various levels.

ADMINISTRATIVE ALLOWANCE FOR COUNTY DEPARTMENTS OF SOCIAL SERVICES

SECTION 10.10. The Division of Child Development of the Department of Health and Human Services shall increase the allowance that county departments of social services may use for administrative costs from four percent (4%) to five percent (5%) of the county's total child care subsidy funds allocated in the Child Care Development Fund Block Grant plan. The increase shall be effective for the 2009-2010 fiscal year.

INCREASE CHILD CARE LICENSING FEES FOR CHILD CARE FACILITIES

SECTION 10.11. G.S. 110-90(1a) reads as rewritten:

"**§ 110-90. Powers and duties of Secretary of Health and Human Services.**

The Secretary shall have the following powers and duties under the policies and rules of the Commission:

...

(1a) To establish a fee for the licensing of child care ~~centers.~~facilities. The fee does not apply to a religious-sponsored child care ~~center~~ facility operated pursuant to a letter of compliance. The amount of the fee may not exceed the amount listed in this subdivision.

Capacity of ~~Center~~Facility	Maximum Fee
12 or fewer children	~~$ 35.00~~$52.00
13-50 children	~~$125.00~~$187.00
51-100 children	~~$250.00~~$375.00
101 or more children	~~$400.00~~$600.00

...."

MENTAL HEALTH CHANGES

SECTION 10.12.(a) For the purpose of mitigating cash flow problems that many non-single-stream local management entities (LMEs) experience at the beginning of each fiscal year, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall adjust the timing and method by which allocations of service dollars are distributed to each non-single-stream LME. To this end, the allocations shall be adjusted such that at the beginning of the fiscal year the Department shall distribute not less than one-twelfth of the LME's continuation allocation and subtract the amount of the adjusted distribution from the LME's total reimbursements for the fiscal year.

SECTION 10.12.(b) Onetime funds appropriated for the Dorothea Dix Hospital overflow unit shall be used to support the temporary operation of the hospital unit on the Dorothea Dix campus.

SECTION 10.12.(c) The Department shall evaluate the need to continue the temporary operation of the hospital unit for one additional year and provide a recommendation to the Governor no later than February 15, 2010. Notwithstanding any other provision of law to the contrary, the Office of State Budget and Management shall establish the positions for the hospital unit on the Dorothea Dix campus as time-limited positions.

SECTION 10.12.(d) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the sum of twenty million one hundred twenty-one thousand six hundred forty-four dollars ($20,121,644) for the 2009-2010 fiscal year and the sum of twenty million one hundred twenty-one thousand six hundred forty-four dollars ($20,121,644) for the

2010-2011 fiscal year shall be allocated for the purchase of local inpatient psychiatric beds or bed days. These beds or bed days shall be distributed across the State according to need as determined by the Department. The Department shall enter into contracts with the LMEs and community hospitals for the management of these beds or bed days. Local inpatient psychiatric beds or bed days shall be managed and controlled by the LME, including the determination of which local or State hospital the individual should be admitted to pursuant to an involuntary commitment order. Funds shall not be allocated to LMEs but shall be held in a statewide reserve at the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to pay for services authorized by the LMEs and billed by the hospitals through the LMEs. LMEs shall remit claims for payment to the Division within 15 working days of receipt of a clean claim from the hospital and shall pay the hospital within 30 working days of receipt of payment from the Division. If the Department determines (i) that an LME is not effectively managing the beds or bed days for which it has responsibility, as evidenced by beds or bed days in the local hospital not being utilized while demand for services at the State psychiatric hospitals has not reduced, or (ii) the LME has failed to comply with the prompt payment provisions of this subsection, the Department may contract with another LME to manage the beds or bed days, or, notwithstanding any other provision of law to the contrary, may pay the hospital directly. The Department shall develop reporting requirements for LMEs regarding the utilization of the beds or bed days. Funds appropriated in this section for the purchase of local inpatient psychiatric beds or bed days shall be used to purchase additional beds or bed days not currently funded by or through LMEs and shall not be used to supplant other funds available or otherwise appropriated for the purchase of psychiatric inpatient services under contract with community hospitals, including beds or bed days being purchased through Hospital Utilization Pilot funds appropriated in S.L. 2007-323. Not later than March 1, 2010, the Department shall report to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division on a uniform system for beds or bed days purchased (i) with local funds, (ii) from existing State appropriations, (iii) under the Hospital Utilization Pilot, and (iv) purchased using funds appropriated under this subsection.

SECTION 10.12.(e) The Secretary of the Department of Health and Human Services shall not take any action prior to January 1, 2010, that would result in the merger or consolidation of LMEs operating on January 1, 2008, or that would establish consortia or regional arrangements for the same purpose, except that LMEs that do not meet the catchment area requirements of G.S. 122C-115 as of January 1, 2010, may initiate, continue, or implement the LMEs' merger or consolidation plans to overcome noncompliance with G.S. 122C-115. This subsection does not prohibit LME's from voluntarily merging if they are contiguous or consolidating administrative functions.

SECTION 10.12.(f) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for mobile crisis teams, the sum of five million seven hundred fifty-five thousand dollars ($5,755,000) shall be distributed to LMEs to support 30 mobile crisis teams. The new mobile crisis units shall be distributed over the State according to need as determined by the Department.

REENACT 2007 SPECIAL PROVISION ON COLLABORATION ON SCHOOL-BASED CHILD AND FAMILY TEAM INITIATIVE

SECTION 10.13. Section 10.9 of S.L. 2007-323 is reenacted for the 2009-2011 fiscal biennium.

CLOSURE OF WRIGHT AND WHITAKER SCHOOLS

SECTION 10.14. The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall close the Wright School and the Whitaker School, effective December 31, 2009.

The Division shall prepare a transition plan for each student currently attending these schools, which shall include assisting in the location of community services for the student, working with the public school system in preparing or updating the student's individualized education plan, and working with the local management entity (LME) to ensure that the needs of the student are met. The LME shall conduct a six-month follow-up on each of these students.

The Division shall report on student transitions, student participation in any community or residential programs, and student progress six months after the school closures. The Division shall submit the report to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division not later than August 30, 2010.

The Department shall ensure that all possible measures are taken to provide a State job for employees of these schools.

SUBSTANCE ABUSE TASK FORCE RECOMMENDATIONS/AVAILABILITY OF SUBSTANCE ABUSE TREATMENT

SECTION 10.15.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the sum of one million dollars ($1,000,000) shall be used to implement one or more priority recommendations of the North Carolina Institute of Medicine (NCIOM) Substance Abuse Task Force, which include:

(1) Development of a comprehensive substance abuse prevention plan for use at the State and local levels.

(2) Providing funding for the establishment of six pilot projects to implement county or multicounty comprehensive prevention plans.

(3) Supporting efforts to reduce high-risk drinking on college campuses.

(4) Development of a pilot program to provide chronic disease management services to substance abuse clients and former clients. The purpose of the pilot is to decrease the number of short-term hospital admissions and to provide discharge planning and follow-up to reduce substance abuse client recidivism.

(5) Educating and encouraging health care professionals to use the screening, brief intervention, and referral to treatment (SBIRT) model promoted by the federal government.

SECTION 10.15.(b) Consistent with G.S. 122C-2, the General Assembly strongly encourages Local Management Entities (LMEs) to use a portion of the funds appropriated for substance abuse treatment services to support prevention and education activities.

SECTION 10.15.(c) An LME may use up to one percent (1%) of funds allocated to it for substance abuse treatment services to provide nominal incentives for consumers who achieve specified treatment benchmarks, in accordance with the federal substance abuse and mental health services administration best practice model entitled Contingency Management.

SECTION 10.15.(d) In providing treatment and services for adult offenders and increasing the number of Treatment Accountability for Safer Communities (TASC) case managers, local management entities shall consult with TASC to improve offender access to substance abuse treatment and match evidence-based interventions to individual needs at each stage of substance abuse treatment. Special emphasis should be placed on intermediate

punishment offenders, community punishment offenders at risk for revocation, and Department of Correction (DOC) releasees who have completed substance abuse treatment while in custody.

In addition to the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, to provide substance abuse services for adult offenders and to increase the number of TASC case managers, the Department shall allocate up to three hundred thousand dollars ($300,000) to TASC. These funds shall be allocated to TASC before funds are allocated to LMEs for mental health services, substance abuse services, and crisis services.

SECTION 10.15.(e) In providing drug treatment court services, LMEs shall consult with the local drug treatment court team and shall select a treatment provider that meets all provider qualification requirements and the drug treatment court's needs. A single treatment provider may be chosen for non-Medicaid-eligible participants only. A single provider may be chosen who can work with all of the non-Medicaid-eligible drug treatment court participants in a single group. During the 52-week drug treatment court program, participants shall receive an array of treatment and aftercare services that meets the participant's level of need, including step-down services that support continued recovery.

SECTION 10.15.(f) Not later than October 1, 2009, the Department of Health and Human Services shall complete the development of a Uniform Screening Tool (UST) to determine the mental health of any individual admitted to any long-term care facility. The Department shall report on the status of UST development on or before January 1, 2010, to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services.

TOTAL QUALITY MANAGEMENT

SECTION 10.16. The Secretary of the Department of Health and Human Services shall implement a Total Quality Management Program in hospitals and other State facilities for the purpose of providing a high level of customer service by well-trained staff throughout the organization. The focus of this management approach shall be on meeting customer needs by providing high-quality services.

The Department shall involve staff at all levels of the organization by soliciting suggestions and input into decision making by managers. The Department shall create staff committees composed of a representative distribution of rank and file employees, to evaluate policy changes and identify training opportunities and other necessary improvements.

The Department shall submit a report on the status of the Total Quality Management Program, including any activities associated with its implementation within State facilities, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division not later than December 1, 2009.

BUDGET REDUCTIONS FOR DIVISION OF MH/DD/SA

SECTION 10.17. The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall reduce its budget in the following areas for the 2009-2010 and 2010-2011 fiscal years:

Facility	Fund Code	FY 2009-2010	FY 2010-2011
Broughton Hospital	4541	$ (34,220)	
Broughton Hospital	4541		$ (136,550)
Broughton Hospital	4549	$ (7,000)	
Longleaf Neuro-Medical	4541	$ (64,000)	
Longleaf Neuro-Medical	4541	$ (24,000)	

Longleaf Neuro-Medical	4541		$ (72,500)
Black Mountain Neuro-Medical	4541		$ (25,796)
Caswell Developmental Center	4541	$ (210,632)	
Caswell Developmental Center	4541		$ (320,500)
Caswell Developmental Center	4549	$ (16,500)	
Murdoch Center	3210	$ (14,447)	$ (14,447)
Murdoch Center	4541	$ (200,750)	
Murdoch Center	4541		$ (93,200)
O-Berry Neuro-Medical	4521	$ (60,702)	$ (21,102)
O-Berry Neuro-Medical	4541	$ (22,103)	
Iverson Riddle Center	3110	$ (12,153)	$ (12,153)
Walter Jones ADATC	3110	$ (5,852)	$ (5,852)
Walter Jones ADATC	4541	$ (24,500)	
Walter Jones ADATC	4549	$ (8,800)	
TOTAL REDUCTIONS		$ (705,659)	$ (709,100)

New purchases of vehicles for the regional maintenance facilities are subject to approval by the Secretary.

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

SECTION 10.18. Funds appropriated in this act to the Department of Health and Human Services for North Carolina Institute of Medicine (NCIOM) shall be used to study the availability of Medicaid and State-funded mental health, developmental disability, and substance abuse services to active duty, reserve, and veteran members of the military and National Guard. The study should discuss the current availability of services, the extent of use, and any gaps in services. The NCIOM shall submit a report of its findings and any recommended legislation to the Governor's Office, the Joint Legislative Commission on Governmental Operations, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services by February 15, 2010.

FUNDS FOR LOCAL MANAGEMENT ENTITY (LME) SERVICE GAPS

SECTION 10.19. Funds appropriated in this act for mental health services and supported employment shall be allocated to local management entities such that each local management entity receives a percentage of the total allocation that is equal to that local management entity's percentage of the State's total population that is below the federal poverty level. Funds appropriated to the Department of Health and Human Services for the 2009-2010 and 2010-2011 fiscal years for mental health services, substance abuse services, and crisis services and allocated based on the poverty level shall continue to be allocated by the Department to local management entities such that each local management entity receives a percentage of the total allocation that is equal to that local management entity's percentage of the State's total population that is below the federal poverty level.

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

SECTION 10.20. Consistent with the findings of the Mercer evaluation of Local Management Entities (LMEs), the Department of Health and Human Services shall collaborate with LMEs to enhance their administrative capabilities to assume utilization management responsibilities for the provision of community-based mental health, developmental disabilities,

and substance abuse services. The Department may, with approval of the Office of State Budget and Management, use funds available to implement this section.

MENTAL HEALTH TRUST FUND ALLOCATIONS

SECTION 10.21. Notwithstanding any other provision of law to the contrary, funds allocated from the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs (Fund) in the 2007 fiscal biennium shall not revert to the Fund nor otherwise be withheld but shall be allocated to those programs for which the funds were originally obligated.

VITAL RECORDS FEES

SECTION 10.22. G.S. 130A-93.1 reads as rewritten:

"**§ 130A-93.1. Fees for vital records copies or search; automation fund.**

(a) The State Registrar shall collect, process, and utilize fees for services as follows:

(1) A fee not to exceed ~~fifteen dollars ($15.00)~~ twenty dollars ($20.00) shall be charged for issuing ~~any~~ a first copy of a vital record or for conducting a routine search of the files for the record when no copy is made. A fee of fifteen dollars ($15.00) shall be charged for each additional certificate copy requested from the same search. When certificates are issued or searches conducted for statewide issuance by local agencies using databases maintained by the State Registrar, the local agency shall charge ~~this fee~~ these fees and shall ~~forward five dollars ($5.00) of this fee~~ retain ten dollars ($10.00) of these fees to cover local administrative costs and forward the remaining fees to the State Registrar for the purposes established in subsection (b) of this section.

(2) A fee not to exceed fifteen dollars ($15.00) for in-State requests and not to exceed twenty dollars ($20.00) for out-of-state requests shall be charged in addition to the fee charged under subdivision (1) of this subsection and to all shipping and commercial charges when expedited service is specifically requested.

(2a) The fee for a copy of a computer or microform database shall not exceed the cost to the agency of making and providing the copy.

(3) Except as provided in subsection (b) of this section, fees collected under this subsection shall be used by the Department for public health purposes.

(b) The Vital Records Automation Account is established as a nonreverting account within the Department. Five dollars ($5.00) of each fee collected pursuant to subdivision (a)(1) shall be credited to this Account. The Department shall use the revenue in the Account to fully automate and maintain the vital records system. When funds sufficient to fully automate and maintain the system have accumulated in the Account, fees shall no longer be credited to the Account but shall be used as specified in subdivision (a)(3) of this section."

CHANGES TO COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 10.23.(a) Funds appropriated in this act from the General Fund to the Department of Health and Human Services for the Community-Focused Eliminating Health Disparities Initiative (CFEHDI) shall be used to provide grants-in-aid to local public health departments, American Indian tribes, and faith-based and community-based organizations to close the gap in the health status of African-Americans, Hispanics/Latinos, and American Indians as compared to the health status of white persons. These grants shall focus on the use of preventive measures to support healthy lifestyles. The areas of focus on health status shall be

infant mortality, HIV-AIDS and sexually transmitted infections, cancer, diabetes, and homicides and motor vehicle deaths.

SECTION 10.23.(b) Funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, for the CFEHDI shall be awarded as a grant-in-aid to honor the memory of the following recently deceased members of the General Assembly: Bernard Allen, John Hall, Robert Holloman, Howard Hunter, Jeanne Lucas, and William Martin. These funds shall be used for concerted efforts to address large gaps in health status among North Carolinians who are African-American, as well as disparities among other minority populations in North Carolina.

SECTION 10.23.(c) The Department of Health and Human Services shall report on the following with respect to funds appropriated to the CFEHDI for the 2009-2010 fiscal year. The report shall address the following:

(1) Which community programs and local health departments received CFEHDI grants.
(2) The amount of funding each program or local health department received.
(3) Which of the minority populations were served by the programs or local health departments.
(4) Which counties were served by the programs or local health departments.
(5) What activities were planned and implemented by the programs or local health departments to fulfill the community focus of the CFEHDI program.
(6) How the activities implemented by the programs or local health departments fulfilled the goal of reducing health disparities among minority populations.

The report shall also include specific activities undertaken pursuant to subsection (a) of this section to address large gaps in health status among North Carolinians who are African-American and other minority populations in this State. The Department shall submit the report not later than March 15, 2010, to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

FUNDS FOR SCHOOL NURSES

SECTION 10.24.(a) All funds appropriated for the school nurse initiative shall be used to supplement and not supplant other State, local, or federal funds appropriated or allocated for this purpose. Communities shall maintain their current level of effort and funding for school nurses. These funds shall not be used for funding nurses for State agencies. All funds shall be used for direct services.

SECTION 10.24.(b) All school nurses funded with State funds shall participate, as needed, in child and family teams.

SECTION 10.24.(c) Of the funds appropriated to the Department of Health and Human Services, Division of Public Health, for the 2009-2010 and 2010-2011 fiscal years, the sum of one million dollars ($1,000,000) in each fiscal year shall be used to hire 20 additional school health nurses bringing the total number of school nurses supported by DHHS to 232. The distribution of additional school nurses shall be made according to the criteria established by the Department in 2006.

AIDS DRUG ASSISTANCE PROGRAM

SECTION 10.25. For the 2009-2010 and 2010-2011 fiscal years, the Department may, within existing Aids Drug Assistance Program (ADAP) resources, adjust the financial eligibility criterion of the ADAP up to an amount not exceeding three hundred percent (300%) of the federal poverty level in order to serve as many eligible North Carolinians living with HIV disease as possible within existing resources plus any new federal resources. If a waiting list develops as a result of the eligibility criterion being raised, the Department shall give first

priority to those individuals on the waiting list with income at or below one hundred twenty-five percent (125%) of the federal poverty level, and second priority to those individuals with income above one hundred twenty-five percent (125%) and at or below two hundred fifty percent (250%) of federal poverty guidelines.

PUBLIC HEALTH IMPROVEMENT PLAN

SECTION 10.26.(a) The Department of Health and Human Services (DHHS) shall develop a five-year Public Health Improvement Plan (Plan) by March 31, 2010. In developing the Plan the Secretary shall:

(1) Adopt a list of services and activities performed by local health departments that qualify as core public health functions of statewide significance.

(2) Adopt a list of performance measures with the intent of improving health status indicators applicable to core public health functions of statewide significance that local health departments (LHDs) must provide.

(3) Identify a set of health status indicators to be given priority by LHDs.

Under the Plan, all priorities and health status indicators must incorporate as an essential activity the disparity of diseases amongst populations and locales.

SECTION 10.26.(b) In order for measurable benefits to be realized through the implementation of the Plan, the Plan shall include the adoption of levels of performance necessary to promote:

(1) Uniformity across local health departments,

(2) Best evidence-based services,

(3) National standards of performance,

(4) Innovations in public health practice, and

(5) Reduction of geographic and racial health disparities.

LHDs shall have the flexibility and opportunity to use the resources available to achieve the required performance measures in a manner that best suits the LHD.

SECTION 10.26.(c) The Plan will address the need to provide county health departments with financial incentives to encourage and increase local investment in public health functions. County governments shall not supplant existing local funding with State incentive resources. The Secretary may revise the list of activities and performance measures as appropriate, but before doing so, the Secretary shall provide a written explanation of the rationale for the addition, deletion, or revision.

SECTION 10.26.(d) In developing the Plan the Secretary shall establish and chair the Public Health Improvement Plan Task Force (Task Force), the members and expertise of which shall include:

(1) Local health departments,

(2) Department staff,

(3) Individuals and entities with expertise in the development of performance measures, accountability, and systems management,

(4) Experts in development of evidence-based medical guidelines or public health practice guidelines, and

(5) Individuals and entities that will be affected by the performance measures.

SECTION 10.26.(e) The implementation schedule for the Plan shall be as follows:

(1) July 1, 2009, establish the Task Force to develop the Plan,

(2) March 31, 2010, submit the Plan to the 2010 Regular Session of the 2009 General Assembly,

(3) July 1, 2010, implement the Plan, and

(4) November 15, 2011, and annually thereafter, report on Plan implementation.

SECTION 10.26.(f) The Department will identify the programmatic activities and funding in the Division of Public Health associated with the core functions and activities in the

Plan. Funds associated with these activities shall be subject to a flexible spending formula adopted by the Department, as follows:

(1) Beginning in SFY 2010-2011, the flexible spending formula will begin to replace the current spending with a more effective method of funding public health activities at the local level and achieving the results expected.

(2) The Task Force shall identify a reliable and consistent source of State revenue to fund the flexible spending formula.

(3) If sufficient additional revenue is available to implement the Plan, a separate set-aside of available funds would be created. This set-aside would be available to contiguous LHDs that seek to address a specific women's health, child health, or adult health disease or chronic condition, and in doing so, choose to merge into a single Local Health District, thus saving administrative dollars to be focused on public health issues.

SECTION 10.26.(g) Funds appropriated to the Department for flexible spending shall be distributed to county health departments as follows:

(1) Each of the county health departments will receive a base amount to be determined by the DHHS.

(2) The balance of funds in the Flexible Spending Account is to be distributed to the counties on the basis of a formula that takes into consideration the following elements:

a. Population,
b. Per capita income,
c. Rates of:
1. Infant mortality,
2. Teenage pregnancy,
3. Tobacco use,
4. Cancer,
5. Heart disease,
6. Diabetes, and
7. Stroke.
d. Percent of minorities in the county,
e. Body Mass Index (BMI) of public school students, and
f. Other factors as the Secretary may find necessary to achieve the goals of the Plan.

(3) The use of the funds by the LHD would reflect the core public health functions. It will be incumbent upon the LHD to use the funds in a manner that assures its achievement of the performance measures adopted by the Secretary.

SECTION 10.26.(h) To ensure compliance with Department directives, the Task Force shall consider requiring each county health department to submit to the Secretary such data as the Secretary determines is necessary to allow the Secretary to assess whether the county health department has used the funds in a manner consistent with achieving the performance measures associated with this Plan.

SECTION 10.26.(i) Beginning November 15, 2011, and biannually thereafter, the Secretary shall report to the Governor and the General Assembly on:

(1) The distribution of funds to LHDs,

(2) The use of these funds by LHDs,

(3) The specific effect the funding from this Plan has had on:

a. LHDs' performance,
b. Health status indicators, and
c. Health disparities.

The Secretary's initial report will focus on implementation. Subsequent reports will evaluate trends in performance and expenditures.

HEALTH INFORMATION TECHNOLOGY

SECTION 10.27.(a) The Department of Health and Human Services, in cooperation with the State Chief Information Officer and the North Carolina Office of Economic Recovery and Investment, shall coordinate health information technology (HIT) policies and programs within the State of North Carolina. The Department's goal in coordinating State HIT policy and programs shall be to avoid duplication of efforts and to ensure that each State agency, public entity, and private entity that undertakes health information technology activities associated with the American Recovery and Reinvestment Act of 2009 (ARRA) does so within the area of its greatest expertise and technical capability, and in a manner that supports coordinated State and national goals, which shall include at least all of the following:

(1) Ensuring that patient health information is secure and protected, in accordance with applicable law.

(2) Improving health care quality, reducing medical errors, reducing health disparities, and advancing the delivery of patient-centered medical care.

(3) Providing appropriate information to guide medical decisions at the time and place of care.

(4) Ensuring meaningful public input into HIT infrastructure development.

(5) Improving the coordination of information among hospitals, laboratories, physician offices, and other entities through an effective infrastructure for the secure and authorized exchange of health care information.

(6) Improving public health services and facilitating early identification and rapid response to public health threats and emergencies, including bioterrorist events and infectious disease outbreaks.

(7) Facilitating health and clinical research.

(8) Promoting early detection, prevention, and management of chronic diseases.

SECTION 10.27.(b) The Department of Health and Human Services shall establish and direct a HIT management structure that is efficient and transparent and that is compatible with the Office of the National Health Coordinator for Information Technology (National Coordinator) governance mechanism. The HIT management structure shall be responsible for all of the following:

(1) Developing a State plan for implementing and ensuring compliance with national HIT standards, and for the most efficient, effective, and widespread adoption of HIT.

(2) Ensuring that (i) specific populations are effectively integrated into the State plan, including aging populations, populations requiring mental health services, and populations utilizing the public health system; and (ii) unserved and underserved populations receive priority consideration for HIT support.

(3) Identifying all HIT stakeholders and soliciting feedback and participation from each stakeholder in the development of the State plan.

(4) Ensuring that existing HIT capabilities are considered and incorporated into the State plan.

(5) Identifying and eliminating conflicting HIT efforts where necessary.

(6) Identifying available resources for the implementation, operation, and maintenance of health information technology, including, but not limited to, the ARRA, with emphasis on identifying resources and available opportunities for North Carolina institutions of higher learning.

(7) Ensuring that the appropriate State entities receive all the necessary information and support to successfully compete for funding included in the ARRA.
(8) Ensuring that potential State plan participants are aware of HIT policies and programs and the opportunity for improved health information technology.
(9) Monitoring HIT efforts and initiatives in other States and replicating successful efforts and initiatives in North Carolina.
(10) Monitoring the development of the National Coordinator's strategic plan and ensuring that all stakeholders are aware of and in compliance with its requirements.
(11) Monitoring the progress and recommendations of the HIT Policy and Standards Committees and ensuring that all stakeholders remain informed of the Committee's recommendations.
(12) Monitoring all studies and reports provided to the United States Congress and reporting to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the impact of report recommendations on State efforts to implement coordinated HIT.

SECTION 10.27.(c) Beginning October 1, 2009, the Department of Health and Human Services shall provide quarterly written reports on the status of HIT efforts 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 report shall include the following:

(1) Current status of federal HIT initiatives.
(2) Current status of State HIT efforts and initiatives among both public and private entities.
(3) A breakdown of current public and private funding sources and dollar amounts for State HIT initiatives.
(4) Department efforts to coordinate HIT initiatives within the State, and any obstacles or impediments to coordination.
(5) HIT research efforts being conducted within the State, and sources of funding for research efforts.
(6) Opportunities for stakeholders to participate in HIT funding and other efforts and initiatives during the next quarter.
(7) Issues associated with the implementation of HIT in North Carolina and recommended solutions to these issues.

HOSPITAL-ACQUIRED INFECTIONS

SECTION 10.28. The Department of Health and Human Services shall apply for federal funds that are available through P.L. 111-15, the American Recovery and Reinvestment Act, to develop and implement a mandatory statewide hospital-acquired infections surveillance and reporting system, as recommended by the Joint Study Committee on Hospital Infection Control and Disclosure.

MEN'S HEALTH

SECTION 10.29. The Department of Health and Human Services, Division of Public Health, shall use funds available to delegate to the Chronic Disease Prevention and Control Office the responsibility for ensuring attention to the prevention of disease and improvement in the quality of life for men over their entire lifespan. The Department shall develop strategies for achieving these goals, which shall include (i) developing a strategic plan to improve health care services, (ii) build public heath awareness, and (iii) develop initiatives within existing programs.

FACILITATION OF ENROLLMENT AND REENROLLMENT OF ELIGIBLE CHILDREN IN MEDICAID AND NC HEALTH CHOICE

SECTION 10.30. The Department of Health and Human Services shall increase its efforts to simplify the eligibility determination and recertification process to facilitate the enrollment and reenrollment of eligible Medicaid and NC Health Choice individuals. The Department shall also:

(1) Explore various opportunities through public awareness campaigns and enlisting community organizations to alert families of the opportunities of Medicaid and NC Health Choice to provide preventive health care to their children; and

(2) Pursue opportunities in the federal Children's Health Insurance Program Reauthorization Act (CHIPRA) to enhance outreach efforts and enrollment for children in Medicaid and NC Health Choice. These enhancements include funding for outreach and enrollment activities and implementation of the "Express Lane" option that uses agencies that determine eligibility for TANF, IV-D SNAP, Head Start, and School Lunch programs to enroll children.

The Department shall also submit a Medicaid State Plan Amendment to take advantage of recent federal legislation (CHIPRA) allowing states to provide medical assistance to children and pregnant women who are lawfully residing in the United States.

NC HEALTH CHOICE TRANSITION

SECTION 10.31.(a) The Secretary of the Department of Health and Human Services shall develop and implement a plan for assuming administrative responsibility for the North Carolina Health Choice for Children program by transitioning all administrative oversight and claims processing activities from the Executive Administrator and Board of Trustees of the State Health Plan for Teachers and State Employees to the Division of Medical Assistance. The transition of all administrative oversight and claims processing from the State Health Plan to the Division of Medical Assistance shall be completed not later than July 1, 2010. The Secretary shall report to the Joint Legislative Health Care Oversight Committee and the Committee on Employee Hospital and Medical Benefits at least 30 days prior to effecting the transition of the responsibilities for the administration and processing of claims for benefits provided under the North Carolina Health Choice for Children program from the Executive Administrator and Board of Trustees of the State Health Plan for Teachers and State Employees to the Department.

SECTION 10.31.(b) In consultation with the Department of Health and Human Services, Division of Medical Assistance, and other appropriate organizations, the Office of State Budget and Management (OSBM) shall conduct an independent analysis of the cost to determine appropriate staffing levels to manage and implement the transition of NC Health Choice from the State Health Plan to the Division to ensure that the transition of NC Health Choice occurs with minimal disruption and that the Division has adequate staffing and an organizational structure that fits with its existing structure. The Office of State Budget and Management shall report with staffing recommendations by March 1, 2010, 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.

NC HEALTH CHOICE/PROCEDURES FOR CHANGING MEDICAL POLICY

SECTION 10.32. Chapter 108A of the General Statutes is amended by adding a new section to read:

"§ 108A-54.3. Procedures for changing medical policy.

The Department shall develop, amend, and adopt medical coverage policy in accordance with the following:

(1) During the development of new medical coverage policy or amendment to existing medical coverage policy applicable to the North Carolina Health Choice Program for Children, consult with and seek the advice of the Physician Advisory Group of the North Carolina Medical Society and other organizations the Secretary deems appropriate. The Secretary shall also consult with and seek the advice of officials of the professional societies or associations representing providers who are affected by the new medical coverage policy or amendments to existing medical coverage policy.

(2) At least 45 days prior to the adoption of new or amended medical coverage policy, the Department shall:

a. Publish the proposed new or amended medical coverage policy on the Department's Web site;

b. Notify all North Carolina Health Choice Program for Children providers of the proposed, new, or amended policy; and

c. Upon request, provide persons copies of the proposed medical coverage policy.

(3) During the 45-day period immediately following publication of the proposed new or amended medical coverage policy, accept oral and written comments on the proposed new or amended policy.

(4) If, following the comment period, the proposed new or amended medical coverage policy is modified, then the Department shall, at least 15 days prior to its adoption:

a. Notify all North Carolina Health Choice Program for Children providers of the proposed policy;

b. Upon request, provide persons notice of amendments to the proposed policy; and

c. Accept additional oral or written comments during this 15-day period."

NC HEALTH CHOICE MEDICAL POLICY

SECTION 10.33. Unless required for compliance with federal law, the Department shall not change medical policy affecting the amount, sufficiency, duration, and scope of NC Health Choice 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 one million dollars ($1,000,000) in total requirements for a given fiscal year, then the Department shall submit the proposed medical 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 one million dollars ($1,000,000) 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. For medical policy changes exceeding one million dollars ($1,000,000) in total requirements for a given fiscal year that are required for compliance with federal law, the Department shall submit the proposed medical policy or policy interpretation change with a five-year fiscal analysis to the Office of State Budget and Management prior to implementing the change. 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 one million dollars ($1,000,000).

NC HEALTH CHOICE ENROLLMENT

SECTION 10.34. The Department of Health and Human Services may, in the NC Health Choice Program for the 2009-2010 fiscal year, allow enrollment to grow by not more than 15,583 children.

NCHC FUNDS REDUCTION/CCNC

SECTION 10.35.(a) The last paragraph of G.S. 108A-70.21(b) reads as rewritten:

"**§ 108A-70.21. Program eligibility; benefits; enrollment fee and other cost-sharing; coverage from private plans; purchase of extended coverage.**

...

The Department shall provide services to children enrolled in the NC Health Choice Program through Community Care of North Carolina (CCNC) and shall pay Community Care of North Carolina providers for these services as allowed under Medicaid. The Department shall pay for these services only if sufficient information is available to the Department for utilization management of the services provided through CCNC."

SECTION 10.35.(b) The Department of Health and Human Services, Division of Medical Assistance, shall reduce or eliminate funding for per member/per month fees paid to Community Care of North Carolina (CCNC) if sufficient information is not available to the Department for utilization management of the provider services.

COMMUNITY CARE OF NORTH CAROLINA

SECTION 10.36.(a) Given the primary care case management foundation established by Community Care of North Carolina, the Department shall build upon that foundation to ensure quality care and cost control of CCNC by implementing the activities listed in subsection (b) of this section.

SECTION 10.36.(b) The Department shall contract with CCNC to manage the care of Medicaid recipients, through a per member, per month reimbursement. In the contract DHHS shall ensure that CCNC adheres to the following tenets, adapted from the National Committee of Quality Assurance's (NCQA) national measures for Medical Homes Models. The CCNC networks must demonstrate proficiency in:

(1) Written standards for patient access and patient communication;
(2) Use of data to show patients are meeting this standard;
(3) Adoption and implementation of evidenced-based guidelines for priority diseases and conditions as identified by DHHS;
(4) Active support, monitoring, follow-up, and documentation on patient self-management;
(5) Tracking system to test and identify abnormal results, and follow-up in a timely manner;
(6) Tracking referrals from and to other acute and long-term care facilities and providers, so as to provide continuous management of patient care;
(7) Measurement of clinical and/or service performance by physician or across a practice; and
(8) Reporting performance according to baseline data and performance measure established by the DHHS Independent Advisory Group across CCNC networks, practices, and physicians to achieve the maximum savings possible through the improvement in the quality of care.

SECTION 10.36.(c) By July 1, 2009, or as soon a possible thereafter, the Department shall establish an Independent Advisory Group (IAG) for the purpose of

developing targeted (i) baseline data, (ii) clinically acceptable performance measures that recognize nationally accredited treatment protocols, and (iii) patient, physician, and practice goals that improve quality of care, and realize necessary savings within Medicaid. The members of the Independent Advisory Group shall have demonstrated experience in actuarial analysis, health policy analysis, medical practice, hospital administration, or management of long-term chronic conditions. The Independent Advisory Group and the Department shall ensure the following:

(1) The IAG shall begin work immediately so that baseline data, clinically acceptable performance measures, and practice goals to improve quality and cost savings can be implemented no later than January 1, 2010.

(2) The Department shall prepare a report to the General Assembly on the baseline data, clinically acceptable performance measures, and practice goals adopted by the IAG, and the improved quality and cost savings expected as a result of their implementation. This report will be due January 31, 2010.

(3) The IAG shall establish baseline information and performance measures for the diseases and conditions listed in this subdivision, the focus of which shall be on Medicaid recipients who are children, adults, and among those who are aged, blind, or disabled. The diseases and conditions shall include:
   a. Asthma,
   b. Diabetes,
   c. Heart disease,
   d. Chronic Obstructive Pulmonary Disease,
   e. Mental illness,
   f. Substance abuse,
   g. Obesity, and
   h. High risk maternity care

(4) The baseline information, performance measures, and practice and physician goals developed for the continuing care of Medicaid recipients, who are also eligible for Medicare shall include attention to this population's:
   a. Increased primary care visit rate,
   b. Hospital admission rate,
   c. Hospital readmission rate,
   d. Emergency department visit rate,
   e. Mortality rate, and
   f. Prescription drug management, including:
      1. Number of prescriptions prescribed,
      2. Number of generic versus brand-name prescriptions, and
      3. Reconciliation of a patient's prescriptions between hospital, nursing facility, and primary care physician.

SECTION 10.36.(d) The Department shall conduct a Request for Proposal (RFP) process to solicit bids from qualified outside entities with proven experience in conducting actuarial and health care studies and evaluations to:

(1) Report, assess, and evaluate the CCNC networks proficiency in fulfilling the eight tenets described above,

(2) Report, assess, and evaluate the CCNC networks implementation and achievement of the baseline data, clinically acceptable performance measures, and practice goals to improve quality and cost savings established by the IAG, and

(3) Report on the Medicaid cost savings achieved by the CCNC networks during a 12-month period.

SECTION 10.36.(e) The contractor's report, information, and data shall be in a format that allows the Department to manipulate and assess the performance of CCNC as a whole and for its 14 networks individually. Not later than November 1, 2010, the Department shall provide 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 copies of the contractor's report for CCNC activities conduced during the 2009-2010 fiscal year.

SECTION 10.36.(f). Under the Children's Health Insurance Program Reauthorization Act, P.L. 111-1, the U.S. Secretary of Health and Human Services is directed to:

(1) Develop a standardized reporting format that encourages states to report information regarding the quality of pediatric health care delivered through the State Children's Health Insurance Program, and

(2) Establish a set of pediatric quality measures not later than January 1, 2011.

Given this directive, the IAG shall develop targeted baseline data, clinically acceptable performance measures that recognize nationally accredited treatment protocols, and patient, physician, and practice goals that improve quality of care, in order to realize necessary savings within North Carolina's Health Choice program. The IAG shall begin this effort so that baseline data, clinically acceptable performance measures, and practice goals to improve quality and cost savings can be implemented by July 1, 2010, the date on which the Department of Health and Human Services' Division of Medical Assistance assumes management responsibility of the Health Choice program from the State Health Plan.

COMMUNITY HEALTH CENTER CHANGES

SECTION 10.37. Of the funds appropriated in this act for Community Health Grants, the sum of seven million eight hundred sixty thousand dollars ($7,860,000) in recurring funds for the 2009-2010 fiscal year and the sum of seven million eight hundred sixty thousand dollars ($7,860,000) for the 2010-2011 fiscal year. These funds shall be allocated as grants on a competitive basis to rural health centers, free clinics, public health departments, school-based health centers, qualified health centers, and other nonprofit organizations that provide primary care and preventive health services to uninsured and indigent persons. Community health centers that have received federal funds through the American Recovery and Reinvestment Act to provide new, expanded, or continuing health services are not eligible to receive funds under this section.

LIABILITY INSURANCE

SECTION 10.38.(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, on behalf of 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 10.38.(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 10.38.(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.

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

SECTION 10.39. Funds appropriated in this act for the Jim "Catfish" Hunter Chapter of the ALS Association shall be expended only for services provided within North Carolina.

DHHS PAYROLL DEDUCTION FOR CHILD CARE SERVICES

SECTION 10.40. Subject to rules adopted by the State Controller, an employee of the Department of Health and Human Services may authorize, in writing, the periodic deduction from the employee's salary or wages for employment by the State, a designated lump sum to be paid to satisfy the cost of services received for child care provided by the Department.

MEDICAID MANAGEMENT INFORMATION SYSTEM (MMIS) FUNDS/IMPLEMENTATION OF MMIS

SECTION 10.41.(a) Of the funds appropriated in this act to the Department of Health and Human Services (Department) from prior year earned revenues received by the Department for the Medicaid Management Information System (MMIS), the sum of eleven million seventy-one thousand five hundred two dollars ($11,071,502) for fiscal year 2009-2010 and the sum of nine million eight hundred twenty thousand six hundred eighty-nine dollars ($9,820,689) for fiscal year 2010-2011 shall be (i) deposited to the Department's information technology budget code and (ii) used to match federal funds for the procurement, design, development, and implementation of the new MMIS system and to fund the central management of the project. In the event that the Department does not receive prior year earned revenues in these amounts, the Department is authorized with approval of the Office of State Budget and Management to use other over-realized receipts to the level appropriated in this act for MMIS expenditures.

SECTION 10.41.(b) The Department shall make full development of the replacement MMIS a top priority. During the development and implementation of MMIS, the Department shall develop plans to ensure the timely and effective implementation of enhancements to the system to provide the following capabilities:

(1) Receiving and tracking premium or other payments required by law.

(2) Compatibility with the administration of the Health Information System.

The Department shall make every effort to expedite the implementation of the enhancements. The Office of Information Technology Services shall work in cooperation with the Department to ensure the timely and effective implementation of the MMIS and enhancements. The contract between the Department and the contract vendor shall contain an explicit provision requiring that the MMIS have the capability to fully implement the administration of NC Health Choice, NC Kids' Care, Ticket to Work, Families Pay Part of the

Cost of Services under the CAP-MR/DD, CAP Children's Program, and all relevant Medicaid waivers and the Medicare 646 waiver as it applies to Medicaid eligibles. The Department must have detailed cost information for each requirement before signing the contract. Any contract between the Department and a vendor for the MMIS that does not contain the explicit provision required under this subsection is void on its face. Notwithstanding any other provision of law to the contrary, the Secretary of the Department does not have the authority to sign a contract for the MMIS if the contract does not contain the explicit provision required under this section.

SECTION 10.41.(c) Notwithstanding G.S. 114-2.3, the Department shall engage the services of private counsel with the pertinent information technology and computer law expertise to review requests for proposals and to negotiate and review contracts associated with MMIS. The counsel engaged by the Department shall review the MMIS contract between the Department and the vendor to ensure that the requirements of subsection (a) of this section are met in their entirety.

SECTION 10.41.(d) The Department shall develop a comprehensive schedule for the development and implementation of the MMIS that fully incorporates federal and State project management and review requirements. The Department shall ensure that the schedule is as accurate as possible. Any changes to the design, development, and implementation schedule shall be reported as part of the Department's quarterly MMIS reporting requirements. The Department shall submit the schedule to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Subcommittee on Health and Human Services, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division. Any change to key milestones in either schedule shall be immediately reported to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Subcommittee on Health and Human Services, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division with a full explanation of the reason for the change.

SECTION 10.41.(e) Beginning July 1, 2009, the Department shall make quarterly reports on changes in the functionality and projected costs of the MMIS. The first quarterly submission shall contain a final report on the contract award to include total costs and functionality of the MMIS. Each report shall be made to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Subcommittee on Health and Human Services, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division. A copy of the final report on the contract award shall also be submitted to the Joint Legislative Commission on Governmental Operations.

SECTION 10.41.(f) Upon initiation of the NC MMIS Program Reporting and Analytics Project and the Division of Health Services Regulation Project, the Department shall submit all reports regarding functionality, schedule, and cost in the next regular cycle of reporting identified in subsections (d) and (e) of this section. The Department shall ensure that the solution developed in the Reporting and Analytics Project supports the capability, in its initial implementation, to interface with the North Carolina Teachers' and State Employees' Health Plan. The costs for this capability shall be negotiated prior to the award of the Reporting and Analytics contract. The Reporting and Analytics solution must be completed simultaneously with the replacement MMIS.

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

SECTION 10.42. The sum of eighteen million three hundred twenty-seven thousand four hundred seventy-eight dollars ($18,327,478) is appropriated from Budget Code 24441, Fund Code 2006, to the Department of Health and Human Services, Division of Central

Management Services, for the 2009-2010 fiscal year. These funds shall be used for the development and implementation of North Carolina Families Accessing Services Through Technology (NC FAST). Funds will be placed in the Department's information technology budget code and will match federal funds for project implementation.

PROGRAM ON PREVENTION OF ABUSE AND NEGLECT

SECTION 10.43.(a) The Children's Trust Fund, a program on prevention of abuse and neglect, is transferred from the Department of Public Instruction to the Division of Social Services in the Department of Health and Human Services, as if by a Type I transfer as defined in G.S. 143A-6, with all the elements of such a transfer.

SECTION 10.43.(b) G.S. 7B-1301 reads as rewritten:

"**§ 7B-1301. Program on Prevention of Abuse and Neglect.**

(a) The ~~State Board of Education~~ Department of Health and Human Services, through the ~~Department of Public Instruction~~ Division of Social Services, shall implement the Program on Prevention of Abuse and Neglect. The ~~Department of Public Instruction~~ Division of Social Services ~~subject to the approval of the State Board of Education,~~ shall provide the staff and support services for implementing this program.

(b) In order to carry out the purposes of this Article:

(1) The ~~Department of Public Instruction~~ Division of Social Services shall review applications and make recommendations ~~to the State Board of Education~~ concerning the awarding of contracts under this Article.

(2) The ~~State Board of Education~~ Division of Social Services shall contract with public or private nonprofit organizations, agencies, schools, or with qualified individuals to operate community-based educational and service programs designed to prevent the occurrence of abuse and neglect. Every contract entered into by the ~~State Board of Education~~ Division of Social Services shall contain provisions that at least twenty-five percent (25%) of the total funding required for a program be provided by the administering organization in the form of in-kind or other services and that a mechanism for evaluation of services provided under the contract be included in the services to be performed. In addition, every proposal to the ~~Department of Public Instruction~~ Division of Social Services for funding under this Article shall include assurances that the proposal has been forwarded to the local department of social services for comment so that the ~~Department of Public Instruction~~ Division of Social Services may consider coordination and duplication of effort on the local level as criteria in making recommendations ~~to the State Board of Education~~.

(3) The ~~State Board of Education~~ Division of Social Services, with the assistance of the Department of ~~Public Instruction~~ Health and Human Services, shall develop appropriate guidelines and criteria for awarding contracts under this Article. These criteria shall include, but are not limited to: documentation of need within the proposed geographical impact area; diversity of geographical areas of programs funded under this Article; demonstrated effectiveness of the proposed strategy or program for preventing abuse and neglect; reasonableness of implementation plan for achieving stated objectives; utilization of community resources including volunteers; provision for an evaluation component that will provide outcome data; plan for dissemination of the program for implementation in other communities; and potential for future funding from private sources.

(4) The ~~State Board of Education~~ Division of Social Services, with the assistance of the Department of ~~Public Instruction~~ Health and Human

Services, shall develop guidelines for regular monitoring of contracts awarded under this Article in order to maximize the investments in prevention programs by the Children's Trust Fund and to establish appropriate accountability measures for administration of contracts.

(5) The ~~State Board of Education~~ Division of Social Services shall develop a State plan for the prevention of abuse and neglect for submission to the Governor, the President of the Senate, and the Speaker of the House of Representatives.

(c) To assist in implementing this Article, the ~~State Board of Education~~ Division of Social Services may accept contributions, grants, or gifts in cash or otherwise from persons, associations, or corporations. All monies received by the ~~State Board of Education~~ Division of Social Services from contributions, grants, or gifts and not through appropriation by the General Assembly shall be deposited in the Children's Trust Fund. Disbursements of the funds shall be on the authorization of the ~~State Board of Education or that Board's duly authorized representative~~ Department of Health and Human Services. In order to maintain an effective expenditure and revenue control, the funds are subject in all respects to State law and regulations, but no appropriation is required to permit expenditure of the funds.

(d) Programs contracted for under this Article are intended to prevent abuse and neglect of juveniles. Abuse and neglect prevention programs are defined to be those programs and services which impact on juveniles and families before any substantiated incident of abuse or neglect has occurred. These programs may include, but are not limited to:

(1) Community-based educational programs on prenatal care, perinatal bonding, child development, basic child care, care of children with special needs, and coping with family stress; and

(2) Community-based programs relating to crisis care, aid to parents, and support groups for parents and their children experiencing stress within the family unit.

(e) No more than twenty percent (20%) of each year's total awards may be utilized for funding State-level programs to coordinate community-based programs."

SECTION 10.43.(c) G.S. 7B-1302 reads as rewritten:

"**§ 7B-1302. Children's Trust Fund.**

(a) There is established a fund to be known as the "Children's Trust Fund," in the Department of State Treasurer, which shall be funded by a portion of the marriage license fee under G.S. 161-11.1 and a portion of the special license plate fee under G.S. 20-81.12. The money in the Fund shall be used by the ~~State Board of Education~~ Division of Social Services to fund abuse and neglect prevention programs so authorized by this Article.

(b) The Department of ~~Public Instruction~~ Health and Human Services shall report annually on revenues and expenditures of the Children's Trust Fund to the Joint Legislative Commission on Governmental Operations."

INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND PERFORMANCE ENHANCEMENTS

SECTION 10.44.(a) Notwithstanding the provisions of G.S. 143B-150.6, the Intensive Family Preservation Services (IFPS) 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 IFPS shall ensure the application of standardized assessment criteria for determining imminent risk and clear criteria for determining out-of-home placement.

SECTION 10.44.(b) 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 10.44.(c) 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 (b) of this section. The amount of funding shall be based on the individual performance of each program.

SECTION 10.44.(d) The Department shall publish an annual report on the Intensive Family Preservation Services Program, including the information and data under subdivisions (b)(2) through (b)(6) of this section.

FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS

SECTION 10.45.(a) The maximum rates for State participation in the foster care assistance program are established on a graduated scale as follows:

(1) $475.00 per child per month for children aged birth through 5;

(2) $581.00 per child per month for children aged 6 through 12; and

(3) $634.00 per child per month for children aged 13 through 18.

SECTION 10.45.(b) The maximum rates for the State adoption assistance program are established consistent with the foster care rates as follows:

(1) $475.00 per child per month for children aged birth through 5;

(2) $581.00 per child per month for children aged 6 through 12; and

(3) $634.00 per child per month for children aged 13 through 18.

SECTION 10.45.(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 10.45.(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 child per month with indeterminate HIV status;

(2) $1,000 per child per month confirmed HIV-infected, asymptomatic;

(3) $1,200 per child per month confirmed HIV-infected, symptomatic; and

(4) $1,600 per child per month terminally ill with complex care needs.

SECTION 10.45.(e) The State and a county participating in foster care and adoption assistance shall each contribute fifty percent (50%) of the nonfederal share of the cost of care for a child placed by a county department of social services or child placing agency in a family foster home or residential child care facility. A county shall be held harmless from contributing fifty percent (50%) of the nonfederal share of the cost for a child currently in a

family foster home or residential child care facility until the child leaves foster care or experiences a placement change.

SECTION 10.45.(f) The Department of Health and Human Services may establish foster care and adoption assistance rates based on the United States Department of Agriculture (USDA) "Expenditures on Children by Families" index subject to State appropriations for each fiscal year.

CHILD SUPPORT PROGRAM/ENHANCED STANDARDS

SECTION 10.46. G.S. 110-129.1(a) is amended by adding the following new subdivision to read:

"(a) In addition to other powers and duties conferred upon the Department of Health and Human Services, Child Support Enforcement Program, by this Chapter or other State law, the Department shall have the following powers and duties:

...

(8) Implement and maintain performance standards for each of the State and county child support enforcement offices across the State. The performance standards shall include the following:

a. Cost per collections.
b. Consumer satisfaction.
c. Paternity establishments.
d. Administrative costs.
e. Orders established.
f. Collections on arrearages.
g. Location of absent parents.
h. Other related performance measures.

The Department 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 shall publish an annual performance report that includes the statewide and local office performance of each child support office."

CHILD CARING INSTITUTIONS

SECTION 10.47. Until the Social Services Commission adopts rules setting standardized rates for child caring institutions as authorized under G.S. 143B-153(8), the maximum reimbursement for child caring institutions shall not exceed the rate established for the specific child caring institution by the Department of Health and Human Services, Office of the Controller. In determining the maximum reimbursement, the State shall include county and IV-E reimbursements.

SPECIAL CHILDREN ADOPTION FUND

SECTION 10.48. Part 4 of Article 2 of Chapter 108A of the General Statutes is amended by adding the following new section to read:

"**§ 108A-50.2. Special Children Adoption Fund.**

(a) Funds appropriated by the General Assembly in the Current Operations Appropriations Act shall be used to support the Special Children Adoption Fund. The Division of Social Services of the Department of Health and Human 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 exceeds two hundred percent (200%) of the federal poverty level.

(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 of each State fiscal year, the Division of Social Services may reallocate those funds, in accordance with this section, to other participating adoption agencies.

(c) The Division of Social Services shall monitor the total expenditures in the Special Children Adoption Fund and redistribute unspent funds to ensure that the funds are used in accordance with the guidelines established in subsection (a) of this section. The Division of Social Services shall implement strategies to ensure that funds that have historically reverted for this program are used for the intended purpose."

LIMITATION ON STATE ABORTION FUND

SECTION 10.49. The limitations on funding of the performance of abortion established in Section 23.27 of Chapter 324 of the 1995 Session Laws, as amended by Section 23.8A of Chapter 507 of the 1995 Session Laws, apply to the 2009-2010 and 2010-2011 fiscal years.

CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM/USE OF ESCHEAT FUND

SECTION 10.50.(a) There is appropriated from the Escheat Fund income to the Department of Health and Human Services the sum of three million one hundred sixty-eight thousand two hundred fifty dollars ($3,168,250) for the 2009-2010 fiscal year. These funds shall be used to support the child welfare postsecondary support program for the educational needs of foster youth aging out of the foster care system and special needs children adopted from foster care after age 12 by providing assistance with the "cost of attendance" as that term is defined in 20 U.S.C. § 1087ll. The Department shall collaborate with the State Education Assistance Authority to develop policies and procedures for the distribution of these funds.

If the interest income generated from the Escheat Fund is less than the amounts referenced in this section, the difference may be taken from the Escheat Fund principal to reach the appropriations referenced in this section; however, under no circumstances shall the Escheat Fund principal be reduced below the sum required in G.S. 116B-6(f).

Funds appropriated by this section shall be allocated by the State Education Assistance Authority.

The purpose for which funds are appropriated under this section is in addition to other purposes for which Escheat Fund income is distributed under G.S. 116B-7 and shall not be construed to otherwise affect the distribution of funds under G.S. 116B-7.

SECTION 10.50.(b) Of the funds appropriated from the General Fund to the Department of Health and Human Services the sum of fifty thousand dollars ($50,000) for the 2009-2010 fiscal year and the sum of fifty thousand dollars ($50,000) for the 2010-2011 fiscal year shall be allocated to the North Carolina State Education Assistance Authority (SEAA). The SEAA shall use these funds only to perform administrative functions necessary to manage and distribute scholarship funds under the child welfare postsecondary support program.

SECTION 10.50.(c) Of the funds appropriated from the General Fund to the Department of Health and Human Services the sum of five hundred thousand dollars ($500,000) for the 2009-2010 fiscal year and the sum of five hundred thousand dollars ($500,000) for the 2010-2011 fiscal year shall be used to contract with an entity to develop and

administer the child welfare postsecondary support program described under subsection (a) of this section, which development and administration shall include the performance of case management services.

SECTION 10.50.(d) Funds appropriated to the Department of Health and Human Services for the child welfare postsecondary support program shall be used only for students attending public institutions of higher education in this State.

SECTION 10.50.(e) It is the intent of the General Assembly that for the 2010-2011 fiscal year and beyond, support for the child welfare postsecondary support program shall be appropriated from the General Fund.

TANF BENEFIT IMPLEMENTATION

SECTION 10.51.(a) The General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan FY 2009-2011," prepared by the Department of Health and Human Services and presented to the General Assembly. The North Carolina Temporary Assistance for Needy Families State Plan covers the period October 1, 2009, through September 30, 2011. 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 2009 General Assembly.

SECTION 10.51.(b) The counties approved as Electing Counties in North Carolina's Temporary Assistance for Needy Families State Plan FY 2009-2011, as approved by this section are: Beaufort, Caldwell, Catawba, Iredell, Lenoir, Lincoln, Macon, and Wilson.

SECTION 10.51.(c) 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 2009 through 2011, pursuant to G.S. 108A-27(e), shall operate under the Electing County budget requirements effective July 1, 2009. For programmatic purposes, all counties referred to in this subsection shall remain under their current county designation through September 30, 2009.

EVALUATION OF CONSOLIDATION OF ADMINISTRATIVE FUNCTIONS OF COUNTY DEPARTMENTS OF SOCIAL SERVICES

SECTION 10.52.(a) The Department of Health and Human Services, Division of Social Services, shall study the consolidation of administrative functions among county departments of social services.

SECTION 10.52.(b) The Department shall collaborate with counties to identify opportunities for functional consolidation, affected administrative functions, estimated cost savings, and requisite policy changes, if applicable, to accommodate the consolidation. The Department shall not consolidate administrative functions except as directed by an act of the General Assembly.

SECTION 10.52.(c) The Department shall report its findings and recommendations to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Education/Higher Education, the House of Representatives Appropriations Subcommittee on Education, and the Fiscal Research Division by April 1, 2010.

ENHANCE MARKETING OF PUBLIC ASSISTANCE AVAILABILITY

SECTION 10.53. To ensure that working families are aware of the availability of assistance from Food and Nutrition Services programs and Medical Assistance, the Office of Economic Opportunity, Division of Social Services, and county departments of social services shall enhance the marketing of available services, including Food and Nutrition Services, and Medical Assistance, for prospective recipients.

EVALUATION AND IMPLEMENTATION OF COST-EFFECTIVE EDUCATION FOR STUDENTS WHO ARE DEAF OR HEARING-IMPAIRED

SECTION 10.54.(a) The Department of Health and Human Services, in collaboration with the Department of Public Instruction and the Free Appropriate Public Education Task Force (Task Force), shall develop a plan to reduce the costs of residential instruction for students who are deaf or hearing-impaired. The Plan shall include:

(1) The transitioning, as appropriate, of students served by the Western North Carolina School for the Deaf and Eastern North Carolina School for the Deaf to local education agencies (LEAs), and the identification of LEA resource requirements for the provision of appropriate instruction; and

(2) Additional instructional alternatives.

SECTION 10.54.(b) The Department of Health and Human Services, the Department of Public Instruction, and the Task Force shall report their findings and reduction plan to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Education/Higher Education, the House of Representatives Appropriations Subcommittee on Education, and the Fiscal Research Division no later than April 1, 2010.

NON-MEDICAID REIMBURSEMENT CHANGES

SECTION 10.55. 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 higher 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 non-Medicaid medical service programs, retroactive adjustments to claims already paid shall not be required.

Notwithstanding the provisions of this section, 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 non-Medicaid 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:

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

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.

DIVISION OF SERVICES FOR THE DEAF AND HARD OF HEARING/FUNDS TRANSFER AND APPROPRIATION

SECTION 10.56.(a) Notwithstanding G.S. 62-157, on July 1, 2009, the State Controller shall transfer five million dollars ($5,000,000) from the Special Account for Telecommunications Relay Service to Nontax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2009-2010 fiscal year.

SECTION 10.56.(b) Of funds appropriated with Budget Code 67425, Fund Code 6725, and Fund Code 6726 the sum of one million five hundred thousand dollars ($1,500,000) shall be transferred to Budget Code 24410 for Information Technology Projects in the Department of Health and Human Services, Division of Central Management and Support for the Data Collection and Case Management Systems initiative. This initiative shall also be supported with federal funds from the Rehabilitation Act. Funds made available under this section shall be used for the development and implementation of a data collection and case management information system to replace the current system in use by the Division of Services for the Blind, Division of Services for the Deaf and Hard of Hearing, and the Division of Vocational Rehabilitation Services. The Department shall use federal funds first and then State funds, only as necessary, from Budget Code 67425. In accordance with G.S. 143C-1-2(b), funds appropriated for this project shall not revert to the fund from which they came until the project is complete.

SECTION 10.56.(c) If, upon the transfer and appropriation of funds under this section, available funds are insufficient to support recurring services the Division of Services for the Deaf and Hard of Hearing is authorized to provide, the Department of Health and Human Services, shall, pursuant to G.S. 62-157, file a petition with the North Carolina Utilities Commission to reset the surcharge provided for in G.S. 62-157 to maintain a reasonable margin for reserve for the operation of the statewide telecommunications relay service.

STATE-COUNTY SPECIAL ASSISTANCE

SECTION 10.57.(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 10.57.(b) Effective January 1, 2009, the maximum monthly rate for residents in adult care home facilities shall be one thousand two hundred seven dollars ($1,207) per month per resident unless adjusted by the Department in accordance with subsection (d) of this section.

SECTION 10.57.(c) The maximum monthly rate for residents in Alzheimer/Dementia special care units shall be one thousand five hundred fifteen dollars ($1,515) per month per resident unless adjusted by the Department in accordance with subsection (d) of this section.

SECTION 10.57.(d) 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 funds as State match to draw down federal matching funds to pay for such activities and costs under Medicaid's personal care services for adult care homes (ACH-PCS), thus maximizing available federal funds. The established rate for State-County Special Assistance set forth in subsections (b) and (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). Subject to approval by the Centers for Medicare and Medicaid Services (CMS) and prior to implementing this section, the Department may disregard a limited amount of income for individuals whose countable income exceeds the adjusted State-County Special Assistance rate. The amount of the disregard shall not exceed the difference between the Special Assistance rate prior to the adjustment and the Special Assistance rate after the adjustment and shall be used to pay a portion of the cost of the ACH-PCS and reduce the Medicaid payment for the individual's personal care services provided in an adult care home. In no event shall the reimbursement for services through the ACH-PCS exceed the average cost of the 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.

SECTION 10.57.(e) The Department of Health and Human Services shall recommend rates for State-County Special Assistance and for Adult Care Home Personal Care Services. The Department may recommend rates based on appropriate cost methodology and cost reports submitted by adult care homes that receive State-County Special Assistance funds and shall ensure that cost reporting is done for State-County Special Assistance and Adult Care Home Personal Care Services to the same standards as apply to other residential service providers.

MEDICAID

SECTION 10.58.(a) Use of Funds, Allocation of Costs, Other Authorizations.

(1) Use of funds. – 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.

(2) Allocation of nonfederal cost of Medicaid. – The State shall pay one hundred percent (100%) of the nonfederal costs of all applicable services listed in this section. In addition, the State shall pay one hundred percent (100%) of the federal Medicare Part D clawback payments under the Medicare Modernization Act of 2004.

(3) Use of funds for development and acquisition of equipment and software. – 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 and related operational costs 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 funds allocated for the 2009-2010 and 2010-2011 fiscal years for the new contract for the fiscal agent for the Medicaid Management Information System.

(4) Reports. – Unless otherwise provided, whenever the Department of Health and Human Services is required by this section to report to the General Assembly, the report shall be submitted to the House of Representatives Appropriations Subcommittee for Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal

Research Division of the Legislative Services Office. Reports shall be submitted on the date provided in the reporting requirement.

SECTION 10.58.(b) Policy.

(1) 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.

(2) Cost containment programs. – The Department of Health and Human Services, Division of Medical Assistance, may undertake cost containment programs, including contracting for services, preadmissions to hospitals, and prior approval for certain outpatient surgeries before they may be performed in an inpatient setting.

(3) Fraud and abuse. – The Division of Medical Assistance, Department of Health and Human Services, shall 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.

(4) Medical policy. – Unless required for compliance with federal law, 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 medical 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. For medical policy changes exceeding three million dollars ($3,000,000) in total requirements for a given fiscal year that are required for compliance with federal law, the Department shall submit the proposed medical policy or policy interpretation change with the five-year fiscal analysis to the Office of State Budget and Management prior to implementing the change. 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).

SECTION 10.58.(c) Eligibility. – Eligibility for Medicaid shall be determined in accordance with the following:

(1) Medicaid and Work First Family Assistance.

a. 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	**MEDICALLY**

	NEEDY – WFFA*		NEEDY
Family Size	Standard of Need & Families and Families and Children Income Level	WFFA* Payment Level	Children & AA, AB, AD* Income Level
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).

b. 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.

c. The Department of Health and Human Services shall provide Medicaid coverage to 19- and 20-year-olds in accordance with federal rules and regulations.

d. Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.

(2) For the following Medicaid eligibility classifications for which the federal poverty guidelines are used as income limits for eligibility determinations, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines. The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to the following:

a. All elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines.

b. Pregnant women with incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines and without regard to resources. 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.

c. Infants under the age of one with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines and without regard to resources.

d. Children aged one through five with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines and without regard to resources.

e. Children aged six through 18 with family incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines and without regard to resources.

f. Family planning services to men and women of childbearing age with family incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines and without regard to resources.

g. Workers with disabilities described in G.S. 108A-54.1 with unearned income equal to or less than one hundred fifty percent (150%) of the federal poverty guidelines.

(3) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to adoptive children with special or rehabilitative needs regardless of the adoptive family's income.

(4) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to "independent foster care adolescents," ages 18, 19, and 20, as defined in section 1905(w)(1) of the Social Security Act [42 U.S.C. § 1396d(w)(1)], without regard to the adolescent's assets, resources, or income levels.

(5) 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 services, 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

(6) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to women who need treatment for breast or cervical cancer and who are defined in 42 U.S.C. § 1396a.(a)(10)(A)(ii)(XVIII).

SECTION 10.58.(d) Services and Payment Bases. – The Department shall spend funds appropriated for Medicaid services 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. Unless otherwise provided, services and payment bases will be as prescribed in the State Plan as established by the Department of Health and Human Services and may be changed with the approval of the Director of the Budget.

(1) Hospital inpatient. – Payment for hospital inpatient services will be prescribed by 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. – 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.

(4) Physicians, certified nurse midwife services, certified registered nurse anesthetists, nurse practitioners. – Fee schedules as developed by the Department of Health and Human Services.

(5) Community Alternative Program, EPSDT Screens. – Payments in accordance with rate schedule developed by the Department of Health and Human Services.

(6) Home health and related services, durable medical equipment. – Payments according to reimbursement plans developed by the Department of Health and Human Services.

(7) Hearing aids. – Wholesale cost plus dispensing fee to provider.

(8) Rural health clinical services. – Provider-based, reasonable cost, nonprovider-based, single-cost reimbursement rate per clinic visit.

(9) Family planning. – Negotiated rate for local health departments. For other providers see specific services, e.g., hospitals, physicians.

(10) Independent laboratory and X-ray services. – Uniform fee schedules as developed by the Department of Health and Human Services.

(11) Ambulatory surgical centers.

(12) Private duty nursing, clinic services, prepaid health plans.

(13) Intermediate care facilities for the mentally retarded.

(14) Chiropractors, podiatrists, optometrists, dentists.

(15) Limitations on dental coverage. – Dental services shall be provided on a restricted basis in accordance with criteria adopted by the Department to implement this subsection.

(16) Medicare Buy-In. – Social Security Administration premium.

(17) Ambulance services. – Uniform fee schedules as developed by the Department of Health and Human Services. Public ambulance providers will be reimbursed at cost.

(18) Optical supplies. – Payment for materials is made to a contractor in accordance with 42 C.F.R. § 431.54(d). Fees paid to dispensing providers are negotiated fees established by the State agency based on industry charges.

(19) Medicare crossover claims. – The Department shall apply Medicaid medical policy to Medicare claims for dually eligible recipients. The Department shall pay 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. The Department may disregard application of this policy in cases where application of the policy would adversely affect patient care.

(20) Physical therapy, occupational 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.

(21) Personal care services. – Payment in accordance with the State Plan developed by the Department of Health and Human Services.

(22) Case management services. – Reimbursement in accordance with the availability of funds to be transferred within the Department of Health and Human Services.

(23) Hospice.

(24) Medically necessary prosthetics or orthotics. – In order to be eligible for reimbursement, providers must be licensed or certified by the occupational licensing board or the certification authority having authority over the provider's license or certification. Medically necessary prosthetics and orthotics are subject to prior approval and utilization review.

(25) Health insurance premiums.

(26) 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.

(27) 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.

(28) Drugs. – Reimbursements. Reimbursements shall be available for prescription drugs 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. Payments for drugs are subject to the provisions of this subdivision 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. In addition to the professional services fee, the Department may pay an enhanced fee for pharmacy services.

Limitations on quantity. – The Department of Health and Human Services may establish authorizations, limitations, and reviews for specific drugs, drug classes, brands, or quantities in order to manage effectively the Medicaid pharmacy program, except that the Department shall not impose limitations on brand-name medications for which there is a generic equivalent in cases where 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."

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 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 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).

Prior authorization. – 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 HIV/AIDS.

(29) 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 provided by:

1. Licensed or certified psychologists, licensed clinical social workers, certified clinical nurse specialists in psychiatric mental health advanced practice, nurse practitioners certified as clinical nurse specialists in psychiatric mental health advanced practice, licensed psychological associates, licensed professional counselors, licensed marriage and family therapists, licensed clinical addictions specialists, and certified clinical supervisors, when Medicaid-eligible children are referred by the Community Care of North Carolina primary care physician, a Medicaid-enrolled psychiatrist, or the area mental health program or local management entity, 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.

c. For Medicaid-eligible adults, services provided by 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, licensed psychological associates, licensed professional counselors, licensed

marriage and family therapists, certified clinical addictions specialists, and licensed clinical supervisors, Medicaid-eligible adults may be self-referred.

d. Payments made for services rendered in accordance with this subdivision shall be to qualified providers in accordance with approved policies and the State Plan. Nothing in sub-subdivision b. or c. of this subdivision shall be interpreted to modify the scope of practice of any service provider, practitioner, or licensee, nor to modify or attenuate any collaboration or supervision requirement related to the professional activities of any service provider, practitioner, or licensee. Nothing in sub-subdivision b. or c. of this subdivision shall be interpreted to require any private health insurer or health plan to make direct third-party reimbursements or payments to any service provider, practitioner, or licensee.

Notwithstanding G.S. 150B-21.1(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 sub-subdivisions a. and b.2. of this subdivision shall be established by the Division of Medical Assistance.

SECTION 10.58.(e) Provider Performance Bonds and Visits. –

(1) Subject to the provisions of this subdivision, the Department may require Medicaid-enrolled providers to 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 require the purchase of a performance bond or the submission of an executed letter of credit or financial instrument as a condition of initial enrollment, reenrollment, or reinstatement if:

a. The provider fails to demonstrate financial viability,

b. The Department determines there is significant potential for fraud and abuse,

c. The Department otherwise finds it is in the best interest of the Medicaid program to do so.

The Department shall specify the circumstances under which a performance bond or executed letter of credit will be required.

(1a) The Department may waive or limit the requirements of this paragraph for individual Medicaid-enrolled providers or for one or more classes of Medicaid-enrolled providers based on the following:

a. The provider's or provider class's dollar amount of monthly billings to Medicaid.

b. The length of time an individual provider has been licensed, endorsed, certified, or accredited in this State to provide services.

c. The length of time an individual provider has been enrolled to provide Medicaid services in this State.

d. The provider's demonstrated ability to ensure adequate record keeping, staffing, and services.

e. The need to ensure adequate access to care.

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 shall provide to the affected provider written notice of the findings upon which its action is based and shall include the performance bond requirements and the conditions under which a waiver or limitation apply. The Department may adopt temporary rules in accordance with G.S. 150B-21.1 as necessary to implement this provision.

(2) Reimbursement is available for up to 30 visits per recipient per fiscal year for the following professional services: hospital outpatient providers, physicians, nurse practitioners, nurse midwives, clinics, health departments, optometrists, chiropractors, and podiatrists. The Department of Health and Human Services shall adopt medical policies in accordance with G.S. 108A-54.2 to distribute the allowable number of visits for each service or each group of services consistent with federal law. In addition, the Department shall establish a threshold of some number of visits for these services. The Department shall ensure that primary care providers or the appropriate CCNC network are notified when a patient is nearing the established threshold to facilitate care coordination and intervention as needed.

Prenatal services, all EPSDT children, emergency room visits, and mental health visits subject to independent utilization review are exempt from the visit limitations contained in this subdivision. Subject to appropriate medical review, the Department may authorize exceptions when additional care is medically necessary. Routine or maintenance visits above the established visit limit will not be covered unless necessary to actively manage a life threatening disorder or as an alternative to more costly care options.

SECTION 10.58.(f) Exceptions and Limitations on Services; Authorization of Co-Payments and Other Services. –

(1) Exceptions to service limitations, eligibility requirements, and payments. – Service limitations, eligibility requirements, and payment 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.

(2) Co-payment for Medicaid services. – The Department of Health and Human Services may establish co-payments up to the maximum permitted by federal law and regulation.

SECTION 10.58.(g) Rules, Reports, and Other Matters. –

(1) Rules. – The Department of Health and Human Services may adopt temporary or emergency rules according to the procedures established in G.S. 150B-21.1 and G.S. 150B-21.1A 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. The Department of Health and Human Services shall adopt rules

requiring providers to attend training as a condition of enrollment and may adopt temporary or emergency rules to implement the training requirement.

Prior to the filing of the temporary or emergency rules authorized under this subsection with the Rules Review Commission and 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 or emergency rule and its effect on State appropriations and local governments.

(2) Changes to Medicaid program; reports. – The Department shall report 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. In addition to the entities listed in subdivision (a)(4) of this section, the report shall be submitted to the Joint Legislative Health Care Oversight Committee.

DMA CONTRACT SHORTFALL

SECTION 10.59.(a) Budget approval is required by the Office of State Budget and Management prior to the Department of Health and Human Services, Division of Medical Assistance, entering into any new contract or the renewal or amendment of existing contracts that exceed the current contract amounts.

SECTION 10.59.(b) The Division of Medical Assistance shall make every effort to effect savings within its operational budget and use those savings to offset its contract shortfall. Notwithstanding G.S. 143C-6-4(b)(3), the Department may use funds appropriated in this act to cover the contract shortfall in the Division of Medical Assistance if insufficient funds exist within the Division.

MEDICAID COST CONTAINMENT ACTIVITIES

SECTION 10.60.(a) The Department of Health and Human Services may use up to five million dollars ($5,000,000) in the 2009-2010 fiscal year and up to five million dollars ($5,000,000) in the 2010-2011 fiscal year 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, hiring additional staff, or providing grants through the Office of Rural Health and Community Care to plan, develop, and implement cost containment programs.

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, plastic magnetic stripped Medicaid identification cards for issuance to Medicaid enrollees, fraud detection software or other fraud detection activities, technology that improves clinical decision making, credit balance recovery and data mining services, 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.

SECTION 10.60.(b) The Department shall provide a copy of proposals for expenditures under this section 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. On or before April 1, 2010, the Department shall report on the methods used to achieve savings and the amount saved by these methods. If the Department deploys fraud detection software, a report on the software implementation and fraud detection results shall be submitted to the House and Senate Appropriations Subcommittees on Health and Human Services and the Fiscal Research Division of the General Assembly not later than April 1, 2010.

MEDICAID SPECIAL FUND TRANSFER

SECTION 10.61. Of the funds transferred to the Department of Health and Human Services for Medicaid programs pursuant to G.S. 143C-9-1, there is appropriated from the Medicaid Special Fund to the Department of Health and Human Services the sum of forty-three million dollars ($43,000,000) for the 2009-2010 fiscal year and the sum of forty-three million dollars ($43,000,000) for the 2010-2011 fiscal year. These funds shall be allocated as prescribed by G.S. 143C-9-1(b) for Medicaid programs. Notwithstanding the prescription in G.S. 143C-9-1(b) that these funds not reduce State general revenue funding, these funds shall replace the reduction in general revenue funding effected in this act. The Department may also use funds in the Medicaid Special Fund to fund the settlement of the Disproportionate Share Hospital payment audit issues between the Department of Health and Human Services and the federal government related to fiscal years 1997-2002, and funds are appropriated from the Fund for the 2009-2010 fiscal year for this purpose.

EXTEND IMPLEMENTATION OF COMMUNITY ALTERNATIVES PROGRAMS REIMBURSEMENT SYSTEM

SECTION 10.62. Full implementation for the Community Alternatives Programs reimbursement system shall be not later than 12 months after the date on which the replacement Medicaid Management Information System becomes operational and stabilized.

DMA REDUCTION OPTION FLEXIBILITY

SECTION 10.63.(a) The Department of Health and Human Services, Division of Medical Assistance, shall, in consultation with provider groups and other interested parties, review ways to improve health care quality, ensure appropriate use of services, improve clinical outcomes, and reduce the cost of care for beneficiaries with medically complex conditions as well as to strengthen fraud and abuse oversight efforts. In the review the Division shall explore all viable options to improve the quality of care and to control health care costs, including, but not limited to, the following options:

(1) Increasing utilization review and management practices to improve value and quality internally or with private vendors with proven records in other states' Medicaid programs;

(2) Expanding and enhancing programs that increase Aged, Blind, and Disabled (ABD) Medicaid eligibles participation within CCNC's medical home efforts and/or encourage single physician care management;

(3) Developing and enhancing incentives for increased provider participation in CCNC;

(4) Requiring inpatient and outpatient care management for select Medicaid enrollees;

(5) Adopting specific network and physician performance and compliance standards within the Community Care of North Carolina (CCNC) that are tied to any enhanced reimbursement structure;

(6) Initiative to address State nursing home payment methods and to offer incentives in payment methods to achieve certain quality and cost goals;

(7) Initiative to control drug cost and utilization as well as to maximize collection of supplemental rebates;

(8) Increasing third-party recovery and/or cost avoidance efforts, including enhancing Medicaid fraud and abuse oversight initiatives;

(9) Reducing or eliminating the occurrence of hospital "never events" – nonreimbursement for serious and costly errors in the provision of health care services that should never happen.

SECTION 10.63.(b) In order to consider all proposals prior to preparing adjustments to the fiscal year 2010-2011 budget, the Division shall report its recommendations on methods to better manage and save Medicaid costs to the Governor's Office by January 15, 2010. All proposals shall include the steps necessary for implementation, including time frames, and the amount of projected savings over a five-year period.

ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE

SECTION 10.64.(a) Receivables reserved at the end of the 2009-2010 and 2010-2011 fiscal years shall, when received, be accounted for as nontax revenue for each of those fiscal years.

SECTION 10.64.(b) For the 2009-2010 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred twenty-four million nine hundred ninety-four thousand nine hundred fifty-four dollars ($124,994,954) with the Department of State Treasurer to be accounted for as nontax revenue. For the 2010-2011 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred million dollars ($100,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. Any revenue collected in each of the fiscal years in excess of one of the amounts listed above shall be reserved by the State Treasurer in the Department's account for future appropriations by the General Assembly. These deposits shall represent the return of General Fund appropriations provided to the Department of Health and Human Services to provide indigent care services at State-owned and operated mental hospitals. The treatment of any revenue derived from federal programs shall be in accordance with the requirements specified in the Code of Federal Regulations, Volume 2, Part 225.

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

SECTION 10.65.(a) Subject to approval from the Centers for Medicare and Medicaid Services (CMS), the Department of Health and Human Services, Division of Medical Assistance, shall, in consultation with the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, and Community Alternatives Program (CAP) stakeholders, develop a schedule of cost-sharing requirements for families of children with incomes above the Medicaid allowable limit to share in the costs of their child's Medicaid expenses under the CAP-MR/DD (Community Alternatives Program for Mental Retardation and Developmentally Disabled) and the CAP-C (Community Alternatives Program for Children). The cost-sharing amounts shall be based on a sliding scale of family income and shall take into account the impact on families with more than one child in the CAP programs. In developing the schedule, the Department shall also take into consideration how other states have implemented cost-sharing in their CAP programs. The Division of Medical Assistance may establish monthly deductibles as a means of implementing this cost-sharing. The Department shall provide for at least one public hearing and other opportunities for individuals to comment on the imposition of cost-sharing under the CAP program schedule.

SECTION 10.65.(b) The Division of Medical Assistance shall also, in collaboration with the Controller's Office of the Department of Health and Human Services, the

Division of Information Resource Management (DIRM), and the new vendor of the replacement Medicaid Management Information System, develop business rules, program policies and procedures, and define relevant technical requirements.

SECTION 10.65.(c) Prior to seeking approval from CMS, but not later than October 1, 2009, the Department shall report to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs, and to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division. The report shall include a summary of comments the Department has received at the public hearing, business rules, policies and procedures, and technical requirements of the initiative and shall also indicate any barriers to implementing the cost-sharing.

PREFERRED DRUG LIST PROGRAM

SECTION 10.66.(a) In the event insufficient savings are realized from enhancing the utilization management of the Prescription Advantage List, increasing the utilization of generic drugs in place of brand-name drugs and increasing rebate collections on generic drugs, the Department of Health and Human Services shall establish and implement a preferred drug list program under the Division of Medical Assistance. The Department shall submit a medical assistance State Plan amendment to the Centers for Medicare and Medicaid Services (CMS) of the United States Department of Health and Human Services to implement the program.

SECTION 10.66.(b) The pharmaceutical and therapeutics committee of the Physician's Advisory Group (PAG) shall provide ongoing review of the preferred drug list. Members of the committee shall submit conflict of interest disclosure statements to the Department and shall have an ongoing duty to disclose conflicts of interest not included in the original disclosure.

SECTION 10.66.(c) The Department, in consultation with the PAG, shall adopt and publish policies and procedures relating to the preferred drug list, including:

(1) Guidelines for the presentation and review of drugs for inclusion on the preferred drug list,

(2) The manner and frequency of audits of the preferred drug list for appropriateness of patient care and cost-effectiveness,

(3) An appeals process for the resolution of disputes, and

(4) Such other policies and procedures as the Department deems necessary and appropriate.

The Department and the pharmaceutical and therapeutics committee shall consider all therapeutic classes of prescription drugs for inclusion on the preferred drug list, except medications for treatment of human immunodeficiency virus or acquired immune deficiency syndrome shall not be subject to consideration for inclusion on the preferred drug list.

The Department shall maintain an updated preferred drug list in electronic format and shall make the list available to the public on the Department's Internet Web site.

The Department shall: (i) enter into a multistate purchasing pool; (ii) negotiate directly with manufacturers or labelers; (iii) contract with a pharmacy benefit manager for negotiated discounts or rebates for all prescription drugs under the medical assistance program; or (iv) effectuate any combination of these options in order to achieve the lowest available price for such drugs under such program.

The Department may negotiate supplemental rebates from manufacturers that are in addition to those required by Title XIX of the federal Social Security Act. The committee shall consider a product for inclusion on the preferred drug list if the manufacturer provides a supplemental rebate. The Department may procure a sole source contract with an outside entity or contractor to conduct negotiations for supplemental rebates.

SECTION 10.66.(d) This section becomes effective if the Department cannot demonstrate by June 1, 2010, that twenty million seven hundred ninety-one thousand two hundred sixty-four dollars ($20,791,264) in prescription drug savings have been realized by employing the methods outlined in subsection (a) of this section.

MEDICAID APPEALS/FUNDS DO NOT REVERT

SECTION 10.67. Funds transferred from the Department of Health and Human Services to the Office of Administrative Hearings in the 2008-2009 fiscal year for mediation services shall not revert to the General Fund on June 30, 2009, but shall remain in the Office of Administrative Hearings for the purposes for which the funds were transferred.

CLARIFYING CHANGES TO STATE MEDICAID RESPONSIBILITIES

SECTION 10.68. Consistent with Sections 31.16.1(c) and (d) of S.L. 2007-323 that require the State to assume responsibility for the nonfederal share of the costs of medical services provided under the Medicaid Program starting June 1, 2009, the counties shall neither bear any responsibility for settlement payments to providers nor refunds of expenditures for program service claims paid on or before June 1, 2009. Counties will continue to participate in their share of administrative costs.

CO-PAYMENTS FOR TICKET TO WORK

SECTION 10.69. G.S. 108A-54.1(d) reads as rewritten:

"§ 108A-54.1. Medicaid buy-in for workers with disabilities.

...

(d) Fees, Premiums, and Co-Payments. – Individuals who participate in HCWD and have countable income greater than one hundred fifty percent (150%) of FPG shall pay an annual enrollment fee of fifty dollars ($50.00) to their county department of social services. Individuals who participate in HCWD and have countable income greater than or equal to two hundred percent (200%) of FPG shall pay a monthly premium in addition to the annual fee. The Department shall set a sliding scale for premiums, which is consistent with applicable federal law. An individual with countable income equal to or greater than four hundred fifty percent (450%) of FPG shall pay not less than one hundred percent (100%) of the cost of the premium, as determined by the Department. The premium shall be based on the experience of all individuals participating in the Medical Assistance Program. Individuals who participate in HCWD are subject to co-payments equal to those required under the ~~North Carolina Health Choice Program.~~ Medical Assistance Program."

MEDICAID FALSE CLAIMS

SECTION 10.70.(a) G.S. 108A-70.11(5) reads as rewritten:

"(5) "Medical Assistance Program" means the Medical Assistance Program established pursuant to G.S. 108A-54 and includes the North Carolina Division of Medical Assistance and or its fiscal agent."

SECTION 10.70.(b) G.S. 108A-70.12(a) reads as rewritten:

"§ 108A-70.12. Liability for certain acts; damages; effect of repayment.

(a) Liability for Certain Acts. – It shall be unlawful for any provider of medical assistance under the Medical Assistance Program ~~to:~~to do any of the following:

(1) Knowingly present, or cause to be presented to the Medical Assistance Program a false or fraudulent claim for payment or ~~approval; or~~ approval.

(2) Knowingly make, use, or cause to be made or used a false record or statement to get a false or fraudulent claim paid or approved by the Medical Assistance ~~Program.~~Program.

(3) Conspire to defraud the Medical Assistance Program by obtaining a false or fraudulent claim allowed or paid.

(4) Knowingly make, use, or cause to be made or used, a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the Medical Assistance Program. Each claim presented or caused to be presented in violation of this section is a separate violation."

SECTION 10.70.(c) G.S. 108A-70.12(b)(1) reads as rewritten:

"(b) Damages. –

(1) Except as provided in subdivision (2) of this subsection, a court shall assess against any provider of medical assistance under the Medical Assistance Program who violates this section a civil penalty of not less than five thousand five hundred dollars ~~($5,000)~~($5,500) and not more than ~~ten thousand dollars ($10,000)~~eleven thousand dollars ($11,000) plus three times the amount of damages which the ~~Medicaid~~ Medical Assistance Program sustained because of the act of the provider."

SECTION 10.70.(d) Article 2 of Chapter 108A of the General Statutes is amended by adding the following new Part to read:

"Part 7A. Civil Action by Private Persons for Provider False Claims.

"**§ 108A-70.17. Civil action filed by private persons.**

(a) A person may initiate a civil action for a violation of G.S. 108A-70.12 on behalf of the person and the State. The action shall be brought in the name of the State. The action may be dismissed prior to service of the complaint upon the defendant under subsection (c) of this section only if the court and the Attorney General have given written consent to the dismissal and their reasons for consenting.

(b) A copy of the complaint and written disclosure of substantially all material evidence and information the person possesses shall be served on the State. The complaint shall be filed in camera, shall remain under seal for at least 120 days, and shall not be served on the defendant until the court so orders. The State may elect to intervene and proceed with the action within 120 days after it receives both the complaint and the material evidence and information. The State may, for good cause shown, move the court for a partial lifting of the seal to facilitate the investigative process or settlement.

(c) The State may, for good cause shown, move the court for extensions of the time during which the complaint remains under seal. Any of these motions may be supported by affidavits or other submission in camera. The time period to respond to any complaint filed under this section shall commence 21 days after the complaint is unsealed and served upon the defendant.

(d) Before the expiration of the 120-day period or any extensions obtained under subsection (c) of this section, the State shall either proceed with the action, in which case the action shall be conducted by the State, or notify the court that it declines to take over the action, in which case the person initiating the action shall have the right to prosecute the action.

(e) When a person initiates an action under this section, no person other than the State may intervene or bring a related action based on the facts underlying the pending action. If another action is filed based on the facts underlying the pending action while the complaint is sealed under subsections (b) and (c) of this section, the court may consolidate the actions or dismiss the subsequent action.

"**§ 108A-70.17A. Rights of private plaintiff and State.**

(a) If the State proceeds with the action, it shall have the primary responsibility for prosecuting the action and shall not be bound by any act of the person initiating the action. The person bringing the action shall have the right to continue as a party to the action, subject to the limitations of this section.

(b) The State may dismiss the action notwithstanding the objections of the person initiating the action if the person has been notified by the State of the filing of the motion, and the court has provided the person with an opportunity for a hearing on the motion.

(c) The State may settle the action with the defendant notwithstanding the objections of the person initiating the action if the court determines, after a hearing, that the proposed settlement is fair, adequate, and reasonable under all the circumstances. Upon a showing of good cause, such hearing may be held in camera.

(d) If the State proceeds with the action, the court may, in its discretion, impose limitations on the person's participation in the litigation as set forth in subsection (e) of this section. Such limitations must be imposed after any of the following:

(1) A showing by the State that unrestricted participation during the course of the litigation by the person initiating the action would interfere with or unduly delay the State's prosecution of the case, or would be repetitious, irrelevant, or for purposes of harassment.

(2) A showing by the defendant that unrestricted participation during the course of the litigation by the person initiating the action would be for purposes of harassment or would cause the defendant undue burden or unnecessary expense.

(e) Limitations on participation of the person initiating the action shall include all of the following:

(1) Limiting the number of witnesses the person may call.

(2) Limiting the length of the testimony of such witnesses.

(3) Limiting the person's cross-examination of witnesses.

(4) Other limits on the participation by the person initiating the action in the litigation as the court deems appropriate.

(f) If the State elects not to proceed with the action, the person who initiated the action shall have the right to conduct the action. If the State so requests, it shall be served with copies of all pleadings filed in the action and shall be supplied with copies of all deposition transcripts at the State's expense. When a person initiating the action proceeds with the action, the court, without limiting the status and rights of the person initiating the action, may nevertheless permit the State to intervene at a later date upon a showing of good cause.

(g) Whether or not the State proceeds with the action, upon a showing by the State that certain actions of discovery by the person initiating the action would interfere with the State's investigation or prosecution of a criminal or civil matter arising out of the same facts, the court may stay the discovery for a period of not more than 60 days. The showing by the State shall be conducted in camera. The court may extend the 60-day period upon a further showing in camera that the State has pursued the criminal or civil investigation or proceedings with reasonable diligence and any proposed discovery in the civil action will interfere with the ongoing criminal or civil investigation or prosecution of the criminal or civil matter.

(h) Notwithstanding G.S. 108A-70.17(b), the State may elect to pursue its claim through any alternate remedy available to the State, including any administrative proceeding to determine a civil money penalty. Any finding of fact or conclusion of law made in the alternate proceeding that has become final shall be conclusive on all parties to an action under this Part. For purposes of this subsection, a finding or conclusion is final if it has been finally determined on appeal by a court of competent jurisdiction of the State, if the time for filing an appeal with respect to the finding or conclusion has expired, or if the finding or conclusions are not subject to judicial review.

"**§ 108A-70.17B. Award to qui tam plaintiff.**

(a) Except as otherwise provided in this section, if the State proceeds with an action brought by a person under G.S. 108A-70.17, the person shall receive at least fifteen percent (15%) but not more than twenty-five percent (25%) of the proceeds of the action or settlement

of the claim, if any, depending upon the extent to which the person substantially contributed to the prosecution of the action. The plaintiff's share in the proceeds of the action or settlement is administrative costs of the action. A share of the proceeds of an action or settlement of the claim shall not be awarded to the person initiating the action in State court under this Part if the person has received or may receive a share of the proceeds or settlement of an action or claim on the same facts brought in federal court. Where the action is one that the court finds to be based primarily on disclosures of specific information, other than information proved by the person initiating the action, relating to allegations or transactions in a criminal, civil, or administrative hearing, in a legislative, administrative, or State Auditor's report, hearing, audit, or investigation, or from the news media, the court may reduce the award under this subsection to such sums as it considers appropriate, but in no case more than ten percent (10%) of the proceeds of the action, taking into account the significance of the information and the role of the person initiating the action in advancing the case to litigation.

(b) If the State does not proceed with an action, the person initiating the action or settling the claim shall receive an amount that the court decides is reasonable for collecting the civil penalty and damages, if awarded. The amount shall be not less than twenty-five percent (25%) and not more than thirty percent (30%) of the proceeds of the action or settlement and shall be paid out of the proceeds.

(c) Notwithstanding subsections (a) and (b) of this section, if the person initiating the action is a person who primarily planned and initiated the violation of G.S. 108A-70.12 upon which the action was brought, that person shall be dismissed as a qui tam plaintiff and shall not receive any share of the proceeds of the action. If the person initiating the action is convicted of criminal conduct arising from the person's role in the violation of G.S. 108A-70.12, that person shall be dismissed from the civil action and shall not receive any share of the proceeds of the action. The dismissal shall not prejudice the right of the State to continue the action.

(d) If the State does not proceed with the action and the person initiating the action conducts the action, the court may award to the defendant its reasonable attorneys' fees and expenses if the defendant prevails in the action and if the court finds that the claim of the person bringing the action was clearly frivolous, clearly vexatious, or brought primarily for purposes of harassment.

"**§ 108A-70.17C. Certain actions barred.**

(a) No court shall have jurisdiction over an action brought under this Part based on information discovered by a present or former employee of the State or a political subdivision of the State during the course of the present or former employee's employment unless that employee first, in good faith, exhausted existing internal procedures for reporting and seeking recovery of the falsely claimed sums through official channels, and unless the State or political subdivision failed to act on the information provided within a reasonable period of time.

(b) In no event may a person bring an action under this Part that is based upon allegations or transactions that are the subject of a criminal action, civil action, or an administrative proceeding in which the State is already a party.

(c) No court shall have jurisdiction over an action under this Part based upon the public disclosure of allegations or transactions in a criminal, civil, or administrative hearing, in a legislative, administrative, or State Auditor's report, hearing, audit, or investigation, or from the news media, unless the action is brought by the Attorney General, or the person initiating the action is an original source of the information. For purposes of this section, "original source" means an individual who has direct and independent knowledge of the information on which the allegations are based and has voluntarily provided the information to the State before filing an action under this Part that is based on the information.

(d) The State is not liable for expenses a person incurs in bringing an action under this Part.

(e) G.S. 108A-70.14 and G.S. 108A-70.15 apply to this Part.

"§ 108A-70.17D. Procedure; statute of limitations.

(a) A civil action under this Part may not be brought after the later of either of the following:

(1) More than six years after the date on which the violation is committed.

(2) More than three years after the date when facts material to the right of the action are known or reasonably should have been known by the official of the State charged with responsibility to act in the circumstances.

(b) If the civil action is brought under subdivision (a)(2) of this section, it may not be brought more than 10 years after the date on which the violation is committed."

SECTION 10.70.(e) G.S. 108A-70.15 reads as rewritten:

"**§ 108A-70.15. Employee remedies.**

(a) In the absence of fraud or malice, no person who furnishes information to officials of the State responsible for investigating false claims violations shall be liable for damages in a civil action for any oral or written statement made or any other action that is necessary to supply information required pursuant to this ~~Part.~~ Part or Part 7A of this Article.

(b) Any employee of a provider who is discharged, demoted, suspended, threatened, harassed, or in any other manner discriminated against in the terms and conditions of employment by the employee's employer because of lawful acts done by the employee on behalf of the employee or others in furtherance of an action under ~~G.S. 108A-70.12,~~ G.S. 108A-70.12, or Part 7A of this Article, including investigation for, initiation of, testimony for, or assistance in an action filed or to be filed under ~~G.S. 108A-70.12,~~ G.S. 108A-70.12, or Part 7A of this Article, shall be entitled to all relief necessary to make the employee whole. Relief shall include reinstatement with the same seniority status as the employee would have had but for the discrimination, two times the amount of back pay, interest on the back pay, and compensation for any special damages sustained as a result of the discrimination, including litigation costs and reasonable attorneys' fees. An employee may bring an action in the appropriate court for the relief provided in this section."

SECTION 10.70.(f) Provided that the Medicaid False Claims State legislation is adopted, and the State legislation meets federal Center for Medicare and Medicaid Services criteria to receive ten percent (10%) bonuses subject to the False Claims Act, the Department of Health and Human Services, Division of Medical Assistance, shall transfer three hundred fifty-two thousand one hundred thirty-six dollars ($352,136) in fiscal year 2010-2011, and each year thereafter, to fund five permanent staff positions at the Attorney General's Office necessary to implement the Medicaid False Claims Act.

SECTION 10.70.(g) Subsection (b) of this section becomes effective December 1, 2009, and applies to offenses committed on or after that date. The remainder of this section becomes effective July 1, 2009, and applies to civil actions that accrue on or after that date.

PROVIDER RATES

SECTION 10.71. The Department of Health and Human Services shall freeze rates for fiscal year 2009-2010 for most Medicaid providers at the level authorized in fiscal year 2008-2009. The rate freeze applies to all Medicaid private and public providers with the following exceptions: federally qualified health clinics, rural health centers, State institutions, outpatient hospital, pharmacy, and the noninflationary components of the case-mix reimbursement system for nursing facilities. Medicaid rates predicated upon Medicare fee schedules shall follow Medicare reductions but not Medicare increases unless federally required. Inflationary increases for Medicaid providers paying provider fees (private ICF-MRs and nursing facilities) can occur if the State share of the increases can be funded with provider fees.

MEDICAID WAIVER FOR LOW-INCOME PERSONS WITH HIV

SECTION 10.72. The Department of Health and Human Services, Division of Medical Assistance, shall study whether to apply to the Centers for Medicare and Medicaid Services (CMS) for a 1115 waiver to permit individuals who test positive for HIV and have incomes at or below two hundred percent (200%) of the federal poverty level to access Medicaid services. The study shall determine the number of people who may be eligible, and the financial, programmatic, and technical impact of the waiver. The Department shall report on the results of its study of the waiver 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 December 31, 2009.

MAINTAIN MEDICAID ELIGIBILITY

SECTION 10.73. The Department of Health and Human Services, Division of Medical Assistance, shall study policies that will prevent a Medicaid recipient from losing Medicaid eligibility when the annual Social Security and Railroad Retirement Cost of Living Adjustments (COLAs) and the annual Federal Poverty Level adjustment cause a Medicaid recipient to become income-ineligible for Medicaid. The policies shall apply only in cases where Medicaid income eligibility is affected only by Social Security and Railroad Retirement COLAs and Federal Poverty Level adjustments and shall not render a Medicaid recipient eligible if all other eligibility requirements are not met. The Department shall report the results of the study 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 31, 2009. The Department shall also study policies that allow individuals who are at or marginally above Medicaid income limits to buy-in to Medicaid coverage on a sliding fee scale.

REDUCE INFANT MORTALITY AND PRETERM BIRTHS

SECTION 10.74.(a) The Department of Health and Human Services, Division of Medical Assistance, shall seek a Medicaid 1115 waiver or implement other available Medicaid options to provide interconceptional coverage to low-income women with incomes below one hundred eighty-five percent (185%) of the federal poverty guidelines who have given birth to a high-risk infant. A high-risk infant is defined as weighing less than 1500 grams, is born less than 34 weeks gestation, is born with a congenital anomaly, or who has died within the first 28 days of life.

SECTION 10.74.(b) Interconceptional care shall be limited to two years following the birth of a high-risk infant, or until a subsequent birth, whichever comes first.

SECTION 10.74.(c) The Division is authorized to develop a benefit package to improve interconceptional care to decrease poor birth outcomes in subsequent pregnancies.

SECTION 10.74.(d) The Division shall provide estimates of the cost savings from improved birth outcomes that will offset the cost of providing Medicaid coverage to this targeted population. The Division shall report the status of the waiver 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 October 1, 2009. The Division shall not implement the waiver unless authorized by an act of the General Assembly.

NC NOVA

SECTION 10.75. The Department of Health and Human Services, Division of Health Services Regulation, may use up to eighty-eight thousand dollars ($88,000) for fiscal year 2009-2010 and ninety-three thousand seven hundred dollars ($93,700) for fiscal year 2010-2011 of existing resources to continue the NC New Organizational Vision Award

certification program. The Division shall use federal civil monetary penalty receipts as a source of support for this initiative, when appropriate.

DHSR LICENSE FEE INCREASES

SECTION 10.76.(a) G.S. 131D-2(b) reads as rewritten:

"**§ 131D-2. Licensing of adult care homes for the aged and disabled.**

(b) Licensure; inspections. –

(1) The Department of Health and Human Services shall inspect and license, under rules adopted by the Medical Care Commission, all adult care homes for persons who are aged or mentally or physically disabled except those exempt in subsection (c) of this section. Licenses issued under the authority of this section shall be valid for one year from the date of issuance unless revoked earlier by the Secretary for failure to comply with any part of this section or any rules adopted hereunder. Licenses shall be renewed annually upon filing and the Department's approval of the renewal application. The Department shall charge each adult care home with six or fewer beds a nonrefundable annual license fee in the amount of ~~two hundred fifty dollars ($250.00).~~three hundred fifteen dollars ($315.00). The Department shall charge each adult care home with more than six beds a nonrefundable annual license fee in the amount of ~~three hundred fifty dollars ($350.00)~~three hundred sixty dollars ($360.00) plus a nonrefundable annual per-bed fee of ~~twelve dollars and fifty cents ($12.50)~~seventeen dollars and fifty cents ($17.50)."

SECTION 10.76.(b) G.S. 131E-147 reads as rewritten:

"**§ 131E-147. Licensure requirement.**

(a) No person shall operate an ambulatory surgical facility without a license obtained from the Department.

(b) Applications shall be available from the Department, and each application filed with the Department shall contain all necessary and reasonable information that the Department may by rule require. A license shall be granted to the applicant upon a determination by the Department that the applicant has complied with the provisions of this Part and the rules promulgated by the Commission under this Part. The Department shall charge the applicant a nonrefundable annual base license fee in the amount of ~~seven hundred dollars ($700.00)~~eight hundred fifty dollars ($850.00) plus a nonrefundable annual per-operating room fee in the amount of ~~fifty dollars ($50.00).~~seventy-five dollars ($75.00)."

SECTION 10.76.(c) G.S. 131E-167(a) reads as rewritten:

"**§ 131E-167. Certificate requirement.**

(a) Applications for certification shall be available from the Department, and each application filed with the Department shall contain all necessary and reasonable information that the Department may by rule require. A certificate shall be granted to the applicant for a period not to exceed one year upon a determination by the Department that the applicant has substantially complied with the provisions of this Article and the rules promulgated by the Department under this Article. The Department shall charge the applicant a nonrefundable annual certification fee in the amount of ~~two hundred fifty dollars ($250.00).~~three hundred eighty-five dollars ($385.00)."

SECTION 10.76.(d) G.S. 131E-138(c) reads as rewritten:

"**§ 131E-138. Licensure requirements.**

(c) An application for a license shall be available from the Department, and each application filed with the Department shall contain all information requested by the Department. A license shall be granted to the applicant upon a determination by the Department that the applicant has complied with the provisions of this Part and the rules

promulgated by the Commission under this Part. The Department shall charge the applicant a nonrefundable annual license fee in the amount of ~~four hundred dollars ($400.00).~~five hundred ten dollars ($510.00)."

SECTION 10.76.(e) G.S. 131E-77 reads as rewritten:

"**§ 131E-77. Licensure requirement.**

(a) No person or governmental unit shall establish or operate a hospital in this state without a license. An infirmary is not required to obtain a license under this Part.

(b) The Commission shall prescribe by rule that any licensee or prospective applicant seeking to make specified types of alteration or addition to its facilities or to construct new facilities shall submit plans and specifications before commencement to the Department for preliminary inspection and approval or recommendations with respect to compliance with the applicable rules under this Part.

(c) An applicant for licensing under this Part shall provide information related to hospital operations as requested by the Department. The required information shall be submitted by the applicant on forms provided by the Department and established by rule.

(d) The Department shall renew each license in accordance with the rules of the Commission. The Department shall charge the applicant a nonrefundable annual base license fee plus a nonrefundable annual per-bed fee as follows:

Facility Type	Number of Beds	Base Fee	Per-Bed Fee
General Acute Hospitals:	1-49 beds	$250.00	~~$12.50~~ $17.50
	50-99 beds	$350.00	~~$12.50~~ $17.50
	100-199 beds	$450.00	~~$12.50~~ $17.50
	200-399 beds	$550.00	~~$12.50~~ $17.50
	400-699 beds	$750.00	~~$12.50~~ $17.50
	700+ beds	$950.00	~~$12.50~~ $17.50
Other Hospitals:		$500.00	~~$12.50~~ $17.50

(e) The Department shall issue the license to the operator of the hospital who shall not transfer or assign it except with the written approval of the Department. The license shall designate the number and types of inpatient beds, the number of operating rooms, and the number of gastrointestinal endoscopy rooms.

(f) The operator shall post the license on the licensed premises in an area accessible to the public."

SECTION 10.76.(f) G.S. 122C-23(h) reads as rewritten:

"(h) The Department shall charge facilities licensed under this Chapter a nonrefundable annual base license fee plus a nonrefundable annual per-bed fee as follows:

Type of Facility	Number of Beds	Base Fee	Per-Bed Fee
Facilities (non-ICF/MR):	0 beds	~~$175.00~~ $215.00	$0
	1 to 6 beds	~~$250.00~~ $305.00	$0
	More than 6 beds	~~$350.00~~ $475.00	~~$12.50~~ $17.50
ICF/MR Only:	1 to 6 beds	~~$650.00~~ $845.00	$0
	More than 6 beds	~~$650.00~~ $800.00	~~$12.50~~ $17.50"

SECTION 10.76.(g) G.S. 131E-102(b) reads as rewritten:

"(b) Applications shall be available from the Department, and each application filed with the Department shall contain all necessary and reasonable information that the Department may by rule require. A license shall be granted to the applicant upon a determination by the Department that the applicant has complied with the provisions of this Part and the rules promulgated under this Part. The Department shall charge the applicant a nonrefundable annual

license fee in the amount of ~~four hundred fifty dollars ($450.00)~~ four hundred twenty dollars ($420.00) plus a nonrefundable annual per-bed fee of ~~twelve dollars and fifty cents ($12.50).~~seventeen dollars and fifty cents ($17.50)."

DHSR INITIAL LICENSURE FEES NEW FACILITIES

SECTION 10.77. Article 16 of Chapter 131E of the General Statutes is amended by adding the following new section to read:

"**§ 131E-272. Initial licensure fees for new facilities.**

The following fees are initial licensure fees for new facilities and are applicable as follows:

Facility Type	Number of Beds	Initial License Fee	Initial Bed Fee
Adult Care Licensure	More than 6	$400.00	$19.00
	6 or Fewer	$350.00	$ -
Acute and Home Care			
General Acute Hospitals	1-49	$550.00	$19.00
	50-99	$750.00	$19.00
	100-199	$950.00	$19.00
	200-399	$1150.00	$19.00
	400-699	$1550.00	$19.00
	700+	$1950.00	$19.00
Other Hospitals		$1050.00	$19.00
Home Care	-	$560.00	$ -
Ambulatory Surgical Ctrs.	-	$900.00	$85.00
Hospice (Free Standing)	-	$450.00	$ -
Abortion Clinics	-	$750.00	$ -
Cardiac Rehab. Centers	-	$425.00	$ -
Nursing Home & L&C			
Nursing Homes		$470.00	$19.00
All Others		$ -	$19.00
Mental Health Facilities			
Nonresidential		$265.00	$ -
Non ICF-MR	6 or fewer	$350.00	$ -
ICF-MR only	6 or fewer	$900.00	$ -
Non ICF-MR	More than 6	$525.00	$19.00
ICF-MR only	More than 6	$850.00	$19.00."

DHHS BLOCK GRANTS

SECTION 10.78.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2010, according to the following schedule:

TEMPORARY ASSISTANCE TO NEEDY FAMILIES
(TANF) BLOCK GRANT

Local Program Expenditures

Division of Social Services

01.	Work First Family Assistance (Cash Assistance)	$87,518,579
02.	Work First County Block Grants	94,453,315
03.	Child Protective Services – Child Welfare Workers for Local DSS	14,452,391
04.	Work First – Boys and Girls Clubs	800,000
05.	Work First – Connect, Inc.	67,523
06.	Child Welfare Collaborative	887,517
	Division of Child Development	
07.	Subsidized Child Care Program	61,087,077
	Division of Public Health	
08.	Teen Pregnancy Prevention Initiatives	450,000
DHHS Administration		
09.	Division of Social Services	1,093,176
10.	Office of the Secretary	75,392
11.	Office of the Secretary/DIRM – TANF Automation Projects	720,000
12.	Office of the Secretary/DIRM – NC FAST Implementation	1,200,000
Transfers to Other Block Grants		
	Division of Child Development	
13.	Transfer to the Child Care and Development Fund	84,330,900
	Division of Social Services	
14.	Transfer to Social Services Block Grant for Child Protective Services – Child Welfare Training in Counties	2,550,000
15.	Transfer to Social Services Block Grant for Maternity Homes	60,503
16.	Transfer to Social Services Block Grant for Teen Pregnancy Prevention Initiatives	2,500,000

17.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,500,000
18.	Transfer to Social Services Block Grant for Foster Care Services	390,000
19.	Transfer to Social Services Block Grant for Medically Fragile Children	260,000
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT		$357,396,373

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) CONTINGENCY FUNDS BLOCK GRANT

Local Program Expenditures

Division of Social Services

01.	Work First Family Assistance (Cash Assistance)	$1,857,193
02.	Work First – Boys and Girls Clubs	1,200,000
03.	Work First – Afterschool Services For At-Risk Children	1,229,785
04.	Work First – Afterschool Programs For At-Risk Youth in Middle Schools	300,000
05.	Work First – Connect, Inc. (Work Central)	301,025
06.	Work First – Citizens Schools Program	360,000
07.	County Demonstration Grants	3,239,789
08.	Adoption Services – Special Children's Adoption Fund	3,000,000
09.	Family Violence Prevention	2,200,000
10.	Child Welfare Collaborative	987,995
11.	Work First Functional Assessment	600,000
12.	Electing County State Funding Swap Out	2,378,213
13.	State Subsidized Child Care Funding Swap	12,452,484
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) CONTINGENCY FUNDS BLOCK GRANT		$30,106,484

SOCIAL SERVICES BLOCK GRANT		
Local Program Expenditures		
Divisions of Social Services and Aging and Adult Services		
01.	County Departments of Social Services (Transfer from TANF – $4,500,000)	$ 28,868,189
02.	State In-Home Services Fund	2,101,113
03.	State Adult Day Care Fund	2,155,301
04.	Child Protective Services/CPS Investigative Services-Child Medical Evaluation Program	243,121
05.	Foster Care Services (Transfer from TANF – $390,000)	2,372,619
06.	Maternity Homes (Transfer from TANF – $60,503)	943,002
07.	Special Children Adoption Incentive Fund	500,000
08.	Child Protective Services-Child Welfare Training for Counties (Transfer from TANF)	2,550,000
Division of Aging and Adult Services		
09.	Home and Community Care Block Grant (HCCBG)	1,834,077
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
10.	Mental Health Services Program	422,003
11.	Developmental Disabilities Services Program	5,000,000
12.	Mental Health Services-Adult and Child/Developmental Disabilities Program/ Substance Abuse Services-Adult	3,234,601
Division of Child Development		
13.	Subsidized Child Care Program	3,150,000
Division of Vocational Rehabilitation		
14.	Vocational Rehabilitation Services – Easter Seal Society/UCP Community Health Program	188,263

Division of Public Health		
15.	Teen Pregnancy Prevention Initiatives (Transfer from TANF)	2,500,000
16.	Services for Medically Fragile Children (Transfer from TANF – $260,000)	360,000
DHHS Program Expenditures		
Division of Aging and Adult Services		
17.	UNC-CARES Training Contract	247,920
Division of Services for the Blind		
18.	Independent Living Program	3,714,211
Division of Health Service Regulation		
19.	Adult Care Licensure Program	411,897
20.	Mental Health Licensure and Certification Program	205,668
DHHS Administration		
21.	Division of Aging and Adult Services	688,436
22.	Division of Social Services	892,624
23.	Office of the Secretary/Controller's Office	138,058
24.	Office of the Secretary/DIRM	87,483
25.	Division of Child Development	15,000
26.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	29,665
27.	Division of Health Service Regulation	235,625
28.	Office of the Secretary-NC Inter-Agency Council For Coordinating Homeless Programs	250,000
29.	Office of the Secretary	48,053
Transfers to Other State Agencies		
Department of Administration		
30.	NC Commission of Indian Affairs In-Home	

Services for the Elderly	203,198
Transfers to Other Block Grants	
Division of Public Health	
31. Transfer to Preventive Health Services Block Grant For HIV/STD Prevention and Community Planning	145,819
TOTAL SOCIAL SERVICES BLOCK GRANT	$ 63,735,946
LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT	
Local Program Expenditures	
Division of Social Services	
01. Low-Income Energy Assistance Program (LIEAP)	$ 25,909,124
02. Crisis Intervention Program (CIP)	20,224,269
Office of the Secretary – Office of Economic Opportunity	
03. Weatherization Program	1,000,000
04. Heating Air Repair & Replacement Program (HARRP)	3,385,583
Local Administration	
Division of Social Services	
05. County DSS Administration	3,608,360
Office of the Secretary – Office of Economic Opportunity	
06. Local Residential Energy Efficiency Service Providers – Weatherization	420,035
07. Local Residential Energy Efficiency Service Providers – HARRP	195,910
DHHS Administration	
08. Division of Social Services	275,000
09. Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	8,128
10. Office of the Secretary/DIRM	269,935
11. Office of the Secretary/Controller's Office	12,332

12. Office of the Secretary/Office of Economic Opportunity – Weatherization	294,874
13. Office of the Secretary/Office of Economic Opportunity – HARRP	137,574
Transfers to Other State Agencies	
14. Department of Administration – N.C. State Commission of Indian Affairs	67,042
TOTAL LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT	$ 55,808,166
CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	
Local Program Expenditures	
Division of Child Development	
01. Subsidized Child Care Services (CCDF)	$144,097,307
02. Contract Subsidized Child Care Services Support	507,617
03. Subsidized Child Care Services (Transfer from TANF)	84,330,900
04. Quality and Availability Initiatives	20,760,876
05. T.E.A.C.H. Program	3,800,000
Division of Social Services	
06. Local Subsidized Child Care Services Support	$16,594,417
DHHS Administration	
Division of Child Development	
07. DCD Administrative Expenses	6,539,277
Division of Central Administration	
08. DHHS Central Administration – DIRM Technical Services	763,356
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	$277,393,750

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT RECEIVED THROUGH THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)	
Local Program Expenditures	
Division of Child Development	
01. Subsidized Child Care Services (CCDF) (High Quality Four-Year-Old Classrooms)	$53,993,329
02. Contract Subsidized Child Care Services Support	29,030
DHHS Program Expenditures	
Division of Child Development	
03. Quality and Availability Initiatives	11,519,144
Local Administration	
Division of Social Services	
04. Subsidy Services Support	2,001,631
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT RECEIVED THROUGH ARRA	$67,543,143
MENTAL HEALTH SERVICES BLOCK GRANT	
Local Program Expenditures	
01. Mental Health Services – Adult	$ 5,977,762
02. Mental Health Services – Child	3,921,991
03. Comprehensive Treatment Service Program	1,500,000
04. Mental Health Services – UNC School of Medicine, Department of Psychiatry	300,000
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	$ 11,699,753
SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT	
Local Program Expenditures	
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	
01. Substance Abuse Services – Adult	$ 22,258,080

02. Substance Abuse Treatment Alternative for Women	8,069,524
03. Substance Abuse – HIV and IV Drug	5,116,378
04. Substance Abuse Prevention – Child	7,186,857
05. Substance Abuse Services – Child	4,940,500
06. Implementation – Institute of Medicine's Study Recommendations	250,000
Division of Public Health	
07. Risk Reduction Projects	633,980
08. Aid-to-Counties	209,576
09. Maternal Health	37,779
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT	$ 48,702,674
MATERNAL AND CHILD HEALTH BLOCK GRANT	
Local Program Expenditures	
Division of Public Health	
01. Children's Health Services	7,534,865
02. Women's Health	7,701,691
03. Oral Health	38,041
DHHS Program Expenditures	
Division of Public Health	
04. Children's Health Services	1,359,636
05. Women's Health	135,452
06. State Center for Health Statistics	179,483
07. Quality Improvement in Public Health	14,646
08. Health Promotion	88,746
09. Office of Minority Health	55,250

10. Immunization Program – Vaccine Distribution	382,648
DHHS Administration	
Division of Public Health	
11. Division of Public Health Administration	631,966
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT	$ 18,122,424
PREVENTIVE HEALTH SERVICES BLOCK GRANT	
Local Program Expenditures	
Division of Public Health	
01. NC Statewide Health Promotion	$1,730,653
02. Services to Rape Victims	197,112
03. HIV/STD Prevention and Community Planning (Transfer from Social Services Block Grant)	145,819
DHHS Program Expenditures	
Division of Public Health	
04. NC Statewide Health Promotion	1,699,044
05. Oral Health	70,000
06. State Laboratory of Public Health	16,600
TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT	$3,859,228
COMMUNITY SERVICES BLOCK GRANT	
Local Program Expenditures	
Office of Economic Opportunity	
01. Community Action Agencies	$ 16,673,336
02. Limited Purpose Agencies	926,297
DHHS Administration	
03. Office of Economic Opportunity	926,296
TOTAL COMMUNITY SERVICES BLOCK GRANT	$ 18,525,929

COMMUNITY SERVICES BLOCK GRANT RECEIVED THROUGH THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

Local Program Expenditures

Office of Economic Opportunity		
01.	Community Action Agencies	$ 20,558,585
02.	Limited Purpose Agencies	1,093,541
DHHS Administration		
03.	Office of Economic Opportunity	218,709
TOTAL COMMUNITY SERVICES BLOCK GRANT RECEIVED THROUGH ARRA		$ 21,870,834

GENERAL PROVISIONS

SECTION 10.78.(b) Changes in Federal Fund Availability. – If the Congress of the United States increases the federal fund availability for any of the Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall allocate the increase proportionally across the program and activity appropriations identified for that Block Grant in this section. In allocating an increase in federal fund availability, the Department shall not propose funding for new programs or activities not appropriated in this section.

If the Congress of the United States decreases the federal fund availability for any of the Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall reduce State administration by at least the percentage of the reduction in federal funds. After determining the State administration, the remaining reductions shall be allocated proportionately across the program and activity appropriations identified for that Block Grant in this section.

Prior to allocating the change in federal fund availability, the proposed allocation must be approved by the Office of State Budget and Management. If the Department adjusts the allocation of any Block Grant due to changes in federal fund availability, then a report shall be made to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

SECTION 10.78.(c) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2010, according to the schedule enacted for State fiscal year 2009-2010 or until a new schedule is enacted by the General Assembly.

SECTION 10.78.(d) All changes to the budgeted allocations to the Block Grants administered by the Department of Health and Human Services that are not specifically addressed in this section shall be approved by the Office of State Budget and Management, and a report shall be submitted to the Joint Legislative Commission on Governmental Operations for review prior to implementing the changes. All changes to the budgeted allocations to the Block Grants shall be reported immediately 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. This subsection does not apply to Block Grant changes caused by legislative salary increases and benefit adjustments.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT (TANF)

SECTION 10.78.(e) The sum of one million ninety-three thousand one hundred seventy-six dollars ($1,093,176) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2009-2010 fiscal year shall be used to support administration of TANF-funded programs.

SECTION 10.78.(f) The sum of two million two hundred thousand dollars ($2,200,000) appropriated under this section in TANF Contingency funds to the Department of Health and Human Services, Division of Social Services, for the 2009-2010 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 support 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, 2009. 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, 2009, 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, 2009. The Division of Social Services may reallocate unspent funds to counties that submit a written request for additional funds.

SECTION 10.78.(g) The sum of one million two hundred twenty-nine thousand seven hundred eighty-five dollars ($1,229,785) appropriated in this section in TANF Contingency funds to the Department of Health and Human Services, Division of Social Services, for the 2009-2010 fiscal year 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, school dropout, and gang participation. 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 fund one position within the Division of Social Services to coordinate at-risk after-school programs and shall not be used for other State administration.

SECTION 10.78.(h) The sum of fourteen million four hundred fifty-two thousand three hundred ninety-one dollars ($14,452,391) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in the TANF Block Grant for the 2009-2010 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 10.78.(i) The sum of three million dollars ($3,000,000) appropriated in this section in TANF Contingency funds to the Department of Health and Human Services, Special Children Adoption Fund, for the 2009-2010 fiscal year shall be used in accordance with G.S. 108A-50.2, as enacted in Section 10.48 of this act. 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 10.78.(j) The sum of one million two hundred thousand dollars ($1,200,000) in this section appropriated to the Department of Health and Human Services in the TANF Block Grant for the 2009-2010 fiscal year shall be used to implement N.C. FAST (North Carolina Families Accessing Services through Technology). The N.C. FAST Program involves the entire automation initiative through which families access services and local departments of social services deliver benefits, supervised by the Department of Health and Human Services, Divisions of Social Services, Aging and Adult Services, Medical Assistance, and Child Development. The statewide automated initiative shall be implemented in compliance with federal regulations in order to ensure federal financial participation in the project. The Department of Health and Human Services shall report on its compliance with this subsection 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 no later than January 1, 2010.

SECTION 10.78.(k) The sum of three hundred thousand dollars ($300,000) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in TANF Contingency funds for the 2009-2010 fiscal year shall be used to expand after-school programs for at-risk children attending middle school. The Department shall develop and implement a grant program to award funds to community-based programs demonstrating the capacity to reach children at risk of teen pregnancy, school dropout, and gang participation. These funds shall not be used for training or administration at the State level. All funds shall be distributed to community-based programs, focusing on those communities where similar programs do not exist in middle schools.

SECTION 10.78.(l) In implementing the TANF Block Grants, the Department of Health and Human Services shall review policies, programs, and initiatives to ensure that they support men in their role as fathers and strengthen fathers' involvement in their children's lives. The Department shall encourage county departments of social services to ensure their Work First programs emphasize responsible fatherhood and increased participation by noncustodial fathers.

SECTION 10.78.(m) The sum of sixty-seven thousand five hundred twenty-three dollars ($67,523) appropriated in this section to the Department of Health and Human Services in the TANF Block Grant and the sum of three hundred one thousand twenty-five dollars ($301,025) appropriated in this section to the Department in TANF Contingency funds for the 2009-2010 fiscal year shall be transferred to Connect, Inc. Connect, Inc., shall report on the number of people served and the services received as a result of the receipt of funds. The report shall contain expenditure data, including the amount of funds used for administration and direct training. The report shall also include the number of people who have been employed as a direct result of services provided by Connect, Inc., including the length of employment in the new position. The Department of Health and Human Services shall evaluate the program and ensure that services provided are not duplicative of local employment security commissions in

the nine counties served by Connect, Inc. The evaluation report shall be submitted 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 no later than May 1, 2010.

SECTION 10.78.(n) The sum of eight hundred thousand dollars ($800,000) appropriated in this section to the Department of Health and Human Services in the TANF Block Grant and the sum of one million two hundred thousand dollars ($1,200,000) appropriated in this section to the Department in TANF Contingency funds for Boys and Girls Clubs for the 2009-2010 fiscal year 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 gang participation, 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.

SECTION 10.78.(o) The Department of Health and Human Services, Division of Social Services, shall continue implementing county demonstration grants that began in the 2006-2007 fiscal year. The county demonstration grants may be awarded for up to three years with all projects ending no later than the end of fiscal year 2009-2010. The purpose of the county demonstration grants is to identify best practices that can be used by counties to improve the work participation rates. The Division of Social Services is authorized to establish two time-limited positions to manage the grant award process and monitor the demonstration projects through fiscal year 2009-2010.

Funding provided under the county demonstration grants shall not be used to supplant local funds, and counties shall be required to maintain the current level of effort and funding for the Work First program.

The Department of Health and Human Services, Division of Social Services, shall report on the status of county demonstration grants implemented pursuant to this subsection 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 no later than February 1, 2010.

SECTION 10.78.(p) The sum of one million eight hundred seventy-five thousand five hundred twelve dollars ($1,875,512) appropriated in this section to the Department of Health and Human Services in the TANF Block Grant and in TANF Contingency funds for the 2009-2010 fiscal year shall be used to continue support for the Child Welfare Collaborative.

SOCIAL SERVICES BLOCK GRANT

SECTION 10.78.(q) Social Services Block Grant funds appropriated to the North Carolina Inter-Agency Council for Coordinating Homeless Programs and the North Carolina Housing Coalition are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.78.(r) The sum of two million five hundred fifty thousand dollars ($2,550,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2009-2010 fiscal year to support various child welfare training projects as follows:

(1) Provide a regional training center in southeastern North Carolina.

(2) Provide training for residential child caring facilities.

(3) Provide for various other child welfare training initiatives.

SECTION 10.78.(s) The sum of nine hundred forty-three thousand two dollars ($943,002) appropriated in this section to the Department of Health and Human Services in the

Social Services Block Grant for the 2009-2010 fiscal year shall be used to support payments to maternity home providers.

SECTION 10.78.(t) The sum of three hundred sixty thousand dollars ($360,000) appropriated in this section to the Department of Health and Human Services, Division of Public Health, in the Social Services Block Grant for the 2009-2010 fiscal year shall be used to continue support for the Medically Fragile Children program.

SECTION 10.78.(u) The sum of two million three hundred seventy-two thousand six hundred nineteen dollars ($2,372,619) appropriated in this section in the Social Services Block Grant for child caring agencies for the 2009-2010 fiscal year shall be allocated to the State Private Child Caring Agencies Fund.

SECTION 10.78.(v) The Department of Health and Human Services is authorized, subject to the approval of the Office of State Budget and Management, to transfer Social Services Block Grant funding allocated for departmental administration between divisions that have received administrative allocations from the Social Services Block Grant.

SECTION 10.78.(w) Social Services Block Grant funds appropriated for the Special Children's Adoption Incentive Fund will require fifty percent (50%) local match.

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

SECTION 10.78.(x) Additional emergency contingency funds received may be allocated for Energy Assistance Payments or Crisis Intervention Payments without prior consultation with the Joint Legislative Commission on Governmental Operations. Additional funds received shall be reported to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division upon notification of the award. The Department of Health and Human Services shall not allocate funds for any activities, including increasing administration, other than assistance payments, without prior consultation with the Joint Legislative Commission on Governmental Operations.

In addition to funds available for weatherization appropriated within the Low-Income Home Energy Assistance Block Grant, funds available through the American Recovery and Reinvestment Act shall be used to continue to enhance weatherization activities coordinated by local agencies.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 10.78.(y) 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 10.78.(z) 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 10.78.(aa) Funds from the Child Care and Development Fund Block Grant and Child Care and Development Fund Block Grant received through the American Recovery and Reinvestment Act shall be used to increase access to child care subsidy. To help address the economic downturn and increasing unemployment in North Carolina, the Department of Health and Human Services, Division of Child Development shall adopt temporary policies that facilitate and expedite the prudent expenditure of these funds as follows:

(1) Permit the local purchasing agencies to issue time-limited vouchers to assist counties in managing one-time, nonrecurring subsidy funding.

(2) Extend the current 30/60 day job search policy to six months when a recipient experiences a loss of employment.

(3) Provide an upfront job search period of six months for former recipients who have lost employment since October 1, 2008.

(4) Provide a job search period of six months for recipients that complete school and are entering the job market.

(5) Notwithstanding any other provision of law, extend the 24-month education time limit for an additional 12 months for a child care recipient who has lost a job since October 1, 2008, or otherwise needs additional training to enhance his or her marketable skills for job placement due to the economic downturn and who has depleted his or her 24-month allowable education time.

(6) Lower the number of hours a parent must be working in order to be eligible for subsidy to assist parents who are continuing to work but at reduced hours.

SECTION 10.78.(bb) If American Recovery and Reinvestment Act 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.

MENTAL HEALTH BLOCK GRANT

SECTION 10.78.(cc) 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 2009-2010 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 2009-2010 fiscal year shall be used to continue a Comprehensive Treatment Services Program for Children.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 10.78.(dd) 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 2009-2010 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.

SECTION 10.78.(ee) The Department of Health and Human Services shall ensure that there will be follow-up testing in the Newborn Screening Program.

SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

SECTION 10.78.(ff) The sum of two hundred fifty thousand dollars ($250,000) appropriated in this section in the Substance Abuse Prevention and Treatment Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2009-2010 fiscal year shall be used to implement one or more priority recommendations of the North Carolina Institute of Medicine (NCIOM) Substance Abuse Task Force, which include:

(1) Development of a comprehensive substance abuse prevention plan for use at the State and local levels.
(2) Providing funding for the establishment of six pilot projects to implement county or multicounty comprehensive prevention plans.
(3) Supporting efforts to reduce high-risk drinking on college campuses.
(4) Development of a pilot program to provide chronic disease management services to substance abuse clients and former clients. The purpose of the pilot is to decrease the number of short-term hospital admissions and to provide discharge planning and follow-up to reduce substance abuse client recidivism.
(5) Educating and encouraging health care professionals to use the screening, brief intervention, and referral to treatment (SBIRT) model promoted by the federal government.

COMMUNITY SERVICES BLOCK GRANT

SECTION 10.78.(gg) In accordance with the intent of the American Recovery and Reinvestment Act, the North Carolina General Assembly strongly encourages recipients of Community Services Block Grant and Community Services Block Grant Recovery funds to enhance cooperation with county departments of social services and regional food banks to increase benefits enrollment for eligible persons, including Food and Nutrition Services and Medical Assistance.

PART XI. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

COMMERCIAL FERTILIZER FEES

SECTION 11.1. G.S. 106-671(a) reads as rewritten:

"(a) For the purpose of defraying expenses on the inspection and of otherwise determining the value of commercial fertilizers in this State, there shall be paid to the Department of Agriculture and Consumer Services a charge of ~~twenty-five cents (25¢)~~fifty cents (50¢) per ton on all commercial fertilizers other than packages of five pounds or less. Inspection fees shall be paid on all tonnage distributed into North Carolina to any person not having a valid reporting permit. On individual packages of five pounds or less there shall be paid in lieu of the tonnage fee an annual registration fee of twenty-five dollars ($25.00) for each brand offered for sale, sold, or distributed; provided that any per annum (fiscal) tonnage of any brand sold in excess of one hundred tons may be subject to the charge of ~~twenty-five cents (25¢)~~fifty cents (50¢) per ton on any amount in excess of one hundred tons as provided herein. Whenever any manufacturer of commercial fertilizer shall have paid the charges required by this section his goods shall not be liable to further tax, whether by city, town, or county; provided, this shall not exempt the commercial fertilizers from an ad valorem tax."

INCREASE PESTICIDE REGISTRATION FEE

SECTION 11.2. G.S. 143-442(b) reads as rewritten:

"(b) The applicant shall pay an annual registration fee of ~~one hundred dollars ($100.00)~~ one hundred fifty dollars ($150.00) plus an additional annual assessment for each brand or grade of pesticide registered. The annual assessment shall be fifty dollars ($50.00) if the applicant's gross sales of the pesticide in this State for the preceding 12 months for the period ending September 30th were more than five thousand dollars ($5,000.00) and twenty-five dollars ($25.00) if gross sales were less than five thousand dollars ($5,000.00). An additional two hundred dollars ($200.00) delinquent registration penalty shall be assessed against the registrant for each brand or grade of pesticide which is marketed in North Carolina prior to registration as required by this Article. In the case of multi-year registration, the annual fee and

additional assessment for each year shall be paid at the time of the initial registration. The Board shall give a pro rata refund of the registration fee and additional assessment to the registrant in the event that registration is canceled by the Board or by the United States Environmental Protection Agency."

BOARD OF AGRICULTURE REVIEW OF FEE SCHEDULES

SECTION 11.3. G.S. 106-6.1 reads as rewritten:

"**§ 106-6.1. Fees.**

(a) A board or commission within the Department of Agriculture and Consumer Services may establish fees or charges for the services it provides. The Board of Agriculture, subject to the provisions of Chapter 146 of the General Statutes, may establish a rate schedule for the use of facilities operated by the Department of Agriculture and Consumer Services.

(b) No later than February 1 of each odd numbered year, the Board of Agriculture shall review the fees it established under this section to determine whether any of these fees should be changed and report to the Fiscal Research Division the amount of each fee reviewed, when the fee was last changed, the number of times the fee was collected during the prior fiscal year, the total receipts from the fee during the prior fiscal year, and any recommendations for increasing or decreasing the amount of any such fees. This report shall also include for each fee an evaluation of any inflationary change since the last change to the amount of the fee and any other information deemed relevant to this evaluation."

PART XII. DEPARTMENT OF LABOR

DEPARTMENT OF LABOR/APPRENTICESHIP PROGRAM

SECTION 12.1. Chapter 94 of the General Statutes is amended by adding a new section to read as follows:

"**§ 94-12. Fees.**

In order to meet the costs of administering the Apprenticeship Program, the Department is authorized to charge and collect such reasonable fees as it may by rule establish."

PART XIII. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

REVISE CLEAN WATER MANAGEMENT TRUST FUND OPERATIONS LIMIT

SECTION 13.1. Notwithstanding G.S. 113A-253(d), no more than three percent (3%) of the funds appropriated to the Clean Water Management Trust Fund in each fiscal year of the 2009-2011 fiscal biennium may be used for administrative and operating expenses of the Board of Trustees of the Clean Water Management Trust Fund and its staff.

FOOD AND LODGING INSPECTION FEES INCREASES

SECTION 13.2.(a) G.S. 130A-248(d) reads as rewritten:

"(d) The Department shall charge each establishment subject to this section, except nutrition programs for the elderly administered by the Division of Aging of the Department of Health and Human Services, establishments that prepare and sell meat food products or poultry products, and public school cafeterias, an annual fee of ~~fifty dollars ($50.00).~~sixty dollars ($60.00). The Commission shall adopt rules to implement this subsection. Fees collected under this subsection shall be used for State and local food, lodging, and institution sanitation programs and activities. No more than thirty-three and one-third percent (33 1/3%) of the fees collected under this subsection may be used to support State health programs and activities."

SECTION 13.2.(b) G.S. 130A-248(e) reads as rewritten:

"(e) In addition to the fees under subsection (d) of this section, the Department may charge a fee of ~~two hundred dollars ($200.00)~~two hundred thirty-five dollars ($235.00) for plan

review of plans for prototype franchised or chain facilities for food establishments subject to this section. All of the fees collected under this subsection may be used to support the State food, lodging, and institution sanitation programs and activities under this Part."

SECTION 13.2.(c) G.S. 130A-248(f) reads as rewritten:

"(f) Any local health department may charge a fee not to exceed ~~two hundred dollars ($200.00)~~two hundred thirty-five dollars ($235.00) for plan review by that local health department of plans for food establishments subject to this section that are not subject to subsection (e) of this section. All of the fees collected under this subsection may be used for local food, lodging, and institution sanitation programs and activities. No food establishment that pays a fee under subsection (e) of this section is liable for a fee under this subsection."

RADIATION PROTECTION SECTION SUPPORTED BY FEES

SECTION 13.3. G.S. 104E-19 reads as rewritten:

"**§ 104E-19. Fees.**

(a) In order to meet the anticipated costs of administering ~~the educational and training programs in G.S. 104E-11(c), of enforcing and carrying out the inspection provisions in G.S. 104E-7(a)(7) and G.S. 104E-11(a), and of administering the licensing program in G.S. 104E-10.3,~~this Chapter, the Department is authorized to charge and collect such reasonable fees as it may by rule establish.

(b) Repealed by Session Laws 1987, c. 850, s. 13."

SCRAP TIRE DISPOSAL ACCOUNT FUNDS

SECTION 13.4. Notwithstanding the provisions of G.S. 105-187.19(b), effective for taxes levied during the 2009-2010 fiscal year, the Secretary of Revenue shall credit to the General Fund three million dollars ($3,000,000) of the net tax proceeds that G.S. 105-187.19(b) directs the Secretary to credit to the Scrap Tire Disposal Account.

MARINE FISHERIES FUNDS FOR THE FISHERY RESOURCES GRANT PROGRAM

SECTION 13.5. Of the funds appropriated in this act to the Department of Environment and Natural Resources for the Division of Marine Fisheries for the Fishery Resource Grant Program established under G.S. 113-200, the sum of one hundred forty-six thousand three hundred twelve dollars ($146,312) for the 2009-2010 fiscal year and the sum of one hundred forty-six thousand three hundred twelve dollars ($146,312) for the 2010-2011 fiscal year shall be used for river herring research in the Department. The remaining funds appropriated in this act to the Department for the Fishery Resource Grant Program for the 2009-2011 biennium shall be used for research related to the Sea Grant College Program only and shall not be used for any other purpose.

NEW LEASE PURCHASE/INSTALLMENT CONTRACTS FOR FORESTRY EQUIPMENT

SECTION 13.6. Prior to the Division of Forest Resources of the Department of Environment and Natural Resources entering into either a new lease purchase contract for the purchase of forestry equipment or a new installment contract for the purchase of forestry equipment, the Division of Forest Resources shall submit a detailed list of the forestry equipment to be purchased under the contract to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division. Prior to the Department of Administration entering into either a new lease purchase contract for the purchase of forestry equipment or a new installment contract for the purchase of forestry equipment on behalf of the Division of Forest Resources, the Department of Administration shall submit a detailed list of the forestry equipment to be purchased under the contract to the Joint Legislative Commission

on Governmental Operations and the Fiscal Research Division. If a list is modified after it is submitted under this section, the modified list shall be submitted to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division prior to entering into the contract.

GRASSROOTS SCIENCE PROGRAM

SECTION 13.7.(a) Of the funds appropriated in this act to the Department of Environment and Natural Resources for the Grassroots Science Program, the sum of three million four hundred eleven thousand seven hundred thirteen dollars ($3,411,713) for the 2009-2010 fiscal year and the sum of three million four hundred eleven thousand seven hundred thirteen dollars ($3,411,713) for the 2010-2011 fiscal year is allocated as grants-in-aid for each fiscal year as follows:

	2009-2010	2010-2011
Aurora Fossil Museum	$57,875	$57,875
Cape Fear Museum	$157,787	$157,787
Carolina Raptor Center	$109,931	$109,931
Catawba Science Center	$143,429	$143,429
Colburn Earth Science Museum, Inc.	$73,054	$73,054
Core Sound Waterfowl Museum	$49,000	$49,000
Discovery Place	$649,608	$649,608
Eastern NC Regional Science Center	$49,000	$49,000
Fascinate-U	$79,451	$79,451
Granville County Museum Commission, Inc.–Harris Gallery	$55,294	$55,294
Greensboro Children's Museum	$132,374	$132,374
The Health Adventure Museum of Pack Place Education, Arts and Science Center, Inc.	$152,499	$152,499
Highlands Nature Center	$77,683	$77,683
Imagination Station	$84,313	$84,313
The Iredell Museums, Inc.	$60,080	$60,080
Kidsenses	$79,656	$79,656
Museum of Coastal Carolina	$76,460	$76,460
The Natural Science Center of Greensboro, Inc.	$182,627	$182,627
North Carolina Museum of Life and Science	$372,229	$372,229
Pisgah Astronomical Research Institute	$49,000	$49,000
Port Discover: Northeastern North Carolina's Center for Hands-On Science, Inc.	$49,000	$49,000
Rocky Mount Children's Museum	$70,809	$70,809
Schiele Museum of Natural History and Planetarium, Inc.	$224,956	$224,956
Sci Works Science Center and Environmental Park of Forsyth County	$143,569	$143,569
Sylvan Heights Waterfowl Park and Eco-Center	$49,000	$49,000
Western North Carolina Nature Center	$110,621	$110,621
Wilmington Children's Museum	$72,408	$72,408

Total	$3,411,713	$3,411,713

SECTION 13.7.(b) No later than March 1, 2010, the Department of Environment and Natural Resources shall report to the Fiscal Research Division all of the following information for each museum that receives funds under this section:

(1) The actual operating budget for the 2008-2009 fiscal year.

(2) The proposed operating budget for the 2009-2010 fiscal year.

(3) The total attendance at the museum during the 2009 calendar year.

SECTION 13.7.(c) No later than March 1, 2011, the Department of Environment and Natural Resources shall report to the Fiscal Research Division all of the following information for each museum that receives funds under this section:

(1) The actual operating budget for the 2009-2010 fiscal year.

(2) The proposed operating budget for the 2010-2011 fiscal year.

(3) The total attendance at the museum during the 2010 calendar year.

SECTION 13.7.(d) As a condition for qualifying to receive funding under this section, all of the following documentation shall, no later than November 1 of each year of the 2009-2011 biennium, be submitted for each museum under this section to the Department of Environment and Natural Resources for fiscal years ending between July 1, 2007, and June 30, 2008, and only those costs that are properly documented under this subsection are allowed by the Department in calculating the distribution of funds under this section:

(1) Each museum under this section shall submit its IRS (Internal Revenue Service) Form 990 to show its annual operating expenses, its annual report, and a reconciliation that explains any differences between expenses as shown on the IRS Form 990 and the annual report.

(2) Each friends association of a museum under this section shall submit its IRS Form 990 to show its reported expenses for the museum, its annual report, and a reconciliation that explains any differences between expenses as shown on the IRS Form 990 and the annual report, unless the association does not have both an IRS Form 990 and an annual report available, in which case, it shall submit either an IRS Form 990 or an annual report.

(3) The chief financial officer of each county or municipal government that provides funds for the benefit of the museum shall submit a detailed signed statement of documented costs spent for the benefit of the museum that includes documentation of the name, address, title, and telephone number of the person making the assertion that the museum receives funds from the county or municipality for the benefit of the museum.

(4) The chief financial officer of each county or municipal government or each friends association that provides indirect or allocable costs that are not directly charged to a museum under this section but that benefit the museum shall submit in the form of a detailed statement enumerating each cost by type and amount that is verified by the financial officer responsible for the completion of the documentation and that includes the name, address, title, and telephone number of the person making the assertion that the county, municipality, or association provides indirect or allocable costs to the museum.

SECTION 13.7.(e) As used in subsection (d) of this section, "friends association" means a nonprofit corporation established for the purpose of supporting and assisting a museum that receives funding under this section.

TIMBER ASSESSMENT DESPITE APPROPRIATION

SECTION 13.8. G.S. 113A-192(c) is repealed.

FOREST DEVELOPMENT FUND/FOREST PRODUCTS ASSESSMENT RATES

SECTION 13.9.(a) G.S. 113A-192(c) through G.S. 113A-192(e) are repealed.

SECTION 13.9.(b) G.S. 113A-193(b) is amended by adding a new subdivision to read:

"(6) Determine the appropriate assessment to be levied on primary forest products in accordance with G.S. 113A-194."

SECTION 13.9.(c) G.S. 113A-194(b) reads as rewritten:

"(b) The assessment levied on primary forest products shall ~~be at~~not exceed the following rates:

(1) ~~Fifty cents (50¢)~~One dollar ($1.00) per thousand board feet for softwood sawtimber, veneer logs and bolts, and all other softwood products normally measured in board ~~feet;~~feet.

(2) ~~Forty cents (40¢)~~Eighty cents (80¢) per thousand board feet for hardwood and bald cypress sawtimber, veneer, and all other hardwood and bald cypress products normally measured in board ~~feet;~~feet.

(3) ~~Twenty cents (20¢)~~Forty cents (40¢) per cord for softwood pulpwood and other softwood products normally measured in ~~cords;~~cords.

(4) ~~Twelve cents (12¢)~~ Twenty-four cents (24¢) per cord for hardwood pulpwood and other hardwood and bald cypress products normally measured in ~~cords;~~cords.

(5) All material harvested within North Carolina for shipment outside the State for primary processing will be assessed at a percentage of the invoice value. This percentage will be established to yield rates equal to those if the material were processed within the State."

BEAVER DAMAGE CONTROL PROGRAM FUNDS

SECTION 13.10. G.S. 113-291.10(f) reads as rewritten:

"(f) Each county that volunteers to participate in this program for a given fiscal year shall provide written notification of its wish to participate no later than September 30 of that year and shall commit the sum of four thousand dollars ($4,000) in local funds no later than September 30 of that year. At least three hundred forty-nine thousand dollars ($349,000) each fiscal year of the biennium shall be paid from funds available to the Wildlife Resources Commission to provide the State share necessary to support this program, 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."

PART XIV. DEPARTMENT OF COMMERCE

ONE NORTH CAROLINA FUND

SECTION 14.1. Of the funds appropriated in this act to the One North Carolina Fund for the 2009-2010 fiscal year, the Department of Commerce may use up to three hundred thousand dollars ($300,000) to cover its expenses in administering the One North Carolina Fund and other economic development incentive grant programs during the 2009-2010 fiscal year.

ONE NORTH CAROLINA FUNDS/USE OF CASH BALANCE

SECTION 14.2.(a) Of the funds appropriated to the One North Carolina Fund in prior fiscal years that are unencumbered and unexpended as of June 30, 2009, or that become unencumbered or unexpended thereafter, the Department of Commerce shall use the sum of

one million dollars ($1,000,000) in the 2009-2010 fiscal year to market the State as a business destination.

SECTION 14.2.(b) Of the funds appropriated to the One North Carolina Fund in prior fiscal years that are unencumbered and unexpended as of June 30, 2009, or that become unencumbered or unexpended thereafter, the sum of two million dollars ($2,000,000) shall be transferred to the One North Carolina Small Business Fund for the 2009-2010 fiscal year.

SECTION 14.2.(c) Of the funds appropriated to the One North Carolina Fund in prior fiscal years that are unencumbered and unexpended as of June 30, 2009, or that become unencumbered or unexpended thereafter, the Department of Commerce shall allocate the sum of one million dollars ($1,000,000) for the 2009-2010 fiscal year to the North Carolina Minority Support Center, Inc., to expand economic development lending. The funds allocated under this subsection shall be used to assist small businesses having difficulty accessing credit due to a lack of liquidity in financial markets. It is the General Assembly's intent that these funds be used to further community economic development lending and support in low-wealth communities and to make capital accessible to small businesses in a way that will have an economic stimulus impact.

SMALL BUSINESS ASSISTANCE FUND

SECTION 14.3.(a) Part 2I of Article 10 of Chapter 143B of the General Statutes reads as rewritten:

"Part 2I. ~~One~~ North Carolina Small Business ~~Program.~~Assistance.

"Subpart A. One North Carolina Small Business Program."

SECTION 14.3.(b) Part 2I of Article 10 of Chapter 143B of the General Statutes is amended by adding a new Subpart to read:

"Subpart B. Small Business Assistance Fund.

"**§ 143B-437.89. Establishment of fund; use of moneys; application for moneys from the fund; disbursal; repayment; inspections; rules; reports.**

(a) Fund Established. – A revolving, special revenue fund to be known as the Small Business Jobs Preservation and Emergency Assistance Fund is established in the Department of Commerce. This Fund shall be administered by the Department. The Department shall be responsible for receipt and disbursement of all moneys as provided in this section. Interest earnings shall be credited to the Fund. The Fund consists of revenue resulting from funds appropriated by the State, repayments of principal of and interest on loans, fees, and other amounts received by the Department with respect to financial assistance provided by the Department, and any other public or private funds made available to the Fund.

(b) Department Authority; Loan Terms. – The Department may approve for disbursements of moneys in the Fund to small businesses in accordance with the provisions of this section. The Department shall develop criteria, technical specifications, policies, and procedures to be used in determining whether the conditions of this section are satisfied and whether the activities described in the application are otherwise consistent with the purposes of this section. As used in this section, "moneys" means a disbursement from the Fund in the form of a loan, and "small business" means a business whose annual receipts and number of full-time employees, combined with the annual receipts and full-time employees of all related persons, did not exceed one million dollars ($1,000,000) or 100 full-time employees. A small business may apply for a loan for:

(1) Up to eighty percent (80%) of the projected cost of the proposed activities, subject to repayment within five years at the prime rate plus four percent (4%).

(2) Up to eighty percent (80%) of the projected cost of the proposed activities, subject to repayment within 10 years at the prime rate plus six percent (6%).

(3) Up to eighty percent (80%) of the projected cost of the proposed activities, subject to repayment within 15 years at the prime rate plus eight percent (8%).

(c) Eligible Purposes. – Moneys in the Fund shall be used for any of the following eligible purposes:

(1) To guarantee commercial loans.

(2) To finance bonds to allow small business to better leverage federal stimulus dollars.

(3) To provide emergency bridge loans where clear and apparent ability to repay has been established but credit remains unavailable.

(4) To lend for other purposes related to small business job preservation as approved or recommended by the Department.

(d) Application. – Any small business may apply for moneys from the Fund by submitting an application to the Department. The application shall list each of the following:

(1) The proposed activities for which the moneys are to be used.

(2) The amount of moneys requested for these activities.

(3) Projections of the dollar amount of private investment that is expected to occur as a direct result of the proposed activities.

(4) An explanation of the nature of the private investment that will result from the proposed activities.

(5) A requirement for any reports, disclosures, or information required by this section or necessary for the Department to fulfill its duties under this section.

(6) The total compensation received for the previous year from the small business and all related persons for each of the five highest-compensated employees of the small business.

(7) Any additional or supplemental information required by the Department upon written request.

(e) Determination. – The Department shall review an application submitted by a small business, determine whether the activities listed in the application are activities that are eligible for moneys from the Fund, and determine which applicants are selected to receive moneys from the Fund. A small business whose application is denied may file a new or amended application.

(f) Limitation. – A small business that is selected may not receive moneys from the Fund pursuant to this section with an aggregate total of more than thirty-five thousand dollars ($35,000).

(g) Disbursements of Moneys. – The Department shall not disburse moneys for any loans until the small business has confirmed a method of repayment for the loan. The terms for repayment established for a given loan shall apply through the period of that loan. A small business that has been selected to receive moneys shall use the full amount of the moneys for the activities that were approved pursuant to subsection (b) of this section. Moneys are deemed used if the small business is legally committed to spend the moneys on the approved activities. For purposes of this section, approved activities do not include an increase in the total compensation of any employee identified in the application under subdivision (d)(6) of this section. A small business shall lose any moneys that have not been used within three years of being selected. These unused moneys shall be credited to the Fund. A small business that loses moneys pursuant to this subsection may file a new application. Any moneys repaid or credited to the Fund pursuant to this subsection shall be available to other applicants as long as the Fund exists.

(h) Cost Report. – After activities financed in whole or in part pursuant to this section have been completed, the small business shall report the actual cost of the project to the Department. If the actual costs of the activities exceed the projected cost upon which the moneys were based, the small business may submit an application to the Department for

additional moneys for the difference. If the actual costs of the activities are less than the projected cost, the small business shall arrange to pay the difference to the Fund according to terms set by the Department.

(i) Inspection. – Inspection of a project for which moneys have been awarded may be performed by personnel of the Department. No person may be approved to perform inspections who is an officer or employee of the small business to which the moneys were disbursed or who is an owner, officer, employee, or agent of a contractor or subcontractor engaged in the activities for which the moneys were disbursed.

(j) Administration. – The Department may adopt, modify, and repeal rules establishing the procedures to be followed in the administration of this section and interpreting and applying the provisions of this section, as provided in the Administrative Procedure Act.

(k) Legislative Reports. – The Department shall prepare and file on or before September 1 of each year with the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division a consolidated report for the preceding fiscal year concerning the allocation of moneys authorized by this section, including a separate listing of the moneys disbursed to historically underutilized businesses. The report shall set forth for the preceding fiscal year itemized and total allocations from the Fund. The Department shall also prepare a summary report of all allocations made from the Fund for each fiscal year; the total funds received and allocations made; the total amount of moneys repaid to the Fund; and the total unallocated funds in the Fund.

Small businesses that have been selected to receive moneys from the Fund shall prepare and file a report that shall include the following information:

(1) The total amount of private funds that was committed and the amount that was invested in activities for which moneys from the Fund were made available during the preceding fiscal year.

(2) The total amount and character of moneys received from the Fund during the preceding fiscal year.

(3) The total amount of moneys repaid to the Fund during the preceding fiscal year.

(4) A description of how moneys from the Fund and funds from private investors were used during the preceding fiscal year.

(5) Details regarding the types of private investment created or stimulated, the dates of this activity, the amount of public money involved, and any other pertinent information, including any jobs created, businesses started, and number of jobs retained due to the approved activities."

SECTION 14.3.(c) This act becomes effective July 1, 2009.

WANCHESE SEAFOOD INDUSTRIAL PARK/OREGON INLET FUNDS

SECTION 14.4.(a) Funds appropriated to the Department of Commerce for the 2009-2010 fiscal year for the Wanchese Seafood Industrial Park that are unexpended and unencumbered as of June 30, 2009, shall not revert to the General Fund on June 30, 2009, but shall remain available to the Department to be expended by the Wanchese Seafood Industrial Park for operations, maintenance, repair, and capital improvements in accordance with Article 23C of Chapter 113 of the General Statutes. These funds shall be in addition to funds available to the North Carolina Seafood Industrial Park Authority for operations, maintenance, repair, and capital improvements under Article 23C of Chapter 113 of the General Statutes.

SECTION 14.4.(b) Funds appropriated to the Department of Commerce for the 2009-2010 fiscal year for the Oregon Inlet Project that are unexpended and unencumbered as of June 30, 2009, shall not revert to the General Fund on June 30, 2009, but shall remain available to the Department to be expended by the Wanchese Seafood Industrial Park for securing adequate channel maintenance of the Oregon Inlet and for operations, maintenance, repair, and

capital improvements in accordance with Article 23C of Chapter 113 of the General Statutes. These funds shall be in addition to funds available to the North Carolina Seafood Industrial Park Authority for operations, maintenance, repair, and capital improvements under Article 23C of Chapter 113 of the General Statutes.

SECTION 14.4.(c) This section becomes effective June 30, 2009.

NER BLOCK GRANTS

SECTION 14.5.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2010, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT		
01. State Administration	$	1,000,000
02. Urgent Needs and Contingency		1,000,000
03. Scattered Site Housing		13,200,000
04. Economic Development		8,710,000
05. Small Business/Entrepreneurship		1,000,000
06. Community Revitalization		13,000,000
07. State Technical Assistance		450,000
08. Housing Development		1,500,000
09. Infrastructure		5,140,000
TOTAL COMMUNITY DEVELOPMENT BLOCK GRANT – 2009 Program Year	$	45,000,000

SECTION 14.5.(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 14.5.(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 14.5.(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 one million dollars ($1,000,000) 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; eight million seven hundred ten thousand dollars ($8,710,000) may be used for Economic Development; up to one million dollars ($1,000,000) may be used for Small Business/Entrepreneurship; not less than thirteen million dollars ($13,000,000) shall be used for Community Revitalization; up to

four hundred fifty thousand dollars ($450,000) may be used for State Technical Assistance; up to one million five hundred thousand dollars ($1,500,000) 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 14.5.(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 14.5.(f) The Department of Commerce shall consult with the Joint Legislative Commission on Governmental Operations prior to reallocating Community Development Block Grant Funds. Notwithstanding the provisions of this subsection, whenever the Director of the Budget finds that:

(1) A reallocation is required because of an emergency that poses an imminent threat to public health or public safety, the Director of the Budget may authorize the reallocation without consulting the Commission. The Department of Commerce shall report to the Commission on the reallocation no later than 30 days after it was authorized and shall identify in the report the emergency, the type of action taken, and how it was related to the emergency.

(2) The State will lose federal block grant funds or receive less federal block grant funds in the next fiscal year unless a reallocation is made. The Department of Commerce shall provide a written report to the Commission on the proposed reallocation and shall identify the reason that failure to take action will result in the loss of federal funds. If the Commission does not hear the issue within 30 days of receipt of the report, the Department may take the action without consulting the Commission.

SECTION 14.5.(g) By September 1, 2009, the Division of Community Assistance, Department of Commerce, shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the use of Community Development Block Grant Funds appropriated in the prior fiscal year.

MAIN STREET GRANT FUNDS

SECTION 14.6.(a) Part 15 of Article 10 of Chapter 143B of the General Statutes reads as rewritten:

"Part 15. Main Street ~~Financial Incentive Fund.~~Solutions.

"**§ 143B-472.35. Establishment of fund; use of ~~moneys;~~funds; application for ~~grants and loans;~~grants; disbursal; repayment; inspections; rules; reports.**

(a) A ~~revolving~~ fund to be known as the Main Street ~~Financial Incentive~~Solutions Fund is established in the Department of Commerce. This Fund shall be administered by the Department of Commerce. The Department of Commerce shall be responsible for receipt and disbursement of all ~~moneys~~funds as provided in this section. Interest earnings shall be credited to the Main Street ~~Financial Incentive~~Solutions Fund.

(b) ~~Moneys~~Funds in the Main Street ~~Financial Incentive~~Solutions Fund shall be available to ~~the North Carolina cities affiliated with the North Carolina Main Street Center Program.~~micropolitan cities in development tier two and three counties in the State. For purposes of this section, a "micropolitan city" is a city located within the State with a population, according to the most recent U.S. census, of between 10,000 and 50,000 people.

~~Moneys~~Funds in the Main Street ~~Financial Incentive~~Solutions Fund shall be used for any of the following eligible activities:

(1) The acquisition or rehabilitation of properties in connection with private investment in a designated downtown ~~area;~~area.

(2) The establishment of revolving loan programs for private investment in a designated downtown ~~area;~~area.

(3) The subsidization of interest rates for these revolving loan ~~programs;~~programs.

(4) The establishment of facade incentive grants in connection with private investment in a designated downtown ~~area;~~area.

(5) Market studies, design studies, design assistance, or strategic planning efforts, provided the activity can be shown to lead directly to private investment in a designated downtown ~~area;~~area.

(6) Any approved project that provides construction or rehabilitation in a designated downtown area and can be shown to lead directly to private investment in the designated downtown ~~area; and~~area.

(7) Public improvements and public infrastructure within a designated downtown area, provided these improvements are necessary to create or stimulate private investment in the designated downtown area.

(c) Any ~~North Carolina~~micropolitan city ~~affiliated with the North Carolina Main Street Center Program~~ located within a development tier two or three county may apply for ~~moneys~~ assistance from the Main Street ~~Financial Incentive~~Solutions Fund by submitting an application to the Main Street Center in the Division of Community Assistance, Department of Commerce. Any city affiliated with the North Carolina Main Street Center Program may apply for a grant ~~equal to ten percent (10%) of the projected cost of the~~for a proposed project. ~~A city may apply for additional moneys as one or more loans from the Fund. Specifically, a city may apply for a loan for:~~

~~(1) Up to fifteen percent (15%) of the projected cost of the proposed project in excess of the amount to be received as a grant, subject to repayment within fifteen years at five percent (5%) interest;~~

~~(2) Up to twenty percent (20%) of the projected cost of the proposed project in excess of the amount to be received as a grant, subject to repayment within ten years at eight percent (8%) interest; and~~

~~(3) Up to thirty five percent (35%) of the projected cost of the proposed project in excess of the amount to be received as a grant, subject to repayment within seven years at ten percent (10%) interest.~~

(c1) The application shall ~~list:~~include each of the following:

(1) A copy of the consensus local economic development plan developed by the micropolitan city in conjunction with the Department's Main Street Program and the city's regional economic development commission or its local council of government or both.

(1a) The proposed activities for which the ~~moneys~~ funds are to be used and the projected cost of the ~~project;~~project.

(2) The amount of grant ~~moneys and any loans~~funds requested for these ~~activities;~~activities.

(3) Projections of the dollar amount of private investment that is expected to occur in the designated downtown area as a direct result of the city's proposed ~~activities;~~activities.

(4) Whether local public dollars are required to match any grant ~~plus any loan moneys~~funds according to the provisions of subdivision (g)(2) of this section, and if so, the amount of local public ~~dollars required;~~funds required.

(5) An explanation of the nature of the private investment in the designated downtown area that will result from the city's proposed ~~activities;~~activities.
(6) Projections of the time needed to complete the city's proposed ~~activities;~~activities.
(7) Projections of the time needed to realize the private investment that is expected to result from the city's proposed ~~activities; and~~activities.
(8) Identification of the proposed source of funds to be used for repayment of any loan obligations.
(9) Any additional or supplemental information requested by the Division.

~~The applicant shall furnish additional or supplemental information upon written request.~~

(d) A committee, comprised of representatives of: the Division of Community Assistance of the Department of Commerce, the North Carolina Main Street Program, the Local Government Commission, and the League of Municipalities ~~shall:~~shall do each of the following:

(1) Review a city's ~~application,~~application.
(2) Determine whether the activities listed in the application are activities that are eligible for a ~~loan, and~~grant.
(3) Determine which applicants are selected to receive ~~moneys~~ funds from the Main Street ~~Financial Incentive~~Solutions Fund.

A city whose application is denied may file a new or amended application.

(e) A Main Street City that is selected may not receive a grant ~~plus any loans~~ pursuant to this section totaling less than twenty thousand dollars ($20,000) or more than three hundred thousand dollars ($300,000).

~~(f) The Department of Commerce may not disburse moneys for any loans until the city has confirmed a method of repayment of the loan. The terms for repayment established for a given loan shall apply throughout the period of that loan.~~

~~The Department of Commerce shall establish an account in the amount of the grant plus any loans for each city that is selected. These moneys shall be disbursed as expended through warrants drawn on the Department of Commerce.~~

(g) (1) A city that has been selected to receive a grant ~~plus any loans~~ shall use the full amount of the grant ~~plus any loans~~ for the activities that were approved pursuant to subsection (d) of this section. ~~Moneys~~ Funds are deemed used if the city is legally committed to spend the ~~moneys~~ funds on the approved activities.
(2) If a city has received approval to use the grant ~~plus any loans~~ for public improvements or public infrastructure, that city shall be required to raise, before ~~moneys~~ funds for these public improvements may be drawn from the city's account, local public funds to match the amount of the grant ~~plus any loans~~ from the Main Street ~~Financial Incentive~~Solutions Fund on the basis of at least one local public dollar ($1.00) for every one dollar ($1.00) from the Main Street ~~Financial Incentive~~Solutions Fund. This match requirement applies only to those ~~moneys~~ funds received for public improvements or public infrastructure and is in addition to the requirement set forth in subdivision (1) of this subsection.
(3) A city that fails to satisfy the condition set forth in subdivision (1) of this subsection shall lose any ~~moneys~~funds that have not been used within three years of being selected. These unused ~~moneys~~funds shall be credited to the Main Street ~~Financial Incentive~~Solutions Fund. A city that fails to satisfy the conditions set forth in subdivisions (1) and (2) of this subsection may file a new application.

(4) Any ~~moneys~~funds repaid or credited to the Main Street ~~Financial Incentive~~Solutions Fund pursuant to subdivision (3) of this subsection shall be available to other applicants as long as the Main Street ~~Financial Incentive~~Solutions Fund is in effect.

~~(h) Each city is authorized to agree to apply any available revenues of that city to the repayment of a loan obligation to the extent the generation of these revenues is within the power of that city to enter into covenants to take action in order to generate these revenues; provided:~~

~~(1) The agreement to use this source of funds to make repayment or the covenant to generate these revenues does not constitute a pledge of the city's taxing power; and~~

~~(2) The repayment agreement specifically identifies the source of funds to be pledged.~~

(i) After a project financed in whole or in part pursuant to this section has been completed, the city shall report the actual cost of the project to the Department of Commerce. If the actual cost of the project exceeds the projected cost upon which the grant ~~plus any loans were~~ was based, the city may submit an application to the Department of Commerce for a grant ~~or loans~~ for the difference. If the actual cost of the project is less than the projected cost, the city shall arrange to pay the difference to the Main Street ~~Financial Incentive~~Solutions Fund according to terms set by the Department.

(j) Inspection of a project for which a grant ~~plus any loans have~~ has been awarded may be performed by personnel of the Department of Commerce. No person may be approved to perform inspections who is an officer or employee of the unit of local government to which the grant ~~plus any loans were~~was made or who is an owner, officer, employee, or agent of a contractor or subcontractor engaged in the construction of any project for which the grant ~~plus any loans were~~was made.

(k) The Department of Commerce may adopt, modify, and repeal rules establishing the procedures to be followed in the administration of this section and regulations interpreting and applying the provisions of this section, as provided in the Administrative Procedure Act.

(l) The Department of Commerce and cities that have been selected to receive a grant ~~plus any loans~~ from the Main Street ~~Financial Incentive~~Solutions Fund shall prepare and file on or before ~~July 31~~September 1 of each year with the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division a consolidated report for the preceding fiscal year concerning the allocation of grants ~~plus any loans~~ authorized by this section.

The portion of the annual report prepared by the Department of Commerce shall set forth for the preceding fiscal year itemized and total allocations from the Main Street ~~Financial Incentive~~Solutions Fund for ~~grants and loans.~~grants. The Department of Commerce shall also prepare a summary report of all allocations made from the fund for each fiscal year; the total funds received and allocations ~~made; the total amount of loan moneys repaid to the Fund,~~made and the total unallocated funds in the Fund.

The portion of the report prepared by the city shall ~~include:~~include each of the following:

(1) The total amount of private funds that was committed and the amount that was invested in the designated downtown area during the preceding fiscal ~~year;~~year.

(2) The total amount of local public matching funds that was raised, if required by subdivision (g)(2) of this ~~section;~~section.

(3) The total amount of ~~grant plus any loans~~ grants received from the Main Street ~~Financial Incentive~~Solutions Fund during the preceding fiscal ~~year;~~year.

~~(4) The total amount of loan moneys repaid to the Main Street Financial Incentive Fund during the preceding fiscal year;~~

(5) A description of how the grant ~~and loan moneys~~funds and funds from private investors were used during the preceding fiscal ~~year;~~year.

(6) Details regarding the types of private investment created or stimulated, the dates of this activity, the amount of public money involved, and any other pertinent information, including any jobs created, businesses started, and number of jobs retained due to the approved activities."

SECTION 14.6.(b) This act becomes effective July 1, 2009.

INDUSTRIAL COMMISSION FEES/COMPUTER SYSTEM REPLACEMENT

SECTION 14.7. The North Carolina Industrial Commission may retain the additional revenue generated as a result of an increase in the fee charged to parties for the filing of compromised settlements. These funds shall be used for the purpose of replacing existing computer hardware and software used for the operations of the Commission. These funds may also be used to prepare any assessment of hardware and software needs prior to purchase and to develop and administer the needed databases and new Electronic Case Management System, including the establishment of two time-limited positions for application development and support and mainframe migration. The Commission may not retain any fees under this section unless they are in excess of the former two-hundred-dollar ($200.00) fee charged by the Commission for filing a compromised settlement.

INDUSTRIAL COMMISSION/SAFETY EDUCATION SECTION

SECTION 14.8. The Safety Education Section of the Industrial Commission shall become fee supported effective July 1, 2010. The Industrial Commission shall establish a fee schedule for services provided by the Safety Education Section to support the operations of the Safety Education Section. At least fifty percent (50%) of the revenue used to support the Safety Education Section must come from fees charged for services provided by the Safety Education Section.

EMPLOYMENT SECURITY COMMISSION FUNDS

SECTION 14.9.(a) Funds from the Employment Security Commission Reserve Fund shall be available to the Employment Security Commission of North Carolina to use as collateral to secure federal funds and to pay the administrative costs associated with the collection of the Employment Security Commission Reserve Fund surcharge. The total administrative costs paid with funds from the Reserve in the 2009-2010 fiscal year shall not exceed two million five hundred thousand dollars ($2,500,000).

SECTION 14.9.(b) There is appropriated from the Employment Security Commission Reserve Fund to the Employment Security Commission of North Carolina the sum of twenty million dollars ($20,000,000) for the 2009-2010 fiscal year to be used for the following purposes:

(1) Nineteen million seven hundred thousand dollars ($19,700,000) for the operation and support of local Employment Security Commission offices.

(2) Two hundred thousand dollars ($200,000) for the State Occupational Information Coordinating Committee to develop and operate an interagency system to track former participants in State education and training programs.

(3) One hundred thousand dollars ($100,000) 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.

SECTION 14.9.(c) There is appropriated from the Employment Security Commission Reserve Fund to the Employment Security Commission of North Carolina an amount not to exceed one million dollars ($1,000,000) for the 2009-2010 fiscal year to fund State initiatives not currently funded through federal grants.

EMPLOYMENT SECURITY COMMISSION/USE OF FEDERAL UNEMPLOYMENT TRUST FUNDS

SECTION 14.10. Of the funds credited to and held in the State of North Carolina's account in the Unemployment Trust Fund by the Secretary of the Treasury of the United States pursuant to and in accordance with section 903 of the Social Security Act, the Employment Security Commission of North Carolina may expend the sum of fourteen million dollars ($14,000,000) for the 2009-2011 biennium for the following purposes:

(1) Implementing and administering the provisions of State law that qualify the State for the incentive payments.

(2) Improved outreach to individuals who might be eligible by virtue of these provisions.

(3) The improvement of unemployment benefits and tax operations, including responding to increased demand for unemployment benefits.

(4) Staff-assisted reemployment services for unemployment claimants.

COUNCIL OF GOVERNMENT FUNDS

SECTION 14.11.(a) Of the funds appropriated in this act to the Department of Commerce, eight hundred seven thousand three hundred fifty-one dollars ($807,351)for the 2009-2010 fiscal year and eight hundred seven thousand three hundred fifty-one dollars ($807,351) for the 2010-2011 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-seven thousand four hundred ninety-two dollars ($47,492) for the 2009-2010 and the 2010-2011 fiscal years.

SECTION 14.11.(b) A regional council of government may use funds allocated to it 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 14.11.(c) Funds allocated by this section shall be paid by electronic transfer in two equal installments. Upon receipt of the report required by subsection (e) of this section, the first installment shall be paid no later than September 15, 2009.

SECTION 14.11.(d) Funds allocated 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 14.11.(e) By September 1 of each year, and more frequently as requested, each council of government or lead regional organization shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division of the General Assembly on prior State fiscal year program activities, objectives, and accomplishments, and prior State fiscal year itemized expenditures and fund sources. Each council of government or lead regional organization shall provide to the Fiscal Research Division of the General Assembly a copy of the organization's annual audited financial statement within 30 days of issuance of the statement.

NONPROFIT REPORTING REQUIREMENTS

SECTION 14.12.(a) The North Carolina Institute of 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., North Carolina Biotechnology Center, and Partnership for the Sounds, Inc., shall do the following:

(1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments, and prior State fiscal year itemized expenditures and fund sources.

(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.

SECTION 14.12.(b) Remaining allotments after September 1 shall not be released to any nonprofit organization that does not satisfy the reporting requirements provided in subsection (a) of this section.

REGIONAL ECONOMIC DEVELOPMENT COMMISSION ALLOCATIONS

SECTION 14.13.(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 Partnership, Southeastern North Carolina Regional Economic Development Commission, Piedmont Triad Partnership, Northeastern North Carolina Regional Economic Development Commission, North Carolina's Eastern Region Economic Development Partnership, and Carolinas Partnership, Inc.

SECTION 14.13.(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 development factor by the sum of the development factors for eligible counties and multiplying the resulting percentage by the amount of the appropriation. As used in this subdivision, the term "development factor" means a county's development factor as calculated under G.S. 143B-437.08; and

(2) Next, the Department shall subtract from funds allocated to the North Carolina's Eastern Region Economic Development Partnership the sum of three hundred eight thousand six hundred sixty-six dollars ($308,666) in the 2009-2010 fiscal year, which sum represents: (i) the total interest earnings in the prior 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 (ii) the total interest earnings in the prior fiscal year on loans made from the 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 three hundred eight thousand six hundred sixty-six dollars ($308,666) in the 2009-2010 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 development 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.

SECTION 14.13.(c) No more than one hundred twenty thousand dollars ($120,000) in State funds shall be used for the annual salary of any one employee of a regional economic development commission.

SECTION 14.13.(d) The General Assembly finds that successful economic development requires the collaboration of the State, regions of the State, counties, and municipalities. Therefore, the regional economic development commissions are encouraged to seek supplemental funding from their county and municipal partners to continue and enhance their efforts to attract and retain business in the State.

SET REGULATORY FEE FOR UTILITIES COMMISSION

SECTION 14.14.(a) The percentage rate to be used in calculating the public utility regulatory fee under G.S. 62-302(b)(2) is twelve one-hundredths of one percent (0.12%) for each public utility's North Carolina jurisdictional revenues earned during each quarter that begins on or after July 1, 2009.

SECTION 14.14.(b) The electric membership corporation regulatory fee imposed under G.S. 62-302(b1) for the 2009-2010 fiscal year is two hundred thousand dollars ($200,000).

SECTION 14.14.(c) This section becomes effective July 1, 2009.

RURAL ECONOMIC DEVELOPMENT CENTER

SECTION 14.15.(a) Of the funds appropriated in this act to the North Carolina Rural Economic Development Center, Inc. (Rural Center), the sum of four million three hundred sixty-four thousand seven hundred eighty-five dollars ($4,364,785) for the 2009-2010 fiscal year and the sum of four million three hundred sixty-four thousand seven hundred eighty-five dollars ($4,364,785) for the 2010-2011 fiscal year shall be allocated as follows:

	2009-2010	2010-2011
Technical Assistance and Center Administration of Research and Demonstration Grants	$431,156	$431,156
Center Administration, Oversight, and Other Programs	$586,290	$586,290
Water/Wastewater Administration and Technical Assistance	$449,203	$449,203
Research and Demonstration Grants	$366,300	$366,300
Institute for Rural Entrepreneurship	$142,560	$142,560
Community Development Grants	$987,436	$987,436
Community Development Grants Administration	$ 48,510	$ 48,510
Microenterprise Loan Program	$193,050	$193,050
Water/Sewer/Business Development Matching Grants	$874,170	$874,170
Statewide Water/Sewer Database	$ 99,000	$ 99,000
Agricultural Advancement Consortium	$114,345	$114,345
Agricultural Advancement Consortium Operating	$ 72,765	$ 72,765

SECTION 14.15.(b) Funds allocated in subsection (a) of this section for community development grants shall support development projects and activities within the State's minority communities. Any new or previously funded community development corporation, as that term is defined in subsection (c) of this section, is eligible to apply for community development grant funds. However, no community development grant funds shall be released to a community development corporation 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.

SECTION 14.15.(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 14.15.(d) The Rural Center 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 14.15.(e) By September 1 of each year, and more frequently as requested, the Rural Center shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.

RURAL ECONOMIC DEVELOPMENT CENTER/INFRASTRUCTURE PROGRAM

SECTION 14.16.(a) Of the funds appropriated in this act to the North Carolina Rural Economic Development Center, Inc. (Rural Center), the sum of nineteen million two hundred ninety-seven thousand two hundred and seventy-eight dollars ($19,297,278) for the 2009-2010 fiscal year and the sum of nineteen million two hundred ninety-seven thousand two hundred and seventy-eight dollars ($19,297,278) for the 2010-2011 fiscal year shall be allocated as follows:

(1) To continue the North Carolina Infrastructure Program. The purpose of the Program is to provide grants to local governments to construct critical water and wastewater facilities and to provide other infrastructure needs, including technology needs, to sites where these facilities will generate private job-creating investment. At least fourteen million eight hundred and fifty thousand dollars ($14,850,000) of the funds appropriated in this act for each year of the biennium must be used to provide grants under this Program.

(2) To provide matching grants to local governments in distressed areas and equity investments in public-private ventures that will productively reuse vacant buildings and properties, with priority given to towns or communities with populations of less than 5,000.

(3) To provide economic development research and demonstration grants.

SECTION 14.16.(b) The Rural Center may contract with other State agencies, constituent institutions of The University of North Carolina, and colleges within the North Carolina Community College System for certain aspects of the North Carolina Infrastructure Program, including design of Program guidelines and evaluation of Program results.

SECTION 14.16.(c) During each year of the 2009-2011 biennium, the Rural Center may use up to three hundred seventy-eight thousand three hundred seventy-eight dollars

($378,378) of the funds appropriated in this act to cover its expenses in administering the North Carolina Economic Infrastructure Program.

SECTION 14.16.(d) By September 1 of each year, and more frequently as requested, the Rural Center shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division concerning the progress of the North Carolina Economic Infrastructure Program in the prior State fiscal year.

OPPORTUNITIES INDUSTRIALIZATION CENTERS FUNDS

SECTION 14.17.(a) Of the funds appropriated in this act to the North Carolina Rural Economic Development Center, Inc. (Rural Center), the sum of three hundred fifty-seven thousand three hundred ninety dollars ($357,390) for the 2009-2010 fiscal year and the sum of three hundred fifty-seven thousand three hundred ninety dollars ($357,390) for the 2010-2011 fiscal year shall be equally distributed among the certified Opportunities Industrialization Centers (OI Centers).

SECTION 14.17.(b) By September 1 of each year, and more frequently as requested, the Rural Center shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior fiscal year program activities, objectives, and accomplishments for each of the OI Centers receiving funds pursuant to subsection (a) of this section. This report shall include data for each OI Center on itemized expenditures and fund sources for the prior State fiscal year.

SECTION 14.17.(c) The Rural Center shall ensure that each OI Center files 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.

SECTION 14.17.(d) No funds appropriated under this act shall be released to an OI Center listed in subsection (a) of this section if the OI Center has any overdue tax debts, as that term is defined in G.S. 105-243.1, at the federal or State level.

RURAL ECONOMIC DEVELOPMENT CENTER/CLEAN WATER PARTNERS FUNDING

SECTION 14.18. By September 1 of each year, and more frequently as requested, the North Carolina Rural Economic Development Center, Inc., shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division concerning the progress of the water/sewer improvement grants (commonly referred to as funding for Clean Water Partners) as appropriated in Section 13.13A of S.L. 2007-323 and Section 13.8 of S.L. 2008-107. Each report shall include a list of grants made since the last report, the total amount contracted, and the amount of funds remaining. This reporting requirement shall replace all previous reporting requirements and shall remain in effect until all funds from this program are expended.

RURAL ECONOMIC DEVELOPMENT CENTER/AMERICAN RECOVERY AND REINVESTMENT ACT FUNDS

SECTION 14.19. If the North Carolina Rural Economic Development Center, Inc., (Rural Center) finds that North Carolina will not maximize the amount of funding for water and wastewater projects the State could receive under the American Recovery and Reinvestment Act of 2009, the Rural Center shall use funds appropriated to the Rural Center in this act to maximize such funding.

PART XV. JUDICIAL DEPARTMENT

TRANSFER OF EQUIPMENT AND SUPPLY FUNDS

SECTION 15.1. Funds appropriated to the Judicial Department in the 2009-2011 fiscal 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.

GRANT FUNDS

SECTION 15.2. Notwithstanding G.S. 143C-6-9, the Administrative Office of the Courts may use up to the sum of one million five hundred thousand dollars ($1,500,000) from funds available to the Department to provide the State match needed in order to receive grant funds. Prior to using funds for this purpose, the Department shall report to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and to the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds.

DEATH PENALTY LITIGATION FUNDS

SECTION 15.3. Of the funds appropriated in this act to the Office of Indigent Defense Services for the 2009-2011 fiscal biennium, the Office may use up to the sum of five hundred thirty-one thousand dollars ($531,000) for the 2009-2010 fiscal year and up to the sum of five hundred thirty-one thousand dollars ($531,000) for the 2010-2011 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. The Office of Indigent Defense Services shall report by February 1, of each year in the biennium, to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety on the activities funded by this section.

REPORT ON BUSINESS COURTS

SECTION 15.4. The Administrative Office of the Courts 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 March 1 of each year on the activities of each North Carolina Business Court site, including the number of new, closed, and pending cases, average age of pending cases, and annual expenditures for the prior fiscal year.

COLLECTION OF WORTHLESS CHECK FUNDS

SECTION 15.5. 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, 2009, for the purchase or repair of office or information technology equipment during the 2009-2010 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 House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety on the equipment to be purchased or repaired and the reasons for the purchases.

DISPUTE RESOLUTION FEES

SECTION 15.6. Notwithstanding the provisions of G.S. 143C-1-2(b), certification and renewal fees collected by the Dispute Resolution Commission are nonreverting and are only to be used at the direction of the Commission.

REIMBURSEMENT FOR USE OF PERSONAL VEHICLES

SECTION 15.7. Notwithstanding the provisions of G.S. 138-6(a)(1), the Judicial Department, during the 2009-2011 fiscal biennium, may elect to establish a per-mile reimbursement rate for transportation by privately owned vehicles at a rate less than the business standard mileage rate set by the Internal Revenue Service.

REPEAL ASSISTANT DISTRICT ATTORNEY AUTHORIZATIONS

SECTION 15.8. G.S. 7A-60(a1) reads as rewritten:

"(a1) The counties of the State are organized into prosecutorial districts, and each district has the counties and the number of full-time assistant district attorneys set forth in the following table:

Prosecutorial District	Counties	No. of Full-Time Asst. District Attorneys
1	Camden, Chowan, Currituck, Dare, Gates, Pasquotank, Perquimans	11
2	Beaufort, Hyde, Martin, Tyrrell, Washington	8
3A	Pitt	11
3B	Carteret, Craven, Pamlico	12
4	Duplin, Jones, Onslow, Sampson	18
5	New Hanover, Pender	18
6A	Halifax	5
6B	Bertie, Hertford, Northampton	6
7	Edgecombe, Nash, Wilson	19
8	Greene, Lenoir, Wayne	14
9	Franklin, Granville, Vance, Warren	12
9A	Person, Caswell	6
10	Wake	~~42~~ 41
11	Harnett, Johnston, Lee	19
12	Cumberland	23
13	Bladen, Brunswick, Columbus	13
14	Durham	18
15A	Alamance	11
15B	Orange, Chatham	10
16A	Scotland, Hoke	7
16B	Robeson	13
17A	Rockingham	7
17B	Stokes, Surry	8
18	Guilford	32
19A	Cabarrus	9
19B	Montgomery, Randolph	10
19C	Rowan	8
19D	Moore	5
20A	Anson, Richmond, Stanly	12
20B	Union	10
21	Forsyth	25

22A	Alexander, Iredell	11
22B	Davidson, Davie	11
23	Alleghany, Ashe, Wilkes, Yadkin	8
24	Avery, Madison, Mitchell, Watauga, Yancey	7
25	Burke, Caldwell, Catawba	19
26	Mecklenburg	~~58~~ 57
27A	Gaston	15
27B	Cleveland, Lincoln	11
28	Buncombe	14
29A	McDowell, Rutherford	7
29B	Henderson, Polk, Transylvania	8
30	Cherokee, Clay, Graham, Haywood, Jackson, Macon, Swain."	11

GUIDELINES FOR MAXIMIZING EFFICIENCY OF PROCEEDINGS

SECTION 15.9. By December 1, 2009, the Administrative Office of the Courts shall develop guidelines to be applied to maximize efficient use of the time of probation officers and court personnel participating in probation revocation proceedings. The Administrative Office of the Courts may also adopt guidelines for maximizing the efficient use of the time of law enforcement personnel participating in the Criminal District Courts.

ELIMINATE SPECIAL ALLOWANCE FOR SUPERIOR COURT JUDGES

SECTION 15.10. G.S. 7A-44(a) reads as rewritten:

"(a) A judge of the superior court, regular or special, shall receive the annual salary set forth in the Current Operations Appropriations Act, and in addition shall be paid the same travel allowance as State employees generally by G.S. 138-6(a)(1) and (2), provided that no travel allowance be paid for travel within his county of residence. ~~In addition, a judge of the superior court shall be allowed seven thousand dollars ($7,000) per year, payable monthly, in lieu of necessary subsistence expenses while attending court or transacting official business at a place other than in the county of his residence and in lieu of other professional expenses incurred in the discharge of his official duties.~~ The Administrative Officer of the Courts may also reimburse superior court judges, in addition to the above funds for ~~travel and subsistence,~~ travel, for travel and subsistence expenses incurred for professional education."

CLARIFY THAT DWI TREATMENT COURTS ARE A TYPE OF DRUG TREATMENT COURT UNDER THE DRUG TREATMENT COURT ACT

SECTION 15.11. G.S. 7A-791 reads as rewritten:

"**§ 7A-791. Purpose.**

The General Assembly recognizes that a critical need exists in this State for judicial programs that will reduce the incidence of alcohol and other drug abuse or dependence and crimes, including the offense of driving while impaired, delinquent acts, and child abuse and neglect committed as a result of alcohol and other drug abuse or dependence, and child abuse and neglect where alcohol and other drug abuse or dependence are significant factors in the child abuse and neglect. It is the intent of the General Assembly by this Article to create a program to facilitate the creation of local drug treatment court ~~programs.~~ programs and driving while impaired (DWI) treatment court programs."

OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION FUNDS

SECTION 15.12. The Judicial Department, Office of Indigent Defense Services, may use up to the sum of two million five hundred one thousand one hundred fifty dollars ($2,501,150) in appropriated funds during the 2009-2010 fiscal year and up to the sum of two million four hundred thirty-three thousand seven hundred dollars ($2,433,700) in appropriated funds during the 2010-2011 fiscal year for the expansion of existing or new public defender offices currently providing legal services to the indigent population under the oversight of the Office of Indigent Defense Services by creating up to 20 new attorney positions and 10 new support staff positions. These funds may be used for salaries, benefits, equipment, and related expenses. Prior to using funds for this purpose, the Office of Indigent Defense Services shall report to the Chairs of the House of Representatives and the Senate Appropriations Subcommittees on Justice and Public Safety on the proposed expansion.

OFFICE OF INDIGENT DEFENSE SERVICES REPORT

SECTION 15.13.(a) The Office of Indigent Defense Services 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 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, including any recommendations concerning the feasibility and desirability of establishing regional public defender offices.

SECTION 15.13.(b) In its March 1, 2010 report, the Office of Indigent Defense Services shall provide a progress report on the pilot program for alternative scheduling authorized by Section 14.1 of S.L. 2008-107. In its March 1, 2011 report, the Office of Indigent Defense Services shall provide a final report on that pilot program.

SECTION 15.13.(c) In its March 1, 2010 report, the Office of Indigent Defense Services shall provide a progress report on the feasibility study directed by Section 14.7 of S.L. 2008-107 on developing a statewide system for obtaining indigent case information when counsel is first appointed. In its March 1, 2011 report, the Office of Indigent Defense Services shall provide a final report on that feasibility study.

INDIGENT DEFENSE SERVICES/STATE MATCH FOR GRANTS

SECTION 15.14. Notwithstanding G.S. 143C-6-9, the Office of Indigent Defense Services may use the sum of up to fifty thousand dollars ($50,000) from funds available to provide the State matching funds needed to receive grant funds. Prior to using funds for this purpose, the Office shall report to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds.

OFFICE OF INDIGENT DEFENSE SERVICES FLEXIBILITY

SECTION 15.15. Notwithstanding the provisions of G.S. 143C-6-9, in implementing reductions to the 2009-2011 budget for legal training and resources, the Office of Indigent Defense Services may use available funds as needed for registration fees, academic services, travel, and book purchases.

SENTENCING SERVICES FLEXIBILITY

SECTION 15.16. In implementing the reduction to Sentencing Services' budget, the Director of the Office of Indigent Defense Services may close programs in certain districts in the State based on current and historical performance, local support and interest, the amount of funding to be saved, and other relevant factors. The Director may choose not to contract with certain nonprofit programs or to eliminate certain State-funded programs and associated positions.

STUDY STRATEGIES TO REDUCE DEMAND FOR SERVICES OF OFFICE OF INDIGENT DEFENSE SERVICES

SECTION 15.17. The Office of Indigent Defense Services shall consult with the Administrative Office of the Courts, the Conference of District Attorneys, the North Carolina Sentencing and Policy Advisory Commission, and other court system actors in formulating proposals aimed at reducing future costs, including the possibility of decriminalizing minor misdemeanor offenses for which jail sentences are rarely or never imposed and improving the manner in which potentially capital cases are screened and processed. The Office shall include any proposals in its reports during the 2009-2011 fiscal biennium.

NEW FEE FOR COSTS OF SHERIFFS' EDUCATION AND TRAINING STANDARDS COMMISSION AND THE CRIMINAL JUSTICE EDUCATION AND TRAINING STANDARDS COMMISSION

SECTION 15.18. G.S. 7A-304 is amended by adding a new subsection to read:

"(3b) For the services, staffing, and operations of the Criminal Justice Education and Standards Commission and the Sheriffs' Education and Training Standards Commission, the sum of two dollars ($2.00) to be remitted to the Department of Justice. One dollar and sixty-five cents ($1.65) of this sum shall be used exclusively for the Criminal Justice Education and Standards Commission, and thirty-five cents (35¢) shall be used exclusively for the Sheriffs' Education and Training Standards Commission."

INCREASE CONVICTED CRIMINAL LAB ANALYSIS FEE

SECTION 15.19.(a) G.S. 7A-304(a)(7) reads as rewritten:

"(7) For the services of the State Bureau of Investigation laboratory facilities, the district or superior court judge shall, upon conviction, order payment of the sum of ~~three hundred dollars ($300.00)~~six hundred dollars ($600.00) to be remitted to the Department of Justice for support of the State Bureau of Investigation. This cost shall be assessed only in cases in which, as part of the investigation leading to the defendant's conviction, the laboratories have performed DNA analysis of the crime, tests of bodily fluids of the defendant for the presence of alcohol or controlled substances, or analysis of any controlled substance possessed by the defendant or the defendant's agent. The court may waive or reduce the amount of the payment required by this subdivision upon a finding of just cause to grant such a waiver or reduction."

SECTION 15.19.(b) G.S. 7A-304(a)(8) reads as rewritten:

"(8) For the services of any crime laboratory facility operated by a local government or group of local governments, the district or superior court judge shall, upon conviction, order payment of the sum of ~~three hundred dollars ($300.00)~~ six hundred dollars ($600.00) to be remitted to the general fund of the local governmental unit that operates the laboratory to be used for law enforcement purposes. The cost shall be assessed only in cases in which, as part of the investigation leading to the defendant's conviction, the

laboratory has performed DNA analysis of the crime, test of bodily fluids of the defendant for the presence of alcohol or controlled substances, or analysis of any controlled substance possessed by the defendant or the defendant's agent. The costs shall be assessed only if the court finds that the work performed at the local government's laboratory is the equivalent of the same kind of work performed by the State Bureau of Investigation under subdivision (7) of this subsection. The court may waive or reduce the amount of the payment required by this subdivision upon a finding of just cause to grant such a waiver or reduction."

INCREASE CERTAIN COURT FEES

SECTION 15.20.(a) G.S. 7A-304(a) reads as rewritten:

"(a) In every criminal case in the superior or district court, wherein the defendant is convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the prosecuting witness, the following costs shall be assessed and collected, except that when the judgment imposes an active prison sentence, costs shall be assessed and collected only when the judgment specifically so provides, and that no costs may be assessed when a case is dismissed.

(1) For each arrest or personal service of criminal process, including citations and subpoenas, the sum of five dollars ($5.00), to be remitted to the county wherein the arrest was made or process was served, except that in those cases in which the arrest was made or process served by a law-enforcement officer employed by a municipality, the fee shall be paid to the municipality employing the officer.

(2) For the use of the courtroom and related judicial facilities, the sum of twelve dollars ($12.00) in the district court, including cases before a magistrate, and the sum of thirty dollars ($30.00) in superior court, to be remitted to the county in which the judgment is rendered. In all cases where the judgment is rendered in facilities provided by a municipality, the facilities fee shall be paid to the municipality. Funds derived from the facilities fees shall be used exclusively by the county or municipality for providing, maintaining, and constructing adequate courtroom and related judicial facilities, including: adequate space and furniture for judges, district attorneys, public defenders and other personnel of the Office of Indigent Defense Services, magistrates, juries, and other court related personnel; office space, furniture and vaults for the clerk; jail and juvenile detention facilities; free parking for jurors; and a law library (including books) if one has heretofore been established or if the governing body hereafter decides to establish one. In the event the funds derived from the facilities fees exceed what is needed for these purposes, the county or municipality may, with the approval of the Administrative Officer of the Courts as to the amount, use any or all of the excess to retire outstanding indebtedness incurred in the construction of the facilities, or to reimburse the county or municipality for funds expended in constructing or renovating the facilities (without incurring any indebtedness) within a period of two years before or after the date a district court is established in such county, or to supplement the operations of the General Court of Justice in the county.

(2a) For the upgrade, maintenance, and operation of the judicial and county courthouse phone systems, the sum of ~~one dollar ($1.00),~~ three dollars ($3.00), to be credited to the Court Information Technology Fund.

(3) For the retirement and insurance benefits of both State and local government law-enforcement officers, the sum of six dollars and twenty-five cents ($6.25), to be remitted to the State Treasurer. Fifty cents (50¢) of this sum shall be administered as is provided in Article 12C of Chapter 143 of the General Statutes. Five dollars and seventy-five cents ($5.75) of this sum shall be administered as is provided in Article 12E of Chapter 143 of the General Statutes, with one dollar and twenty-five cents ($1.25) being administered in accordance with the provisions of G.S. 143-166.50(e).

(3a) For the supplemental pension benefits of sheriffs, the sum of one dollar twenty-five cents ($1.25) to be remitted to the Department of Justice and administered under the provisions of Article 12G of Chapter 143 of the General Statutes.

(4) For support of the General Court of Justice, the sum of ~~ninety-five dollars and fifty cents ($95.50)~~ one hundred three dollars ($103.00) in the district court, including cases before a magistrate, and the sum of ~~one hundred two dollars and fifty cents ($102.50)~~ one hundred fifteen dollars ($115.00) in the superior court, to be remitted to the State Treasurer. For a person convicted of a felony in superior court who has made a first appearance in district court, both the district court and superior court fees shall be assessed. The State Treasurer shall remit the sum of two dollars and five cents ($2.05) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4, and ninety-five cents ($.95) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.19.

(4a) For support of the General Court of Justice, the sum of five dollars ($5.00) for all offenses arising under Chapter 20 of the General Statutes, to be remitted to the State Treasurer.

(5) For using pretrial release services, the district or superior court judge shall, upon conviction, impose a fee of fifteen dollars ($15.00) to be remitted to the county providing the pretrial release services. This cost shall be assessed and collected only if the defendant had been accepted and released to the supervision of the agency providing the pretrial release services.

(6) For support of the General Court of Justice, the sum of ~~one hundred dollars ($100.00)~~ two hundred dollars ($200.00) is payable by a defendant who fails to appear to answer the charge as scheduled, unless within 20 days after the scheduled appearance, the person either appears in court to answer the charge or disposes of the charge pursuant to G.S. 7A-146. Upon a showing to the court that the defendant failed to appear because of an error or omission of a judicial official, a prosecutor, or a law-enforcement officer, the court shall waive this fee. This fee shall be remitted to the State Treasurer.

(7) For the services of the State Bureau of Investigation laboratory facilities, the district or superior court judge shall, upon conviction, order payment of the sum of three hundred dollars ($300.00) to be remitted to the Department of Justice for support of the State Bureau of Investigation. This cost shall be assessed only in cases in which, as part of the investigation leading to the defendant's conviction, the laboratories have performed DNA analysis of the crime, tests of bodily fluids of the defendant for the presence of alcohol or controlled substances, or analysis of any controlled substance possessed by the defendant or the defendant's agent. The court may waive or reduce the amount of the payment required by this subdivision upon a finding of just cause to grant such a waiver or reduction.

(8) For the services of any crime laboratory facility operated by a local government or group of local governments, the district or superior court judge shall, upon conviction, order payment of the sum of three hundred dollars ($300.00) to be remitted to the general fund of the local governmental unit that operates the laboratory to be used for law enforcement purposes. The cost shall be assessed only in cases in which, as part of the investigation leading to the defendant's conviction, the laboratory has performed DNA analysis of the crime, test of bodily fluids of the defendant for the presence of alcohol or controlled substances, or analysis of any controlled substance possessed by the defendant or the defendant's agent. The costs shall be assessed only if the court finds that the work performed at the local government's laboratory is the equivalent of the same kind of work performed by the State Bureau of Investigation under subdivision (7) of this subsection. The court may waive or reduce the amount of the payment required by this subdivision upon a finding of just cause to grant such a waiver or reduction."

SECTION 15.20.(b) Effective July 1, 2010, G.S. 7A-304(a), as rewritten by subsection (a) of this section, reads as rewritten:

"(a) In every criminal case in the superior or district court, wherein the defendant is convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the prosecuting witness, the following costs shall be assessed and collected, except that when the judgment imposes an active prison sentence, costs shall be assessed and collected only when the judgment specifically so provides, and that no costs may be assessed when a case is dismissed.

(1) For each arrest or personal service of criminal process, including citations and subpoenas, the sum of five dollars ($5.00), to be remitted to the county wherein the arrest was made or process was served, except that in those cases in which the arrest was made or process served by a law-enforcement officer employed by a municipality, the fee shall be paid to the municipality employing the officer.

(2) For the use of the courtroom and related judicial facilities, the sum of twelve dollars ($12.00) in the district court, including cases before a magistrate, and the sum of thirty dollars ($30.00) in superior court, to be remitted to the county in which the judgment is rendered. In all cases where the judgment is rendered in facilities provided by a municipality, the facilities fee shall be paid to the municipality. Funds derived from the facilities fees shall be used exclusively by the county or municipality for providing, maintaining, and constructing adequate courtroom and related judicial facilities, including: adequate space and furniture for judges, district attorneys, public defenders and other personnel of the Office of Indigent Defense Services, magistrates, juries, and other court related personnel; office space, furniture and vaults for the clerk; jail and juvenile detention facilities; free parking for jurors; and a law library (including books) if one has heretofore been established or if the governing body hereafter decides to establish one. In the event the funds derived from the facilities fees exceed what is needed for these purposes, the county or municipality may, with the approval of the Administrative Officer of the Courts as to the amount, use any or all of the excess to retire outstanding indebtedness incurred in the construction of the facilities, or to reimburse the county or municipality for funds expended in constructing or renovating the facilities (without incurring any indebtedness) within a period of two years before or after the date a district court is established in such

county, or to supplement the operations of the General Court of Justice in the county.

(2a) For the upgrade, maintenance, and operation of the judicial and county courthouse phone systems, the sum of ~~three dollars ($3.00),~~ four dollars ($4.00), to be credited to the Court Information Technology Fund.

(3) For the retirement and insurance benefits of both State and local government law-enforcement officers, the sum of six dollars and twenty-five cents ($6.25), to be remitted to the State Treasurer. Fifty cents (50¢) of this sum shall be administered as is provided in Article 12C of Chapter 143 of the General Statutes. Five dollars and seventy-five cents ($5.75) of this sum shall be administered as is provided in Article 12E of Chapter 143 of the General Statutes, with one dollar and twenty-five cents ($1.25) being administered in accordance with the provisions of G.S. 143-166.50(e).

(3a) For the supplemental pension benefits of sheriffs, the sum of one dollar twenty-five cents ($1.25) to be remitted to the Department of Justice and administered under the provisions of Article 12G of Chapter 143 of the General Statutes.

(4) For support of the General Court of Justice, the sum of ~~one hundred three dollars ($103.00)~~ one hundred five dollars ($105.00) in the district court, including cases before a magistrate, and the sum of ~~one hundred fifteen dollars ($115.00)~~ one hundred thirty-five dollars ($135.00) in the superior court, to be remitted to the State Treasurer. For a person convicted of a felony in superior court who has made a first appearance in district court, both the district court and superior court fees shall be assessed. The State Treasurer shall remit the sum of two dollars and five cents ($2.05) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4, and ninety-five cents ($.95) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.19.

(4a) For support of the General Court of Justice, the sum of ~~five dollars ($5.00)~~ ten dollars ($10.00) for all offenses arising under Chapter 20 of the General Statutes, to be remitted to the State Treasurer.

(5) For using pretrial release services, the district or superior court judge shall, upon conviction, impose a fee of fifteen dollars ($15.00) to be remitted to the county providing the pretrial release services. This cost shall be assessed and collected only if the defendant had been accepted and released to the supervision of the agency providing the pretrial release services.

(6) For support of the General Court of Justice, the sum of two hundred dollars ($200.00) is payable by a defendant who fails to appear to answer the charge as scheduled, unless within 20 days after the scheduled appearance, the person either appears in court to answer the charge or disposes of the charge pursuant to G.S. 7A-146. Upon a showing to the court that the defendant failed to appear because of an error or omission of a judicial official, a prosecutor, or a law-enforcement officer, the court shall waive this fee. This fee shall be remitted to the State Treasurer.

(7) For the services of the State Bureau of Investigation laboratory facilities, the district or superior court judge shall, upon conviction, order payment of the sum of three hundred dollars ($300.00) to be remitted to the Department of Justice for support of the State Bureau of Investigation. This cost shall be assessed only in cases in which, as part of the investigation leading to the defendant's conviction, the laboratories have performed DNA analysis of the

crime, tests of bodily fluids of the defendant for the presence of alcohol or controlled substances, or analysis of any controlled substance possessed by the defendant or the defendant's agent. The court may waive or reduce the amount of the payment required by this subdivision upon a finding of just cause to grant such a waiver or reduction.

(8) For the services of any crime laboratory facility operated by a local government or group of local governments, the district or superior court judge shall, upon conviction, order payment of the sum of three hundred dollars ($300.00) to be remitted to the general fund of the local governmental unit that operates the laboratory to be used for law enforcement purposes. The cost shall be assessed only in cases in which, as part of the investigation leading to the defendant's conviction, the laboratory has performed DNA analysis of the crime, test of bodily fluids of the defendant for the presence of alcohol or controlled substances, or analysis of any controlled substance possessed by the defendant or the defendant's agent. The costs shall be assessed only if the court finds that the work performed at the local government's laboratory is the equivalent of the same kind of work performed by the State Bureau of Investigation under subdivision (7) of this subsection. The court may waive or reduce the amount of the payment required by this subdivision upon a finding of just cause to grant such a waiver or reduction."

SECTION 15.20.(c) G.S. 7A-304 is amended by adding a new subsection to read:

"(f) Defendants owing costs under this section may either make payment in full when costs are assessed or may make payment on an installment plan arranged with the court. Defendants making use of an installment plan shall pay a onetime setup fee of twenty dollars ($20.00) to cover the additional costs to the court of receiving and disbursing installment payments. Notwithstanding the provisions of G.S. 7A-304(d)(1), the setup fee authorized by this subsection shall be paid prior to the disbursement of funds for any other purpose. Fees collected under this section shall be remitted to the State Treasurer for support of the General Court of Justice."

SECTION 15.20.(d) G.S. 7A-305(a) reads as rewritten:

"(a) In every civil action in the superior or district court, except for actions brought under Chapter 50B of the General Statutes, shall be assessed:

(1) For the use of the courtroom and related judicial facilities, the sum of twelve dollars ($12.00) in cases heard before a magistrate, and the sum of sixteen dollars ($16.00) in district and superior court, to be remitted to the county in which the judgment is rendered, except that in all cases in which the judgment is rendered in facilities provided by a municipality, the facilities fee shall be paid to the municipality. Funds derived from the facilities fees shall be used in the same manner, for the same purposes, and subject to the same restrictions, as facilities fees assessed in criminal actions.

(1a) For the upgrade, maintenance, and operation of the judicial and county courthouse phone systems, the sum of ~~one dollar ($1.00),~~ three dollars ($3.00), to be credited to the Court Information Technology Fund.

(2) For support of the General Court of Justice, the sum of ~~ninety-three dollars ($93.00)~~ one hundred thirty dollars ($130.00) in the superior court, except that if a case is assigned to a special superior court judge as a complex business case under G.S. 7A-45.3, an additional two hundred dollars ($200.00) shall be paid upon its assignment, and the sum of ~~seventy-three dollars ($73.00)~~ seventy-eight dollars ($78.00) in the district court except that if the case is assigned to a magistrate the sum shall be ~~sixty-three dollars~~

~~($63.00).~~ fifty-five dollars ($55.00). Sums collected under this subdivision shall be remitted to the State Treasurer. The State Treasurer shall remit the sum of two dollars and five cents ($2.05) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4, and ninety-five cents ($.95) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.19."

SECTION 15.20.(e) Effective July 1, 2010, G.S. 7A-305(a), as rewritten by subsection (d) of this section, reads as rewritten:

"(a) In every civil action in the superior or district court, except for actions brought under Chapter 50B of the General Statutes, shall be assessed:

(1) For the use of the courtroom and related judicial facilities, the sum of twelve dollars ($12.00) in cases heard before a magistrate, and the sum of sixteen dollars ($16.00) in district and superior court, to be remitted to the county in which the judgment is rendered, except that in all cases in which the judgment is rendered in facilities provided by a municipality, the facilities fee shall be paid to the municipality. Funds derived from the facilities fees shall be used in the same manner, for the same purposes, and subject to the same restrictions, as facilities fees assessed in criminal actions.

(1a) For the upgrade, maintenance, and operation of the judicial and county courthouse phone systems, the sum of ~~three dollars ($3.00),~~ four dollars ($4.00), to be credited to the Court Information Technology Fund.

(2) For support of the General Court of Justice, the sum of ~~one hundred thirty dollars ($130.00)~~ one hundred forty dollars ($140.00) in the superior court, except that if a case is assigned to a special superior court judge as a complex business case under G.S. 7A-45.3, an additional two hundred dollars ($200.00) shall be paid upon its assignment, and the sum of ~~seventy-eight dollars ($78.00)~~ eighty dollars ($80.00) in the district court except that if the case is assigned to a magistrate the sum shall be fifty-five dollars ($55.00). Sums collected under this subdivision shall be remitted to the State Treasurer. The State Treasurer shall remit the sum of two dollars and five cents ($2.05) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4, and ninety-five cents ($.95) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.19."

SECTION 15.20.(f) G.S. 7A-306(a)(1a) reads as rewritten:

"(1a) For the upgrade, maintenance, and operation of the judicial and county courthouse phone systems, the sum of ~~one dollar ($1.00),~~ three dollars ($3.00), to be credited to the Court Information Technology Fund."

SECTION 15.20.(g) Effective July 1, 2010, G.S. 7A-306(a)(1a), as amended by subsection (f) of this section, reads as rewritten:

"(1a) For the upgrade, maintenance, and operation of the judicial and county courthouse phone systems, the sum of ~~three dollars ($3.00),~~ four dollars ($4.00), to be credited to the Court Information Technology Fund."

SECTION 15.20.(h) G.S. 7A-307(a)(1a) reads as rewritten:

"(1a) For the upgrade, maintenance, and operation of the judicial and county courthouse phone systems, the sum of ~~one dollar ($1.00),~~ three dollars ($3.00), to be credited to the Court Information Technology Fund."

SECTION 15.20.(i) Effective July 1, 2010, G.S. 7A-307(a)(1a), as amended by subsection (h) of this section, reads as rewritten:

"(1a) For the upgrade, maintenance, and operation of the judicial and county courthouse phone systems, the sum of ~~three dollars ($3.00),~~ four dollars ($4.00), to be credited to the Court Information Technology Fund."

SECTION 15.20.(j) G.S. 20-135.2A(e) reads as rewritten:

"(e) Any driver or front seat passenger who fails to wear a seat belt as required by this section shall have committed an infraction and shall pay a penalty of twenty-five dollars ($25.00) plus court ~~costs in the sum of seventy-five dollars ($75.00).~~ costs. Any rear seat occupant of a vehicle who fails to wear a seat belt as required by this section shall have committed an infraction and shall pay a penalty of ten dollars ($10.00) and no court costs. ~~Court costs assessed under this section are for the support of the General Court of Justice and shall be remitted to the State Treasurer.~~ Conviction of an infraction under this section has no other consequence."

SECTION 15.20.(k) G.S. 20-140.4 reads as rewritten:

"**§ 20-140.4. Special provisions for motorcycles and mopeds.**

(a) No person shall operate a motorcycle or moped upon a highway or public vehicular area:

(1) When the number of persons upon such motorcycle or moped, including the operator, shall exceed the number of persons which it was designed to carry.

(2) Unless the operator and all passengers thereon wear on their heads, with a retention strap properly secured, safety helmets of a type that complies with Federal Motor Vehicle Safety Standard (FMVSS) 218.

(b) Violation of any provision of this section shall not be considered negligence per se or contributory negligence per se in any civil action.

(c) Any person convicted of violating this section shall have committed an infraction and shall ~~be fined according to G.S. 20-135.2A(e) and (f).~~ pay a penalty of twenty-five dollars ($25.00) plus court costs. Conviction of an infraction under this section has no other consequence.

(d) No drivers license points or insurance surcharge shall be assessed on account of violation of this section."

SECTION 15.20.(l) Subsections (a), (j), and (k) of this section become effective July 1, 2009, and apply to all costs assessed or collected on or after that date, except that in misdemeanor or infraction cases disposed of on or after that date by written appearance, waiver of trial or hearing, and plea of guilt or admission of responsibility pursuant to G.S. 7A-180(4) or G.S. 7A-273(2), in which the citation or other criminal process was issued before that date, the cost shall be the lesser of those specified in G.S. 7A-304(a), as amended by subsection (a) of this section, or those specified in the notice portion of the defendant's or respondent's copy of the citation or other criminal process, if any costs are specified in that notice.

Subsection (b) of this section becomes effective July 1, 2010, and applies to all costs assessed or collected on or after that date, except that in misdemeanor or infraction cases disposed of on or after that date by written appearance, waiver of trial or hearing, and plea of guilt or admission of responsibility pursuant to G.S. 7A-180(4) or G.S. 7A-273(2), in which the citation or other criminal process was issued before that date, the cost shall be the lesser of those specified in G.S. 7A-304(a), as amended by subsection (b) of this section, or those specified in the notice portion of the defendant's or respondent's copy of the citation or other criminal process, if any costs are specified in that notice.

Subsections (e), (g), and (i) of this section become effective July 1, 2010, and apply to fees assessed or collected on or after that date. The remainder of this section becomes effective July 1, 2009, and applies to fees assessed or collected on or after that date.

PART XVI. DEPARTMENT OF JUSTICE

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

SECTION 16.1. 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.

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

SECTION 16.2.(a) Assets transferred to the Departments of Justice, Correction, and Crime Control and Public Safety during the 2009-2011 fiscal 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 16.2.(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 16.2.(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.

CERTAIN LITIGATION EXPENSES TO BE PAID BY CLIENTS

SECTION 16.3. 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.

NC LEGAL EDUCATION ASSISTANCE FOUNDATION REPORT ON FUNDS DISBURSED

SECTION 16.4. The North Carolina Legal Education Assistance Foundation shall report by March 1 of each year to the Joint Legislative Commission on Governmental Operations and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety on the expenditure of State funds, the purpose of the expenditures, the number of attorneys receiving funds, the average award amount, the average student loan amount, the number of attorneys on the waiting list, and the average number of years for which attorneys receive loan assistance.

HIRING OF SWORN STAFF POSITIONS FOR THE STATE BUREAU OF INVESTIGATION

SECTION 16.5. The Department of Justice may hire sworn personnel to fill vacant positions in the State Bureau of Investigation only in the following circumstances: (i) the position's regular responsibilities involve warrant executions, property searches, criminal investigations, or arrest activities that are consistent in frequency with the responsibilities of other sworn agents; (ii) the position is a promotion for a sworn agent who was employed at the

State Bureau of Investigation prior to July 1, 2007; (iii) the position is a forensic drug chemist position which requires "responding to clandestine methamphetamine laboratories" as a primary duty; (iv) the position is a forensic impressions analyst position which requires "responding to clandestine methamphetamine laboratories" as a primary duty; or (v) the position primarily involves supervising sworn personnel.

REDUCE DEPARTMENT SHARE OF PAYMENT FOR JUDGMENTS AGAINST COUNTY AND CITY BOARDS OF EDUCATION

SECTION 16.6.(a) G.S. 143-300.1(c) reads as rewritten:

"(c) In the event ~~that~~ of settlement pursuant to G.S. 143-295 or in the event the Industrial Commission awards damages against any county or city board of education under this section, the Attorney General shall draw a voucher for the amount required to pay the award. The funds necessary to cover ~~the first one hundred fifty thousand dollars ($150,000) of liability per claim~~ the liability for claims against county and city boards of education for accidents involving school buses and school transportation service vehicles shall be made available from funds appropriated to the State Board of ~~Education. The balance of any liability owed shall be paid in accordance with G.S. 143-299.4.~~ Education for that purpose. On January 1 and June 1 of each year, each county and city board of education shall pay the State Board of Education an amount equal to fifty percent (50%) of the damages paid by the State Board of Education pursuant to this subsection during the preceding six months. These receipts shall be used to offset fifty percent (50%) of the costs incurred by the State Board of Education pursuant to this subsection. Neither the county or city boards of education, or the county or city administrative unit shall be liable for the payment of any award made pursuant to the provisions of this section in excess of the amount paid upon a voucher by the Attorney General. Settlement and payment may be made by the Attorney General as provided in G.S. 143-295."

SECTION 16.6.(b) G.S. 143-300.1(d) reads as rewritten:

"(d) Except as otherwise provided in this subsection, the Attorney General may, upon the request of an employee or former employee, defend any civil action brought against the driver, transportation safety assistant, or monitor of a public school bus or school transportation service vehicle or school bus maintenance mechanic when the driver or mechanic is employed and paid by the local school administrative unit, when the monitor is acting in accordance with G.S. 115C-245(d), when the transportation safety assistant is acting in accordance with G.S. 115C-245(e), or when the driver is an unpaid school bus driver trainee under the supervision of an authorized employee of the Department of Transportation, Division of Motor Vehicles, or an authorized employee of a county or city board of education or administrative unit. The Attorney General may afford this defense through the use of a member of his staff or, in his discretion, employ private counsel. The Attorney General is authorized to pay any judgment rendered in the civil action not to exceed the limit provided under the Tort Claims Act. The funds necessary to cover ~~the first one hundred fifty thousand dollars ($150,000) of liability per claim~~the liability shall be made available from funds appropriated to the State Board of ~~Education. The balance of any liability owed shall be paid in accordance with G.S. 143-299.4.~~ Education for that purpose. On January 1 and June 1 of each year, each county and city board of education shall pay the State Board of Education an amount equal to fifty percent (50%) of the damages paid by the State Board of Education pursuant to this subsection during the preceding six months. These receipts shall be used to offset fifty percent (50%) of the costs incurred by the State Board of Education pursuant to this subsection. The Attorney General may compromise and settle any claim covered by this section to the extent that he finds the same to be valid, up to the limit provided in the Tort Claims Act, provided that the authority granted in this subsection shall be limited to only those claims that would be within the jurisdiction of the Industrial Commission under the Tort Claims Act.

The Attorney General shall refuse to provide for the defense of a civil action or proceeding brought against an employee or former employee if the Attorney General determines that:

(1) The act or omission was not within the scope and course of his employment as a State employee; or

(2) The employee or former employee acted or failed to act because of actual fraud, corruption, or actual malice on his part; or

(3) Defense of the action or proceeding by the State would create a conflict of interest between the State and the employee or former employee; or

(4) Defense of the action or proceeding would not be in the best interests of the State."

PART XVII. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY

REPORT ON THE USE OF ILLEGAL IMMIGRATION PROJECT FUNDS

SECTION 17.1. No later than March 1, 2010, the North Carolina Sheriffs' Association, Inc., shall submit a report to the Chairs of the House and Senate Appropriations Committees and the Chairs of the House and Senate Appropriations Subcommittees on Justice and Public Safety on the operations and effectiveness of the Illegal Immigration Project. The report shall include all of the following:

(1) An overview of the program.

(2) The program budget.

(3) A summary of work done with funds received, which shall include the following information:

a. The total number of law enforcement agencies that received funding from the program for officer training.

b. The total number of officers trained.

c. The total number of training sessions administered.

d. Copies of educational/informational materials distributed.

(4) Recommendations on ways that federal, State, and local resources can be used to further improve the effectiveness of the Illegal Immigration Project and other immigration enforcement initiatives.

ABOLISH BUTNER PUBLIC SAFETY DIVISION

SECTION 17.2.(a) G.S. 122C-408 is repealed.

SECTION 17.2.(b) Beginning on the effective date of this act, the Town of Butner shall provide fire and police protection within its incorporated limits. The service required by this section shall be at least the same level of service that the Town of Butner was previously provided pursuant to contract with the Department of Crime Control and Public Safety.

SECTION 17.2.(c) The Charter of the Town of Butner, as enacted by Section 1 of S.L. 2007-269, is amended by adding a new Article to read:

"ARTICLE IX. POLICE DEPARTMENT.

"Section 9.1. **Appointment; Powers; and Duties of Chief of Police and Police Officers.**

(a) Chief. The Mayor shall appoint the Chief of Police. The Chief of Police shall have immediate direction and control of the Police Department, subject to the supervision of the Mayor, and to such rules, regulations, and orders as the Mayor may prescribe.

(b) General Powers. The Chief of Police and each member of the police force shall have, for the purpose of enforcing Town ordinances and regulations, or preserving the peace of the Town, and of suppressing disturbances, and apprehending offenders, the powers of peace officers vested in sheriffs and constables.

(c) Public Peace. The Chief of Police and other police officers of the Town shall have the power, and it shall be their duty, to suppress all breaches of the public peace, and all

disturbances of the quiet and good order of the Town, and they may, with or without warrant, arrest, anywhere within the corporate limits of the Town, or within one mile thereof, any person charged with the violation of any ordinance of the Town, or with any other offense whatsoever against the public peace, and the quiet and good order of the community.

(d) Other Duties. In addition to the foregoing, the Chief of Police and other police officers shall perform such other duties as may from time to time be prescribed by the Mayor not inconsistent with the Constitution and laws of the State of North Carolina and the provisions of this Charter.

"Section 9.2. **Police Emergency Lines.** The Chief of Police or other police officer in charge at the scene of a parade, accident, disturbance, crime scene, natural or artificial disaster, or emergency, or any large gathering of people shall have authority to provide barricades, ropes, signs, or other means of restraint, and it shall be unlawful for any person other than a law enforcement officer, firefighter, or other person having official business at the scene to cross such a line without express permission of the police officer at the scene."

SECTION 17.2.(d) The Charter of the Town of Butner, as enacted by Section 1 of S.L. 2007-269, is amended by adding a new Article to read:

"ARTICLE X. FIRE DEPARTMENT.

"Section 10.1. **Appointment; Powers; and Duties of Fire Chief.**

(a) Appointment; General Authority. The Mayor shall appoint a Fire Chief. The Fire Chief shall have immediate direction and control of the Fire Department, subject to the supervision of the Mayor and to such rules, regulations, and orders as the Mayor may prescribe.

(b) Destroying Property at Fires. The Fire Chief, and in the Fire Chief's absence, any assistant, may order the blowing up, tearing down, or other destruction of any building when it is deemed necessary to stop the progress of a fire. No person shall be held liable, civilly or criminally, for acting in obedience to their orders, nor shall the Fire Chief or any assistant, the Town, the Mayor, or the Town Council be held liable, civilly or criminally, for the giving of such orders or for damages to property ordered destroyed.

(c) Fire, etc., Emergency Lines. The Chief of Police or other police officer, or the Fire Chief or any assistant, in charge at the scene of a fire, accident, disturbance, natural or artificial disaster or emergency, or any large gathering of people shall have authority to provide barricades, ropes, signs, or other means of restraint, and it shall be unlawful for any person other than a law enforcement officer, firefighter, or other person having official business at the scene to cross such a line without express permission of the person in charge at the scene.

(d) Other Duties. The Fire Chief and other firefighters shall perform such other duties in addition to those provided in this Charter as may be prescribed by law or Town ordinances, or that may from time to time be prescribed by the Mayor."

SECTION 17.2.(e) G.S. 122C-414 is repealed.

SECTION 17.2.(f) G.S. 143-341(8)i.3. reads as rewritten:

"3. To require on a schedule determined by the Department all State agencies to transfer ownership, custody or control of any or all passenger motor vehicles within the ownership, custody or control of that agency to the Department, except those motor vehicles under the ownership, custody or control of the Highway Patrol or the State Bureau of Investigation which are used primarily for law-enforcement ~~purposes, and except those motor vehicles under the ownership, custody or control of the Department of Crime Control and Public Safety for Butner Public Safety which are used primarily for law-enforcement, fire, or emergency~~ purposes."

SECTION 17.2.(g) G.S. 160A-288(d)(4) is repealed.

SECTION 17.2.(h) G.S. 160A-288.2(d)(3) is repealed.

SECTION 17.2.(i) Subsections 1(a) and 1(b) of Chapter 830 of the 1983 Session Laws, as amended by Section 43.3 of S.L. 2005-276 and Section 14 of S.L. 2007-269, are repealed.

SECTION 17.2.(j) Subsection (i) of this section shall have no effect upon the validity of any liens of the State, Durham County, Granville County, or the Butner Police and Fire Protection District for ad valorem taxes outstanding before the effective date of subsection (i) of this section. Such liens may be collected or foreclosed upon after the effective date of subsection (i) of this section as though the property were still within the corporate limits of the District.

TRANSFER OF STATE CAPITOL POLICE TO THE DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY

SECTION 17.3.(a) The State Capitol Police is hereby transferred by a Type I transfer, as defined in G.S. 143A-6, from the Department of Administration to the Department of Crime Control and Public Safety.

SECTION 17.3.(b) G.S. 143-340(21) and (22) are repealed.

SECTION 17.3.(c) G.S. 143-341.1 is repealed.

SECTION 17.3.(d) G.S. 143B-475(a) reads as rewritten:

"(a) All functions, powers, duties and obligations heretofore vested in the following subunits of the following departments are hereby transferred to and vested in the Department of Crime Control and Public Safety:

(1) The National Guard, Department of Military and Veterans ~~Affairs;~~Affairs.
(2) Civil Preparedness, Department of Military and Veterans ~~Affairs;~~Affairs.
(3) State Civil Air Patrol, Department of Military and Veterans ~~Affairs;~~Affairs.
(4) State Highway Patrol, Department of ~~Transportation;~~Transportation.
(5) State Board of Alcoholic Control Enforcement Division, Department of ~~Commerce;~~Commerce.
(6) Governor's Crime Commission, Department of Natural and Economic ~~Resources;~~Resources.
(7) Crime Control Division, Department of Natural and Economic ~~Resources;~~Resources.
(8) Criminal Justice Information System Board, Department of Natural and Economic ~~Resources; and~~Resources.
(9) Criminal Justice Information System Security and Privacy Board, Department of Natural and Economic Resources.
(10) The Commercial Vehicle, Oversize/Overweight, Motor Carrier Safety Regulation and Mobile Home and Manufactured Housing regulatory and enforcement functions of the Department of Transportation, Division of Motor Vehicles Enforcement Section.
(11) State Capitol Police, Department of Administration."

SECTION 17.3.(e) G.S. 143B-476(a) reads as rewritten:

"(a) The head of the Department of Crime Control and Public Safety is the Secretary of Crime Control and Public Safety, who shall be known as the Secretary. The Secretary shall have such powers and duties as are conferred on him by this Chapter, delegated to him by the Governor, and conferred on him by the Constitution and laws of this State. These powers and duties include:

(1) Accepting gifts, bequests, devises, grants, matching funds and other considerations from private or governmental sources for use in promoting the work of the Governor's Crime ~~Commission;~~Commission.
(2) Making grants for use in pursuing the objectives of the Governor's Crime ~~Commission;~~Commission.

(3) Adopting rules as may be required by the federal government for federal grants-in-aid for criminal justice purposes and to implement and carry out the regulatory and enforcement duties assigned to the Department of Crime Control and Public Safety as provided by the various commercial vehicle, oversize/overweight, motor carrier safety, motor fuel, and mobile and manufactured home statutes.

(4) Ascertaining the State's duties concerning grants to the State by the Law Enforcement Assistance Administration of the United States Department of Justice, and developing and administering a plan to ensure that the State fulfills its ~~duties; and~~duties.

(5) Administering the Assistance Program for Victims of Rape and Sex Offenses.

(6) Appointing, with the Governor's approval, a special police officer to serve as Director of the State Capitol Police Division."

SECTION 17.3.(f) Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 7. State Capitol Police Division.

"**§ 143B-508. State Capitol Police Division – powers and duties.**

(a) Division Established. – There is hereby established, within the Department of Crime Control and Public Safety, the State Capitol Police Division, which shall be organized and staffed in accordance with applicable laws and regulations and within the limits of authorized appropriations.

(b) Purpose. – The State Capitol Police Division shall serve as a special police agency of the Department of Crime Control and Public Safety. The Director of the State Capitol Police, appointed by the Secretary pursuant to G.S. 143B-476(6), with the approval of the Governor, may appoint as special police officers such reliable persons as he may deem necessary.

(c) Appointment of Officers. – Special police officers appointed pursuant to this section may not exercise the power of arrest until they shall take an oath, to be administered by any person authorized to administer oaths, as required by law.

(d) Jurisdiction of Officers. – Each special police officer of the State Capitol Police shall have the same power of arrest as the police officers of the City of Raleigh. Such authority may be exercised within the same territorial jurisdiction as exercised by the police officers of the City of Raleigh, and in addition thereto the authority of a deputy sheriff may be exercised on property owned, leased, or maintained by the State located in the County of Wake.

(f) Public Safety. – The Director of the State Capitol Police, or the Director's designee, shall exercise at all times those means that, in the opinion of the Director or the designee, may be effective in protecting all State buildings and grounds, except for the State legislative buildings and grounds as defined in G.S. 120-32.1(d), and the persons within those buildings and grounds from fire, bombs, bomb threats, or any other emergency or potentially hazardous conditions, including both the ordering and control of the evacuation of those buildings and grounds. The Director, or the Director's designee, may employ the assistance of other available law enforcement agencies and emergency agencies to aid and assist in evacuations of those buildings and grounds."

STUDY CONSOLIDATION OF LAW ENFORCEMENT AGENCIES

SECTION 17.4. The Office of State Budget and Management shall study the feasibility of consolidating the law enforcement agencies in the executive branch of State government for the purpose of coordinating the activities of these agencies, and reducing duplication and overlapping of law enforcement responsibilities, training, and technical assistance among State law enforcement agencies. The Office of State Budget and

Management shall report its findings and recommendations by February 1, 2010, to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee.

LAW ENFORCEMENT SUPPORT SERVICES FEES

SECTION 17.5. Article 11 of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 7. Law Enforcement Support Services Division.

"**§ 143B-508. Law Enforcement Support Services Division established.**

(a) There is hereby established, within the Department of Crime Control and Public Safety, the Law Enforcement Support Services Division, which shall be organized and staffed in accordance with this Part and within the limits of authorized appropriations.

(b) The Law Enforcement Support Services Division is authorized to perform the following functions:

(1) Manage State, local, and federal programs that facilitate or enable the transfer of technology, goods, and services through programs for excess property, property acquisition, and equipment loans.

(2) Provide central storage and management of evidence according to the provisions of Article 13 of Chapter 15A of the General Statutes and create and maintain a data bank or statewide storage location of postconviction evidence or other similar programs.

(3) Provide central storage and management of rape kits according to the federal Violence Against Women and Department of Justice Reauthorization Act of 2005 with specific protections against release of names of victims providing anonymous or "Jane Doe" rape kits without victim consent.

(4) Acquire, maintain, and control equipment to be loaned to law enforcement agencies for use in undercover investigations and to other agencies for other purposes.

(5) Develop, test, and promulgate innovative and technological solutions for the first responder community.

(c) In order to meet the anticipated costs of administering its functions, the Division is authorized to charge and collect such fees as it may by rule establish. Fees collected under this Section shall be credited to the Division and applied to the cost of administering the program."

INCREASE CHARITABLE BINGO LICENSING FEE

SECTION 17.6. G.S. 14-309.7(a) reads as rewritten:

"(a) An exempt organization may not operate a bingo game at a location without a license. Application for a bingo license shall be made to the Department of Crime Control and Public Safety on a form prescribed by the Department. The Department shall charge an annual application fee of ~~one hundred dollars ($100.00)~~two hundred dollars ($200.00) to defray the cost of issuing bingo licenses and handling bingo audit reports. The fees collected shall be deposited in the General Fund of the State. This license shall expire one year after the granting of the license. This license may be renewed yearly, if the applicant pays the application fee and files an audit with the Department pursuant to G.S. 14-309.11. A copy of the application and license shall be furnished to the local law-enforcement agency in the county or municipality in which the licensee intends to operate before bingo is conducted by the licensee."

INCREASE FEES FOR LICENSING BOXERS AND FOR TICKETS SOLD AT BOXING EVENTS

SECTION 17.7.(a) G.S. 143-655(a) reads as rewritten:

"(a) License Fees. – The Division shall collect the following license fees:

Announcer	$75.00

Contestant	~~$37.50~~$50.00
Judge	$75.00
Manager	$150.00
Matchmaker	$300.00
Promoter	$450.00
Referee	$75.00
Timekeeper	$75.00
Second	~~$37.50.~~$50.00."

SECTION 17.7.(b) G.S. 143-655(b1) reads as rewritten:

"(b1) Admission Fees. – The Division shall collect a fee in the amount of ~~one dollar and fifty cents ($1.50)~~ two dollars ($2.00) per each ticket sold to attend events regulated in this Article."

PART XVIII. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION

ANNUAL EVALUATION OF COMMUNITY PROGRAMS

SECTION 18.1. The Department of Juvenile Justice and Delinquency Prevention shall conduct an evaluation of the Eckerd and Camp Woodson wilderness camp programs and of multipurpose group homes.

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 also shall identify whether the programs are achieving the goals and objectives of the Juvenile Justice Reform Act, S.L. 1998-202. The Department shall report the results of the evaluation to 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 Subcommittees on Justice and Public Safety of the Senate and House of Representatives Appropriations Committees by March 1 of each year.

REPORTS ON CERTAIN PROGRAMS

SECTION 18.2.(a) Project Challenge North Carolina, Inc., shall report to the Department of Juvenile Justice and Delinquency Prevention and 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:

(1) The source of referrals for juveniles.
(2) The types of offenses committed by juveniles participating in the program.
(3) The amount of time those juveniles spend in the program.
(4) The number of juveniles who successfully complete the program.
(5) The number of juveniles who commit additional offenses after completing the program.
(6) The program's budget and expenditures, including all funding sources.

SECTION 18.2.(b) The Juvenile Assessment Center shall report 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 the effectiveness of the Center by April 1 each year. The report 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. In addition, the

report shall include information on the Center's budget and expenditures, including all funding sources.

STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS

SECTION 18.3. Funds appropriated in this act to the Department of Juvenile Justice and Delinquency Prevention for the 2009-2010 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 2009-2010 fiscal year, the amount of funds anticipated for the 2009-2010 fiscal year, and the allocation of funds by program and purpose.

TREATMENT STAFFING MODEL AT YOUTH DEVELOPMENT CENTERS

SECTION 18.4. The Department shall implement the staffing treatment model presented to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee as part of the Department's November 14, 2006, report regarding the joint use with the Department of Correction of the Swannanoa Youth Development Center campus.

The staffing levels of the new youth development centers shall be capped at 66 staff for a 32-bed facility and 198 staff for the 96-bed facility for the 2009-2011 fiscal biennium. Staffing ratios shall be no more than 2.1 staff per every juvenile committed at every other existing youth development center.

ESTABLISHMENT OF A GANG PREVENTION AND INTERVENTION PILOT PROGRAM

SECTION 18.5.(a) As part of the Governor's Comprehensive Gang Initiative, the Department of Juvenile Justice and Delinquency Prevention shall establish a two-year Gang Prevention and Intervention Pilot Program that will focus on youth at risk for gang involvement and those who are already associated with gangs and gang activity. The Department of Juvenile Justice and Delinquency Prevention shall:

(1) Ensure that measurable performance indicators and systems are put in place to evaluate the effectiveness of the pilot program, and

(2) Conduct both process- and outcome-focused evaluations of the pilot program to determine community and institutional impacts of the pilot program pertaining to gang behavior, desistance, and activities. These evaluations may consider the degree of successful implementation of the program and measurable changes in gang-related and gang-affiliated behaviors noted in institutional, court system, communities, and related programs.

SECTION 18.5.(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 and the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on the implementation and continuing operation of the pilot program by April 1 each year. The report shall include information on the number of juveniles served and an evaluation of the

effectiveness of the pilot program. In addition, the report shall include the information set out in subsection (a) of this section.

ELIMINATE SUPPORT OUR STUDENTS PROGRAM

SECTION 18.6. Part 5A of Article 3 of Chapter 143B of the General Statutes is repealed.

JUVENILE CRIME PREVENTION COUNCIL (JCPC) GRANT REPORTING AND CERTIFICATION

SECTION 18.7. On or before October 1 of 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, including:

(1) The amount of the grant awarded.
(2) The membership of the local committee or council administering the award funds on the local level.
(3) The type of program funded.
(4) A short description of the local services, programs, or projects that will receive funds.
(5) Identification of any programs that received grant funds at one time but for which funding has been eliminated by the Department.
(6) The number of at-risk, diverted, and adjudicated juveniles served by each county.
(7) The Department's actions to ensure that county JCPCs prioritize funding for dispositions of intermediate and community-level sanctions for court-adjudicated juveniles under minimum standards adopted by the Department.
(8) The total cost for each funded program, including the cost per juvenile and the essential elements of the program.

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.

PART XIX. DEPARTMENT OF CORRECTION

INMATE ROAD SQUADS AND LITTER CREWS

SECTION 19.1. Of the funds appropriated to the Department of Transportation in this act, the sum of eleven million three hundred thousand dollars ($11,300,000) per year shall be transferred by the Department to the Department of Correction during the 2009-2010 and 2010-2011 fiscal years for the cost of operating medium custody inmate road squads, as authorized by G.S. 148-26.5, and minimum custody inmate litter crews. This transfer shall be made quarterly in the amount of two million eight hundred twenty-five thousand dollars ($2,825,000). The Department of Transportation may use funds appropriated in this act to pay an additional amount exceeding the eleven million three hundred thousand dollars ($11,300,000), 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.

The Office of State Budget and Management shall conduct a study, in consultation with the Department of Correction and the Department of Transportation, to determine the actual cost and cost/benefit of operating medium custody road squads and minimum custody

litter crews. The Office of State Budget and Management shall report the results of this study to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and to the Joint Legislative Transportation Oversight Committee by March 1, 2010. The study shall include a recommendation on whether or not the amount transferred from the Department of Transportation to the Department of Correction for this work is adequate.

FEDERAL GRANT REPORTING

SECTION 19.2. 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 House of Representatives and Senate Appropriations Committees, and the Chairs of the House of Representatives and Senate 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.

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

SECTION 19.3. Notwithstanding G.S. 143C-6-9, the Department of Correction may use funds available to the Department for the 2009-2011 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 House of Representatives and Senate Appropriations Committees, and the Chairs of the House of Representatives and Senate 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.

USE OF CLOSED PRISON FACILITIES

SECTION 19.4.(a) 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 and federal 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 also shall 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.

SECTION 19.4.(b) The Department of Correction shall study the feasibility of establishing probation revocation centers at closed prison facilities. The Department shall consult with counties to explore cost-sharing of these facilities. The Department shall report its findings to the Chairs of the Appropriations Subcommittees on Justice and Public Safety by February 1, 2010.

LIMIT USE OF OPERATIONAL FUNDS

SECTION 19.5. 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 that the Department may establish critical positions prior to 120 days of completion representing no more than twenty percent (20%) of the total estimated number of positions.

CENTER FOR COMMUNITY TRANSITIONS/CONTRACT AND REPORT

SECTION 19.6. The Department of Correction may continue to contract with The Center for Community Transitions, Inc., a nonprofit corporation, for the purchase of prison beds for minimum security female inmates during the 2009-2011 biennium. The Center for Community Transitions, 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.

INMATE MEDICAL COSTS

SECTION 19.7. Notwithstanding the provisions of G.S. 143C-6-9, the Department of Correction may use funds available during the 2009-2011 biennium for the inmate medical program if expenditures are projected to exceed the Department's inmate medical continuation budget. The Department shall consult with the Joint Legislative Commission on Governmental Operations prior to exceeding the continuation budget amount.

PAROLE ELIGIBILITY REPORT/MUTUAL AGREEMENT PAROLE PROGRAM/MEDICAL RELEASE PROGRAM

SECTION 19.8.(a) The Post-Release Supervision and Parole Commission shall, with the assistance of the North Carolina Sentencing and Policy Advisory Commission and the Department of Correction, analyze the amount of time each inmate who is eligible for parole on or before July 1, 2010, has served compared to the time served by offenders under Structured Sentencing for comparable crimes. The Commission shall determine if the person has served

more time in custody than the person would have served if sentenced to the maximum sentence under the provisions of Article 81B of Chapter 15A of the General Statutes. The "maximum sentence," for the purposes of this section, shall be calculated as set forth in subsection (b) of this section.

SECTION 19.8.(b) For the purposes of this section, the following rules apply for the calculation of the maximum sentence:

(1) The offense upon which the person was convicted shall be classified as the same felony class as the offense would have been classified if committed after the effective date of Article 81B of Chapter 15A of the General Statutes.

(2) The minimum sentence shall be the maximum number of months in the presumptive range of minimum durations in Prior Record Level VI of G.S. 15A-1340.17(c) for the felony class determined under subdivision (1) of this subsection. The maximum sentence shall be calculated using G.S. 15A-1340.17(d), (e), or (e1).

(3) If a person is serving sentences for two or more offenses that are concurrent in any respect, then the offense with the greater classification shall be used to determine a single maximum sentence for the concurrent offenses. The fact that the person has been convicted of multiple offenses may be considered by the Commission in making its determinations under subsection (a) of this section.

SECTION 19.8.(c) The Post-Release Supervision and Parole Commission shall report to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and 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, 2010. The report shall include the following: the class of the offense for which each parole-eligible inmate was convicted and whether an inmate had multiple criminal convictions. The Commission shall reinitiate the parole review process for each offender who has served more time than that person would have under Structured Sentencing as provided by subsections (a) and (b) of this section.

The Commission shall also report on the number of parole-eligible inmates reconsidered in compliance with this section and the number who were actually paroled.

SECTION 19.8.(d) The Department of Correction and the Post-Release Supervision and Parole Commission shall report by March 1 of each year to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on the number of inmates enrolled in the mutual agreement parole program, the number completing the program and being paroled, and the number who enrolled but were terminated from the program. The information should be based on the previous calendar year.

SECTION 19.8.(e) The Department of Correction and the Post-Release Supervision and Parole Commission shall report by March 1 of each year to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on the number of inmates proposed for release, considered for release, and granted release under Chapter 84B of Chapter 15A of the General Statutes, providing for the medical release of inmates who are either permanently and totally disabled, terminally ill, or geriatric.

FEDERAL GRANT MATCHING FUNDS

SECTION 19.9. Notwithstanding the provisions of G.S. 143C-6-9, the Department of Correction may use up to the sum of one million two hundred thousand dollars ($1,200,000) during the 2009-2010 fiscal year 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 House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds.

REPORTS ON NONPROFIT PROGRAMS

SECTION 19.10.(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 to serve women released from prison with children in their custody. Harriet's House shall report by February 1 of each year to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety 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 successfully complete the Harriet's House program, and the number of clients who have been rearrested within three years of successfully completing the program. The report shall provide financial and program data for the complete fiscal year prior to the year in which the report is submitted. The financial report shall identify all funding sources and amounts.

SECTION 19.10.(b) Summit House shall report by February 1 of each year to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety 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, the number of clients who successfully complete the program while housed at Summit House, Inc., and the number of clients who have been rearrested within three years of successfully completing the program. The report shall provide financial and program data for the complete fiscal year prior to the year in which the report is submitted. The financial report shall identify all funding sources and amounts.

SECTION 19.10.(c) Women at Risk shall report by February 1 of each year to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety 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, the number of clients who have successfully completed the program, and the number of clients who have been rearrested within three years of successfully completing the program. The report shall provide financial and program data for the complete fiscal year prior to the year in which the report is submitted. The financial report shall identify all funding sources and amounts.

SECTION 19.10.(d) Our Children's Place shall report by February 1 of each year to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety on the status of the planning, design, and construction of Our Children's Place, the proposed program components and evaluation measures, and on the projected number of inmates and their children to be served. The report shall also provide financial data, including the expenditure of State funds and all funding sources and amounts.

CRIMINAL JUSTICE PARTNERSHIP

SECTION 19.11.(a) G.S. 143B-273.4 reads as rewritten:

"**§ 143B-273.4. Eligible population.**

(a) An eligible offender is an adult offender who ~~was convicted of a misdemeanor or a felony offense~~ either is in confinement awaiting trial or was convicted of a misdemeanor or a

felony offense and received a nonincarcerative sentence of an intermediate punishment or is serving a term of parole or post-release supervision after serving an active sentence of imprisonment.

(b) The priority populations for programs funded under this Article shall ~~be offenders~~ be:

(1) Offenders sentenced to intermediate ~~punishments.~~ punishments; and

(2) Offenders who are appropriate for release from jail prior to trial under the supervision of a pretrial monitoring program."

SECTION 19.11.(b) Notwithstanding any other provision of law, a county may use funds appropriated pursuant to the Criminal Justice Partnership Act, Article 6A of Chapter 143B of the General Statutes, to provide more than one community-based corrections program.

SECTION 19.11.(c) Effective July 1, 2009, the Department of Correction shall recalculate the county allocation funding formula mandated under G.S. 143B-273.15 using updated data.

SECTION 19.11.(d) 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 19.11.(e) 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 19.11.(f) The Department of Correction shall report by March 1 of each year to the Chairs of the House of Representatives and Senate Appropriations Committees, the House of Representatives and Senate 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;

(6) An analysis of comparable programs prepared by the Division of Research and Planning, Department of Correction, including a comparison of programs in each program type on selected outcome measures developed by the Division of Community Corrections in consultation with the Fiscal Research Division and the Division of Research and Planning, and a summary of the reports prepared by county Criminal Justice Partnerships Advisory Boards;

(7) A review of whether each sentenced offender program is meeting established program goals developed by the Division of Community Corrections in consultation with the Division of Research and Planning and the State Criminal Justice Partnership Advisory Board;

(8) The number of community offenders and intermediate offenders served by each county program;
(9) The amount of Criminal Justice Partnership funds spent on community offenders and intermediate offenders; and
(10) A short description of the services and programs provided by each partnership, including who the service providers are and the amount of funds each service provider receives.

REPORT ON PROBATION AND PAROLE CASELOADS

SECTION 19.12.(a) The Department of Correction shall report by March 1 of each year to the chairs of the House of Representatives and Senate 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 and district averages for probation/parole officer positions;
(2) Data on current span of control for chief probation officers;
(3) An analysis of the optimal caseloads for these officer classifications;
(4) An assessment of the role of surveillance officers;
(5) The number and role of paraprofessionals in supervising low-risk caseloads;
(6) An update on the Department's implementation of the recommendations contained in the National Institute of Correction study conducted on the Division of Community Corrections in 2004 and 2008;
(7) The process of assigning offenders to an appropriate supervision level based on a risk assessment and an examination of other existing resources for assessment and case planning, including the Sentencing Services Program in the Office of Indigent Defense Services and the range of screening and assessment services provided by the Division of Mental Health, Developmental Disability, and Substance Abuse Services in the Department of Health and Human Services; and
(8) Data on cases supervised solely for the collection of court-ordered payments.

SECTION 19.12.(b) The Department of Correction shall conduct a study of probation/parole officer workload. The study shall include analysis of the type of offenders supervised, the distribution of the probation/parole officers' time by type of activity, the caseload carried by the officers, and comparisons to practices in other states. The study shall be used to determine whether the caseload goals established by the Structured Sentencing Act are still appropriate, based on the nature of the offenders supervised and the time required to supervise those offenders.

SECTION 19.12.(c) The Department of Correction shall report the results of the study and recommendations for any adjustments to caseload goals to the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety by January 1, 2011.

SECTION 19.12.(d) The Department of Correction shall report by March 1 of each year to the Chairs of the House and Senate Appropriations Committees, the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety, and the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on the following:

(1) The number of sex offenders enrolled on active and passive GPS monitoring.
(2) The caseloads of probation officers assigned to GPS-monitored sex offenders.
(3) The number of violations.

(4) The number of absconders.
(5) The projected number of offenders to be enrolled by the end of the 2009-2010 fiscal year and the end of the 2010-2011 fiscal year.
(6) The total cost of the program, including a per-offender cost.

REPORT ON INMATE WELFARE AND CORRECTION ENTERPRISES

SECTION 19.13. The Department of Correction, in consultation with the Office of State Budget and Management, shall study the feasibility of budgeting positions currently funded from the Inmate Welfare Fund and the Correction Enterprise Fund from the General Fund instead. The Department shall report its findings by April 1, 2010, to the chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee.

PRE-SENTENCE INVESTIGATIONS FEASIBILITY STUDY

SECTION 19.14. The Office of Research and Planning of the Department of Correction shall conduct a feasibility study of conducting pre-sentence investigations on all offenders convicted of felonies for which the sentencing judge has the option of intermediate or active punishments. This feasibility study shall be conducted as a pilot implementation, incorporating a variety of districts across the State reflecting both rural and urban settings, as well as diversity of programming available within the district.

The Office of Research and Planning shall report the results of its study by May 1, 2010, to the Chairs of the House of Representatives and Senate Appropriations Committees, the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety, and the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee.

STUDY INCARCERATED MOTHERS PROGRAM

SECTION 19.15.(a) Our Children's Place, Inc., a nonprofit corporation, shall submit to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee by October 1, 2009, a comprehensive plan for the implementation of a contractual program to house incarcerated women with their children. This plan shall include criteria for placement, minimum standards for custody and security, and projections of costs for implementation, including presumptive funding sources and memoranda of intent from affected agencies.

SECTION 19.15.(b) The Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee shall make recommendations to the 2010 Session of the 2009 General Assembly concerning the establishment of a program to house incarcerated women with their children. These recommendations shall address legal issues related to the custody of the children while in the program.

PART XX. GENERAL GOVERNMENT

GENERAL GOVERNMENT AGENCIES REPORT ALLOCATION OF DEPARTMENTWIDE REDUCTIONS

SECTION 20.1. No later than September 1, 2009, the following State agencies shall identify the allocation of departmentwide expenditure reductions for the 2009-2011 fiscal biennium and shall report the allocation of reductions to the Joint Legislative Commission on Governmental Operations, the Appropriations Subcommittees on General Government of the Senate and the House of Representatives, and the Fiscal Research Division:

(1) Administration.

(2) Auditor.
(3) Cultural Resources, including the allocation of 6.4% reduction to historic sites, maritime museums, and history museums.
(4) Cultural Resources – Roanoke Island Commission.
(5) General Assembly.
(6) Governor.
(7) Insurance.
(8) Lieutenant Governor.
(9) Administrative Hearings.
(10) Revenue.
(11) State Board of Elections.
(12) State Budget and Management.
(13) State Controller.
(14) Treasurer.

PART XXA. DEPARTMENT OF ADMINISTRATION

NC GREEN BUSINESS FUND/FUNDS

SECTION 20A.1. Of the funds received by the State under the American Recovery and Reinvestment Act of 2009 and appropriated in this act to the State Energy Office, Department of Administration, for the 2009-2010 fiscal year, the sum of five million dollars ($5,000,000) in nonrecurring funds shall be allocated to the North Carolina Green Business Fund in the Department of Commerce.

BIOFUELS CENTER OF NORTH CAROLINA

SECTION 20A.2. Of the funds received by the State under the American Recovery and Reinvestment Act of 2009 and appropriated in this act to the State Energy Office, Department of Administration, for the 2009-2010 fiscal year, the sum of three million dollars ($3,000,000) in nonrecurring funds shall be allocated to the Biofuels Center of North Carolina. These funds shall be used for costs related to implementing the North Carolina Strategic Plan for Biofuels Leadership developed under S.L. 2006-206.

COASTAL SOUNDS WIND STUDY

SECTION 20A.3. Of the funds received by the State under the American Recovery and Reinvestment Act of 2009 and appropriated in this act to the State Energy Office, Department of Administration, for the 2009-2010 fiscal year, the sum of three hundred thousand dollars ($300,000) in nonrecurring funds shall be allocated to The University of North Carolina. These funds shall be used for costs related to implementing the pilot project described in Section 9.14 of this act.

PART XXI. DEPARTMENT OF INSURANCE

SET INSURANCE REGULATORY CHARGE

SECTION 21.1.(a) The percentage rate to be used in calculating the insurance regulatory charge under G.S. 58-6-25 is five and one-half percent (5.5%) for the 2009 calendar year.

SECTION 21.1.(b) This section is effective when it becomes law.

PART XXII. OFFICE OF STATE BUDGET AND MANAGEMENT

STUDY OSBM, OSC, AND TREASURER CONSOLIDATION

SECTION 22.1. The Office of State Budget and Management, after reviewing the constitutional duties of the Governor in preparing and executing the budget and the constitutional status of the duties of the office of State Treasurer, shall study the feasibility of consolidating the Office of State Controller, the Office of State Budget and Management, and some of the functions of the State Treasurer, or reallocating functions of those state agencies, all with the goal of achieving economies or improving management.

The Office of State Budget and Management, no later than April 1, 2010, shall report to the full chairs of the Senate and House Appropriations Committees and to the Fiscal Research Division its findings and recommendations from the study required by the previous paragraph.

PART XXIII. OFFICE OF THE STATE CONTROLLER

OVERPAYMENTS AUDIT

SECTION 23.1.(a) During the 2009-2011 biennium, receipts generated by the collection of inadvertent overpayments by State agencies to vendors as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes, and related errors as required by G.S. 147-86.22(c) are to be deposited in the Special Reserve Account 24172.

SECTION 23.1.(b) For each year of the 2009-2011 biennium, five hundred thousand dollars ($500,000) 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 23.1.(c) All funds available in the Special Reserve Account 24172 on July 1 of each year of the 2009-2011 biennium are transferred to the General Fund on that date.

SECTION 23.1.(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.

SECTION 23.1.(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 24172 and the disbursement of that revenue.

BEACON STAFF TO SUPPORT STATEWIDE ENTERPRISE TRAINING PROGRAM

SECTION 23.2. For the 2009-2011 fiscal biennium, the Office of the State Controller shall use three hundred sixty-four thousand four hundred thirty-eight dollars ($364,438) of existing BEACON funds to continue the following six full-time, time-limited training positions that are effective July 1, 2009, and that support the statewide enterprise training program established by Section 20.1 of S.L. 2008-107:

(1) Two Staff Development Specialists II ($112,525).
(2) One BEACON University Trainer ($70,928).
(3) One Technical Support Technician ($64,708).
(4) One Administrative Support Specialist ($45,347).
(5) One Business and Technology Application Technician ($70,928).

PART XXIV. DEPARTMENT OF THE SECRETARY OF STATE

INCREASE REGISTRATION FEE RENEWAL FOR SECURITIES SALESMEN

SECTION 24.1. G.S. 78A-37(b) reads as rewritten:

"(b) Every applicant for initial or renewal registration shall pay a filing fee of three hundred dollars ($300.00) in the case of a dealer and ~~seventy-five dollars ($75.00)~~one hundred

dollars ($100.00) in the case of a salesman. The Administrator may by rule reduce the registration fee proportionately when the registration will be in effect for less than a full year."

CREATE SPECIAL FUND FOR AUCTION RATE SECURITIES INVESTIGATIONS COSTS

SECTION 24.2.(a) There is established the Auction Rate Securities Investigation Special Fund, which is a special fund created with the unexpended funds from the existing Auction Rate Securities (ARS) fund from fiscal year 2008-2009 for reimbursement of the costs of investigations arising from the Department of the Secretary of State's administration of Chapters 78A, 78C, and 78D of the General Statutes. The Auction Rate Securities Investigation Special Fund shall be used to continue the Department's active participation in the North American Securities Administrators Association (NASAA) ARS Task Force investigation into the marketing of Auction Rate Securities by the regulated community to investors as well as the remedies for harm arising from such marketing. Reimbursements paid by investment banks and firms to the Department as part of the Department's involvement in the NASAA ARS Task Force shall be deposited into the Auction Rate Securities Investigation Special Fund.

SECTION 24.2.(b) The maximum balance of the Auction Rate Securities Investigation Special Fund shall be limited to three million two hundred thousand dollars ($3,200,000). If deposits from investment banks and firms paid as reimbursements for investigation costs cause the fund to exceed three million two hundred thousand dollars ($3,200,000), then the amount exceeding three million two hundred thousand dollars ($3,200,000) shall immediately be transferred to the General Fund.

SECTION 24.2.(c) In the event that the Department of the Secretary of State receives other monies as reimbursement for the costs of investigations into activities which are not a part of the NASAA ARS Task Force, these monies shall also be deposited into the Auction Rate Securities Special Fund and shall remain available to the Department for the administration of Chapters 78A, 78C, and 78D of the General Statutes, subject to the limitations on the Auction Rate Securities Investigation Special Fund's maximum balance in subsection (b) of this section.

PART XXV. DEPARTMENT OF TRANSPORTATION

CASH FLOW HIGHWAY FUNDS AND HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 25.1.(a) The General Assembly authorizes and certifies anticipated revenues of the Highway Fund as follows:

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

SECTION 25.1.(b) The General Assembly authorizes and certifies anticipated revenues of the Highway Trust Fund as follows:

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

MODIFY GLOBAL TRANSPARK DEBT

SECTION 25.2. G.S. 147-69.2(b)(11), as amended by Section 7 of S.L. 2005-144, Section 2 of S.L. 2005-201, Section 28.17 of S.L. 2005-276, and Section 27.7 of S.L. 2007-323 reads as rewritten:

"(b) It shall be the duty of the State Treasurer to invest the cash of the funds enumerated in subsection (a) of this section in excess of the amount required to meet the current needs and demands on such funds, selecting from among the following:

...

(11) With respect to assets of the Escheat Fund, obligations of the North Carolina Global TransPark Authority authorized by G.S. 63A-4(a)(22), not to exceed twenty-five million dollars ($25,000,000), that have a final maturity not later than October 1, ~~2009.~~ 2011. The obligations shall bear interest at the rate set by the State Treasurer. No commitment to purchase obligations may be made pursuant to this subdivision after September 1, 1993, and no obligations may be purchased after September 1, 1994. In the event of a loss to the Escheat Fund by reason of an investment made pursuant to this subdivision, it is the intention of the General Assembly to hold the Escheat Fund harmless from the loss by appropriating to the Escheat Fund funds equivalent to the loss.

If any part of the property owned by the North Carolina Global TransPark Authority now or in the future is divested, proceeds of the divestment shall be used to fulfill any unmet obligations on an investment made pursuant to this subdivision.

...."

SMALL CONSTRUCTION AND CONTINGENCY FUNDS

SECTION 25.3. 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 construction projects recommended by the member of the Board of Transportation representing the Division in which the project is to be constructed in consultation with the Division Engineer and approved by the Board of Transportation. These funds shall be allocated equally in each fiscal year of the biennium among the 14 Highway Divisions for small construction projects.

(2) Thirteen million nine hundred fifty thousand dollars ($13,950,000) in fiscal year 2009-2010 and thirteen million nine hundred fifty thousand dollars ($13,950,000) in fiscal year 2010-2011 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, including pedestrian walkways that enhance highway safety. Projects funded pursuant to this subdivision shall be 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.

USE SECONDARY ROAD IMPROVEMENT FUNDS FOR HIGHWAY MAINTENANCE IN FISCAL YEAR 2009-2010

SECTION 25.4. Notwithstanding the provisions of G.S. 136-44.2A regarding the annual allocation of funds from the Highway Fund to the Department of Transportation for secondary road improvement programs, the funds required to be allocated for the secondary road improvement programs, established pursuant to G.S. 136-44.7 and G.S. 136-44.8, for fiscal year 2009-2010, shall remain in the Highway Fund for highway maintenance.

NC TURNPIKE AUTHORITY TRANSFERRED TO THE DEPARTMENT OF TRANSPORTATION

SECTION 25.5.(a) G.S. 136-89.182 reads as rewritten:

"**§ 136-89.182. North Carolina Turnpike Authority.**

...

(b) Administrative Placement. – The Authority shall be located within the Department of Transportation ~~for administrative purposes but shall exercise all of its powers independently of the Department of Transportation except as otherwise specified in this Article.~~ and shall be subject to and under the direct supervision of the Secretary of Transportation.

...

(d) Board of Transportation Members. – ~~No more than two members~~ Members of the North Carolina Board of Transportation may serve as members of the Authority Board.

...."

SECTION 25.5.(b) The transfer of the North Carolina Turnpike Authority to the Department of Transportation has all the elements of a Type I transfer under G.S. 143A-6.

Requested by: Senator

ALLOW THE DEPARTMENT OF TRANSPORTATION TO REQUIRE FACILITIES CONSTRUCTED WITHIN RIGHTS-OF-WAY TO BE CONSTRUCTED FROM PERMEABLE PAVEMENT

SECTION 25.6.(a) G.S. 136-18 is amended by adding a new subdivision to read:

"(41) The Department shall, prior to the beginning of construction, determine whether all sidewalks and other facilities primarily intended for the use of pedestrians and bicycles that are to be constructed within the right-of-way of a public street or highway that is a part of the State highway system or an urban highway system must be constructed of permeable pavement. "Permeable pavement" means paving material that absorbs water or allows water to infiltrate through the paving material. Permeable pavement materials include porous concrete, permeable interlocking concrete pavers, concrete grid pavers, porous asphalt, and any other material with similar characteristics. Compacted gravel shall not be considered permeable pavement."

SECTION 25.6.(b) This act becomes effective October 1, 2009, and applies to facilities constructed on or after that date.

PART XXVI. SALARIES AND BENEFITS

GOVERNOR AND COUNCIL OF STATE/NO SALARY INCREASES

SECTION 26.1.(a) For the 2009-2010 and 2010-2011 fiscal years, the salary of the Governor shall remain the amount set by G.S. 147-11(a).

SECTION 26.1.(b) The annual salaries for the members of the Council of State, payable monthly, for the 2009-2010 and 2010-2011 fiscal years are:

Council of State	Annual Salary
Lieutenant Governor	$123,198

Attorney General	123,198
Secretary of State	123,198
State Treasurer	123,198
State Auditor	123,198
Superintendent of Public Instruction	123,198
Agriculture Commissioner	123,198
Insurance Commissioner	123,198
Labor Commissioner	123,198

NONELECTED DEPARTMENT HEAD/NO SALARY INCREASES

SECTION 26.2. In accordance with G.S. 143B-9, the maximum annual salaries, payable monthly, for the nonelected heads of the principal State departments for the 2009-2010 and 2010-2011 fiscal years are:

Nonelected Department Heads	Annual Salary
Secretary of Administration	$120,363
Secretary of Correction	120,363
Secretary of Crime Control and Public Safety	120,363
Secretary of Cultural Resources	120,363
Secretary of Commerce	120,363
Secretary of Environment and Natural Resources	120,363
Secretary of Health and Human Services	120,363
Secretary of Juvenile Justice and Delinquency Prevention	120,363
Secretary of Revenue	120,363
Secretary of Transportation	120,363

CERTAIN EXECUTIVE BRANCH OFFICIALS/NO SALARY INCREASES

SECTION 26.3. The annual salaries, payable monthly, for the 2009-2010 and 2010-2011 fiscal years for the following executive branch officials are:

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

JUDICIAL BRANCH OFFICIALS/NO SALARY INCREASES

SECTION 26.4.(a) The annual salaries, payable monthly, for specified judicial branch officials for the 2009-2010 and 2010-2011 fiscal years are:

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

SECTION 26.4.(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 seventy thousand nine hundred forty-six dollars ($70,946), and the minimum salary of any assistant district attorney or assistant public defender is at least thirty-seven thousand one hundred eighty-two dollars ($37,182). The annual salaries in effect on June 30, 2009, shall remain at the same amount for the 2009-2010 and 2010-2011 fiscal years.

SECTION 26.4.(c) The annual salaries in effect on June 30, 2009, for permanent, full-time employees of the Judicial Department whose salaries are not itemized in this act shall remain in effect for the 2009-2010 and 2010-2011 fiscal years.

SECTION 26.4.(d) The annual salaries in effect on June 30, 2009, for permanent, part-time employees of the Judicial Department whose salaries are not itemized in this act, shall remain in effect for the 2009-2010 and 2010-2011 fiscal years.

CLERK OF SUPERIOR COURT/NO SALARY INCREASES

SECTION 26.5. The annual salaries of the clerks of superior court provided by G.S. 7A-101(a) shall remain in effect for the 2009-2010 and 2010-2011 fiscal years.

ASSISTANT AND DEPUTY CLERKS OF COURT/NO SALARY INCREASES

SECTION 26.6. The annual salaries of the assistant and deputy clerks of superior court provided by G.S. 7A-102(c1) shall remain in effect for the 2009-2010 and 2010-2011 fiscal years, and there shall not be a step increase.

MAGISTRATES/ NO SALARY INCREASES

SECTION 26.7. The annual salaries of magistrates provided by G.S. 7A-171.1(a) shall remain in effect for the 2009-2010 and 2010-2011 fiscal years, and there shall not be a step increase.

GENERAL ASSEMBLY PRINCIPAL CLERKS/NO SALARY INCREASES

SECTION 26.8. The annual salaries of the General Assembly principal clerks provided by G.S. 120-37(c) shall remain in effect for the 2009-2010 and 2010-2011 fiscal years.

SERGEANT-AT-ARMS AND READING CLERKS/NO SALARY INCREASES

SECTION 26.9. The annual salaries of the General Assembly sergeants-at-arms and reading clerks provided by G.S. 120-37(b) shall remain in effect for the 2009-2010 and 2010-2011 fiscal years.

LEGISLATIVE EMPLOYEES/NO SALARY INCREASES

SECTION 26.10. The Legislative Services Officer shall not increase the salaries of nonelected employees of the General Assembly in effect on June 30, 2009. Except as specifically provided in this section, nothing in this act limits any of the provisions of G.S. 120-32.

COMMUNITY COLLEGES PERSONNEL/NO SALARY INCREASES

SECTION 26.11.(a) The annual salaries in effect on June 30, 2009, for faculty, except as otherwise provided by Section 8.1 of this act, and for all permanent, full-time community college institutional personnel supported by State funds, shall remain in effect for the 2009-2010 and 2010-2011 fiscal years.

SECTION 26.11.(b) The minimum salaries for community college faculty shall be based on the following education levels:

(1) Vocational Diploma/Certificate or Less. – This education level includes faculty members who are high school graduates, have vocational diplomas, or have completed one year of college.

(2) Associate Degree or Equivalent. – This education level includes faculty members who have an associate degree or have completed two or more years of college but have no degree.

(3) Bachelor's Degree.

(4) Master's Degree or Education Specialist.

(5) Doctoral Degree.

SECTION 26.11.(c) For the 2009-2010 and 2010-2011 school years, the minimum salaries for nine-month, full-time curriculum community college faculty shall not be increased and shall remain as follows:

Education Level	Minimum Salary
Vocational Diploma/Certificate or Less	$34,314
Associate Degree or Equivalent	$34,819
Bachelor's Degree	$37,009
Master's Degree or Education Specialist	$38,952
Doctoral Degree	$41,753

No full-time faculty member shall earn less than the minimum salary for his or her education level. The pro rata hourly rate of the minimum salary for each education level shall be used to determine the minimum salary for part-time faculty members.

UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA NO SALARY INCREASES

SECTION 26.12(a) Of funds appropriated to the Faculty Recruiting and Retention Fund under the Office of the President of the University of North Carolina, allocations from the fund shall be made for salary increases at the discretion of the President of the University of North Carolina only for the purpose of recruiting and retaining faculty members as necessary at constituent institutions.

SECTION 26.12.(b) The annual salaries in effect on June 30, 2009, for all employees of The University of North Carolina supported by State funds, and for employees of the North Carolina School of Science and Mathematics shall remain in effect for the 2009-2010 and 2010-2011 fiscal years except for faculty as otherwise provided by the Faculty Recruiting and Retention Fund or the Distinguished Professors Endowment Fund.

MOST STATE EMPLOYEES/NO SALARY INCREASES

SECTION 26.13.(a) The salaries in effect June 30, 2009, 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 remain in effect for the 2009-2010 and 2010-2011 fiscal years.

SECTION 26.13.(b) Except as otherwise provided in this act, the salaries in effect on June 30, 2009, for permanent, full-time State officials and persons in exempt positions that are recommended by the Governor and set by the General Assembly shall remain in effect for the 2009-2010 and 2010-2011 fiscal years.

SECTION 26.13.(c) The salaries in effect on June 30, 2009, for all permanent, part-time State employees shall remain in effect for the 2009-2010 and 2010-2011 fiscal years.

SECTION 26.13.(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 maintain salaries 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.

ALL STATE-SUPPORTED PERSONNEL/NO SALARY INCREASES

SECTION 26.14.(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, in effect June 30, 2009, shall remain in effect for the 2009-2010 and 2010-2011 fiscal years.

SECTION 26.14.(b) The salary increase provisions of G.S. 20-187.3 are suspended for the 2009-2010 and 2010-2011 fiscal years.

SECTION 26.14.(c) The Director of the Budget shall transfer from the Reserve for Compensation Increases in this act for fiscal years 2009-2010 and 2010-2011 all funds necessary for the salaries authorized by this act, including funds for the employer's retirement and social security contributions.

SECTION 26.14.(d) Nothing in this act authorizes the transfer of funds between the General Fund and the Highway Fund for salary increases.

TEACHER SALARY SCHEDULES

SECTION 26.15.(a) The following monthly salary schedules shall apply for the 2009-2010 fiscal year to certified personnel of the public schools who are classified as teachers. The schedule contains 32 steps with each step corresponding to one year of teaching experience.

2009-2010 Monthly Salary Schedule

Years of Experience	"A" Teachers	"A" Teachers	NBPTS Certification
		"A" Teachers	
0		$3,043	N/A
1		$3,085	N/A
2		$3,129	N/A
3		$3,264	$3,656
4		$3,404	$3,812
5		$3,538	$3,963
6		$3,667	$4,107
7		$3,771	$4,224
8		$3,819	$4,277

9	$3,868	$4,332
10	$3,918	$4,388
11	$3,967	$4,443
12	$4,018	$4,500
13	$4,069	$4,557
14	$4,122	$4,617
15	$4,176	$4,677
16	$4,231	$4,739
17	$4,286	$4,800
18	$4,345	$4,866
19	$4,403	$4,931
20	$4,461	$4,996
21	$4,523	$5,066
22	$4,584	$5,134
23	$4,650	$5,208
24	$4,714	$5,280
25	$4,779	$5,352
26	$4,845	$5,426
27	$4,913	$5,503
28	$4,984	$5,582
29	$5,055	$5,662
30	$5,153	$5,771
31+	$5,255	$5,886

2009-2010 Monthly Salary Schedule
"M" Teachers

Years of Experience	"M" Teachers	NBPTS Certification
0	$3,347	N/A
1	$3,394	N/A
2	$3,442	N/A
3	$3,590	$4,021
4	$3,744	$4,193
5	$3,892	$4,359
6	$4,034	$4,518
7	$4,148	$4,646
8	$4,201	$4,705
9	$4,255	$4,766
10	$4,310	$4,827
11	$4,364	$4,888
12	$4,420	$4,950
13	$4,476	$5,013
14	$4,534	$5,078
15	$4,594	$5,145
16	$4,654	$5,212
17	$4,715	$5,281
18	$4,780	$5,354
19	$4,843	$5,424
20	$4,907	$5,496
21	$4,975	$5,572
22	$5,042	$5,647
23	$5,115	$5,729

24	$5,185	$5,807
25	$5,257	$5,888
26	$5,330	$5,970
27	$5,404	$6,052
28	$5,482	$6,140
29	$5,561	$6,228
30	$5,668	$6,348
31+	$5,781	$6,475

SECTION 26.15.(b) Annual longevity payments for teachers shall be at the rate of 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. The longevity payment shall be paid in a lump sum once a year.

SECTION 26.15.(c) Certified public schoolteachers 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 schoolteachers 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 26.15.(d) 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 26.15.(e) Speech pathologists who are certified as speech pathologists at the master's degree level and audiologists who are certified as audiologists at the master's 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 26.15.(f) Certified school nurses who are employed in the public schools as nurses shall be paid on the "M" salary schedule.

SECTION 26.15.(g) As used in this section, the term "teacher" shall also include instructional support personnel.

SCHOOL BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 26.16.(a) The base salary schedule for school-based administrators shall apply only to principals and assistant principals. The base salary schedule for the 2009-2010 fiscal year, commencing July 1, 2009, is as follows:

2009-2010 Principal and Assistant Principal Salary Schedules

	Classification				
Years of Exp	Assistant Principal	Prin I (0-10)	Prin II (11-21)	Prin III (22-32)	Prin IV (33-43)
0-4	$3,781	-	-	-	-
5	$3,931	-	-	-	-
6	$4,074	-	-	-	-
7	$4,189	-	-	-	-
8	$4,243	$4,243	-	-	-
9	$4,298	$4,298	-	-	-
10	$4,353	$4,353	$4,408	-	-
11	$4,408	$4,408	$4,464	-	-
12	$4,464	$4,464	$4,521	$4,579	-
13	$4,521	$4,521	$4,579	$4,640	$4,701
14	$4,579	$4,579	$4,640	$4,701	$4,762
15	$4,640	$4,640	$4,701	$4,762	$4,828
16	$4,701	$4,701	$4,762	$4,828	$4,891
17	$4,762	$4,762	$4,828	$4,891	$4,956
18	$4,828	$4,828	$4,891	$4,956	$5,025
19	$4,891	$4,891	$4,956	$5,025	$5,092
20	$4,956	$4,956	$5,025	$5,092	$5,166
21	$5,025	$5,025	$5,092	$5,166	$5,237
22	$5,092	$5,092	$5,166	$5,237	$5,310
23	$5,166	$5,166	$5,237	$5,310	$5,383
24	$5,237	$5,237	$5,310	$5,383	$5,458
25	$5,310	$5,310	$5,383	$5,458	$5,537
26	$5,383	$5,383	$5,458	$5,537	$5,617
27	$5,458	$5,458	$5,537	$5,617	$5,725
28	$5,537	$5,537	$5,617	$5,725	$5,839
29	$5,617	$5,617	$5,725	$5,839	$5,956
30	$5,725	$5,725	$5,839	$5,956	$6,075
31	$5,839	$5,839	$5,956	$6,075	$6,197
32	-	$5,956	$6,075	$6,197	$6,321
33	-	-	$6,197	$6,321	$6,447
34	-	-	$6,321	$6,447	$6,576
35	-	-	-	$6,576	$6,708
36	-	-	-	$6,708	$6,842
37	-	-	-	-	$6,979

2009-2010 Principal and Assistant Principal Salary Schedules

	Classification			
Years of Exp	Prin V (44-54)	Prin VI (55-65)	Prin VII (66-100)	Prin VIII (101+)
0-14	$4,828	-	-	-
15	$4,891	-	-	-
16	$4,956	$5,025	-	-

17	$5,025	$5,092	$5,237	-
18	$5,092	$5,166	$5,310	$5,383
19	$5,166	$5,237	$5,383	$5,458
20	$5,237	$5,310	$5,458	$5,537
21	$5,310	$5,383	$5,537	$5,617
22	$5,383	$5,458	$5,617	$5,725
23	$5,458	$5,537	$5,725	$5,839
24	$5,537	$5,617	$5,839	$5,956
25	$5,617	$5,725	$5,956	$6,075
26	$5,725	$5,839	$6,075	$6,197
27	$5,839	$5,956	$6,197	$6,321
28	$5,956	$6,075	$6,321	$6,447
29	$6,075	$6,197	$6,447	$6,576
30	$6,197	$6,321	$6,576	$6,708
31	$6,321	$6,447	$6,708	$6,842
32	$6,447	$6,576	$6,842	$6,979
33	$6,576	$6,708	$6,979	$7,119
34	$6,708	$6,842	$7,119	$7,261
35	$6,842	$6,979	$7,261	$7,406
36	$6,979	$7,119	$7,406	$7,554
37	$7,119	$7,261	$7,554	$7,705
38	$7,261	$7,406	$7,705	$7,859
39	-	$7,554	$7,859	$8,016
40	-	$7,705	$8,016	$8,176
41	-	-	$8,176	$8,340

SECTION 26.16.(b) The appropriate classification for placement of principals and assistant principals on the salary schedule, except for principals in alternative schools and in cooperative innovative high 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 and in cooperative innovative high school programs 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 26.16.(c) 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 1999-2000 school years for improvement in student performance or maintaining a safe and orderly school.

SECTION 26.16.(d) 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 26.16.(e) Longevity pay for principals and assistant principals shall be as provided for State employees under the State Personnel Act.

SECTION 26.16.(f) 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.

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 26.16.(g) Participants in an approved full-time master's 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 master's program. For the 2006-2007 fiscal year and subsequent fiscal years, the stipend shall not exceed the difference between the beginning salary of an assistant principal plus the cost of tuition, fees, and books 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 master's in school administration program shall supply the Department of Public Instruction with certification of eligible full-time interns.

SECTION 26.16.(h) During the 2009-2010 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.

CENTRAL OFFICE SALARIES

SECTION 26.17.(a) The monthly salary ranges that follow apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers for the 2009-2010 fiscal year, beginning July 1, 2009.

School Administrator I	$3,309	$6,207
School Administrator II	$3,508	$6,583
School Administrator III	$3,724	$6,984
School Administrator IV	$3,874	$7,262
School Administrator V	$4,030	$7,556
School Administrator VI	$4,275	$8,013
School Administrator VII	$4,447	$8,336

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.

SECTION 26.17.(b) The monthly salary ranges that follow apply to public school superintendents for the 2009-2010 fiscal year, beginning July 1, 2009.

Superintendent I	$4,720	$8,843
Superintendent II	$5,011	$9,377
Superintendent III	$5,316	$9,948
Superintendent IV	$5,642	$10,552
Superintendent V	$5,988	$11,196

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.

SECTION 26.17.(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 26.17.(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 26.17.(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 26.17.(f) The salaries in effect June 30, 2009, for all permanent full-time personnel paid from the Central Office Allotment, shall remain in effect for the 2009-2010 and 2010-2011 fiscal years.

NONCERTIFIED SCHOOL PERSONNEL SALARIES

SECTION 26.18.(a) The salaries in effect June 30, 2009, of permanent, full-time noncertified public school employees whose salaries are supported from the State's General Fund shall remain in effect for the 2009-2010 and 2010-2011 fiscal years.

SECTION 26.18.(b) The salaries in effect on June 30, 2009, for all permanent part-time noncertified public school employees whose salaries are supported from the State's General Fund shall remain in effect for the 2009-2010 and 2010-2011 fiscal years.

SECTION 26.18.(c) 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 maintain salaries in accordance with subsection (a) or (b) 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.

BONUS FOR CERTIFIED PERSONNEL AT THE TOP OF THEIR SALARY SCHEDULES

SECTION 26.19. Effective July 1, 2009, any permanent certified personnel employed on July 1, 2009, and paid on the teacher salary schedule with 31+ years of experience shall receive a one-time bonus equivalent to one and eight-tenths percent (1.8%). Effective July 1, 2009, any permanent personnel employed on July 1, 2009, 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.

SALARY-RELATED CONTRIBUTIONS/EMPLOYER

SECTION 26.20.(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 employee's 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.

Notwithstanding any other provision of law, an employer who hires or has hired a retiree as an employee shall enroll the retiree in the active group and pay the cost for the hospital-medical benefits if that retiree is employed in a position that would require the employer to pay hospital-medical benefits if the individual had not been retired.

SECTION 26.20.(b) Effective July 1, 2009, the State's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for the 2009-2010 fiscal year are: (i) eight and sixty-five hundredths percent (8.65%) – Teachers and State Employees; (ii) thirteen and sixty-five hundredths percent (13.65%) – State Law Enforcement Officers; (iii) eleven and seventy-six hundredths percent (11.76%) – University Employees' Optional Retirement System; (iv) eleven and seventy-six hundredths percent (11.76%) – Community College Optional Retirement Program; (v) nineteen and fifty-one hundredths percent (19.51%) – Consolidated Judicial Retirement System; and (vi) four and forty hundredths percent (4.40%) – Legislative Retirement System. Each of the foregoing contribution rates includes four and forty hundredths percent (4.40%) for hospital and medical benefits. The rate for Teachers and State Employees, State Law Enforcement Officers, Community College Optional Retirement Program, and for 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 26.20.(c) Effective July 1, 2010, the State's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for the 2010-2011 fiscal year are: (i) nine and five hundredths percent (9.05%) – Teachers and State Employees; (ii) fourteen and five hundredths percent (14.05%) – State Law Enforcement Officers; (iii) twelve and sixteen hundredths percent (12.16%) – University Employees' Optional Retirement System; (iv) twelve and sixteen hundredths percent (12.16%) – Community College Optional Retirement Program; (v) nineteen and ninety-one hundredths percent (19.91%) – Consolidated Judicial Retirement System; and (vi) four and eighty hundredths percent (4.80%) – Legislative Retirement System. Each of the foregoing contribution rates includes four and eighty hundredths percent (4.80%) for hospital and medical benefits. The rate for Teachers and State

Employees, State Law Enforcement Officers, Community College Optional Retirement Program, and for 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.

NATIONAL GUARD PENSION FUND

SECTION 26.21. G.S. 127A-40 reads as rewritten:

"(f) The Secretary of Crime Control and Public Safety shall determine the eligibility of guard members for the benefits herein provided and shall certify those eligible to the State Treasurer. In addition, the Department of Crime Control and Public Safety shall, on and after July 1, 1983, provide the Department of State Treasurer with an annual census population, by age and the number of years of creditable service, for all former members of the National Guard in receipt of a pension as well as for all active members of the National Guard who are not in receipt of a pension and who have seven and more years of creditable service. The Department of Crime Control and Public Safety shall also provide the State Treasurer a census population of all former members of the National Guard who are not in receipt of a pension and who have 15 and more years of creditable service. The Department of State Treasurer shall make pension payments to those persons certified from the North Carolina National Guard Pension Fund, which shall include general fund appropriations made to ~~and transferred from the Department of Crime Control and Public Safety.~~ the Department of State Treasurer. The Department of State Treasurer shall have performed an annual actuarial valuation of the fund and shall have the financial responsibility for maintaining the fund on a generally accepted actuarial basis. The Department of Crime Control and Public Safety shall provide the Department of State Treasurer with whatever assistance is required by the State Treasurer in carrying out his financial responsibilities."

EXTEND PHASED RETIREMENT PROGRAM EXEMPTION

SECTION 26.22. Section 29.28(f) of S.L. 2005-276, as amended by Section 22.21 of S.L. 2006-66, reads as rewritten:

"**SECTION 29.28.(f)** Subsections (a) and (b) of this section become effective August 1, 2005. Subsection (e) of this section becomes effective November 1, 2005, but does not apply to participants in The University of North Carolina Phased Retirement Program until the earlier of ~~June 30, 2010,~~ August 31, 2013, or 12 months after the issuance of final phased retirement regulations by the Internal Revenue Service. The remainder of this section becomes effective June 30, 2005."

PART XXVII. CAPITAL APPROPRIATIONS.

GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION

SECTION 27.1. The appropriations made by the 2009 General Assembly for capital improvements are for constructing, repairing, or renovating State buildings, utilities, and other capital facilities, for acquiring sites for them where necessary, and for acquiring buildings and land for State government purposes.

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 27.2. There is appropriated from the General Fund for the 2009-2010 fiscal year the following amounts for capital improvements:

Capital Improvements – General Fund	**2009-2010**

Department of Environment and Natural Resources	
Water Resources Development Projects	$ 17,600,000
TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	**$17,600,000**

WATER RESOURCES DEVELOPMENT PROJECT FUNDS

SECTION 27.3.(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 with costs as indicated:

	Name of Project	**2009-2010**
(1)	Wilmington Harbor Deepening	$ 1,300,000
(2)	B. Everett Jordan Lake Water Supply Storage	200,000
(3)	Carolina Beach Renourishment	738,000
(4)	Carolina Beach South (Kure Beach) Renourishment	842,000
(5)	Wrightsville Beach Renourishment	2,059,000
(6)	Ocean Isle Beach Renourishment	1,211,000
(7)	Nags Head Beach Renourishment	2,000,000
(8)	Bald Head Island Beach Renourishment	5,000,000
(9)	State/Local WRD Grants	1,000,000
(10)	Emerald Isle Boat Launch	1,000,000
(11)	Beaufort Harbor Maintenance	50,000
(12)	Princeville Flood Control	100,000
(13)	Currituck Sound Environmental Restoration	100,000
(14)	West Onslow Beach (Topsail Beach, Pender County)	75,000
(15)	Aquatic Obstruction Removal – Statewide	300,000
(16)	Aquatic Plant Control (State, L. Gaston & Roanoke Rapids L.)	300,000
(17)	Mountain to the Sea Trail – Water Based Recreation	250,000
(18)	Little Fork Creek (Rendezvous State Park)	400,000
(19)	Planning Assistance to Communities	75,000
(20)	Concord Stream Restoration (Cabarrus County) (Sec. 206)	350,000
(21)	Wilson Bay Restoration (Sec. 206), Onslow County	250,000
TOTALS		**$17,600,000**

SECTION 27.3.(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 2009-2010 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) U.S. Army Corps of Engineers project feasibility studies.

(2) U.S. Army Corps of Engineers projects whose schedules have advanced and require State-matching funds in fiscal year 2009-2010.

(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 2010-2011 fiscal year.

SECTION 27.3.(c) The Department shall make semiannual reports on the use of these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal

Research Division, and the Office of State Budget and Management. 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 semiannual reports also shall 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.

NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS

SECTION 27.4.(a) The General Assembly authorizes the following capital projects to be funded with receipts or from other non-General Fund sources:

Name of Project	**Amount of Non-General Fund Funding Authorized for 2009-2010**
Department of Crime Control and Public Safety	
Additions and Renovations to Armories	$ 9,303,442
Camp Butner Cantonment – Phase 1 Design	1,367,000
Family Assistance Centers	2,000,000
Department of Cultural Resources	
Aycock Birthplace Picnic Shelter	86,100
Maritime Museum – Floating Dock	130,000
Museum of History Chronology Exhibit – Phase 2B (1900-1960)	1,200,000
Department of Environment and Natural Resources	
Jennette's Pier Reconstruction	24,446,400
Zoo – Elephant Exhibit New Restrooms	300,000
Wildlife Resources Commission	
Armstrong Hatchery Lower Raceway Replacement	1,725,000
Centennial Campus Education Center Exhibit Completion	180,000
Chinquapin Equipment Storage Pole Shed	60,000
Chowan Bridge Fishing Pier and Edenton Boating Access	450,000
Emerald Isle New Boating Access Area	600,000
Falls Lake Office Building	550,000
Hampstead Land Acquisition	10,000,000
Land Acquisitions – State Gamelands	59,135,000
Lewelyn Branch New Boating Access Area	150,000
Manns Harbor Bridge Marina Acquisition	5,750,000
Marion Depot Drainage Repairs	200,000
McKinney Lake Hatchery Kettles Replacement	1,700,000
Minor Boating Access Area Renovations – Various Locations	150,000
New Coldwater Fish Hatchery Construction	7,900,000
Ocean Isle Boating Access Area Renovations	150,000
Outer Banks Education Center Teaching Facility Repairs	245,000
Pechmann Fishing Education Center Pond Restoration	160,000

Pechmann Fishing Education Center Storage Building	220,000
Pisgah Education Center Gift Shop Renovation and Expansion	200,000
Pisgah Education Center Outdoor Exhibit Renovation	450,000
Pisgah Education Center Repairs	155,000
Pisgah Hatchery Water System Renovation	100,000
Rhodes Pond Dam Repairs	500,000
Sneads Ferry Land Acquisition	6,500,000
Sunset Harbor Land Acquisition	925,000
Swan Quarter Land Acquisition	1,700,000
Sykes Depot Pond, Office, Storage Construction	350,000
Table Rock Hatchery Office and Workshop Replacement	345,000
TOTAL AMOUNT OF NON-GENERAL FUND CAPITAL PROJECTS AUTHORIZED	**$139,382,942**

SECTION 27.4.(b) From funds deposited with the State Treasurer in a capital improvement account to the credit of the Department of Agriculture and Consumer Services pursuant to G.S. 146-30, the sum of thirty thousand dollars ($30,000) for the 2009-2010 fiscal year shall be transferred to the Department of Agriculture and Consumer Services to be used, notwithstanding G.S. 146-30, by the Department for its plant conservation program under Article 19B of Chapter 106 of the General Statutes for costs incidental to the acquisition of land, such as land appraisals, land surveys, title searches, environmental studies, and for the management of the plant conservation program preserves owned by the Department.

SECTION 27.4.(c) Notwithstanding G.S. 143C-8-7, and subject to approval by the Director of the Budget, during the 2009-2011 fiscal biennium, the Aquariums Division of the Department of Environment and Natural Resources may expend funds from the North Carolina Aquariums Fund for capital improvement projects.

REPAIRS AND RENOVATIONS RESERVE ALLOCATION

SECTION 27.5.(a) Of the funds in the Reserve for Repairs and Renovations for the 2009-2010 fiscal year, fifty-four percent (54%) shall be allocated to the Board of Governors of The University of North Carolina for repairs and renovations pursuant to G.S. 143C-4-3, in accordance with guidelines developed in The University of North Carolina Funding Allocation Model for Reserve for Repairs and Renovations, as approved by the Board of Governors of The University of North Carolina, and forty-six percent (46%) shall be allocated to the Office of State Budget and Management for repairs and renovations pursuant to G.S. 143C-4-3.

Notwithstanding G.S. 143C-4-3, the Board of Governors may allocate funds for the repair and renovation of facilities not supported from the General Fund if the Board determines that sufficient funds are not available from other sources and that conditions warrant General Fund assistance. Any such finding shall be included in the Board's submission to the Joint Legislative Commission on Governmental Operations on the proposed allocation of funds.

The Board of Governors and the Office of State Budget and Management shall consult with the Joint Legislative Commission on Governmental Operations prior to the allocation or reallocation of these funds.

SECTION 27.5.(b) In addition to any other funds in the Reserve for Repairs and Renovations for the 2009-2010 fiscal year, the following funds are transferred to that Reserve:

(1) Proceeds of bonds and notes issued pursuant to Section #(f)(2) of this act for the repair and renovation of State facilities and related infrastructure.

(2) The Energy Efficiency and Conservation Block Grant funds appropriated in this act.

SECTION 27.5.(c) Notwithstanding G.S. 143C-4-3(b), Energy Efficiency and Conservation Block Grant funds shall be used for repairs and renovations to State and university facilities that will make those facilities more energy efficient. Eligible projects under this subsection include:

(1) Replacement of incandescent light bulbs with compact fluorescent light bulbs, installation of exit signs that employ light-emitting diode (LED) technology, the installation of occupancy sensors or optical sensors, and other lighting efficiency improvements.

(2) For windows that need replacement, installation of more energy-efficient windows.

(3) Insulation improvements when practicable.

(4) Replacement of inefficient or oversized heating, ventilation, and air-conditioning (HVAC) systems when those systems are subject to replacement and installation of programmable automation systems.

(5) Installation of aerators in sink faucets that reduce the flow rate and other water system projects that reduce water consumption.

(6) Any other retrofit or replacement projects that make State or university facilities more energy efficient for which the incremental cost of the project will be equal to or less than the energy or water savings that result over a period of three years after completion.

SECTION 27.5.(d) Of the funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, a portion shall be used by the Board of Governors for the installation of fire sprinklers in university residence halls. This portion shall be in addition to funds otherwise appropriated in this act for the same purpose. Such funds shall be allocated among the University's constituent institutions by the President of The University of North Carolina, who shall consider the following factors when allocating those funds:

(1) The safety and well-being of the residents of campus housing programs.

(2) The current level of housing rents charged to students and how that compares to an institution's public peers and other UNC institutions.

(3) The level of previous authorizations to constituent institutions for the construction or renovation of residence halls funded from the General Fund, or from bonds or certificates of participation supported by the General Fund, since 1996.

(4) The financial status of each constituent institution's housing system, including debt capacity, debt coverage ratios, credit rankings, required reserves, the planned use of cash balances for other housing system improvements, and the constituent institution's ability to pay for the installation of fire sprinklers in all residence halls.

(5) The total cost of each proposed project, including the cost of installing fire sprinklers and the cost of other construction, such as asbestos removal and additional water supply needs.

The Board of Governors shall submit progress reports to the Joint Legislative Commission on Governmental Operations. Reports shall include the status of completed, current, and planned projects. Reports shall also include information on the financial status of each constituent institution's housing system, the constituent institution's ability to pay for fire protection in residence halls, and the timing of installation of fire sprinklers. Reports shall be submitted on January 1 and July 1 until all residence halls have fire sprinklers.

SECTION 27.5.(e) Of the funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, a portion shall be used by the Board of Governors for campus public safety improvements allowable under G.S. 143C-4-3(b).

PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS

SECTION 27.6. The appropriations made by the 2009 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 State Budget Act, Chapter 143C 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 2009 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 2009 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.

CENTER FOR DESIGN AND WINSTON-SALEM STATE AMENDMENTS

SECTION 27.7.(a) Section 1.1 of S.L. 2004-179, as amended by Section 30.3A of S.L. 2005-276, Section 2.1 of S.L. 2006-146, and Section 27.8 of S.L. 2008-107, is amended by deleting the language:

"11,500,000	10,000,000	Land acquisition, site preparation, engineering, architectural, and other consulting services, and construction of a Center for Design Innovation in the Piedmont Triad Research Park to be operated jointly by Winston-Salem State University and the North Carolina School of the Arts."

and substituting the language:

"11,500,000	10,000,000	Land acquisition, site preparation, engineering, architectural, and other consulting services, acquisition of an existing building, construction, or renovation of a Center for Design Innovation to be operated jointly by Winston-Salem State University and the North Carolina School of the Arts."

SECTION 27.7.(b) G.S. 142-94 reads as rewritten:

"**§ 142-94. Procurement of capital facilities.**

The provisions of Articles 3, 3B, 3C, 3D, and 8 of Chapter 143 of the General Statutes and any other laws or rules of the State that relate to the acquisition and construction of State property apply to the financing of capital facilities through the use of special indebtedness pursuant to this Article. This section does not apply to the construction and lease-purchase, including leases with an option to purchase at the end of the lease term for a nominal sum, of

State office buildings pursuant to proposals submitted before the effective date of this Article in response to requests for proposals, to the extent any of those proposals, as they may be supplemented or amended, are approved by the Department of Administration and any of these leases or lease-purchase agreements are approved by the Council of State in accordance with G.S. 143-341(4)d2. With the exception of Article 8 of Chapter 143 of the General Statutes, this section does not apply to any special indebtedness issued pursuant to this Article for the purchase, construction, or operation of capital facilities by Gateway University Research Park, Inc., a joint Millennial Campus in Greensboro. This section does not apply to facilities for the Center for Design Innovation to be operated jointly by Winston-Salem State University and the University of North Carolina School of the Arts, as authorized in Section 1.1 of S.L. 2004-179, as amended."

SECTION 27.7.(c) Notwithstanding the Joint Conference Committee Report dated July 17, 2004, for S.L. 2004-124, the two million dollars ($2,000,000) appropriated for Winston-Salem State University shall be used to provide funds to acquire land and renovate space for Winston-Salem State University.

DEBT SERVICE FOR GREEN SQUARE COMPLEX PARKING CONSTRUCTION

SECTION 27.8. Notwithstanding Item 61, Page M-11, of the Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets for S.L. 2008-107, the General Fund shall service the debt for the Green Square Complex parking deck during the 2009-2011 fiscal biennium.

ADJUSTMENTS TO COPS FOR REDUCED CONSTRUCTION INFLATION

SECTION 27.9.(a) Section 27.8(a) of S.L. 2008-107 reads as rewritten:

"**SECTION 27.8.(a)** The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the projects described in this subsection. In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness:

(1) In the maximum aggregate principal amount of ~~sixty-nine million dollars ($69,000,000)~~sixty-three million eight hundred nineteen thousand five hundred fifty-eight dollars ($63,819,558) to finance the capital facility costs of completing a School of Dentistry building at East Carolina University and no more than 10 satellite dental clinics across the State. No more than a maximum aggregate amount of twenty-one million dollars ($21,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009. No more than a maximum aggregate amount of sixty million dollars ($60,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2010.

(2) In the maximum aggregate principal amount of ~~thirty-six million eight hundred thousand dollars ($36,800,000)~~ thirty-five million six hundred seventy-eight thousand nine hundred seventy-six dollars ($35,678,976) to finance the capital facility costs of completing a family medicine building at East Carolina University. No more than a maximum aggregate amount of sixteen million six hundred thousand dollars ($16,600,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009.

(3) In the maximum aggregate principal amount of ~~eighteen million dollars ($18,000,000)~~seventeen million eighty-two thousand six hundred fifty-five dollars ($17,082,655) to finance the capital facility costs of completing a

School of Education building at Elizabeth City State University. No more than a maximum aggregate amount of seven million dollars ($7,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009. No more than a maximum aggregate amount of fifteen million dollars ($15,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2010.

(4) In the maximum aggregate principal amount of two million four hundred thirty-eight thousand dollars ($2,438,000) to finance the capital improvement costs of acquiring land and constructing capital facilities for a horse park in Rockingham County for North Carolina Agricultural and Technical State University.

(5) In the maximum aggregate principal amount of ~~twenty million four hundred ninety thousand dollars ($20,490,000)~~ nineteen million four hundred eighty-one thousand seven hundred thirty-nine dollars ($19,481,739) to finance the capital facility costs of completing a general classroom building at North Carolina Agricultural and Technical State University. No more than a maximum aggregate amount of seven million dollars ($7,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009.

(6) In the maximum aggregate principal amount of ~~twenty four million five hundred thousand dollars ($24,500,000)~~ twenty-three million one hundred twenty-five thousand two hundred twenty-seven dollars ($23,125,227) to finance the capital facility costs of completing a nursing building at North Carolina Central University. No more than a maximum aggregate amount of six million dollars ($6,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009. No more than a maximum aggregate amount of seventeen million dollars ($17,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2010.

(7) In the maximum aggregate principal amount of ~~eleven million one hundred thousand dollars ($11,100,000)~~ ten million four hundred ninety-five thousand nine hundred eighty-one dollars ($10,495,981) to finance the capital facility costs of completing a central storage facility at the North Carolina School of the Arts.

(8) In the maximum aggregate principal amount of ~~twelve million nine hundred thousand dollars ($12,900,000)~~ eleven million nine hundred fifty thousand six hundred seventy-nine dollars ($11,950,679) to finance the capital facility costs of completing a film school production facility at the North Carolina School of the Arts. No special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009. No more than a maximum aggregate amount of two million dollars ($2,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2010. No more than a maximum aggregate amount of seven million nine hundred thousand dollars ($7,900,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2011.

(9) In the maximum aggregate principal amount of ~~one hundred nine million one hundred thousand dollars ($109,100,000)~~ one hundred one million five hundred sixty-eight thousand eight hundred thirty dollars ($101,568,830) to finance the capital facility costs of completing the Centennial Campus library at North Carolina State University. No more than a maximum aggregate amount of forty-nine million dollars ($49,000,000) of special

indebtedness may be issued or incurred under this subdivision prior to July 1, 2009. No more than a maximum aggregate amount of sixty-eight million one hundred thousand dollars ($68,100,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2010. No more than a maximum aggregate amount of ~~one hundred million one hundred thousand dollars ($100,100,000)~~ ninety-two million five hundred sixty-eight thousand eight hundred thirty dollars ($92,568,830) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2011.

(10) In the maximum aggregate principal amount of four million dollars ($4,000,000) for the capital facility costs of completing the 4-H Campuses at North Carolina State University.

(11) In the maximum aggregate principal amount of ~~sixty-nine million dollars ($69,000,000)~~sixty-three million eight hundred nineteen thousand five hundred fifty-eight dollars ($63,819,558) to finance the capital facility costs of completing a School of Dentistry expansion at the University of North Carolina at Chapel Hill. No special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009. No more than a maximum aggregate amount of twenty-five million dollars ($25,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2010. No more than a maximum aggregate amount of ~~sixty-one million dollars ($61,000,000)~~fifty-five million eight hundred nineteen thousand five hundred fifty-eight dollars ($55,819,558) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2011.

(12) In the maximum aggregate principal amount of ~~fifty-seven million two hundred eighteen thousand dollars ($57,218,000)~~ fifty-three million nine hundred eleven thousand three hundred five dollars ($53,911,305) to finance the capital facility costs of completing the Energy Production Infrastructure Center at the University of North Carolina at Charlotte. No more than a maximum aggregate amount of ten million dollars ($10,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009. No more than a maximum aggregate amount of thirty-two million two hundred eighteen thousand dollars ($32,218,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2010.

(13) In the maximum aggregate principal amount of forty-two million six hundred seventy thousand dollars ($42,670,000) to finance the capital facility costs of completing an academic classroom and office building at the University of North Carolina at Greensboro. No more than a maximum aggregate amount of twenty-one million dollars ($21,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009.

(14) In the maximum aggregate principal amount of ten million dollars ($10,000,000) to finance the capital facility costs of installing fire sprinklers in The University of North Carolina System residence halls.

(15) In the maximum aggregate principal amount of twenty-five million dollars ($25,000,000) to finance the capital improvement costs of acquiring State land throughout The University of North Carolina System.

(16) In the maximum aggregate principal amount of thirty-four million dollars ($34,000,000) to finance the capital improvement costs of purchasing State judicial facilities located at 901 Corporate Drive, Raleigh, NC, and more particularly described as Phase Two, Tract A of Raleigh Corporate Center

consisting of 17.28 acres and as shown on the map recorded in Map book 1987, page 720, and Map book 1990, page 576, of the Wake County Register of Deeds.

(17) In the maximum aggregate principal amount of ~~forty-five million one hundred seventy thousand dollars ($45,170,000)~~forty-two million nine hundred forty-seven thousand three hundred dollars ($42,947,300) to finance the capital facility costs of completing a health care and mental health facility at the North Carolina Correctional Institute for Women. No more than a maximum aggregate amount of twenty-seven million dollars ($27,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009.

(18) In the maximum aggregate principal amount of ~~thirteen million ten thousand dollars ($13,010,000)~~ twelve million three hundred sixty-nine thousand eight hundred eleven dollars ($12,369,811) to finance the capital facility costs of completing a minimum security addition at Scotland Correctional Institution. No more than a maximum aggregate amount of six million dollars ($6,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009. No more than a maximum aggregate amount of ten million dollars ($10,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2010.

(19) In the maximum aggregate principal amount of ~~eighteen million nine hundred fifty thousand dollars ($18,950,000)~~ eighteen million seventeen thousand five hundred nineteen dollars ($18,017,519) to finance the capital facility costs of completing a medium security addition at Bertie Correctional Institution. No more than a maximum aggregate amount of seven million dollars ($7,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009. No more than a maximum aggregate amount of fourteen million dollars ($14,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2010.

(20) In the maximum aggregate principal amount of ~~thirteen million ten thousand dollars ($13,010,000)~~ twelve million three hundred sixty-nine thousand eight hundred eleven dollars ($12,369,811) to finance the capital facility costs of completing a minimum security addition at Tabor Correctional Institution. No more than a maximum aggregate amount of six million dollars ($6,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009. No more than a maximum aggregate amount of ten million dollars ($10,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2010.

(21) In the maximum aggregate principal amount of ~~eighteen million nine hundred fifty thousand dollars ($18,950,000)~~ eighteen million seventeen thousand five hundred nineteen dollars ($18,017,519) to finance the capital facility costs of completing a medium security addition at Lanesboro Correctional Institution. No more than a maximum aggregate amount of seven million dollars ($7,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009. No more than a maximum aggregate amount of fourteen million dollars ($14,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2010.

(22) In the maximum aggregate principal amount of two million nine hundred twenty-five thousand dollars ($2,925,000) to finance the capital facility costs of completing Phase I of the CSS Neuse State Historic Site.

(23) In the maximum aggregate principal amount of seven million dollars ($7,000,000) to finance the capital facility costs of completing Port of Morehead City Berth Improvements and Phase I of Port of Wilmington Berth 8 Improvements.

(24) In the maximum aggregate principal amount of three million seven hundred thousand dollars ($3,700,000) to finance the capital facility costs of completing a Southeastern North Carolina Agriculture Center Pavilion.

(25) In the maximum aggregate principal amount of ~~eight million one hundred thousand dollars ($8,100,000)~~seven million six hundred twenty thousand eight hundred twenty-three dollars ($7,620,823) to finance the capital facility costs of Department of Agriculture and Consumer Services capital improvements. Sales proceeds shall be allocated between the projects in the following manner:

Project	**Allocation of Sales Proceeds**
Bathroom and truckshed expansion at The Western North Carolina Farmers' Market	$650,000
Davis Arena renovation and expansion at The Western North Carolina Agricultural Center	~~$7,450,000~~$6,970,823

(26) In the maximum aggregate principal amount of four million three hundred three thousand nine hundred forty-four dollars ($4,303,944) to finance the capital facility costs of completing an oyster hatchery.

(27) In the maximum aggregate principal amount of two million seven hundred thousand dollars ($2,700,000) to finance the capital improvement costs of completing an expansion and renovation to the polar bear exhibit at the North Carolina Zoo.

(28) In the maximum aggregate principal amount of ~~fifty million dollars ($50,000,000)~~ ten million dollars ($10,000,000) to finance the capital improvement costs of acquiring State park lands and conservation areas for the Land for Tomorrow initiative in the Department of Environment and Natural Resources. Proceeds shall be allocated to support the conservation priorities of the One North Carolina Naturally program."

SECTION 27.9.(b) Section 29.13(a) of S.L. 2007-323, as amended by Section 27.8(d) of S.L. 2008-107, reads as rewritten:

"**SECTION 29.13.(a)** The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the projects described in this subsection. In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness:

(1) In the maximum aggregate principal amount of thirty-four million dollars ($34,000,000) to finance the capital facility costs of completing a new educational building at Appalachian State University. No more than a maximum aggregate amount of three million dollars ($3,000,000) of special

indebtedness may be issued or incurred under this subdivision prior to July 1, 2008.

(2) In the maximum aggregate principal amount of ~~twenty-two million five hundred eighty-seven thousand dollars ($22,587,000)~~ twenty-one million four hundred seventy-five thousand five hundred fifty-one dollars ($21,475,551) to finance the capital facility costs of completing a new Science and Technology Complex at Fayetteville State University. No more than a maximum aggregate amount of five million dollars ($5,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2008.

(3) In the maximum aggregate principal amount of ~~twenty-four million nine hundred twenty thousand dollars ($24,920,000)~~ twenty-three million six hundred six thousand seven hundred twenty-three dollars ($23,606,723) to finance the capital facility costs of completing a new library at the North Carolina School of the Arts. No more than a maximum aggregate amount of one million seven hundred seventy-five thousand six hundred dollars ($1,775,600) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2008. No more than a maximum aggregate amount of fourteen million three hundred seventy-three thousand six hundred dollars ($14,373,600) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009.

(4) In the maximum aggregate principal amount of thirty-eight million dollars ($38,000,000) to finance the capital facility costs of completing the Randall B. Terry Companion Animal Hospital at North Carolina State University. No more than a maximum aggregate amount of twenty-eight million five hundred thousand dollars ($28,500,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2008.

(5) In the maximum aggregate principal amount of ~~thirty-four million dollars ($34,000,000)~~ thirty-two million three hundred twenty-six thousand nine hundred forty-seven dollars ($32,326,947) to finance the capital facility costs of completing an addition to Engineering Building III in the School of Engineering at North Carolina State University. No more than a maximum aggregate amount of eight million five hundred thousand dollars ($8,500,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2008. No more than a maximum aggregate amount of twenty-five million five hundred thousand dollars ($25,500,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009.

(6) In the maximum aggregate principal amount of eight million six hundred eighty-seven thousand dollars ($8,687,000) to finance the capital facility costs of renovating Rhoades Hall at the University of North Carolina at Asheville.

(7) In the maximum aggregate principal amount of one hundred nineteen million six hundred eight thousand two hundred twenty-five dollars ($119,608,225) to finance the capital facility costs of a Genomics Science Building at the University of North Carolina at Chapel Hill. No more than a maximum aggregate amount of thirty-one million dollars ($31,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2008. No more than a maximum aggregate amount of eighty-six million dollars ($86,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009.

(8) In the maximum aggregate principal amount of nineteen million dollars ($19,000,000) to finance the capital facility costs of completing a Nursing and Allied Health Building at the University of North Carolina at Pembroke. No more than a maximum aggregate amount of five million dollars ($5,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2008.

(9) In the maximum aggregate principal amount of thirty-four million five hundred twenty-five thousand dollars ($34,525,000) to finance the capital facility costs of completing a new teaching laboratory at the University of North Carolina at Wilmington. No more than a maximum aggregate amount of two million five hundred thousand dollars ($2,500,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2008. No more than a maximum aggregate amount of eight million six hundred thirty-one thousand two hundred fifty dollars ($8,631,250) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009.

(10) In the maximum aggregate principal amount of ~~forty-one million six hundred five thousand dollars ($41,605,000)~~thirty-eight million eight hundred sixty-two thousand nine hundred sixty dollars ($38,862,960) to finance the capital facility costs of completing a new Health and Gerontological Building at Western Carolina University. No more than a maximum aggregate amount of eighteen million eight hundred two thousand five hundred dollars ($18,802,500) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009.

(11) In the maximum aggregate principal amount of twenty-eight million five hundred seven thousand dollars ($28,507,000) to finance the capital facility costs of completing a new student activities center at Winston-Salem State University. No more than a maximum aggregate amount of two million dollars ($2,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2008. No more than a maximum aggregate amount of fourteen million seven hundred ninety-nine thousand dollars ($14,799,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009.

(12) In the maximum aggregate principal amount of ~~fifty-three million dollars ($53,000,000)~~ fifty million three hundred ninety two thousand six dollars ($50,392,006) to finance the capital facility costs of completing a Nanoscience Building to be used jointly by the University of North Carolina at Greensboro and North Carolina Agricultural and Technical State University. No more than a maximum aggregate amount of twenty-five million dollars ($25,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009.

(13) In the maximum aggregate principal amount of thirty-two million five hundred thousand dollars ($32,500,000) to finance the capital facility costs for completing the Coastal Studies Institute. No more than a maximum aggregate amount of eight million dollars ($8,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2008. No more than a maximum aggregate amount of twenty-three million dollars ($23,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009.

(14) In the maximum aggregate principal amount of nineteen million eight hundred sixteen thousand five hundred dollars ($19,816,500) to finance the

capital facility costs of a medium security facility at the Scotland Correctional Institution. No more than a maximum aggregate amount of five million dollars ($5,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2008.

(15) In the maximum aggregate principal amount of thirteen million one hundred ninety-one thousand three hundred dollars ($13,191,300) to finance the capital facility costs of a minimum security facility at the Alexander Correctional Institution. No more than a maximum aggregate amount of six million five hundred ninety-five thousand six hundred fifty dollars ($6,595,650) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2008.

(16) In the maximum aggregate principal amount of thirty-five million dollars ($35,000,000) to finance the capital facility costs of a new education and visitors center at Tryon Palace Historic Sites and Gardens. No more than a maximum aggregate amount of five million dollars ($5,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2008. No more than a maximum aggregate amount of twenty-five million dollars ($25,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009."

SECTION 27.9.(c) Section 23.12 of S.L. 2006-66, as amended by Section 27.8(c) of S.L. 2008-107, reads as rewritten:

"**SPECIAL INDEBTEDNESS PROJECTS**

SECTION 23.12.(a) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of forty-five million one hundred thirty dollars ($45,130,000) to finance the costs of constructing new buildings and pavilions and renovating existing buildings at the North Carolina Museum of Art. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the costs of constructing and renovating the project described in this subsection.

SECTION 23.12.(b) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of twenty million dollars ($20,000,000) to finance the capital facility costs of completing the Central Regional Psychiatric Hospital for the Department of Health and Human Services. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection.

SECTION 23.12.(c) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of ~~twenty-four million eight hundred forty-one thousand three hundred dollars ($24,841,300)~~ twenty-four million one hundred sixteen thousand four hundred thirty-three dollars ($24,116,433) to finance the capital facility costs of a new Secondary State Data Center. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection.

SECTION 23.12.(d) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of forty-five million eight hundred twenty-seven thousand four hundred dollars ($45,827,400) to

finance the capital facility costs of a new Center City Classroom Building at the University of North Carolina – Charlotte. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection.

SECTION 23.12.(e) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of one hundred one million dollars ($101,000,000) to finance the capital facility costs of the Department of Health and Human Services Public Health Laboratory and Office of Chief Medical Examiner. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate principal amount of twenty million dollars ($20,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2007.

SECTION 23.12.(f) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of ~~one hundred forty-five million five hundred thousand dollars ($145,500,000)~~ one hundred forty million four hundred seventy eight thousand seventy dollars ($140,478,070) to finance the capital facility costs of the Eastern Regional Psychiatric Hospital for the Department of Health and Human Services. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate principal amount of twenty million dollars ($20,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2007. No more than a maximum aggregate principal amount of one hundred million dollars ($100,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008.

SECTION 23.12.(g) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of one hundred thirty-two million two hundred thousand dollars ($132,200,000) to finance the capital facility costs of the Regional Medical Center and Mental Health Center of the Department of Correction. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No more than a maximum aggregate principal amount of eight million two hundred thousand dollars ($8,200,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2007. No more than a maximum aggregate principal amount of fifty-eight million two hundred thousand dollars ($58,200,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2008. No more than a maximum aggregate principal amount of ninety-eight million two hundred thousand dollars ($98,200,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2009.

SECTION 23.12.(h) In accordance with G.S. 142-83, this subsection authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of ~~one hundred sixty-two million eight hundred thousand dollars ($162,800,000)~~ one hundred fifty-seven million one hundred eighty thousand nine hundred sixty dollars ($157,180,960) to finance the capital facility costs of the Western Regional Psychiatric Hospital for the Department of Health and Human Services. The State, with the prior approval of the State

Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the capital facility costs of the project described in this subsection. No special indebtedness may be issued or incurred under this subsection prior to July 1, 2008. No more than a maximum aggregate principal amount of twenty million dollars ($20,000,000) of special indebtedness may be issued or incurred under this subsection prior to July 1, 2009.

SECTION 23.12.(i) This section is effective when it becomes law."

SECTION 27.9.(d) Section 1.2 of S.L. 2004-179, as amended by Section 1 of S.L. 2006-231, reads as rewritten:

"**SECTION 1.2.** In accordance with G.S. 142-83, this section authorizes the issuance or incurrence of special indebtedness in the maximum aggregate principal amount of ~~forty-two million dollars ($42,000,000)~~thirty-five million two hundred thousand dollars ($35,200,000) to finance the costs of constructing up to five youth development centers totaling up to 224 beds to be operated by the Department of Juvenile Justice and Delinquency Prevention and to be located as determined by that Department. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the cost of constructing the projects described by this section. Of the special indebtedness authorized by this section, no more than thirteen million dollars ($13,000,000) may be issued or incurred before July 1, 2005."

SECTION 27.9.(e) Notwithstanding anything in Section 47.1 of S.L. 2003-284 to the contrary, the maximum amount of special indebtedness authorized by that section for the capital facilities cost of Columbus County Correctional Institution is one hundred one million fifty-six thousand four hundred ninety dollars ($101,056,490).

TWO-THIRDS BONDS ACT OF 2009

SECTION 27.10.(a) Short Title. – This section may be cited as the "Two-Thirds Bonds Act of 2009."

SECTION 27.10.(b) Findings and Determinations. – It is the intent and purpose of the General Assembly by this section to provide for the issuance of general obligation bonds or notes of the State in order to provide funds for the cost of State capital facilities and for the cost of repairs and renovations of State capital facilities and related infrastructure.

SECTION 27.10.(c) Definitions. – The following definitions apply in this section unless the context otherwise requires:

(1) Bonds. – Bonds issued under this section.

(2) Cost. – The term includes all of the following:

a. The cost of constructing, reconstructing, renovating, repairing, enlarging, acquiring, and improving State 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 State capital facility.

b. The cost of engineering, architectural, and other consulting services as may be required.

c. Administrative expenses and charges.

d. The cost of providing personnel to ensure effective project management.

e. The cost of bond insurance, investment contracts, credit enhancement and liquidity facilities, interest-rate swap agreements or other derivative products, financial and legal consultants, and related costs

of bond and note issuance, to the extent and as determined by the State Treasurer.

f. Finance charges, reserves for debt service, and other types of reserves required pursuant to the terms of any bond or note or related documents, interest before and during construction or acquisition of a State capital facility and, if considered advisable by the State Treasurer, for a period not exceeding two years after the estimated date of completion of construction or acquisition.

g. The cost of bond insurance, investment contracts, credit enhancement facilities and liquidity facilities, interest-rate swap agreements or other derivative products, financial and legal consultants, and related costs of the incurrence or issuance of any bond or note.

h. The cost of reimbursing the State for any payments made for any cost described in this subdivision.

i. Any other costs and expenses necessary or incidental to the purposes of this section.

(3) Credit facility. – An agreement entered into by the State Treasurer on behalf of the State with a bank, savings and loan association or other banking institution, an insurance company, reinsurance company, surety company or other insurance institution, a corporation, investment banking firm or other investment institution, or any financial institution or other similar provider of a credit facility, which provider may be located within or without the United States, such agreement providing for prompt payment of all or any part of the principal or purchase price (whether at maturity, presentment or tender for purchase, redemption or acceleration), redemption premium, if any, and interest on any bonds or notes payable on demand or tender by the owner, in consideration of the State agreeing to repay the provider of the credit facility in accordance with the terms and provisions of such agreement.

(4) Notes. – Notes issued under this section.

(5) Par formula. – A provision or formula adopted by the State to provide for the adjustment, from time to time, of the interest rate or rates borne by any bonds or notes, including:

a. A provision providing for such adjustment so that the purchase price of such bonds or notes in the open market would be as close to par as possible.

b. A provision providing for such adjustment based upon a percentage or percentages of a prime rate or base rate, which percentage or percentages may vary or be applied for different periods of time.

c. Such other provision as the State Treasurer may determine to be consistent with this act and will not materially and adversely affect the financial position of the State and the marketing of bonds or notes at a reasonable interest cost to the State.

(6) State. – The State of North Carolina, including any State agency.

(7) State agency. – Any agency, institution, board, commission, bureau, council, department, division, officer, or employee of the State. The term does not include counties, municipal corporations, political subdivisions, local boards of education, or other local public bodies.

SECTION 27.10.(d) Authorization of Bonds and Notes. – The State Treasurer is authorized, by and with the consent of the Council of State, to issue and sell at one time or from time to time general obligation bonds of the State to be designated "State of North Carolina

General Obligation Bonds," with any additional designations as may be determined, or notes of the State, to provide funds, with any other available funds, for the purposes authorized by this section. The aggregate principal amount of indebtedness authorized by this section for each fiscal year may not exceed the lesser of the amount authorized by this subsection for that fiscal year or two-thirds of the amount by which the State's outstanding indebtedness was reduced during the biennium ended June 30th of the preceding fiscal year. If the maximum principal amount of bonds and notes authorized for a fiscal year is in excess of two-thirds of the amount by which the State's outstanding indebtedness shall have been reduced, then the maximum amount of bonds and notes authorized in this section for that fiscal year is reduced by such excess.

(1) In the maximum aggregate principal amount of one hundred six million six hundred ten thousand dollars ($106,610,000) for fiscal year 2009-2010.

(2) In the maximum aggregate principal amount of one hundred million dollars ($100,000,000) for fiscal year 2010-2011.

(3) In the maximum aggregate principal amount of fifty million dollars ($50,000,000) for fiscal year 2011-2012.

(4) In the maximum aggregate principal amount of fifty million dollars ($50,000,000) for fiscal year 2012-2013.

SECTION 27.10.(e) Uses of Bond and Note Proceeds. – The proceeds of bonds and notes shall be used for financing the cost of State capital facilities and for repairing and renovating State capital facilities as provided in this section. Any additional moneys which may be received by grant from the United States of America or any agency or department thereof or from any other source to aid in financing the cost of any State capital facilities authorized by this section may be placed by the State Treasurer in a separate fund or funds and shall be disbursed, to the extent permitted by the terms of the grant, without regard to any limitations imposed by this section.

The proceeds of bonds and notes may be used with any other moneys made available by the General Assembly for the cost of State capital facilities, including the proceeds of any other State bond issues, whether heretofore made available or which may be made available at the session of the General Assembly at which this section is ratified or any subsequent sessions. The proceeds of bonds and notes shall be expended and disbursed under the direction and supervision of the Director of the Budget. The funds provided by this section shall be disbursed for the purposes provided in this section upon warrants drawn on the State Treasurer by the State Controller, which warrants shall not be drawn until requisition has been approved by the Director of the Budget and which requisition shall be approved only after full compliance with the State Budget Act, Chapter 143C of the General Statutes.

The Office of State Budget and Management and the Board of Governors of The University of North Carolina shall provide semiannual reports to the Joint Legislative Oversight Committee on Capital Improvements, the Chairs of the Senate and House of Representatives Appropriation Committees, and the Fiscal Research Division on the expenditure of moneys authorized by this section. The reports shall continue until the completion of the projects provided for in this section.

SECTION 27.10.(f) Allocation of Proceeds. – The proceeds of bonds and notes shall be allocated and expended as provided in this subsection:

(1) A maximum aggregate principal amount of two hundred forty million dollars ($240,000,000) to finance the capital facility costs of the new Biomedical Research Imaging Center at the University of North Carolina at Chapel Hill. No more than a maximum aggregate principal amount of seventy-four million dollars ($74,000,000) may be issued or incurred under this subdivision prior to July 1, 2010. No more than a maximum aggregate amount of one hundred seventy-four million dollars ($174,000,000) may be

issued or incurred prior to July 1, 2011. No more than a maximum aggregate amount of two hundred twenty-four million dollars ($224,000,000) may be issued or incurred prior to July 1, 2012. The projected allocation for this capital facility may be increased to reflect the availability of other funds, including contingency funds, income earned on the investment of bond and note proceeds, and the proceeds of any grants.

(2) A maximum aggregate principal amount of sixty-six million six hundred ten thousand dollars ($66,610,000) to be used only in accordance with this subdivision for the repair and renovation of State facilities and related infrastructure. No more than a maximum aggregate amount of thirty-two million six hundred ten thousand dollars ($32,610,000) may be issued or incurred prior to July 1, 2012.

SECTION 27.10.(g) Issuance of Bonds and Notes. –

(1) Terms and conditions. – Bonds or notes may bear a date or dates, may be serial or term bonds or notes, or any combination thereof, may mature in such amounts and at such time or times, not exceeding 40 years from their date or dates, may be payable at such place or places, either within or without the United States of America, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, may bear interest at such rate or rates, which may vary from time to time, and may be made redeemable before maturity, at the option of the State or otherwise as may be provided by the State, at such price or prices, including a price less than or greater than the face amount of the bonds or notes, and under such terms and conditions, all as may be determined by the State Treasurer, by and with the consent of the Council of State.

(2) Signatures; form and denomination; registration. – Bonds or notes may be issued in certificated or uncertificated form. If issued in certificated form, bonds or notes shall be signed on behalf of the State by the Governor or shall bear the Governor's facsimile signature, shall be signed by the State Treasurer or shall bear the State Treasurer's facsimile signature, and shall bear the great seal of the State, or a facsimile of the seal shall be impressed or imprinted thereon. If bonds or notes bear the facsimile signatures of the Governor and the State Treasurer, the bonds or notes shall also bear a manual signature which may be that of a bond registrar, trustee, paying agent, or designated assistant of the State Treasurer. Should any officer whose signature or facsimile signature appears on bonds or notes cease to be such officer before the delivery of the bonds or notes, the signature or facsimile signature shall nevertheless have the same validity for all purposes as if the officer had remained in office until delivery. Bonds or notes may bear the facsimile signatures of persons who at the actual time of the execution of the bonds or notes shall be the proper officers to sign any bond or note, although at the date of the bond or note such persons may not have been such officers. The form and denomination of bonds or notes, including the provisions with respect to registration of the bonds or notes and any system for their registration, shall be as the State Treasurer may determine in conformity with this section.

(3) Manner of sale; expenses. – Subject to the approval by the Council of State as to the manner in which bonds or notes shall be offered for sale, whether at public or private sale, whether within or without the United States, and whether by publishing notices in certain newspapers and financial journals,

mailing notices, inviting bids by correspondence, negotiating contracts of purchase, or otherwise, the State Treasurer is authorized to sell bonds or notes at one time or from time to time at any rates of interest, which may vary from time to time, and at any prices, including a price less than or greater than the face amount of the bonds or notes, as the State Treasurer may determine. All expenses incurred in the preparation, sale, and issuance of bonds or notes shall be paid by the State Treasurer from the proceeds of bonds or notes or other available moneys.

(4) Notes; repayment. –

a. By and with the consent of the Council of State, the State Treasurer is hereby authorized to borrow money and to execute and issue notes of the State for the same, but only in the following circumstances and under the following conditions:

1. For anticipating the sale of bonds, the issuance of which the Council of State has approved, if the State Treasurer considers it advisable to postpone the issuance of the bonds;
2. For the payment of interest on or any installment of principal of any bonds then outstanding, if there are not sufficient funds in the State treasury with which to pay the interest or installment of principal as they respectively become due;
3. For the renewal of any loan evidenced by notes authorized in this section;
4. For the purposes authorized in this section; and
5. For refunding bonds or notes as authorized in this section.

b. Funds derived from the sale of bonds or notes may be used in the payment of any bond anticipation notes issued under this section. Funds provided by the General Assembly for the payment of interest on or principal of bonds shall be used in paying the interest on or principal of any notes and any renewals thereof, the proceeds of which shall have been used in paying interest on or principal of the bonds.

(5) Refunding bonds and notes. – By and with the consent of the Council of State, the State Treasurer is authorized to issue and sell refunding bonds and notes pursuant to the provisions of the State Refunding Bond Act for the purpose of refunding bonds or notes issued pursuant to this section. The refunding bonds and notes may be combined with any other issues of State bonds and notes similarly secured. Refunding bonds or notes may be issued at any time prior to the final maturity of the debt obligation to be refunded. The proceeds from the sale of any refunding bonds or notes shall be applied to the immediate payment and retirement of the bonds or notes being refunded or, if not required for the immediate payment of the bonds or notes being refunded, the proceeds shall be deposited in trust to provide for the payment and retirement of the bonds or notes being refunded and to pay any expenses incurred in connection with the refunding. Money in a trust fund may be invested in (i) direct obligations of the United States government, (ii) obligations the principal of and interest on which are guaranteed by the United States government, (iii) obligations of any agency or instrumentality of the United States government if the timely payment of principal and interest on the obligations is unconditionally guaranteed by the United States government, or (iv) certificates of deposit issued by a bank or trust company located in the State if the certificates are secured by a pledge of any of the

obligations described in (i), (ii), or (iii) above having an aggregate market value, exclusive of accrued interest, equal at least to the principal amount of the certificates so secured. This section does not limit the duration of any deposit in trust for the retirement of bonds or notes being refunded but that have not matured and are not presently redeemable, or if presently redeemable, have not been called for redemption.

(6) Tax exemption. – Bonds and notes shall at all times be free from taxation by the State or any political subdivision or any of their agencies, excepting estate, inheritance or gift taxes, income taxes on the gain from the transfer of bonds or notes, and franchise taxes. The interest on bonds or notes is not subject to taxation as income.

(7) Investment eligibility. – Bonds and notes are securities in which all of the following may invest, including capital in their control or belonging to them: public officers, agencies, and public bodies of the State and its political subdivisions, all insurance companies, trust companies, investment companies, banks, savings banks, savings and loan associations, credit unions, pension or retirement funds, other financial institutions engaged in business in the State, executors, administrators, trustees, and other fiduciaries. Bonds and notes are hereby made securities which may properly and legally be deposited with and received by any officer or agency of the State or political subdivision of the State for any purpose for which the deposit of bonds, notes, or obligations of the State or any political subdivision is now or may hereafter be authorized by law.

(8) Faith and credit. – The faith and credit and taxing power of the State are hereby pledged for the payment of the principal of and the interest on bonds and notes. The State expressly reserves the right to amend any provision of this section to the extent it does not impair any contractual right of a bond owner.

(9) Other agreements. – The State Treasurer may authorize, execute, obtain, or otherwise provide for bond insurance, investment contracts, credit and liquidity facilities, interest-rate swap agreements and other derivative products, and any other related instruments and matters the State Treasurer determines are desirable in connection with issuance, incurrence, carrying, or securing of bonds or notes. The State Treasurer is authorized to employ and designate any financial consultants, underwriters, and bond attorneys to be associated with any bond or note issue under this section as the State Treasurer considers necessary.

SECTION 27.10.(h) Variable Rate Demand Bonds and Notes. – In fixing the details of bonds and notes, the State Treasurer may provide that any of the bonds or notes may:

(1) Be made payable from time to time on demand or tender for purchase by the owner, if a credit facility supports the bonds or notes, unless the State Treasurer specifically determines that a credit facility is not required upon a finding and determination by the State Treasurer that the absence of a credit facility will not materially and adversely affect the financial position of the State and the marketing of the bonds or notes at a reasonable interest cost to the State;

(2) Be additionally supported by a credit facility;

(3) Be made subject to redemption or a mandatory tender for purchase prior to maturity;

(4) Bear interest at a rate or rates that may vary for any period of time, as may be provided in the proceedings providing for the issuance of the bonds or

notes, including, without limitation, such variations as may be permitted pursuant to a par formula; and

(5) Be made the subject of a remarketing agreement whereby an attempt is made to remarket bonds or notes to new purchasers prior to their presentment for payment to the provider of the credit facility or to the State.

If the aggregate principal amount payable by the State under a credit facility is in excess of the aggregate principal amount of bonds or notes secured by the credit facility, whether as a result of the inclusion in the credit facility of a provision for the payment of interest for a limited period of time or the payment of a redemption premium or for any other reason, then the amount of authorized but unissued bonds or notes during the term of such credit facility shall not be less than the amount of such excess, unless the payment of such excess is otherwise provided for by agreement of the State executed by the State Treasurer.

SECTION 27.10.(i) Interpretation of Section. –

(1) Additional method. – The foregoing sections of this section shall be deemed to provide an additional and alternative method for the doing of the things authorized under it and shall be regarded as supplemental and additional to powers conferred by other laws and shall not be regarded as in derogation of any powers now existing.

(2) Statutory references. – References in this section to specific sections or Chapters of the General Statutes or to specific acts are intended to be references to such sections, Chapters, or acts as they may be amended from time to time by the General Assembly.

(3) Broad construction. – This section, being necessary for the health and welfare of the people of the State, shall be broadly construed to effect the purposes thereof.

(4) Inconsistent provisions. – Insofar as the provisions of this section are inconsistent with the provisions of any general, special, or local laws, or parts thereof, the provisions of this section shall be controlling.

(5) Severability. – If any provision of this section or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the section which can be given effect without the invalid provision or application, and to this end the provisions of this section are declared to be severable.

SECTION 27.10.(j) G.S 116-29.5 reads as rewritten:

"**§ 116-29.5. Biomedical Research Imaging Center.**

The General Assembly finds that the construction of the Biomedical Research Imaging Center at the University of North Carolina at Chapel Hill is a vital component of the State's efforts to improve the health and wellness of its citizens. Therefore, there is appropriated from the General Fund to the Board of Governors of The University of North Carolina the following sums for the corresponding fiscal year to be used for the planning and construction of the Biomedical Research Imaging Center:

Fiscal Year	Amount:
2009-2010	~~$172,000,000~~ $74,000,000
2010-2011	~~$45,000,000~~ $100,000,000
2012-2013	$50,000,000
2013-2014	$16,000,000."

SECTION 27.10.(k) The funds appropriated for the 2009-2010 shall be placed in a Reserve for the Biomedical Research Imaging Center and shall be spent only to the extent that the Council of State does not authorize the issuance of bonds in the amount of $74,000,000 during the 2009-2010 fiscal year.

SECTION 27.10.(l) Effective Date. – This section is effective when it becomes law.

PART XXVIII. MISCELLANEOUS PROVISIONS

STATE BUDGET ACT APPLIES

SECTION 28.1. The provisions of the State Budget Act, Chapter 143C of the General Statutes, are reenacted and shall remain in full force and effect and are incorporated in this act by reference.

COMMITTEE REPORT

SECTION 28.2.(a) The Senate Appropriations Committee Report on the Continuation, Expansion and Capital Budgets dated April 7, 2009, which was distributed in the Senate and 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 the State Budget Act, Chapter 143C of the General Statutes, 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 28.2.(b) The budget enacted by the General Assembly is for the maintenance of the various departments, institutions, and other spending agencies of the State for the 2008-2009 budget as provided in G.S. 143C-3-5. This budget includes the appropriations of State funds as defined in G.S. 143C-1-1(d)(25).

The Director of the Budget submitted recommended adjustments to the budget to the General Assembly in March 2009 in the documents "North Carolina State Budget, Recommended Operating Budget 2009-2011, Volumes 1 through 6," for the 2009-2011 fiscal biennium for the various departments, institutions, and other spending agencies of the State. The adjustments to these documents made by the General Assembly are set out in the Committee Report.

SECTION 28.2.(c) The budget enacted by the General Assembly shall also be interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and 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.

MOST TEXT APPLIES ONLY TO THE 2009-2011 FISCAL BIENNIUM

SECTION 28.3. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2009-2011 fiscal biennium, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 2009-2011 fiscal biennium.

EFFECT OF HEADINGS

SECTION 28.4. 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.

SEVERABILITY CLAUSE

SECTION 28.5. 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.

EFFECTIVE DATE

SECTION 28.6. Except as otherwise provided, this act becomes effective July 1, 2009.

Senate Appropriations Committee

Agenda

Legislative Office Building, Room 643
9:00 a.m.
April 07, 2009

Opening Remarks — Senate Appropriations Chairs

Subcommittee Overview: — Senate Subcommittee Chairs

- Education
- Health and Human Services
- Natural and Economic Resources
- Justice and Public Safety
- General Government
- Transportation
- Information Technology (Fiscal Staff)
- Salaries and Benefits (Fiscal Staff)
- Statewide Reserves (Fiscal Staff)
- Capital (Fiscal Staff)
- General Fund Availability/General Provisions (Fiscal Staff)

Senate Appropriations Committee

Rules for Considering Amendments

If amendments are offered, then the following rules must be met in order to make the amendment eligible for consideration:

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

2. Amendments where money is being transferred among items within a subcommittee must clearly identify the items/programs that are being increased and decreased.

3. Nonrecurring reductions cannot be made to fund recurring additions.

4. Amendments that spend reversions are not allowed.

5. Amendments that increase spending in the subcommittee budgets are not allowed.

6. Amendments are not allowed where funding for an item comes from statewide reserves.

7. Amendments must be in writing, the original signed, with 75 copies available for distribution

8. To be considered, a proposed amendment must have been logged in by the committee clerk by 11:00 a.m.

#3

3

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 202

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

S202-ALL-4 [v.3]

Comm. Sub. [YES]
Amends Title [NO]
PCS35286

Date 4-7 ,2009

Senator Clodfelter

moves to amend the bill on page 151, lines 4 through 29,
by rewriting those lines to read:

"**SECTION 15.20.(j)** G.S. 20-135.2A(e) reads as rewritten:

"(e) Any driver or front seat passenger who fails to wear a seat belt as required by this section shall have committed an infraction and shall pay a penalty of twenty-five dollars ($25.00) plus the following court ~~costs in the sum of seventy-five dollars ($75.00).~~ costs: the General Court of Justice fee provided for in G.S. 7A-304(a)(4), the telephone facilities fee provided for in G.S. 7A-304(a)(2a), and the law enforcement training and certification fee provided for in G.S. 7A-304(a)(3b). Any rear seat occupant of a vehicle who fails to wear a seat belt as required by this section shall have committed an infraction and shall pay a penalty of ten dollars ($10.00) and no court costs. Court costs assessed under this section are for the support of the General Court of Justice and shall be remitted to the State Treasurer. Conviction of an infraction under this section has no other consequence."

SECTION 15.20.(k) G.S. 20-140.4 reads as rewritten:

"**§ 20-140.4. Special provisions for motorcycles and mopeds.**

(a) No person shall operate a motorcycle or moped upon a highway or public vehicular area:

(1) When the number of persons upon such motorcycle or moped, including the operator, shall exceed the number of persons which it was designed to carry.

(2) Unless the operator and all passengers thereon wear on their heads, with a retention strap properly secured, safety helmets of a type that complies with Federal Motor Vehicle Safety Standard (FMVSS) 218.

(b) Violation of any provision of this section shall not be considered negligence per se or contributory negligence per se in any civil action.

(c) Any person convicted of violating this section shall have committed an infraction and shall ~~be fined according to G.S. 20-135.2A(e) and (f).~~ pay a penalty of twenty-five dollars ($25.00) plus the following court costs: the General Court of Justice fee provided for in G.S. 7A-304(a)(4), the telephone facilities fee provided for in G.S. 7A-304(a)(2a), and the law enforcement training and certification fee provided for in G.S. 7A-304(a)(3b). Conviction of an infraction under this section has no other consequence.

(d) No drivers license points or insurance surcharge shall be assessed on account of violation of this section.";

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 202

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

S202-ALL-4 [v.3]

and by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

Comm. Amend. 2
Adopted and Engrossed
Pursuant to Rule 45.1

APR - 7 2009

#4

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 202

AMENDMENT NO. 3
(to be filled in by Principal Clerk)

S202-ALL-10 [v.3]

Comm. Sub. [YES]
Amends Title [NO]
PCS35286

Date April 7 ,2009

Senator Clodfelter

moves to amend the committee report on page I-2, item 10,
by deleting that item;

and on page I-3, item 18,
by deleting that item;

and on page I-2, item 8,
by increasing the reduction on that line by $1,681,718;

and by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

Comm. Amend. 3
Adopted and Engrossed
Pursuant to Rule 45.1
APR - 7 2009

S202-ALL-10-V-3

8

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 202

AMENDMENT NO. 4
(to be filled in by Principal Clerk)

S202-ALLf-8 [v.1]

Comm. Sub. [YES]
Amends Title [NO]
S202-PCS35286-LExf-15

Date 7 April ,2009

Senator Kinnaird

moves to amend the bill on page 146 line 14, by deleting the phrase "one hundred three dollars ($103.00)" and substituting the phrase "one hundred three dollars and fifty cents ($103.50)"; and

on page 146, line 16, by deleting the phrase "one hundred fifteen dollars ($115.00)" and substituting the phrase "one hundred fifteen dollars and fifty cents ($115.50)"; and

on page 148, lines 18-19, by deleting the phrase "~~one hundred three dollars ($103.00)~~ one hundred five dollars ($105.00)" and substituting the phrase " ~~one hundred three dollars and fifty cents ($103.50)~~ one hundred five dollars and fifty cents ($105.50)"; and

on page 148 -20-21 line Y, by deleting the phrase "~~one hundred fifteen dollars ($115.00)~~ one hundred thirty-five dollars ($135.00)" and substituting the phrase "~~one hundred fifteen dollars and fifty cents ($115.50)~~ one hundred thirty-five dollars and fifty cents ($135.50)".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

Comm. Amend. 4
Adopted and Engrossed
Pursuant to Rule 45.1
APR - 7 2009

S202-ALLF-8-V-1

16

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 202

AMENDMENT NO. 5
(to be filled in by Principal Clerk)

Page 1 of 1

S202-ALN-48 [v.1]

Comm. Sub. [YES]
Amends Title [NO]
PCS35286-LExf-15

Date 4-7 ,2009

Senator Nesbitt

moves to amend the bill on page 101, line 45,
by inserting on the line the following:
"**MEDICAID WAIVER TO PROVIDE HOME AND COMMUNITY-BASED MEDICAID SERVICES FOR CERTAIN INDIVIDUALS**

SECTION 10.74A. The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall apply to the Centers for Medicare and Medicaid Services for a 1915(c) waiver to permit individuals who sustain traumatic brain injury after age 22 to access home and community-based Medicaid services. If approved, the Department shall not implement the waiver except as authorized by an act of the General Assembly appropriating funds for this purpose. The Department shall report on the status of the waiver to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, 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 March 1, 2010."

SIGNED Martin Nesbitt
Amendment Sponsor

SIGNED
Committee Chair if Senate Committee Amendment

ADOPTED V FAILED TABLED

Comm. Amend. 5
Adopted and Engrossed
Pursuant to Rule 45.1
APR - 7 2009

S202-ALN-48-V-1

#17

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. _____

H. B. No. _____ DATE 4/9-09

S. B. No. PCS-2-5202 Amendment No. 6

(to be filled in by Principal Clerk)

COMMITTEE SUBSTITUTE _____

Rep.)
) Sen. Jones
Sen.)

1 moves to amend the ~~bill~~ report on page I-2, Item 8, line _____

2 ( ) WHICH CHANGES THE TITLE

3 by increasing the reduction by $121,401 in both years;

4 ~~page I-2, Item 8~~

5 and on page I-3, Item 15

6 ~~and~~ by deleting that item.

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Comm. Amend. 6
Adopted and Engrossed
Pursuant to Rule 45.1
APR - 7 2009

SIGNED Janet Prewitt

ADOPTED ✓ FAILED _____ TABLED _____

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 202

AMENDMENT NO. 7
(to be filled in by Principal Clerk)

S202-AMA-3 [v.14]

Comm. Sub. [YES]
Amends Title [NO]
S202-CSLExf-15

Date April 7 ,2009

Senator Garrou

moves to amend the proposed committee substitute on page 1, line 34, by increasing the amount for the 2010-2011 fiscal year by $11,393,030; and

also further moves to amend the proposed committee substitute on page 6, line 18, by increasing the reduction for the 2010-2011 fiscal year by $11,393,030; and

also moves to amend the committee report on page F 3, Item 19, by deleting the item; and

also moves to amend the proposed committee substitute on page 37, lines 11 through 29, by deleting the lines; and

moves to amend the proposed committee substitute on page 2, lines 14 and 15, by rewriting those lines to read:

"Agricultural Extension	46,237,503	60,787,417
Agricultural Research	61,941,281	45,963,661";

and also moves to amend the proposed committee substitute on page 121, lines 34-36, by deleting the language:
"no more than three percent (3%) of the funds appropriated to the Clean Water Management Trust Fund in each fiscal year of the 2009-2011 fiscal biennium",
and substituting:
"of the funds appropriated to the Clean Water Management Trust Fund for each fiscal year of the 2009-2011 fiscal biennium, no more than three million dollars ($3,000,000)"; and

and also moves to amend the proposed committee substitute on page 14, line 29, by deleting the word "sections" and substituting the word "section"; and

also moves to amend the proposed committee substitute on page 28, line 30, by deleting the word "may"" and substituting the word "shall"; and

also moves to amend the proposed committee substitute on page 42, line 5, by deleting the line; and

also moves to amend the proposed committee substitute on page 44, line 14, by deleting the line; and

also moves to amend the proposed committee substitute on page 126, line 16, by adding a new subsection after the line to read:

"**SECTION 14.2.(d)** Of the funds appropriated to the One North Carolina Fund in prior fiscal years that are unencumbered and unexpended as of June 30, 2009, or that become unencumbered or unexpended thereafter, the sum of two million dollars ($2,000,000) shall be transferred for the 2009-2010 fiscal year to the Regional Economic Development Commissions."; and

and also moves to amend the proposed committee substitute on page 3, line 8, by increasing the amount for the 2010-2011 fiscal year by $5,000,000; and

also moves to amend the proposed committee substitute on page 3, line 14 by decreasing the amount for the 2010-2011 fiscal year by $5,000,000; and

also moves to amend the Committee report on page H 16, item 82, by increasing the amount for the 2010-2011 fiscal year by $5,000,000 in nonrecurring funds; and

also moves to amend the bill on page 137, line 1, by adding a new subsection before the line to read:

"**SECTION 14.13.(c)** Of the funds appropriated for the Southeastern North Carolina Regional Economic Development Commission, the sum of two hundred fifty-four thousand dollars ($254,000) for the 2009-2010 fiscal year and the sum of two hundred fifty-four thousand dollars ($254,000) for the 2010-2011 fiscal year shall transferred to BRAC Regional Task Force, Inc. for economic development including defense procurement capabilities in the 11 county region it serves."; and by relettering the remaining subsections accordingly; and

also moves to amend the proposed committee substitute on page 127, line 7, by deleting the words "small business" and substituting the words "small businesses"; and

also moves to amend the proposed committee substitute on page 158, line 32, by deleting the word "Section" and substituting the word "section"; and

also moves to amend the proposed committee substitute on page 173, line 23, by deleting the line; and

also moves to amend the proposed committee substitute on page 173, line 39, by deleting the word "act" and substituting the word "section"; and

also moves to amend the proposed committee substitute on page 188, lines 47, rewriting that line to read:

"(1) Proceeds of bonds and notes issued pursuant to Section 27.10(f)(2) of this act for"; and

also moves to amend the proposed committee substitute on page 201, lines 9-12, by deleting those lines and by re-lettering the remaining sub-subdivisions accordingly; and

also moves to amend the proposed committee substitute on page 201, line 51 through page 202, line 10, by rewriting the lines to read:

"time to time general obligation bonds or notes of the State to be designated 'State of North Carolina General Obligation Bonds,' with any additional designations as may be determined, with any other available funds, for the purposes authorized by this section. The aggregate principal amount of bonds authorized by this section for the fiscal years ending June 30, 2010, and June 30, 2011, may not exceed the lesser of (i) the amount authorized by this subsection for that fiscal year and (ii) an amount that, together with all other general obligation bonds issued by the State, excluding refunding bonds, during the biennium ending June 30, 2011 is greater than two-thirds of the net amount by which the State's outstanding general obligation bonds was reduced during the biennium ended June 30, 2009. The aggregate principal amount of bonds authorized by this section for the fiscal years ending June 30, 2012, and June 30, 2013, may note exceed the lesser of (i) the amount authorized by this subsection for that fiscal year and (ii) an amount that, together with all other general obligation bonds issued by the State, excluding refunding bonds, during the biennium ending June 30, 2013 is greater than two-thirds of the net amount by which the State's outstanding general obligation bonds was reduced during the biennium ended June 30, 2011. If the maximum principal amount of bonds and notes authorized for a fiscal year is in excess of the amount described above, then the maximum amount of bonds and notes authorized in this section for that fiscal year is reduced by such excess. There is hereby authorized the following amount of bonds and notes authorized by this section in the following fiscal years:"; and

also moves to amend the proposed committee substitute on page 203, line 12, by rewriting the line to read:

"incurred under this subdivision prior to July 1, 2012."; and

also moves to amend the proposed committee substitute on page 206, lines 45 through 46, by rewriting those lines to read:

"2011-2012	$50,000,000	
2012-2013	$16,000,000."; and	

also moves to amend the proposed committee substitute on page 208, line 1, by adding a new section before the line to read:

"**SECTION 28.5A.** This act becomes effective only if the General Assembly enacts modifications to tax law that increase revenues by an amount sufficient to ensure that the State's budget is balanced."; and

also moves to amend the proposed committee substitute on page 154, line 11, bay adding the following language:

"**SECTION 16.6(c).** This sections becomes effective July 1, 2010."; and

also moves to amend the Committee Report on page F 5, Item 27, by deleting the last sentence of the short description in that item; and

also moves to amend the Committee Report on page F 9, by adding a new item to read:

" 47A	**Management Flexibility Reduction - State Aid** Reduces funds in the State Aid budget. The State Board of Community Colleges shall distribute the flexibility reduction, accounting for the unique needs of each college. Each college reduced shall have the flexibility to adjust its budget to implement this reduction, but shall not impact those activities directly involved in retraining displaced workers."; and	($1,023,133) R	($1,023,133) R

also moves to amend the Committee Report on page F 11, item 65, by deleting the item.

also moves to amend the committee report on page F 13, by rewriting item # 72 to read:

"72	**Customized Training** Provides additional funding the for the Customized Training Program to improve programming and develop stronger infrastructure for college-based instruction. The Customized Training Program offers programs and training services to assist new and existing business and industry to remain productive, profitable, and within the State. Of the funds appropriated for Customized Training, the sum	$500,000 R	$500,000 R

of $250,000 for each year shall be used for a training program in entrepreneurial skills provided by NC REAL (NC Rural Entrepreneurship through Active Learning)."; and

also moves to amend the Committee Report on page G 2, Item 14, by adding a reduction of 102 positions in each fiscal year of that item; and

also moves to amend the Committee Report on page G 8, Item 71, by adding deleting the word "Access" everywhere it appears in that item and replacing it with the word "Assistance"; and

also moves to amend the Committee Report on page I 1, Item 2, by adding two positions to the list of positions to be eliminated as follows:

Pos. #	Position	Salary
...		
"65003747	Dep. Chief Information Officer	107,543
60094899	AOC Division Assistant	41,428"; and

also moves to amend the Committee Report on page I 2, Item 13, by deleting the word "Eliminate" from the first line in the short description and substituting the word "Reduce"; and

also moves to amend the Committee Report on page I 11, Item 64, by deleting the short description and substituting the following:

"Effective September 1, 2009, close the Dobbs YDC since the new Lenoir YDC, which was opened in 2008 to replace this older facility."; and

also moves to amend the Committee Report on page F 5, Item 26, by reducing the reduction by in fiscal year 2010-2011 $350,000; and adjusting the total accordingly; and

also moves to amend the Committee Report on page F 2, Item 12, by increasing the reduction by $350,000.; and

also moves to amend the Committee Report on page I 2, Item 9, by deleting that item; and

also moves to amend the Committee Report on page I 2, Item 8, by in creasing the reduction by $401,289 in fiscal year 2009-2010 and in fiscal year 2010-2011; and

by adjusting the totals in the bill and the committee report accordingly.

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 202

AMENDMENT NO. 7
(to be filled in by
Principal Clerk)

S202-AMA-3 [v.14]

SIGNED Linda Garrou
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

Comm. Amend. 7
Adopted and Engrossed
Pursuant to Rule 45.1
APR - 7 2009

Janet Pruitt

VISITOR REGISTRATION SHEET

Appropriations Base Budget — April 7, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Alice Barlanya	NCEL
[signature]	WCPSS
Chris Minard	State Bd of Ed
Jessie Goodman	DHHS
Jeff Horan	DHHS
Bob Aldrich	NCPC
Katherine Joyce	NCASA
Emily Doyle	NCPAPA
Pamela Schore	NCASA
Brittany Farrell	NCFPC
Amy McConkey	Smith Anderson

VISITOR REGISTRATION SHEET

Appropriations Base Budget — April 7, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Linda Dunder	NCAE
Penny Griffin	School of Gov.
Jan Withers	NC DSDHH
Linda Harrington	DVRS
Robert Deans	NC DVRS
Karen Gaul	NCBPOA
Anita Watkins	UNCGA
Rob Nelson	UNC-GA
Erin Schweitzer	UNC-GA
Ginger Burks	UNC-GA
Jennifer Benton	OSBM

VISITOR REGISTRATION SHEET

Appropriations Base Budget — April 7, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Donna S. Cut	OSBM
Tracy Little	NC DOC
Jane Lancaster	NC DOC
James French	NC DOC
Frank Rogers	NC DOC
Barbara Baker	NC DOC
Jennifer Haygood	NCCCS
Jennifer Willis	NCCCS
Mildred Spearman	NCDOC
MW Hobgood	Butner Public Safety. Crime Control P.S.
Thomas C. Caves, Jr.	NC Dept of Crime Control; Public Safety

VISITOR REGISTRATION SHEET

Appropriations Base Budget — **Name of Committee**

April 7, 2009 — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
TIM BOWLIN	NC NATIONAL GUARD
SUSAN BROOKS	IDS / SENTENCING SERVICES
EVAN CLONTZ	NC NATIONAL GUARD
Neil Woodcock	CCPS, LESS
Dwight Pearson	DHHS
Pam Kilpatrick	OSBM
Melvin Lee	OSBM
H. ASAI CO	NCDOT
Thomas Clark	OSC
Jon Carr	Jordan Price Law Firm
GALE GAINES	So. REGIONAL EDUC BD, ATLANTA

VISITOR REGISTRATION SHEET

Appropriations Base Budget — **Name of Committee**

April 7, 2009 — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
JOHN D. DENNING	All Kinds of Minds
Matt Arnold	TPG
Justin Penny Cole	NCACDC
Christy Agnew	DOA
MIKE WATERS	NCRPA
Annette Newkirk	Governor's Office
Cary L. Hart	DENR
Harrison Gilbert	Governor's Office
Julia Leggett	The Arc of NC
Jennifer Mahan	MHANC / The Coalition
Sara Schmidt	Action for Children NC
Fred Walker	Eastern Seals UCP

VISITOR REGISTRATION SHEET

Appropriations Base Budget — April 7, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
MARGARET MATRONE	NCHFA
George Laing	JT
ELIZABETH WOOD	JT
Ruby Dewitt	NAMI NC
Jamal Jones	NCHA
Keith Weatherly	Rep. Stam
Chris Hollis	K&L Gates
DANIEL RAUM	K+L GATES
DAVID RICE	MANNING FULTON
Dick Clifton	Mayor
Mitch Leonard	SEANC

Name	Firm or Agency & Address
[illegible]	JD, ALPA
[illegible] Smith	RWJ Associates
Patrice Roesler	NCACC
Gene Causby	NCSCIA
Linda Andrews	NCFB
[illegible] Dalton	NCRMA
[illegible]	Biotech Ctr of NC
WENDY KELLY	520 WICKER
JOEL ANICK	520 WICKER
Christine Cruz	WakeMed
Ann Lore	Duke
[illegible]	Carolinas HealthCare
Michelle Brooks	Univ. Health Systems Eastern Carolina
PRESTON HOWARD	MCIC
MIKE JAMES	ACP
[illegible] Bell	NC Zoo Society
Barbara Conley	BKGR
John Bowdish	AstraZeneca

VISITOR REGISTRATION SHEET

Appropriations Base Budget — April 7, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Fred Bone	Bone & Assoc.
Lucky Walsh	DMH
Bryan Wennerlyn	DHHS- DMH/DD/SAS
Jim Farrar	DMH/DD/SAS DHHS
Jana Larson	DMA / DHHS
Steve Owen	DMA / DHHS
Kristi Huff	NCHCFA
John McMillan	MFHS
Pedro Barragan Conn	Capstrat
Janice Fain	DCD / DHHS
Sarah Barham	DSS / DHHS

Name	Firm or Agency & address
Jessi Hayes	NC HBA
Lisa Martin	NC HBA
Rita Harris	commerce
Evelyn Hawthorne	CHBR
Ben Alley	NMRS
Bill Russell	

VISITOR REGISTRATION SHEET

Appropriations Base Budget — April 7, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Karen McLeod	CFSA - NC
Rebecca Troutman	NCACC
LISA SCHELL	CCOMTF
[illegible]	[illegible]
Conar Brockett	NCSBA
TRACY GUARD	AHHC
ALISON DAVIS	PARENT
Maureen Merrell	Autism Society of NC
Bryan Conrad	OSBM
Joyce Wallace	OSBM
Tommy Clark	NCWRC

Sarah Clapp	NCWRC
Henry Hutaff	N.C.B.A.
N. David Smith	NC Dept. of Agriculture
Joy Hicks	NCDA&CS

VISITOR REGISTRATION SHEET

Appropriations Base Budget — **Name of Committee**

April 7, 2009 — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Sherry Bradsher	DHHS / DSS
Kathy Sommese	DHHS/DSS
Dennis Streets	DHHS / DAAS
BOB HARRELL	DHHS / DAAS
JENNIFER HAIGWOOD	LABOR
ART BRITT	LABOR
JACK BRINSON	LABOR
ANGELINE SLIGH	DHHS / OMMISS
CHRIS COLLINS	DHHS / ORHCC
John Price	DHHS / ORHCC
Tracie Miller	DHHS / ORHCC

VISITOR REGISTRATION SHEET

Appropriations Base Budget — April 7, 2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
George Packenham	Office of Rural Health - Rad
Jim Ayr	Ed Consultant
Elaine Mejia	NC Budget & Tax Center
Shayna Alterovitz	AARP
Mallory Hatcher	MWC
CASANDRA WHITE	AOC
John W Smith	AOC
Meredith Hinda	CU
J Lynn Harris	Public School Forum
Jim Stegall	U.C.P.S.
Larry Presnell Jr	North Carolina Retired School Personnel

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Linda Garrou, Co-Chair
Senator Charles W. Albertson, Co-Chair
Senator Charlie Smith Dannelly, Co-Chair
Senator A. B. Swindell, Co-Chair

Tuesday, April 14, 2009

Senator GARROU,
submits the following with recommendations as to passage:

FAVORABLE

H.B.(CS #1) **628** Aquarium Satellite Areas Funding.
Sequential Referral: None
Recommended Referral: None

TOTAL REPORTED: 1

Committee Clerk Comments:

Principal Clerk ____
Reading Clerk ____

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The Senate Committee on **Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Tuesday	April 14, 2009	9:00 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
HB 628	Aquarium Satellite Areas Funding.	Representative Spear Representative Owens, Jr.

Senator Linda Garrou, Co-Chair
Senator Charles W. Albertson, Co-Chair
Senator Charlie Smith Dannelly, Co-Chair
Senator A. B. Swindell, Co-Chair

SENATE APPROPRIATIONS/BASEBUDGET COMMITTEE
Minutes
April, 14 2009

The Senate Appropriations Committee met at 9:00 a.m. on April 14, 2009 in room 643 LOB. Senator Linda Garrou, co-Chair, presided.

After introduction of the pages, Senator Garrou recognized Senator A.B. Swindell to present before the committee the sole item on the agenda, HB 628, "Aquarium Satellite Areas Funding," sponsored by Representatives Spear and Owens.

Senator Swindell explained the bill. After his remarks, he took questions.

Senator Weinstein asked a question to Senator Swindell. Senator Weinstein then moved for a favorable report at the appropriate time.

Senator Weinstein's motion was held so that Senator McKissick could be recognized to ask Senator Swindell a question.

Senator Vaughan was then recognized for a question.

Senator Tillman was then recognized to make a comment about the bill.

The committee then voted on Senator Weinstein's motion for a favorable report. The motion carried.

With no further business before the committee, Senator Garrou adjourned the meeting.

Respectfully Submitted,

Linda Garrou
Senator Linda Garrou, Co-Chair

Andrew Dugan, Committee Assistant

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

H D

HOUSE BILL 628
PROPOSED COMMITTEE SUBSTITUTE H628-PCS70230-RO-8

Short Title: Aquarium Satellite Areas Funding. (Public)

Sponsors:

Referred to:

March 18, 2009

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE THE DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES TO EXPEND EXISTING MONEYS FOR CAPITAL IMPROVEMENT PROJECTS AT NORTH CAROLINA AQUARIUM SATELLITE AREAS.

The General Assembly of North Carolina enacts:

Whereas, the unemployment rate for North Carolina reached 8.7% in December 2008, the highest rate in more than 25 years; and

Whereas, the unemployment rates for December 2008 in Beaufort, Bertie, Chowan, Dare, Hyde, Martin, Perquimans, Tyrrell, and Washington Counties are all above the statewide average; and

Whereas, construction of the North Carolina Aquarium Pier at Nags Head will provide 555 on-site jobs and 1,250 off-site jobs and a benefit of more than $14,000,000 to North Carolina's economy; and

Whereas, the North Carolina Aquarium Pier at Nags Head will serve as a significant demonstration of building features and construction techniques for reducing environmental impacts for public buildings in the coastal region of North Carolina, including cisterns, solar panels, and wind turbines for on-site clean power generation, and on-site containment and treatment of stormwater runoff; Now, therefore,

SECTION 1. The General Assembly authorizes capital projects related to the construction of the North Carolina Aquarium Pier at Nags Head by the Aquariums Division of the Department of Environment and Natural Resources to be funded with receipts or from other non-General Fund sources and at a cost in aggregate for all projects not to exceed twenty-five million dollars ($25,000,000).

SECTION 2. Funds transferred to the Department of Environment and Natural Resources by Section 21.14 of S.L. 2006-66 for a stormwater pilot project to clean up State-maintained ocean outfalls and associated outlets and not used for that purpose shall be transferred to the North Carolina Aquariums Fund.

SECTION 3. Should United States Public Law 111-005, the American Recovery and Reinvestment Act of 2009 (the Federal Act), provide funding for capital improvement projects described in Section 1 of this act, then those funds shall be used for the capital improvement projects before the funds transferred by Section 2 of this act.

SECTION 4. This act is effective when it becomes law.

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Linda Garrou, Co-Chair
Senator Charles W. Albertson, Co-Chair
Senator Charlie Smith Dannelly, Co-Chair
Senator A. B. Swindell, Co-Chair

CORRECTED REPORT

Thursday, April 23, 2009

Senator GARROU,
submits the following with recommendations as to passage:

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO COMMITTEE SUBSTITUTE BILL

S.B. **354** Social Security Increase/Medicaid Elig.

Draft Number:	PCS35188
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	No

TOTAL REPORTED: 1

Committee Clerk Comments:

Principal Clerk

Reading Clerk

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The Senate Committee on **Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Thursday	April 23, 2009	8:30 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
SB 354	Social Security Increase/Medicaid Elig.	Senator Kinnaird

Senator Linda Garrou, Co-Chair
Senator Charles W. Albertson, Co-Chair
Senator Charlie Smith Dannelly, Co-Chair
Senator A. B. Swindell, Co-Chair

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
04/24/2009
Minutes

The Senate Appropriations Committee met at 8:30 a.m. in room 643. There were 10 members present. Senator Linda Garrou, Co-Chair, presided.

The first item of business was **Senate Bill 354, "Social Security Increase/Medicaid Elig."** Senator Albertson moved that the committee hear the proposed committee substitute. Senator Kinnaird was then recognized to explain the bill.

After the explanation, Senator Tillman asked Senator Kinnaird a question. Sarah Fuerst of Research answered the question.

Senator Goss made a motion unfavorable as to the bill, and favorable to the committee substitute. The motion carried.

Having no further business, Senator Garrou adjourned the committee.

Respectfully Submitted,

Linda Garrou

Senator Linda Garrou, Co-Chair

Andrew Dugan, Committee/Research Assistant

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S D

SENATE BILL 354
PROPOSED COMMITTEE SUBSTITUTE S354-PCS35188-LN-4

Short Title:	Social Security Increase/Medicaid Elig.	(Public)
Sponsors:		
Referred to:		

March 2, 2009

A BILL TO BE ENTITLED

AN ACT TO DIRECT THE DEPARTMENT OF HEALTH AND HUMAN SERVICES TO ADOPT A POLICY ALLOWING A CERTAIN INCOME DISREGARD UNDER THE MEDICAID PROGRAM.

The General Assembly of North Carolina enacts:

SECTION 1. The Department of Health and Human Services, Division of Medical Assistance, shall adopt and implement a policy that will prevent a Medicaid recipient (including MQB, QI-1 and QWD recipients) from losing Medicaid eligibility when the annual Social Security and Railroad Retirement Cost of Living Adjustments (COLAs) and the annual Federal Poverty Level adjustment cause a Medicaid recipient to become income-ineligible for Medicaid benefits. The policy shall apply only in cases where Medicaid income eligibility is affected only by Social Security and Railroad Retirement COLAs and Federal Poverty Level adjustments and shall not render a Medicaid recipient eligible if all other eligibility requirements are not met. This policy shall apply only to recipients of Medicaid and not to new applicants for Medicaid. If approval from the Centers for Medicare and Medicaid Services (CMS) is required for this policy to be implemented, the Department shall apply to CMS for approval.

SECTION 2. This act is effective when it becomes law and applies to all eligible Medicaid recipients as of March 31, 2009.

VISITOR REGISTRATION SHEET

Appropriations Committee — 4/23/2009

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Annuliese Dolph	DRNC
Jennifer Hoffmann	OSBM

The Joint Appropriations/Base Budget Committee
Minutes
May, 05 2009

The Joint Appropriations/Base Budget Committee met on May, 05 2009 at 9:00 a.m. in room 643. There were 70 members of both the House and Senate present.

Representative Mickey Michaux, chair of the House Appropriations Committee, presided over the meeting. After introductory remarks, Michaux called on the first speaker, Dr. Barry Boardman of Fiscal Research.

Dr. Boardman gave his presentation over the state of state revenue and the outlook of the state economy.

Following Dr. Boardman's presentation, Chairman Michaux introduced the pages.

Evan Rodewald, Fiscal Research, was then recognized to further discuss state revenues and how it relates to the budget.

Mr. Rodewald and Dr. Boardman then took questions from the committee.

Senator Rand was first recognized for a question. Senator Rand asked for clarification on some revenue items, and Evan answered the question.

Representative Rapp was recognized by the Chair for a question. He asked about recent gains in the stock market and how it impacts the projections. Dr. Boardman answered the question.

Senator Goss was the next person to ask a question. He asked about deflation. Dr. Boardman answered the question.

Senator Hoyle was recognized to ask a tax related question. Dr. Boardman answered the question.

Senator Apodaca asked a question about the methods used in making revenue forecasts. Dr. Boardman answered this question.

Senator Rucho asked if taxes should be raised. Dr. Boardman said it was not certain how the state should address the revenue shortfall.

Rep. Crawford then made a comment.

Senator Garrou also made a comment.

Having no further business, Chairman Michaux adjourned the Joint Committee.

Respectfully Submitted,

_____

Representative Mickey Michaux, Presiding Chair

_____

Andrew Dugan, Committee Clerk

REVISED REVENUE AND BUDGET OUTLOOK



May 6, 2009

Barry Boardman, Ph.D.
Evan Rodewald
Fiscal Research Division
North Carolina General Assembly

FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

2009-11 Biennium Forecast

- **Consensus revision of January 2009 forecast**

	Revised Revenues	Revision
FY2008-09	$17,682.3	($949.5)
FY2009-10	$17,516.4	($1,345.2)
FY2010-11	$18,114.1	($1,790.0)

FY 2008-09 Budget

$3.2 billion shortfall based on a $20.8 billion revenue budget

- Unprecedented 10.8% decline over last year's collections
  - 15.2% under budget

    Last 2 recessions 9-10% shortfalls
  - April 15 Final Tax Payments down 40%

    Last 2 recession down 20-21%

Business Cycles and State Revenues

NBER Recession Date	Months	Revenue Shortfall
July 1981 – Nov. 1982	16	FY 1981-82 -9.2%
July 1990 – March 1991	8	FY 1990-91 -8.1%
March 2001 – Nov. 2001	8	FY 2001-02 -10.8%
December 2007 – ?	17 and counting	FY 2008-09(e)-15.2%

2009-11 Biennium Revenue

Key Economic Indicators/Assumptions

- Timing/Strength of Economic Recovery
  - Consensus of business, government and university forecasters: recovery 2009:Q4 (<1% growth)
  - Modest rebound for 2010: 1.5 -2% growth

2009-11 Biennium

Key Economic Indicators/Assumptions

- Employment Picture
  - Employment losses downgraded from 1% to 3% in FY 2009-10
  - Employment losses widespread
  - Key sectors such as financial and construction slow recovery end of 2010

2009-11 Biennium

Key Economic Indicators/Assumptions

- Personal Income
  - Personal income downgraded: 2.1% to (-0.3%) in FY 2009-10
  - Wage & Salary income to fall by 2.5%
  - Wage cuts and freezes through 2010 will depress FY 2010-11 growth, 2%

2009-11 Biennium

Key Points

Economic Recovery → Employment Recovery →

Income Recovery → Revenue Recovery

- Revised consensus numbers suggests if normal long-term growth resumes in 2011-12, then it will be 2013-14 before revenues equal the $20.8 billion budget number of 2008-09

Revenue estimates for FY 2008-09 have changed over past 10 months

	Estimate ($ millions)	Change
July, 08 Certified Budget	20,849.1	NA
January, 09 Forecast	18,631.8	-2,217.3
May, 09 Revised Forecast	17,682.3	- 949.5
Cumulative Change - $		**- 3,166.8**
Cumulative Change - %		-15%

Estimate of Gap Between Revenues and Continuation Budget has Changed

FY 2009-10 ($ millions)

	Governor (March 09)	Senate (April 09)	(May 09)
Revenue Forecast	18,861.5	18,861.5	17,516.4
Continuation Budget	22,113.9	22,113.9	22,113.9
Shortfall	**-3,252.4**	**-3,252.4**	**-4,597.5**

Governor's use of ARRA funds in FY 08-09 decreases funds available for FY 09-10 by $200 million

FY 2009-10 ($ millions)

	Governor (March 09)	Senate (April 09)	(May 09)
Rev. Forecast	18,861.5	18,861.5	17,516.4
ARRA Funds	1,713.9	1,630.6 *	1,430.6 **
Total	**20,575.4**	**20,492.1**	**18,947.1**

* FMAP considered revenue for sake of comparability.

** OSBM plans to use $200 million in ARRA funds to balance 08-09 shortfall. Number assumes FMAP relief same for Senate.

For FY 2009-10 General Assembly must generate additional $1.5 billion in cuts and/or revenues over and above those in Governor's and Senate's budgets (for FY 2010-11 General Assembly must find extra $2.0 billion)

- $1.5 billion:
  - Equals 7.5% of Senate appropriations for FY 2009-10
  - Represents almost 50% increase in size of FY 2009-10 shortfall
  - Roughly equivalent to ½ of FY 2008-09 State Medicaid budget
  - Roughly ½ size of university budget
  - Represents about as much money as feds. have made available for FY 2009-10 through ARRA

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Linda Garrou, Co-Chair
Senator Charles W. Albertson, Co-Chair
Senator Charlie Smith Dannelly, Co-Chair
Senator A. B. Swindell, Co-Chair

Wednesday, May 13, 2009

Senator GARROU,
submits the following with recommendations as to passage:

FAVORABLE

H.B.(CS #1) **917** Implement Exec. Order #11/Protect Employees.
Sequential Referral: None
Recommended Referral: None

TOTAL REPORTED: 1

Committee Clerk Comments:

Principal Clerk ____
Reading Clerk ____

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The Senate Committee on **Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Wednesday	May 13, 2009	8:30 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
HB 917	Implement Exec. Order #11/Protect Employees.	Representative Adams Representative Michaux, Jr. Representative Crawford, Jr. Representative Alexander

Senator Linda Garrou, Co-Chair
Senator Charles W. Albertson, Co-Chair
Senator Charlie Smith Dannelly, Co-Chair
Senator A. B. Swindell, Co-Chair

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
May 13, 2009
Minutes

The Senate Appropriations/Base Budget Committee met at 8:30 a.m. on May 13, 2009 at 8:30 a.m. in room 643. There were 22 members present. Senator Linda Garrou, co-chair, presided.

After introducing the pages, Senator Garrou recognized Representative Mickey Michaux to present the only item on the agenda, HB 917, "Implement Exec. Order #11/Protect Employees."

Representative Michaux then explained the bill to the committee. Following the explanation, Senator Tillman made a motion for a favorable report.

The motion was held for a question by Senator Albertson, requiring further clarification about the bill. Representative Michaux responded.

The motion then carried. Having no further business, Senator Garrou adjourned the Committee.

Respectfully submitted,

Linda Garrou
Senator Linda Garrou, Co-Chair

Andrew Dugan, Committee/Research Assistant

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

H D

HOUSE BILL 917*
PROPOSED COMMITTEE SUBSTITUTE H917-PCS70397-LB-39

Short Title: Implement Exec. Order #11/Protect Employees. (Public)

Sponsors:

Referred to:

April 1, 2009

A BILL TO BE ENTITLED

AN ACT TO MAKE THE EFFECT OF EXECUTIVE ORDER NUMBER ELEVEN APPLICABLE TO THE LEGISLATIVE AND JUDICIAL BRANCHES AND TO PROTECT STATE EMPLOYEES UNDER THAT ORDER.

The General Assembly of North Carolina enacts:

SECTION 1.(a) Findings. – The General Assembly finds that:

(1) North Carolina's citizens and businesses are suffering from the effects of a significant national financial crisis.

(2) The financial crisis has resulted in large reductions in revenues projected to be available to fund the State's budget for the 2008-2009 fiscal year.

(3) The Department of Revenue has calculated the revenues that will be available to the State for the remainder of the 2008-2009 fiscal year from the taxes paid by citizens and businesses through April 15, 2009, and the Department of Revenue and the Office of State Budget and Management have determined that expenditures for the 2008-2009 fiscal year will exceed revenues unless additional actions are taken.

(4) Under the State Constitution, it is the duty of the Governor to ensure that the State's budget for the 2008-2009 fiscal year is balanced in a manner that carefully balances the rights of citizens and businesses to government services and the interests of State employees who provide those services.

(5) The Governor has issued Executive Order #11 reducing pay and compensating employees with flexible leave.

(6) The implementation of temporary nondisciplinary reductions in pay and flexible leave was and is necessary to balance the State's budget for the 2008-2009 fiscal year.

SECTION 1.(b) Definitions. – The following definitions apply in this section:

(1) Compensation. – Base rate of compensation, not including pay for shift premiums, overtime, longevity, or other types of extraordinary pay.

(2) Flexible leave. – A temporary period of leave from employment with pay taken before December 31, 2009.

(3) Public employee. – Any person employed (i) by a State agency, department, or institution, (ii) by The University of North Carolina, (iii) by the North Carolina Community College System, or (iv) by a local school administrative unit. The term includes public officers.

(4) Nondisciplinary reduction in pay. – A temporary reduction in compensation paid to a public employee that is (i) related to an executive order issued by the Governor during the 2008-2009 fiscal year and (ii) not made in connection with a demotion or any other disciplinary action.

(5) Public agency. – Any State agency, department, or institution; The University of North Carolina; the North Carolina Community College System; and local school administrative units.

SECTION 2. Compensation and Benefits. – A public employee subject to a nondisciplinary reduction in pay shall not suffer any diminution of retirement average final compensation, which shall continue to be calculated based on the undiminished compensation. The public agency shall pay both the employee and employer contributions to the Retirement Systems Division or to the appropriate Optional Retirement Plan carrier on behalf of the public employee as to the amount that compensation was reduced.

SECTION 3. The nondisciplinary reduction in pay and flexible leave do not apply to those justices, judges, and officers whose salaries are protected from reduction by Article III, Section 9 and Article IV, Section 21 of the North Carolina Constitution. Constitutionally exempt persons are encouraged to participate in the pay reduction described in this act by donating to the State at least the amount of their compensation that would be reduced if the persons were not exempt.

SECTION 4.(a) The State Board of Education, the State Board of Community Colleges, the Board of Governors of The University of North Carolina, local school administrative units, and all State agencies within the executive branch of State government shall cooperate with the Office of State Budget and Management in the implementation of the nondisciplinary reductions in pay.

SECTION 4.(b) The Office of State Personnel shall, as soon as practicable, develop guidelines to be used by State agencies, departments, and institutions within the executive branch in designating the times subject employees will be subject to flexible leave. The State Board of Education shall adopt rules to be applied by local boards of education in designating the times public school employees will be subject to flexible leave. The State Board of Community Colleges shall adopt rules to be applied by boards of trustees of community colleges in designating the times community college employees will be subject to flexible leave. The Board of Governors of The University of North Carolina shall adopt rules to be applied in designating the times university employees will be subject to flexible leave. The rules adopted shall avoid interruptions in services to citizens and businesses.

SECTION 5.(a) Employees of the legislative branch and the judicial branch are subject to reductions in pay to the same extent as if the employees were covered by the executive order. Members and officers of the General Assembly are subject to reductions in pay to the same extent as if the members and officers were covered by the executive order. Officers of the Judicial Branch whose salaries are not protected from reduction by Article IV, Section 21 of the North Carolina Constitution are subject to reductions in pay to the same extent as if the officers were covered by the executive order.

SECTION 5.(b) The Legislative Services Commission shall implement a flexible leave program for members and employees of the General Assembly. The flexible leave program must be substantially equivalent to the program established by the State Personnel Commission.

SECTION 5.(c) Judicial Branch. – Upon a written determination by the Chief Justice that flexible leave of judicial employees is necessary to implement the executive order, the Chief Justice shall implement a flexible leave program for employees of the Judicial Department. The flexible leave program must be substantially equivalent to the program established by the State Personnel Commission.

SECTION 6. Rule Making. – As soon as practicable, and no more than 10 calendar days from the effective date of this act, the Office of State Budget and Management, the State Personnel Commission, the State Board of Community Colleges, the State Board of Education, and The University of North Carolina shall adopt emergency rules for the implementation of the executive order and this act in accordance with G.S. 150B-21.1A, except that notwithstanding G.S. 150B-21.1A(d), those emergency rules may remain in effect until the expiration of this section. This section does not require any rule making if not otherwise required by law.

SECTION 7. A nondisciplinary reduction in pay as provided in the executive order as implemented by this act does not constitute a demotion under Part 3 of Article 22 of Chapter 115C of the General Statutes or under any other personnel law or policy.

SECTION 8. Effective Date. – This act is effective when it becomes law. This act expires January 1, 2010.

VISITOR REGISTRATION SHEET

Name of Committee | Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Ron O'Mario	State Treasurer
Tony Solari	TREASURER
Vance Holloman	St. Treasurer
Pam Wortham	DST
Adam Levinson	DPI
Tulp Price	DPI
Bill Harrison	DPI
June Atkinson	DPI
Chris Minard	State Bd of Ed
Joni Allen	BEGINNINGS
Jennifer Haygood	NCCCS

VISITOR REGISTRATION SHEET

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
[signature]	NCSTA | NCDWCCG
[signature]	NCSTA
Daniel Blum	K&L Gates
Andy Ellen	NCRMA
[signature]	KCG
Elizabeth Dalton	NCRMA
Julia Leggett	The Arc of NC
[signature]	NCCPA
[signature]	Governor
[signature]	CFSA-NC
Kerra Bolton	State Treasurer

VISITOR REGISTRATION SHEET

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jennifer Willis	NCCommunity System
Linda Werner	" "
Kym Q Burgess	"
Scott Ralls	"
Chuck Hawkins	NCCCS
John W Smith	AOC
Carl Davis	UNC-TV
Bill Rustin	NCP
Amy Schilder	MWC
Amy McConkey	Smith Anderson
Kristi Huff	NCHCFA

VISITOR REGISTRATION SHEET

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
David Starling	Treasurer
Chris Stanley	Senator Brock Intern
[signature]	NCFPC
Kevin Massey	
Jim Stegall	UCPS.

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Charles W. Albertson, Co-Chair
Senator Linda Garrou, Co-Chair
Senator Charlie Smith Dannelly, Co-Chair
Senator A. B. Swindell, Co-Chair

CORRECTED REPORT

Thursday, July 02, 2009

Senator ALBERTSON,
submits the following with recommendations as to passage:

FAVORABLE

S.B. **20** Voter-Owned Election for Treasurer.
Sequential Referral: None
Recommended Referral: None

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO COMMITTEE SUBSTITUTE BILL

S.B. **137** Military Death/In-State Tuition/Dependent.
Draft Number: 35353
Sequential Referral: None
Recommended Referral: None
Long Title Amended: No

UNFAVORABLE AS TO COMMITTEE SUBSTITUTE BILL NO. 1, BUT FAVORABLE AS TO SENATE COMMITTEE SUBSTITUTE BILL

H.B.(CS #1) **1005** DOT Participation in Fixed Rail Projects.
Draft Number: 30424
Sequential Referral: None
Recommended Referral: None
Long Title Amended: No

UNFAVORABLE AS TO SENATE COMMITTEE SUBSTITUTE BILL NO. 1, BUT FAVORABLE AS TO SENATE COMMITTEE SUBSTITUTE BILL NO. 2

H.B.(SCS #1) **1342** RVAP/Ensure Grant Eligibility.
Draft Number: 50727
Sequential Referral: Appropriations/Base Budget

Recommended Referral:	None
Long Title Amended:	No

TOTAL REPORTED: 4

Committee Clerk Comments:

Principal Clerk ____
Reading Clerk ____

Corrected: This notice adds Senate Bill 20 to the calendar and removes SB 140

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The Senate Committee on **Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Thursday	July 2, 2009	8:30 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
SB 20	Voter-Owned Election for Treasurer.	Senator Berger
SB 137	Military Death/In-State Tuition/Dependent.	Senator Hunt
HB 1005	DOT Participation in Fixed Rail Projects.	Representative Carney Representative Cole Representative Bordsen Representative Justus
HB 1342	RVAP/Ensure Grant Eligibility.	Representative Howard Representative McLawhorn

Senator Linda Garrou, Co-Chair
Senator Charles W. Albertson, Co-Chair
Senator Charlie Smith Dannelly, Co-Chair
Senator A. B. Swindell, Co-Chair

Senate Appropriations/Base Budget Committee
Thursday, July 2, 2009, 8:30 AM
643 LOB

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

SB 20	Voter-Owned Election for Treasurer.	Senator Berger
SB 137	Military Death/In-State Tuition/Dependent.	Senator Hunt
HB 1005	DOT Participation in Fixed Rail Projects.	Representative Carney Representative Cole
HB 1342	RVAP/Ensure Grant Eligibility.	Representative Bordsen Representative Justus Representative Howard Representative McLawhorn

Presentations

Other Business

Adjournment

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S D

SENATE BILL 137
PROPOSED COMMITTEE SUBSTITUTE S137-PCS35353-MA-23

Short Title: Military Death/In-State Tuition/Dependent. (Public)

Sponsors:

Referred to:

February 12, 2009

A BILL TO BE ENTITLED

AN ACT TO PROVIDE THAT A DEPENDENT RELATIVE OF A MEMBER OF THE ARMED SERVICES CONTINUES TO BE ELIGIBLE FOR IN-STATE TUITION IF THE ACTIVE DUTY MEMBER IS KILLED IN COMBAT OR DIES DURING ACTIVE MILITARY DUTY WHILE ASSIGNED TO NORTH CAROLINA.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 116-143.3(c) reads as rewritten:

"(c) Any dependent relative of a member of the armed services who is abiding in this State incident to active military duty, as defined by the Board of Governors of The University of North Carolina and by the State Board of Community Colleges while sharing the abode of that member shall be eligible to be charged the in-State tuition rate, if the dependent relative qualifies for admission to an institution of higher education as defined in G.S. 116-143.1(a)(3). The dependent relatives shall comply with the requirements of the Selective Service System, if applicable, in order to be accorded this benefit. In the event the member of the armed services is reassigned outside of North Carolina or retires, the dependent relative shall continue to be eligible for the in-State tuition rate and applicable mandatory fees so long as the dependent relative is continuously enrolled in the degree or other program in which the dependent relative was enrolled at the time the member is reassigned or retires. In the event the member of the armed services receives an Honorable Discharge from military service, the dependent relative shall continue to be eligible for the in-State tuition rate and applicable mandatory fees so long as the dependent relative establishes residency within North Carolina within 30 days after the discharge and is continuously enrolled in the degree or other program in which the dependent relative was enrolled at the time the member is discharged. In the event the member of the armed services is killed in combat or noncombat deployment or dies during active military duty, the dependent relative shall continue, for a period of 10 years after the member's death, to be eligible for the in-State tuition rate and applicable mandatory fees provided that the member of the armed services was assigned to North Carolina at the time of death."

SECTION 2. This act becomes effective October 1, 2009.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

H D

HOUSE BILL 1005
Committee Substitute Favorable 5/7/09
PROPOSED SENATE COMMITTEE SUBSTITUTE H1005-PCS30424-MA-24

Short Title: DOT Participation in Fixed Rail Projects. (Public)

Sponsors:

Referred to:

April 2, 2009

A BILL TO BE ENTITLED

AN ACT TO ALLOW THE DEPARTMENT OF TRANSPORTATION TO PARTICIPATE IN FUNDING FIXED RAIL PROJECTS THAT DO NOT INCLUDE FEDERAL FUNDS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 136-44.20(b1) reads as rewritten:

"(b1) The Secretary may, subject to the appropriations made by the General Assembly for any fiscal year, enter into State Full Funding Grant Agreements with a Regional Public Transportation Authority (RPTA) duly created and existing pursuant to Article 26 of Chapter 160A, a Regional Transportation Authority (RTA) duly created and existing pursuant to Article 27 of Chapter 160A, or a city organized under the laws of this State as defined in G.S. 160A-1(2), to provide State matching funds for "new start" fixed guideway projects in development by any entity pursuant to 49 U.S.C. § 5309. These grant agreements shall be executable only upon an Authority's or city's completion of and the Federal Transit Administration (FTA) approval of Preliminary Engineering and Environmental Impact Studies in anticipation of federal funding pursuant to 49 U.S.C. § 5309.

Prior to executing State Full Funding Grant Agreements, the Secretary shall submit proposed grant agreements or amendments to the Joint Legislative Transportation Oversight Committee for review. The agreements, consistent with federal guidance, shall define the limits of the "new starts" projects within the State, commit maximum levels of State financial participation, and establish terms and conditions of State financial participation.

State Full Funding Grant Agreements may provide for contribution of State funds in multiyear allotments. The multiyear allotments shall be based upon the Department's estimates, made in conjunction with an Authority or city, of the grant amount required for "new start" project work to be performed in the appropriation fiscal year.

State funds may be used to fund fixed guideway projects developed without federal funding by the Department, a Regional Public Transportation Authority (RPTA) duly created and existing pursuant to Article 26 of Chapter 160A of the General Statutes, a Regional Transportation Authority (RTA) duly created and existing pursuant to Article 27 of Chapter 160A of the General Statutes, or a unit of local government. In addition, State funds may be used to pay administrative costs incurred by the Department while participating in such fixed guideway projects."

SECTION 2. This act becomes effective July 1, 2009.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

H 2

HOUSE BILL 1342
Senate Health Care Committee Substitute Adopted 6/3/09

Short Title: Free Med. Exam-Victims of Rape/Sex Offenses. (Public)

Sponsors:

Referred to:

April 9, 2009

A BILL TO BE ENTITLED

AN ACT TO PROVIDE FREE FORENSIC MEDICAL EXAMINATIONS FOR VICTIMS OF RAPE AND SEX OFFENSES; TO INCREASE THE AUTHORITY OF THE DIRECTOR OF THE CRIME VICTIMS COMPENSATION COMMISSION AND THE COMMISSION ITSELF TO CONSIDER PROXIMATE CAUSE WHEN DETERMINING WHETHER TO MAKE AN AWARD; AND TO MAKE VARIOUS OTHER CHANGES TO THE RAPE VICTIMS ASSISTANCE PROGRAM.

The General Assembly of North Carolina enacts:

SECTION 1.(a) G.S. 143B-480.2 is repealed.

SECTION 1.(b) G.S. 143B-480.1 reads as rewritten:

"**§ 143B-480.1. Assistance Program for Victims of Rape and Sex Offenses.**

(a) Establishment of Program. – There is established an Assistance Program for Victims of Rape and Sex Offenses, hereinafter referred to as the "Program." The Secretary shall administer and implement the Program and shall have authority over all assistance awarded through the Program. The Secretary shall promulgate rules and guidelines for the Program.

(b) Victims to Be Provided Free Forensic Medical Examinations. – It is the policy of this State to arrange for victims to obtain forensic medical examinations free of charge. Whenever a forensic medical examination is conducted as a result of a sexual assault or an attempted sexual assault that occurred in this State, the Program shall pay for the cost of the examination. A medical facility or medical professional that performs a forensic medical examination on the victim of a sexual assault or attempted sexual assault shall not seek payment for the examination except from the Program.

(c) No Billing of Victim. – A medical facility or medical professional that performs a forensic medical examination shall accept payment made under this section as payment in full of the amount owed for the cost of the examination and other eligible expenses and shall not bill victims, their personal insurance, Medicaid, Medicare, or any other collateral source for the examination. Furthermore, a medical facility or medical professional shall not seek reimbursement from the Program after one year from the date of the examination.

(d) Eligible Expenses. – Medical facilities and medical professionals who perform forensic medical examinations shall do so using a Sexual Assault Evidence Collection Kit. Payments by the Program for the forensic medical examination shall be limited to the following:

Service	Maximum Amount Paid by Program
Physician or SANE Nurse	$350.00
Hospital/Facility Fee	$250.00
Other Expenses Deemed Eligible by the Program	$200.00

Total: **$800.00**

(e) Payment Directly to Provider. – The Program shall make payment directly to the medical facility or medical professional. Bills submitted to the Program for payment shall specify under which categories of expense set forth in subsection (d) of this section the billed services fall.

(f) Additional Victim Notification Requirements. – A medical facility or medical professional who performs a forensic medical examination shall encourage victims to submit an application for reimbursement of medical expenses beyond the forensic examination to the Crime Victims Compensation Commission for consideration of those expenses. The victim must meet the eligibility requirements of the Crime Victims Compensation Commission to be reimbursed for those additional expenses. A medical facility or medical professional who performs a forensic medical examination shall also inform victims before providing any services that are not covered by the Program. Medical facilities and medical professionals shall not seek reimbursement from the Program after one year from the date of the exam.

(g) Judicial Review. – Upon an adverse determination by the Secretary on a claim for assistance under this Part, a victim is entitled to judicial review of that decision. The person seeking review shall file a petition in the Superior Court of Wake County.

(h) The Secretary shall adopt rules to encourage, whenever practical, the use of licensed registered nurses trained under G.S. 90-171.38(b) to conduct medical examinations and procedures.

(i) Definitions. – The following definitions apply in this section:

(1) Forensic medical examination. – An examination provided to a sexual assault victim by medical personnel trained to gather evidence of a sexual assault in a manner suitable for use in a court of law. The examination should include at a minimum an examination of physical trauma, a patient interview, a determination of penetration or force, and a collection and evaluation of evidence. This definition shall be interpreted consistently with 28 C.F.R. § 90.2(b) and other relevant federal law.

(2) SANE nurse. – A Sexual Assault Nurse Examiner that is a licensed registered nurse trained pursuant to G.S. 90-171.38(b) who obtains preliminary histories, conducts in-depth interviews, and conducts medical examinations of rape victims or victims of related sexual offenses.

(3) Sexual assault. – Any of the following crimes:

a. First-degree rape as defined in G.S. 14-27.2.

b. Second degree rape as defined in G.S. 14-27.3.

c. First-degree sexual offense as defined in G.S. 14-27.4.

d. Second degree sexual offense as defined in G.S. 14-27.5.

e. Statutory rape as defined in G.S. 14-27.7A.

(4) Sexual Assault Evidence Collection Kit. – The kit assembled and paid for by the Program and used to conduct forensic medical examinations in this State."

SECTION 2. G.S. 143B-480.3 reads as rewritten:

"**§ 143B-480.3. ~~Reduction of benefits; restitution;~~ Restitution; actions.**

~~(a) Assistance shall be reduced or denied to the extent the medical expenses are recouped through a public or private insurance plan or other victim benefit source, except that the Program shall pay any co-payment that the victim is required to pay in connection with the forensic medical examination up to the maximum amount that the Program will pay for a forensic medical exam under G.S. 143B-480.2(c).~~

(b) The Program shall be an eligible recipient for restitution or reparation under G.S. 15A-1021, 15A-1343, 148-33.1, 148-33.2, 148-57.1, and any other applicable statutes.

(c) When any victim who:

(1) Has received assistance under this Part;
(2) Brings an action for damages arising out of the rape, attempted rape, sexual offense, or attempted sexual offense for which she received that assistance; and
(3) Recovers damages including the expenses for which she was awarded assistance,

the court shall make as part of its judgment an order for reimbursement to the Program of the amount of any assistance awarded less reasonable expenses allocated by the court to that recovery.

(d) Funds appropriated to the Department of Crime Control and Public Safety for this program may be used to purchase and distribute rape evidence collection kits approved by the State Bureau of Investigation."

SECTION 3. G.S. 15B-10 reads as rewritten:

"**§ 15B-10. Awarding claims.**

(a) The Director shall decide the award of compensation for an initial claim or follow-up claim when the claim does not exceed ~~seven thousand five hundred dollars ($7,500)~~twelve thousand five hundred dollars ($12,500) and does not include future economic loss. The Director shall report all awards under this subsection to the Commission.

(b) The Director shall recommend the award of compensation for an initial claim or follow-up claim when the claim exceeds ~~seven thousand five hundred dollars ($7,500)~~twelve thousand five hundred dollars ($12,500) or involves future economic loss. The Commission shall decide the award of compensation for a claim based on a review of written evidence submitted to the Commission by the Director.

(c) In reporting a decision under subsection (a) or recommending a decision under subsection (b), the Director shall submit to the Commission documentation to establish the economic loss of the claimant by substantial evidence.

(d) The Director shall send each claimant a written statement of a decision made under subsection (a) or (b) that gives the reasons for the decision. A claimant who is dissatisfied with a decision may commence a contested case under Article 3 of Chapter 150B of the General Statutes."

SECTION 4. G.S. 15B-11 reads as rewritten:

"**§ 15B-11. Grounds for denial of claim or reduction of award.**

(a) An award of compensation shall be denied if:
(1) The claimant fails to file an application for an award within two years after the date of the criminally injurious conduct that caused the injury or death for which the claimant seeks the award;
(2) The economic loss is incurred after one year from the date of the criminally injurious conduct that caused the injury or death for which the victim seeks the award, except in the case where the victim for whom compensation is sought was 10 years old or younger at the time the injury occurred. In that case an award of compensation will be denied if the economic loss is incurred after two years from the date of the criminally injurious conduct that caused the injury or death for which the victim seeks the award;
(3) The criminally injurious conduct was not reported to a law enforcement officer or agency within 72 hours of its occurrence, and there was no good cause for the delay;
(4) The award would benefit the offender or the offender's accomplice, unless a determination is made that the interests of justice require that an award be approved in a particular case;
(5) The criminally injurious conduct occurred while the victim was confined in any State, county, or city prison, correctional, youth services, or juvenile

facility, or local confinement facility, or half-way house, group home, or similar facility; or

(6) The victim was participating in a felony at or about the time that the victim's injury occurred.

(b) A claim may be denied or an award of compensation may be reduced if:

(1) The victim was participating in a nontraffic misdemeanor at or about the time that the victim's injury occurred; or

(2) The claimant or a victim through whom the claimant claims engaged in contributory misconduct.

(b1) The Commission or Director, whichever has the authority to decide a claim under G.S. 15B-10, shall use ~~its~~ the Commission's/Director's discretion in determining whether to deny a claim under ~~this subsection.~~subsection (b) of this section. In exercising its discretion, the Commission ~~may~~or Director shall consider whether any proximate cause exists between the injury and the misdemeanor or contributory ~~misconduct.~~misconduct, when applicable. The Director or Commission shall deny claims when it finds that there was contributory misconduct that is a proximate cause of becoming a victim. However, contributory misconduct that is not a proximate cause of becoming a victim shall not lead to an automatic denial of a claim."

SECTION 5. This act becomes effective July 1, 2009.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S 1

SENATE BILL 20

Short Title:	Voter-Owned Election for Treasurer.	(Public)
Sponsors:	Senators Berger of Franklin; Atwater, Kinnaird, McKissick, Nesbitt, Queen, and Snow.	
Referred to:	Appropriations/Base Budget.	

February 2, 2009

A BILL TO BE ENTITLED

AN ACT TO ADD THE OFFICE OF STATE TREASURER TO THE COUNCIL OF STATE OFFICES SUBJECT TO THE VOTER-OWNED ELECTIONS ACT.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 163-278.95 reads as rewritten:

"**§ 163-278.95. Purpose and establishment of Voter-Owned Elections Act.**

The purpose of this Article is to ensure the vitality and fairness of democratic elections in North Carolina to the end that any eligible citizen of this State can realistically choose to seek and run for public office. It is also the purpose of this Article to protect the constitutional rights of voters and candidates from the detrimental effects of increasingly large amounts of money being raised and spent in North Carolina to influence the outcome of elections. It is essential to the public interest that the potential for corruption or the appearance of corruption is minimized and that the equal and meaningful participation of all citizens in the democratic process is ensured. Accordingly, this Article establishes the North Carolina Voter-Owned Elections Fund as an alternative source of campaign financing for candidates who obtain a sufficient number of qualifying contributions from registered voters and who voluntarily accept strict fund-raising and spending limits. This Article is available to candidates for the Council of State offices of Auditor, Superintendent of Public Instruction, Treasurer, and Commissioner of Insurance in elections to be held in 2008 and thereafter."

SECTION 2. G.S. 163-278.96(12) reads as rewritten:

"(12) Office. – The Council of State offices of Auditor, Superintendent of Public Instruction, Treasurer, and Commissioner of Insurance."

SECTION 3. This act is effective when it becomes law.

NCVCE

N.C. Voters for Clean Elections
PO Box 10402, Raleigh NC 27605
919-521-4121 • www.ncvce.org

SB-20 and SB-966 Talking Points

These bills would build upon the success of our state's Council of State program by expanding it to additional offices: State Treasurer for SB-20 and Commissioner of Labor, Commissioner of Agriculture, State Treasurer, Secretary of State, and Attorney General for SB-966.

A majority of North Carolinians are in favor of Voter-Owned Elections. In a poll conducted by Public Policy Polling on April 28-30 2009, *70% of North Carolinians* said they would prefer taxpayers finance candidates' campaigns rather than the special interests whose offices they oversee. In the same poll, *47% of North Carolinians* said they supported expanding the COS program, 33% opposed, and 19% were undecided.

Thousands of large campaign donors and civic leaders support this reform. 1,000+ have joined a group called "Campaign Donors for Campaign Reform," which calls for an expansion of campaign public financing programs. This movement has been joined by many former elected officials, including former Gov. Jim Hunt, former U.S. Senator Robert Morgan, and former Supreme Court Justices Jim Exum, Henry Frye, Burley Mitchell, and Francis Parker.

The majority of the elected office holders of the 2009 Council of State support Voter-Owned Elections and would like to see their offices included in the program be added as an option for qualifying contributions. Commissioner of Insurance Wayne Goodwin and State Treasurer Janet Cowell spoke at our recent Lobby Day Orientation about why this bill is so important.

The current Council of State program is widely seen as a success. In 2008, the program had high, bipartisan participation, and substantially reduced the fundraising role of industries regulated by Council of State agencies. This follows the success of our judicial program which has received national awards and solidified North Carolina's reputation as "the good government state."

A wide-ranging coalition of organizations have endorsed Voter-Owned Elections. These include the NC Banker's Association, the NC Assoc. of Educators, the NC NAACP, and the AARP of NC.

This bill is a responsible, incremental solution for good government in North Carolina. SB-966 builds upon past success and proven results to provide an alternative that fixes particular problems in Council of State fundraising.

Please support this investment in our state's democratic process. It is an investment as important as up-to-date voting technology and election precinct monitors. By reducing the role of private money and giving all qualified candidates a meaningful chance to run for office we can help preserve public trust in a government of, for, and by the people.

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE

Minutes
July 2, 2009

The Senate Appropriations/Base Budget Committee met on Thursday, July 2, 2009 in room 643. There were 21 members present. Senator Albertson, Co-Chair, called the meeting to order and introduced the Pages and the Sergeant of Arms.

SB 20- Voter Owned Elections for Treasurer

Senator Berger of Franklin, the sponsor of the bill, spoke on the bill. There were no questions, and the representative from the Treasurer's office who was available to speak did not.

The bill was given a favorable report.

SB 137- Military Death/In-State Tuition Dependent

Senator Hunt, the sponsor of the bill, moved for adoption of the PCS. The PCS was adopted. Senator Hunt explained the bill. Senator A asked about the difference between the PCS and the original bill, and Senator Hunt answered.

The bill was given an unfavorable report as to the original bill and a favorable report as to the committee substitute.

HB 1005-DOT Participation in Fixed-Rail Projects

Sen. Weinstein moved for adoption of the PCS. The PCS was adopted. Representative Cole spoke on the bill. Senator Rucho asked to what type of project this bill would apply. Representative Cole replied that it would involve rail lines similar to the Links line in Charlotte.

The bill was given an unfavorable report as to the original bill and a favorable report as to the committee substitute.

HB 1342- RVAP / Issuer-Grant Eligibility

Senator Kinnaird moved for adoption of the PCS. The PCS was adopted. Senator Kinnaird spoke on the bill. Senator Tillman asked about the Crime Victims Compensation Fund's history and capacity to absorb these new costs. Senator Kinnaird was unsure of the fund's ability to absorb new costs but explained that the fund compensated all victims of crimes and that every year the fund ran short. Janet Carmichael, Director of Crime Victims Compensation said that no new funding would be required for this bill because it would limit the funding of other rape-related medical expenses. Senator Hunt asked whether there was means testing in the bill for the compensation. Senator Kinnaird deferred to Director Carmichael, who said that insurance had no bearing on the reimbursement. Another Senator clarified that there were no means tests. Senator Jones asked whether there were forms one had to fill out or whether "anyone who claimed to be raped" could get those services. The Chair recognized Representative Bordsen, who said that this law had already been passed but had run afoul of the federal rules on this subject when it created two classes of victims-victims with and without insurance and that therefore, the state or insurance would pay for all forensic examinations. Director Carmichael restated that the state would pay only for forensic tests. Senator Jones restated his question. The Chair recognized John Williams, Deputy Secretary of the Department of Crime Control and Public Safety, who said that in the case that there was an accusation but no prosecution, the normal procedures for evidence collection would still apply as in any other crime-except in this case, the evidence is collected by medical professionals, and, just as in any other crime, if there are no charges brought the evidence collection is not billed. Senator Jones stated his opposition to the state paying for collecting evidence not used in a prosecution. Senator Garrou stated her confusion at Senator Jones' opposition, and her desire to avoid punishing victims. Senator Kinnaird pointed out that in no other crime is this a problem.

The bill was given an unfavorable report as to the original bill and a favorable report as to the committee substitute.

The Chair adjourned the meeting.

Respectfully submitted,

Sen. Charlie Albertson, Co-Chair

Andrew Dugan, Committee Assistant

VISITOR REGISTRATION SHEET

APPROPRIATIONS / Base Budget — 070209 ~~APRIL 14, 2009~~

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Conor Brockett	NCSBA
[signature]	NC Farm Bureau
Doug Lassiter	NCSTA
Alicia [signature]	MWC
Chuck [signature]	NCCAT
My [signature]	NCCAT
Erin Schuettpelz	UNC
ANN LOVE	OVLC
Chris Minard	NC State Bd of Ed

VISITOR REGISTRATION SHEET

APPROPRIATIONS / Base Budget — 070209 ~~APRIL 14, 2009~~

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Penny Griffin	School of Gov.
Johanna Reese	DOT
Chase Foster	NCNCE
Bob Howe	Democracy NC
Bob Phillips	CCNC
James Carmichael	CCPS / Dennis Comp
Jon Williams	CCPS
Thomas C. Caves, Jr.	NC Dept. of Crime Control & Public Safety
Tony Johnson	NC REAL

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT

Senator Linda Garrou, Co-Chair
Senator Charles W. Albertson, Co-Chair
Senator Charlie Smith Dannelly, Co-Chair
Senator A. B. Swindell, Co-Chair

Thursday, July 09, 2009

Senator SWINDELL,
submits the following with recommendations as to passage:

FAVORABLE

S.B. **488** Establish Proportionate Sentence Lengths.
Sequential Referral: None
Recommended Referral: None

S.B. **489** Even Out Prior Criminal Record Points.
Sequential Referral: None
Recommended Referral: None

H.B.(SCS #1) **378** Statutorily Establish Division of Emerg. Mgmt.
Sequential Referral: None
Recommended Referral: None

H.B. **1617** DOT Savings/Transfer TPA.
Sequential Referral: None
Recommended Referral: None

FAVORABLE, AS AMENDED

S.B.(CS #1) **1083** Little Tennessee River Basin Advisory Comm.
Sequential Referral: None
Recommended Referral: None
Long Title Amended: No

TOTAL REPORTED: 5

Committee Clerk Comments:

Principal Clerk

Reading Clerk

Corrected:

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The Senate Committee on **Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Thursday	July 9, 2009	8:30 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
SB 1083	Little Tennessee River Basin Advisory Comm.	Senator Snow
HB 378	Statutorily Establish Division of Emerg. Mgmt.	Representative Martin Representative Wainwright
HB 1617	DOT Savings/Transfer TPA.	Representative Crawford, Jr.
SB 488	Establish Proportionate Sentence Lengths.	Senator Kinnaird
SB 489	Even Out Prior Criminal Record Points.	Senator Kinnaird

Senator Linda Garrou, Co-Chair
Senator Charles W. Albertson, Co-Chair
Senator Charlie Smith Dannelly, Co-Chair
Senator A. B. Swindell, Co-Chair

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEEE

Minutes

July 9, 2009

The Senate Appropriations/Base Budget Committee met on Thursday, July 9, 2009 in Room 643. There were 20 members present. Senator A.B. Swindell called the meeting to order.

HB 1617 "DOT SAVINGS/TRANSFER TPA"

Representative Crawford spoke on the bill.

Senator Garrou made a motion for a favorable report. The bill was given a favorable report.

SB 488 "ESTABLISH PROPORTIONATE SENTENCE LENGTHS"

Senator Kinnaird spoke on the bill.

The bill was displaced temporarily because members did not have it.

The bill was re-examined after HB 378. John Madler from the Sentencing Commission spoke on the bill. Senator Purcell asked why there were two bills. Senator Kinnaird said they could be combined into one bill.

The bill was given a favorable report.

SB 489 "EVEN OUT PRIOR CRIMINAL RECORD POINTS"

Senator Kinnaird spoke on the bill. John Madler, a staff member of the sentencing commission, spoke on the bill. Senator Kinnaird spoke on the fiscal note.

Senator Blue made a motion for a favorable report.

The bill was given a favorable report.

SB 1083-"LITTLE TENNESSEE RIVER BASIN ADVISORY COMMITTEE"

Senator Snow spoke on the bill. Senator Snow offered an amendment.

The amendment was adopted.

Senator Blue asked about cross-border authority in setting up the board. Senator Snow answered that he might need to amend that section if Georgians or Tennesseans were unhappy with it. Senator Goss expressed as his appreciation to Senator Snow for this bill. The Chair expressed that these systems often work well. Senator Purcell asked if Georgia's or Tennessee's legislature was in session in order to pass this legislation. Senator Snow said that he was unsure.

Senator Atwater made a motion for favorable report, as amended. The bill was given a favorable report, as amended.

HB 378 "STATUTORILY ESTABLISH DIVISION OF EMER. MANAGEMENT"

Representative Martin spoke on the bill.

The bill was given a favorable report.

The Chair introduced the pages and adjourned.

Senator A.B. Swindell
Presiding Chair

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 1083

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

S1083-ALB-102 [v.2]

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

Date _____,2009

Senator _____

moves to amend the bill on page 3, lines 24-25, by deleting "board of county commissioners" and substituting "county board of commissioners"

further moves to amend the bill on page 4, line 12, by deleting "representative or senator" and substituting "Representative or Senator"

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S D

SENATE BILL 1083
State and Local Government Committee Substitute Adopted 5/5/09
Third Edition Engrossed 7/9/09
PROPOSED HOUSE COMMITTEE SUBSTITUTE S1083-PCS75300-TA-30

Short Title: Little Tennessee River Basin Advisory Comm. (Public)

Sponsors:

Referred to:

March 31, 2009

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH THE LITTLE TENNESSEE RIVER BASIN ADVISORY COMMISSION.

The General Assembly of North Carolina enacts:

SECTION 1. The title of Article 8 of Chapter 77 of the General Statutes reads as rewritten:

"Article 8.

North Carolina/South Carolina River ~~Basins~~ Basin Advisory Commissions."

SECTION 2. Chapter 77 of the General Statutes is amended by adding a new Article to read:

"Article 10.

"North Carolina/Tennessee/Georgia River Basin Advisory Commission.

"**§ 77-140. Definitions.**

The following definitions apply in this Article:

(1) "Commission" means the Little Tennessee River Basin Advisory Commission.

(2) "River basin" or "river basins" means that land area designated as the Little Tennessee River Basin by the North Carolina Department of Environment and Natural Resources pursuant to G.S. 143-215.22G, the Georgia Department of Natural Resources, and the Tennessee Department of Environment and Conservation.

"**§ 77-141. Commission established; purposes.**

There is established the Little Tennessee River Basin Advisory Commission. The Commission shall be constituted as described in this Article. The Commission shall be a permanent body composed of members from the State of North Carolina, the State of Tennessee, and the State of Georgia. The purpose of the Commission shall be to:

(1) Provide guidance and make recommendations to local, state, and federal legislative and administrative bodies, and to others as it considers necessary and appropriate, for the use, stewardship, and enhancement of the water and other natural resources for all citizens within the river basin.

(2) Provide a forum for discussion of issues affecting the river basin's water quantity and water quality and issues affecting other natural resources.

(3) Promote communication, coordination, and education among stakeholders within the river basin.
(4) Identify problems and recommend appropriate solutions.
(5) Undertake studies related to water quantity, water quality, and other natural resources in the river basin based on existing data available from agencies located in any of the member states and provide for the distribution and dissemination of information garnered from those studies.
(6) Determine the optimum approach to comprehensively and collaboratively provide recommendations for integrated river management, including, but not limited to, the total assimilative capacity of the river.

"**§ 77-142. Powers and duties.**

(a) The authority granted to the Commission shall be advisory in nature and in no way shall the Commission be construed to have any regulatory authority.

(b) The Commission shall not have any authority to obligate or otherwise bind the State of North Carolina, the State of Tennessee, the State of Georgia, or any agency or subdivision of any of the member states.

(c) To achieve its purposes, the Commission shall have all of the following powers and duties:

(1) To develop rules and procedures for the conduct of its business or as may be necessary to perform its duties and carry out its objectives, including, but not limited to, calling meetings and establishing voting procedures. Rules and procedures developed pursuant to this subdivision shall be effective upon an affirmative vote by a majority of the Commission members.
(2) To establish standing and ad hoc committees, which shall be constituted in a manner to ensure a balance between recognized interests and states. The Commission shall determine the purpose of each standing or ad hoc committee.
(3) To seek, apply for, accept, and expend gifts, grants, donations, services, and other aid from public or private sources. The Commission may accept or expend funds only after an affirmative vote by a majority of the members of the Commission.
(4) To exercise the powers of a body corporate, including the power to sue and be sued, and adopt and use a common seal and alter the same.
(5) To establish a nonprofit corporation to assist in administration and in fund-raising.
(6) To enter into contracts and execute all instruments necessary or appropriate to achieve the purposes of the Commission.
(7) To designate a fiscal agent.
(8) To perform any lawful acts necessary or appropriate to achieve the purposes of the Commission.

"**§ 77-143. Membership; terms of office; eligibility for appointment; meetings.**

(a) The Little Tennessee River Basin Advisory Commission shall be composed of 26 members as follows:

(1) One member of the North Carolina House of Representatives whose district includes a part of the North Carolina portion of the river basin, to be appointed by the Speaker of the North Carolina House of Representatives.
(2) One member of the North Carolina Senate whose district includes a part of the North Carolina portion of the river basin, to be appointed by the President Pro Tempore of the North Carolina Senate.

(3) One member of the Tennessee House of Representatives whose district includes a part of the Tennessee portion of the river basin, to be appointed by the Speaker of the Tennessee House of Representatives.

(4) One member of the Tennessee Senate whose district includes a part of the Tennessee portion of the river basin, to be appointed by the Speaker of the Tennessee Senate.

(5) One member of the Georgia House of Representatives whose district includes a part of the Georgia portion of the river basin, to be appointed by the Speaker of the Georgia House of Representatives.

(6) One member of the Georgia Senate whose district includes a part of the Georgia portion of the river basin, to be appointed by the President Pro Tempore of the Georgia Senate.

(7) One person, to be appointed by the respective county board of commissioners, from each of the following four counties in the State of North Carolina:

a. Graham County.
b. Jackson County.
c. Macon County.
d. Swain County.

(8) One person, to be appointed by the respective county board of commissioners, from each of the following three counties in the State of Tennessee:

a. Blount County.
b. Loudon County.
c. Monroe County.

(9) One person, to be appointed by the Rabun County Board of Commissioners, from Rabun County, Georgia.

(10) Two members of the Eastern Band of the Cherokee Indians, to be appointed by the Tribal Government.

(11) One person from the Tennessee Valley Authority, to be appointed by the Board of Directors of the Tennessee Valley Authority.

(12) One person from North Carolina representing a water or sewer municipal utility, appointed by the Governor of North Carolina.

(13) One person from Tennessee representing a water or sewer municipal utility, appointed by the Governor of Tennessee.

(14) One person from Georgia representing a water or sewer municipal utility, appointed by the Governor of Georgia.

(15) One person from North Carolina representing the agricultural community, appointed by the Governor of North Carolina.

(16) One person from Tennessee representing the agricultural community, appointed by the Governor of Tennessee.

(17) One person from Georgia representing the agricultural community, appointed by the Governor of Georgia.

(18) One person from a nonprofit basin interest group that operates within the North Carolina portion of the basin, appointed by the Governor of North Carolina.

(19) One person from a nonprofit basin interest group that operates within the Tennessee portion of the basin, appointed by the Governor of Tennessee.

(20) One person from a nonprofit basin interest group that operates within the Georgia portion of the basin, appointed by the Governor of Georgia.

(b) Each member appointed to the Commission pursuant to subdivisions (1) and (2) of subsection (a) of this section shall serve at the pleasure of the appointing authority so long as the member remains a Representative or Senator. Each member appointed to the Commission pursuant to subdivisions (3) and (4) of subsection (a) of this section shall serve as provided by the Tennessee General Assembly. Each member appointed to the Commission pursuant to subdivisions (5) and (6) of subsection (a) of this section shall serve as provided by the Georgia General Assembly. Each member appointed to the Commission pursuant to subdivision (11) of subsection (a) of this section shall serve for so long as the member continues in the qualifying position or, if the member is a designee, at the pleasure of the designating authority. Each member appointed to the Commission pursuant to subdivision (7) of subsection (a) of this section shall serve a term of two years and may be reappointed to serve no more than three consecutive full terms or 84 consecutive months, whichever is greater. Each member appointed to the Commission pursuant to subdivisions (12), (15), and (18) of subsection (a) of this section shall serve a term of two years and may be reappointed to serve no more than three consecutive full terms or 84 consecutive months, whichever is greater. The term of a member who is appointed to the Commission pursuant to subdivision (8), (13), (16), or (19) of subsection (a) of this section shall serve as provided by the Tennessee General Assembly. The term of a member who is appointed to the Commission pursuant to subdivision (9), (14), (17), or (20) of subsection (a) of this section shall serve as provided by the Georgia General Assembly. The term of a member who is appointed to the Commission pursuant to subdivision (10) of subsection (a) of this section shall serve as provided by the Tribal Government of the Eastern Band of the Cherokee Indians. An appointment to fill a vacancy on the Commission shall be for the unexpired portion of the term. A vacancy on the Commission shall be filled in the same manner as the original appointment. Members of the Commission who are appointed from or reside in North Carolina may be removed by the Governor of North Carolina for misfeasance, malfeasance, or nonfeasance, as provided in G.S. 143B-13.

(c) The legislative members of the Commission may appoint additional members to the Commission to serve as advisory members as the legislative members consider necessary.

(d) The members of the Commission shall elect a chair, vice-chair, and any other officers they consider necessary and shall determine the length of the term of office, not to exceed two years, of each officer. The chair and the vice-chair shall not be from the same state, and the chair shall be rotated among the States of North Carolina, Tennessee, and Georgia.

(e) The Commission shall meet upon the call of the chair. A majority of the Commission shall constitute a quorum for the transaction of business.

(f) The legislative members of the Commission from each state may meet separately to discuss river basin-related issues affecting their state and may report their findings independently of the Commission.

"**§ 77-144. Standing and advisory committees.**

The Commission may establish standing or advisory committees to facilitate communication among stakeholders in the basin and to maximize participation among all interested parties. The Commission may appoint members to standing or advisory committees in accordance with guidelines adopted by the Commission.

"**§ 77-145. Staffing; meeting facilities; assistance by agencies.**

(a) The North Carolina Department of Environment and Natural Resources, the Tennessee Department of Environment and Conservation, and the Georgia Department of Natural Resources shall provide staff support and facilities to the Commission within the existing programs of the respective agencies. Additional staff may be hired or contracted by the Commission through funds raised by or provided to it. The duties and compensation of any additional staff shall be determined and fixed by the Commission, within available resources.

(b) All agencies of the State of North Carolina, the State of Tennessee, and the State of Georgia shall cooperate with the Commission and, upon request, shall assist the Commission in

fulfilling its responsibilities. The North Carolina Secretary of Environment and Natural Resources, the Commissioner of the Tennessee Department of Environment and Conservation, and the Commissioner of the Georgia Department of Natural Resources or their designees shall each serve as the liaison between their respective state agencies and the Commission.

(c) The Commission may obtain information and data upon request from all state officers, agents, agencies, and departments of the State of North Carolina, the State of Tennessee, and the State of Georgia while in discharge of their duties.

"**§ 77-146. Funding.**

(a) The Commission shall annually adopt a budget that shall include the estimated income and expenses of the Commission. Funding for the Commission shall be shared and apportioned among the State of North Carolina, the State of Tennessee, and the State of Georgia as each state may provide through its regular appropriations process.

(b) The accounts and records of the Commission showing the receipt and disbursement of funds from whatever source derived shall be in the form that the Auditor of North Carolina, the Tennessee Director of State Audit, and the Georgia State Auditor prescribe. The accounts and records of the Commission shall be subject to an annual audit by the Auditor of North Carolina, the Tennessee Director of State Audit, and the Georgia State Auditor or their legal representatives. The cost of the annual audits shall be borne by the Commission. The results of the audits shall be delivered to the Joint Legislative Commission on Governmental Operations of the General Assembly of North Carolina, the Tennessee General Assembly as the Tennessee General Assembly shall provide, and to the Georgia General Assembly as the Georgia General Assembly shall provide.

"**§ 77-147. Compensation and expenses of Commission members.**

(a) Members of the Commission who are appointed from or reside in North Carolina shall receive no salary for their service on the Commission but may be paid, within available resources, per diem, subsistence, and travel expenses as follows:

(1) Members of the Commission who are members of the General Assembly at the rate established in G.S. 120-3.1.

(2) Members of the Commission who are officials or employees of the State or of local government agencies at the rate established in G.S. 138-6.

(3) All other members of the Commission at the rate established in G.S. 138-5.

(b) Members of the Commission who are appointed from or reside in Tennessee shall be compensated as provided by the Tennessee General Assembly.

(c) Members of the Commission who are appointed from or reside in Georgia shall be compensated as provided by the Georgia General Assembly.

(d) All expenses shall be paid from funds appropriated or otherwise available to the Commission.

"**§ 77-148. Annual report.**

The Commission shall submit an annual report, including any recommendations, on or before October 1 of each year to the Governor of North Carolina and the Environmental Review Commission of the General Assembly of North Carolina; the Governor of Tennessee and the Tennessee General Assembly, as the Governor, the General Assembly of Tennessee, or the Commissioner of the Tennessee Department of Environment and Conservation shall provide; and to the Governor of Georgia and the Georgia General Assembly, as the Governor, the General Assembly of Georgia, or the Commissioner of the Georgia Department of Natural Resources shall provide.

"**§ 77-149. Termination.**

The General Assembly of North Carolina may terminate the Commission by repealing this Article. The Commission shall terminate if the Tennessee General Assembly and the Georgia General Assembly both repeal the provisions of the Tennessee Code Annotated and the Official Code of Georgia Annotated that are comparable to this Article."

HOUSE BILL 1617
Second Edition Engrossed 6/30/09

Short Title:	DOT Savings/Transfer TPA.	(Public)
Sponsors:	Representatives Crawford; and Harrison.	
Referred to:	Transportation, if favorable, Appropriations.	

May 7, 2009

A BILL TO BE ENTITLED

AN ACT TRANSFERRING THE FUNCTIONS AND FUNDS OF THE NORTH CAROLINA TURNPIKE AUTHORITY TO THE DEPARTMENT OF TRANSPORTATION TO CONSERVE EXPENDITURES AND IMPROVE EFFICIENCY.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 136-89.182(b) reads as rewritten:

"(b) Administrative Placement. – The Authority shall be located within the Department of Transportation ~~for administrative purposes but shall exercise all of its powers independently of the Department of Transportation except as otherwise specified in this Article.~~ and shall be subject to and under the direct supervision of the Secretary of Transportation."

SECTION 2. G.S. 136-89.182(d) reads as rewritten:

"(d) Board of Transportation Members. – ~~No more than two members~~ Members of the North Carolina Board of Transportation may serve as members of the Authority Board."

SECTION 3. The transfer under this act of the North Carolina Turnpike Authority to the Department of Transportation has all the elements of a Type I transfer under G.S. 143A-6.

SECTION 4. This act is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

H D

HOUSE BILL 378*
Committee Substitute Favorable 4/8/09
PROPOSED SENATE COMMITTEE SUBSTITUTE H378-PCS50729-RF-61

Short Title: Statutorily Establish Division of Emerg. Mgmt. (Public)

Sponsors:

Referred to:

March 4, 2009

A BILL TO BE ENTITLED

AN ACT TO STATUTORILY ESTABLISH THE DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY, DIVISION OF EMERGENCY MANAGEMENT, AS RECOMMENDED BY THE JOINT SELECT COMMITTEE ON EMERGENCY PREPAREDNESS AND DISASTER MANAGEMENT RECOVERY.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 143B-475(a) is amended by adding a new subdivision to read:

"(11) Emergency Management Division, Department of Crime Control and Public Safety. The purpose of this subdivision is to statutorily vest in the Department the powers previously conferred on the Division by executive order or otherwise."

SECTION 2. G.S. 166A-4 is amended by adding a new subdivision to read:

"(2a) Division. – The Division of Emergency Management established in Part 8 of Article 11 of Chapter 143B of the General Statutes."

SECTION 3. Article 11 of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 8. Emergency Management Division.

"**§ 143B-509. Division of Emergency Management of the Department of Crime Control and Public Safety.**

(a) There is established, within the Department of Crime Control and Public Safety, the Division of Emergency Management, which shall be organized and staffed in accordance with applicable laws and regulations and within the limits of authorized appropriations.

(b) The Division of Emergency Management shall have the following powers and duties:

(1) To exercise the powers and duties exercised prior to the enactment of this section, in accordance with G.S. 143B-475(a)(11).

(2) To exercise the powers and duties conferred on it by Chapter 166A of the General Statutes.

(3) To exercise any other powers vested by law."

SECTION 4. This act is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S 1

SENATE BILL 488

Short Title:	Establish Proportionate Sentence Lengths.	(Public)
Sponsors:	Senators Kinnaird; Bingham, Nesbitt, and Snow.	
Referred to:	Judiciary I.	

March 10, 2009

A BILL TO BE ENTITLED

AN ACT TO MAKE THE INCREASE IN SENTENCE LENGTHS BETWEEN PRIOR RECORD LEVELS MORE PROPORTIONATE USING A SET PERCENTAGE INCREMENT.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 15A-1340.17(c) reads as rewritten:

"(c) Punishments for Each Class of Offense and Prior Record Level; Punishment Chart Described. – The authorized punishment for each class of offense and prior record level is as specified in the chart below. Prior record levels are indicated by the Roman numerals placed horizontally on the top of the chart. Classes of offense are indicated by the letters placed vertically on the left side of the chart. Each cell on the chart contains the following components:

(1) A sentence disposition or dispositions: "C" indicates that a community punishment is authorized; "I" indicates that an intermediate punishment is authorized; "A" indicates that an active punishment is authorized; and "Life Imprisonment Without Parole" indicates that the defendant shall be imprisoned for the remainder of the prisoner's natural life.

(2) A presumptive range of minimum durations, if the sentence of imprisonment is neither aggravated or mitigated; any minimum term of imprisonment in that range is permitted unless the court finds pursuant to G.S. 15A-1340.16 that an aggravated or mitigated sentence is appropriate. The presumptive range is the middle of the three ranges in the cell.

(3) A mitigated range of minimum durations if the court finds pursuant to G.S. 15A-1340.16 that a mitigated sentence of imprisonment is justified; in such a case, any minimum term of imprisonment in the mitigated range is permitted. The mitigated range is the lower of the three ranges in the cell.

(4) An aggravated range of minimum durations if the court finds pursuant to G.S. 15A-1340.16 that an aggravated sentence of imprisonment is justified; in such a case, any minimum term of imprisonment in the aggravated range is permitted. The aggravated range is the higher of the three ranges in the cell.

PRIOR RECORD LEVEL

	I	II	III	IV	V	VI
	0 Pts	1-4 Pts	5-8 Pts	9-14 Pts	15-18 Pts	19+ Pts
A	Life Imprisonment Without Parole or Death as Established by Statute					

	A	A	A	A	A	A	DISPOSITION
	~~240-300~~	~~288-360~~	~~336-420~~	~~384-480~~	~~Life Imprisonment Without Parole~~		~~Aggravated~~
~~B1~~	~~192-240~~	~~230-288~~	~~269-336~~	~~307-384~~	~~346-433~~	~~384-480~~	~~PRESUMPTIVE~~
	~~144-192~~	~~173-230~~	~~202-269~~	~~230-307~~	~~260-346~~	~~288-384~~	~~Mitigated~~
	240-300	276-345	317-397	365-456	Life Imprisonment Without Parole		Aggravated
B1	192-240	221-276	254-317	292-365	336-420	386-483	PRESUMPTIVE
	144-192	166-221	190-254	219-292	252-336	290-386	Mitigated

	A	A	A	A	A	A	DISPOSITION
	~~157-196~~	~~189-237~~	~~220-276~~	~~251-313~~	~~282-353~~	~~313-392~~	~~Aggravated~~
~~B2~~	~~125-157~~	~~151-189~~	~~176-220~~	~~201-251~~	~~225-282~~	~~251-313~~	~~PRESUMPTIVE~~
	~~94-125~~	~~114-151~~	~~132-176~~	~~151-201~~	~~169-225~~	~~188-251~~	~~Mitigated~~
	157-196	180-225	207-258	238-297	273-342	314-393	Aggravated
B2	125-157	144-180	165-207	190-238	219-273	251-314	PRESUMPTIVE
	94-125	108-144	124-165	143-190	164-219	189-251	Mitigated

	A	A	A	A	A	A	DISPOSITION
	~~73-92~~	~~100-125~~	~~116-145~~	~~133-167~~	~~151-188~~	~~168-210~~	~~Aggravated~~
~~C~~	~~58-73~~	~~80-100~~	~~93-116~~	~~107-133~~	~~121-151~~	~~135-168~~	~~PRESUMPTIVE~~
	~~44-58~~	~~60-80~~	~~70-93~~	~~80-107~~	~~90-121~~	~~101-135~~	~~Mitigated~~
	73-92	83-104	96-120	110-138	127-159	146-182	Aggravated
C	58-73	67-83	77-96	88-110	101-127	117-146	PRESUMPTIVE
	44-58	50-67	58-77	66-88	76-101	87-117	Mitigated

	A	A	A	A	A	A	DISPOSITION
	~~64-80~~	~~77-95~~	~~103-129~~	~~117-146~~	~~133-167~~	~~146-183~~	~~Aggravated~~
~~D~~	~~51-64~~	~~61-77~~	~~82-103~~	~~94-117~~	~~107-133~~	~~117-146~~	~~PRESUMPTIVE~~
	~~38-51~~	~~46-61~~	~~61-82~~	~~71-94~~	~~80-107~~	~~88-117~~	~~Mitigated~~
	64-80	73-92	84-105	97-121	111-139	128-160	Aggravated
D	51-64	59-73	67-84	78-97	89-111	103-128	PRESUMPTIVE
	38-51	44-59	51-67	58-78	67-89	77-103	Mitigated

	I/A	I/A	A	A	A	A	DISPOSITION
	~~25-31~~	~~29-36~~	~~34-42~~	~~46-58~~	~~53-66~~	~~59-74~~	~~Aggravated~~
~~E~~	~~20-25~~	~~23-29~~	~~27-34~~	~~37-46~~	~~42-53~~	~~47-59~~	~~PRESUMPTIVE~~
	~~15-20~~	~~17-23~~	~~20-27~~	~~28-37~~	~~32-42~~	~~35-47~~	~~Mitigated~~
	25-31	29-36	33-41	38-48	44-55	50-63	Aggravated
E	20-25	23-29	26-33	30-38	35-44	40-50	PRESUMPTIVE
	15-20	17-23	20-26	23-30	26-35	30-40	Mitigated

	I/A	I/A	I/A	A	A	A	DISPOSITION
	~~16-20~~	~~19-24~~	~~21-26~~	~~25-31~~	~~34-42~~	~~39-49~~	~~Aggravated~~
~~F~~	~~13-16~~	~~15-19~~	~~17-21~~	~~20-25~~	~~27-34~~	~~31-39~~	~~PRESUMPTIVE~~
	~~10-13~~	~~11-15~~	~~13-17~~	~~15-20~~	~~20-27~~	~~23-31~~	~~Mitigated~~
	16-20	19-23	21-27	25-31	28-36	33-41	Aggravated
F	13-16	15-19	17-21	20-25	23-28	26-33	PRESUMPTIVE
	10-13	11-15	13-17	15-20	17-23	20-26	Mitigated

	I/A	I/A	I/A	I/A	A	A	DISPOSITION
	~~13-16~~	~~15-19~~	~~16-20~~	~~20-25~~	~~21-26~~	~~29-36~~	~~Aggravated~~
~~G~~	~~10-13~~	~~12-15~~	~~13-16~~	~~16-20~~	~~17-21~~	~~23-29~~	~~PRESUMPTIVE~~
	~~8-10~~	~~9-12~~	~~10-13~~	~~12-16~~	~~13-17~~	~~17-23~~	~~Mitigated~~
	13-16	14-18	17-21	19-24	22-27	25-31	Aggravated
G	10-13	12-14	13-17	15-19	17-22	20-25	PRESUMPTIVE

	8-10	9-12	10-13	11-15	13-17	15-20	Mitigated
	C/I/A	I/A	I/A	I/A	I/A	A	DISPOSITION
	6-8	8-10	10-12	11-14	15-19	20-25	Aggravated
H	5-6	6-8	8-10	9-11	12-15	16-20	PRESUMPTIVE
	4-5	4-6	6-8	7-9	9-12	12-16	Mitigated
	C	C/I	I	I/A	I/A	I/A	DISPOSITION
	6-8	6-8	6-8	8-10	9-11	10-12	Aggravated
I	4-6	4-6	5-6	6-8	7-9	8-10	PRESUMPTIVE
	3-4	3-4	4-5	4-6	5-7	6-8	Mitigated"

SECTION 2. This act becomes effective December 1, 2009, and applies to offenses committed on or after that date.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S 1

SENATE BILL 489

Short Title:	Even Out Prior Criminal Record Points.	(Public)
Sponsors:	Senators Kinnaird; Nesbitt and Snow.	
Referred to:	Judiciary I.	

March 10, 2009

A BILL TO BE ENTITLED

AN ACT TO RESTRUCTURE THE PRIOR RECORD LEVEL POINT RANGES IN ORDER TO EXPAND THE POINTS IN PRIOR RECORD LEVEL I AND TO EVEN OUT THE REMAINING RANGES.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 15A-1340.14(c) reads as rewritten:

"(c) Prior Record Levels for Felony Sentencing. – The prior record levels for felony sentencing are:

(1) Level I – ~~0 points.~~Not more than 1 point.

(2) Level II – At least ~~1,~~2, but not more than ~~4 points.~~5 points.

(3) Level III – At least ~~5,~~6, but not more than ~~8 points.~~9 points.

(4) Level IV – At least ~~9,~~10, but not more than ~~14 points.~~13 points.

(5) Level V – At least ~~15,~~14, but not more than ~~18 points.~~17 points.

(6) Level VI – At least ~~19 points.~~18 points.

In determining the prior record level, the classification of a prior offense is the classification assigned to that offense at the time the offense for which the offender is being sentenced is committed."

SECTION 2. G.S. 15A-1340.17(c) reads as rewritten:

"(c) Punishments for Each Class of Offense and Prior Record Level; Punishment Chart Described. – The authorized punishment for each class of offense and prior record level is as specified in the chart below. Prior record levels are indicated by the Roman numerals placed horizontally on the top of the chart. Classes of offense are indicated by the letters placed vertically on the left side of the chart. Each cell on the chart contains the following components:

(1) A sentence disposition or dispositions: "C" indicates that a community punishment is authorized; "I" indicates that an intermediate punishment is authorized; "A" indicates that an active punishment is authorized; and "Life Imprisonment Without Parole" indicates that the defendant shall be imprisoned for the remainder of the prisoner's natural life.

(2) A presumptive range of minimum durations, if the sentence of imprisonment is neither aggravated or mitigated; any minimum term of imprisonment in that range is permitted unless the court finds pursuant to G.S. 15A-1340.16 that an aggravated or mitigated sentence is appropriate. The presumptive range is the middle of the three ranges in the cell.

(3) A mitigated range of minimum durations if the court finds pursuant to G.S. 15A-1340.16 that a mitigated sentence of imprisonment is justified; in

such a case, any minimum term of imprisonment in the mitigated range is permitted. The mitigated range is the lower of the three ranges in the cell.

(4) An aggravated range of minimum durations if the court finds pursuant to G.S. 15A-1340.16 that an aggravated sentence of imprisonment is justified; in such a case, any minimum term of imprisonment in the aggravated range is permitted. The aggravated range is the higher of the three ranges in the cell.

PRIOR RECORD LEVEL

	I ~~0 Pts~~ 0-1 Pt	II ~~1-4 Pts~~ 2-5 Pts	III ~~5-8 Pts~~ 6-9 Pts	IV ~~9-14 Pts~~ 10-13 Pts	V ~~15-18 Pts~~ 14-17 Pts	VI ~~19+ Pts~~ 18+ Pts	
A	Life Imprisonment Without Parole or Death as Established by Statute						
	A	A	A	A	A	A	DISPOSITION
	240-300	288-360	336-420	384-480	Life Imprisonment Without Parole		Aggravated
B1	192-240	230-288	269-336	307-384	346-433	384-480	PRESUMPTIVE
	144-192	173-230	202-269	230-307	260-346	288-384	Mitigated
	A	A	A	A	A	A	DISPOSITION
	157-196	189-237	220-276	251-313	282-353	313-392	Aggravated
B2	125-157	151-189	176-220	201-251	225-282	251-313	PRESUMPTIVE
	94-125	114-151	132-176	151-201	169-225	188-251	Mitigated
	A	A	A	A	A	A	DISPOSITION
	73-92	100-125	116-145	133-167	151-188	168-210	Aggravated
C	58-73	80-100	93-116	107-133	121-151	135-168	PRESUMPTIVE
	44-58	60-80	70-93	80-107	90-121	101-135	Mitigated
	A	A	A	A	A	A	DISPOSITION
	64-80	77-95	103-129	117-146	133-167	146-183	Aggravated
D	51-64	61-77	82-103	94-117	107-133	117-146	PRESUMPTIVE
	38-51	46-61	61-82	71-94	80-107	88-117	Mitigated
	I/A	I/A	A	A	A	A	DISPOSITION
	25-31	29-36	34-42	46-58	53-66	59-74	Aggravated
E	20-25	23-29	27-34	37-46	42-53	47-59	PRESUMPTIVE
	15-20	17-23	20-27	28-37	32-42	35-47	Mitigated
	I/A	I/A	I/A	A	A	A	DISPOSITION
	16-20	19-24	21-26	25-31	34-42	39-49	Aggravated
F	13-16	15-19	17-21	20-25	27-34	31-39	PRESUMPTIVE
	10-13	11-15	13-17	15-20	20-27	23-31	Mitigated
	I/A	I/A	I/A	I/A	A	A	DISPOSITION
	13-16	15-19	16-20	20-25	21-26	29-36	Aggravated
G	10-13	12-15	13-16	16-20	17-21	23-29	PRESUMPTIVE
	8-10	9-12	10-13	12-16	13-17	17-23	Mitigated
	C/I/A	I/A	I/A	I/A	I/A	A	DISPOSITION
	6-8	8-10	10-12	11-14	15-19	20-25	Aggravated
H	5-6	6-8	8-10	9-11	12-15	16-20	PRESUMPTIVE
	4-5	4-6	6-8	7-9	9-12	12-16	Mitigated
	C	C/I	I	I/A	I/A	I/A	DISPOSITION
	6-8	6-8	6-8	8-10	9-11	10-12	Aggravated
I	4-6	4-6	5-6	6-8	7-9	8-10	PRESUMPTIVE

3-4	3-4	4-5	4-6	5-7	6-8	Mitigated"

SECTION 3. This act becomes effective December 1, 2009, and applies to offenses committed on or after that date.

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Charles W. Albertson, Co-Chair
Senator Linda Garrou, Co-Chair
Senator Charlie Smith Dannelly, Co-Chair
Senator A. B. Swindell, Co-Chair

Monday, July 13, 2009

Senator ALBERTSON,
submits the following with recommendations as to passage:

UNFAVORABLE AS TO COMMITTEE SUBSTITUTE BILL NO. 1, BUT FAVORABLE AS TO SENATE COMMITTEE SUBSTITUTE BILL

H.B.(CS #1) **1504** Transfer NCCAT to SBE.

Draft Number:	304229
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	Yes

TOTAL REPORTED: 1

Committee Clerk Comments:

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
Minutes
July 13, 2009

The Senate Appropriations/Base Budget Committee met on July 13, 2009 around the Senate chamber desk of Senator Charlie Albertson, co-chair.

The Committee considered the Senate Committee Substitute for H.B. 1504, **"Transfer NCCAT to SBE."** Senator Garrou explained the Senate PCS. Senator Rand motioned for a favorable report. The motion carried.

Having no further business before, Senator Albertson adjourned the Committee.

Respectfully Submitted,

Senator Charlie Albertson, Co-Chair

Andrew Dugan, Research/Committee Assistant

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

H D

HOUSE BILL 1504
Committee Substitute Favorable 5/7/09
PROPOSED SENATE COMMITTEE SUBSTITUTE H1504-PCS30429-MA-28

Short Title: Continuing Budget Authority. (Public)

Sponsors:

Referred to:

April 13, 2009

A BILL TO BE ENTITLED

AN ACT AUTHORIZING THE DIRECTOR OF THE BUDGET TO CONTINUE EXPENDITURES FOR THE OPERATION OF GOVERNMENT AT A LEVEL NOT TO EXCEED EIGHTY-FOUR PERCENT OF THE LEVEL AT WHICH THOSE OPERATIONS WERE AUTHORIZED IN S.L. 2008-107, AS AMENDED.

The General Assembly of North Carolina enacts:

SECTION 1. Section 1 of S.L. 2009-215 reads as rewritten:

"**SECTION 1.** The Director of the Budget may continue to allocate funds for expenditure for current operations by State departments, institutions, and agencies at a level not to exceed ~~eighty-five percent~~ eighty-four percent ~~(85%)~~ (84%) of the level at which those operations were authorized in S.L. 2008-107, as amended.

Vacant positions subject to proposed budget reductions in Senate Bill 202, 3rd edition, Senate Bill 202, 6th edition, or both, shall not be filled after June 30, 2009.

State employees employed in positions subject to elimination in Senate Bill 202, 3rd edition, Senate Bill 202, 6th edition, or both, because of a reduction, in total or in part, in the funds used to support the job or its responsibilities shall, as soon as practicable and in accordance with Reduction in Force policies, be provided written notification of termination of employment 30 days prior to the effective date of the termination.

State agencies shall not make grant awards with funds that are subject to proposed budget reductions in Senate Bill 202, 3rd edition, Senate Bill 202, 6th edition, or both.

Except as otherwise provided by this act, the limitations and directions for the 2008-2009 fiscal year in S.L. 2007-323, as amended, and in S.L. 2008-107, as amended, that applied to appropriations to particular agencies or for particular purposes apply to the funds appropriated and authorized for expenditure under this section."

SECTION 2. Section 8A(a) of S.L. 2009-215 reads as rewritten:

"**SECTION 8A.(a)** Notwithstanding any other provision of law to the contrary, the Department of Health and Human Services may modify or extend existing contracts or as necessary enter into sole source contracts to timely achieve savings. Any such modifications or contract extensions or sole source contracts must be approved by the ~~Governor~~ Secretary of Health and Human Services and reported to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Fiscal Research Division, and the Office of State Budget and

Management. This subsection applies to the following activities and shall expire six months from the date of enactment of this act:

~~(1) Acquisition of medical equipment, supplies, and appliances;~~

(2) Maximizing technology to increase third-party recovery, increase cost avoidance activities, identify provider overbilling and other abuse or program integrity activities;

(3) Implementing prior authorization efforts in imaging and other high-cost services;

(4) Providing technical assistance to enhance care coordination, analysis, and reports to assess provider compliance and performance;

(5) Conducting independent assessments; and

(6) Providing technology services to establish physician/provider online attestation reporting and assist CCNC in care management activities."

SECTION 3. Section 9(c) of S.L. 2009-215 is repealed.

SECTION 4. Section 10 of S.L. 2009-215 reads as rewritten:

"**SECTION 10.** Except as otherwise provided, this act becomes effective July ~~1~~15, 2009, and expires ~~July 15, 2009, at 11:59 P.M.~~when the Current Operations and Capital Improvements Appropriations Act of 2009 becomes law."

SECTION 5. This act is effective when it becomes law.

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Linda Garrou, Co-Chair
Senator Charlie Smith Dannelly, Co-Chair
Senator Charles W. Albertson, Co-Chair
Senator A. B. Swindell, Co-Chair

Wednesday, July 29, 2009

Senator DANNELLY,
submits the following with recommendations as to passage:

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO SENATE COMMITTEE SUBSTITUTE BILL

H.B. **102** Budget Code Technical Correction.

Draft Number:	PCS 50779
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	Yes

TOTAL REPORTED: 1

Committee Clerk Comments:

Sen. Swindell will handle on Floor.

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
Minutes
July 29, 2009

The Senate Appropriations/Base Budget Committee met on July 29, 2009 around the Senate Chamber desk of Senator Charlie Dannelly, co-chair.

The Committee considered the Senate Committee Substitute Bill of **H.B. 102, "Budget Code Technical Corrections."** Senator A.B. Swindell explained the bill. Senator Linda Garrou made a motion for a favorable report. Motion carried.

With no further business before the committee, Senator Dannelly adjourned the meeting.

Sincerely,

Senator Charlie Dannelly, co-chair

Andrew Dugan, Committee/Research Assistant

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

H D

HOUSE BILL 102
PROPOSED SENATE COMMITTEE SUBSTITUTE H102-PCS50779-LE-42

Short Title: Continuing Budget Authority. (Public)

Sponsors:

Referred to:

February 11, 2009

A BILL TO BE ENTITLED

AN ACT AUTHORIZING THE DIRECTOR OF THE BUDGET TO CONTINUE EXPENDITURES FOR THE OPERATION OF GOVERNMENT AT A PERCENTAGE OF THE LEVEL AUTHORIZED IN S.L. 2008-107, AS AMENDED.

The General Assembly of North Carolina enacts:

AUTHORIZATION FOR EXPENDITURE OF FUNDS

SECTION 1. Section 1 of S.L. 2009-215, as rewritten by Section 1 of S.L. 2009-296, reads as rewritten:

"**SECTION 1.** The Director of the Budget may continue to allocate funds for expenditure for current operations by State departments, institutions, and agencies at a level not to exceed eighty-four percent (84%) of the level at which those operations were authorized in S.L. 2008-107, as amended. The Director of the Budget shall implement the budget reductions set out in Senate Bill 202, 3rd edition and Senate Bill 202, 6th edition, that are not in controversy. The Director of the Budget shall not implement any transfers set out in Senate Bill 202, 3rd edition, Senate Bill 202, 6th edition, or both.

Vacant positions subject to proposed budget reductions in Senate Bill 202, 3rd edition, Senate Bill 202, 6th edition, or both, shall not be filled after June 30, 2009.

State employees employed in positions subject to elimination in Senate Bill 202, 3rd edition, Senate Bill 202, 6th edition, or both, because of a reduction, in total or in part, in the funds used to support the job or its responsibilities shall, as soon as practicable and in accordance with Reduction in Force policies, be provided written notification of termination of employment 30 days prior to the effective date of the termination.

State agencies shall not make grant awards with funds that are subject to proposed budget reductions in Senate Bill 202, 3rd edition, Senate Bill 202, 6th edition, or both.

This appropriation and this authorization to allocate and spend funds shall remain in effect until ratification of the Current Operations and Capital Improvements Appropriations Act of 2009, at which time that act shall become effective and shall govern appropriations and expenditures. When the Current Operations and Capital Improvements Appropriations Act of 2009 becomes law, the Director of the Budget shall adjust allocations to give effect to that act from July 1, 2009.

Except as otherwise provided by this act, the limitations and directions for the 2008-2009 fiscal year in S.L. 2007-323, as amended, and in S.L. 2008-107, as amended, that applied to

appropriations to particular agencies or for particular purposes apply to the funds appropriated and authorized for expenditure under this section."

APPROPRIATION OF ARRA FUNDS

SECTION 2. Section 6 of S.L. 2009-215(c) reads as rewritten:

"**SECTION 6.(c)** Guidance. – The Office of State Budget and Management shall work with the recipient State agencies to budget federal receipts awarded according to the annual program needs and within the parameters of the respective granting entities and to incorporate federal funds into the certified budgets of the recipient State agency. ~~State agencies shall not use federal ARRA funds for recurring purposes unless provided for in this section. However, depending on the nature of the award, additional State personnel may be employed on a temporary or time limited basis.~~"

ACCELERATED DHHS PROCUREMENT PROCESS TO ACHIEVE BUDGET REDUCTIONS

SECTION 3.(a) Section 8A of S.L. 2009-215 is repealed.

SECTION 3.(b) Notwithstanding any other provision of law to the contrary, the Department of Health and Human Services may modify or extend existing contracts or as necessary enter into sole source contracts to timely achieve the provisions of this act. Any such modifications or contract extensions or sole source contracts must be approved by the Secretary of the Department of Administration and reported to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Fiscal Research Division, and the Office of State Budget and Management. This subsection applies to the following activities and shall expire six months from the date of enactment of this act:

(1) Maximizing technology to increase third-party recovery, increase cost avoidance activities, identify provider overbilling and other abuse or program integrity activities;

(2) Implementing prior authorization efforts in imaging and other high-cost services;

(3) Providing technical assistance to enhance care coordination, analysis, and reports to assess provider compliance and performance;

(4) Conducting independent assessments; and

(5) Providing technology services to establish physician/provider online attestation reporting and assist CCNC in care management activities.

SECTION 3.(c) The Department shall report on the activities conducted under this section 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 on or before April 1, 2010.

USE PRE-STIMULUS FMAP FOR MEDICAID HOLD HARMLESS

SECTION 4.(a) G.S. 105-523(b)(2) reads as rewritten:

"(b) Definitions. – The following definitions apply in this section:

...

(2) Hold harmless threshold. – The amount of a county's Medicaid service costs and Medicare Part D clawback payments assumed by the State under G.S. 108A-54 for the fiscal year, less five hundred thousand dollars ($500,000). <u>A county's Medicaid service costs for fiscal years 2008-2009, 2009-2010, and 2010-2011 are determined without regard to the changes made to the Federal Medical Assistance Percentage by section 5001 of the American Recovery and Reinvestment Act of 2009.</u>"

SECTION 4.(b) This section is effective when it becomes law and applies to distributions for months beginning on or after October 1, 2008.

USE OF FUNDS IN THE UNRESERVED CREDIT BALANCE

SECTION 5.(a) Notwithstanding Chapter 143C of the General Statutes, funds in the unreserved credit balance on June 30, 2009, shall be used only to partially repay federal funds that were overdrawn in the Medicaid Program in the 2008-2009 fiscal year. The remainder of the overdrawn funds shall be repaid during the 2009-2011 fiscal biennium. The Director of the Budget shall report the timing and amount of the repayment to the chairs of the Senate and House Appropriations Committees and the Fiscal Research Division by October 1, 2009.

SECTION 5.(b) This section becomes effective June 30, 2009.

EFFECTIVE DATE

SECTION 6. Section 10 of S.L. 2009-215, as rewritten by Section 2 of S.L. 2009-296, reads as rewritten:

"**SECTION 10.** Except as otherwise provided, this act becomes effective July 1, 2009, and expires ~~July 31, 2009, at 11:59 P.M.~~ when the Current Operations and Capital Improvements Appropriations Act of 2009 becomes law."

SECTION 7. Except as otherwise provided in this act, this act is effective when it becomes law.

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Linda Garrou, Co-Chair
Senator Charles W. Albertson, Co-Chair
Senator Charlie Smith Dannelly, Co-Chair
Senator A. B. Swindell, Co-Chair

Wednesday, August 05, 2009

Senator SWINDELL,
submits the following with recommendations as to passage:

UNFAVORABLE AS TO COMMITTEE SUBSTITUTE BILL NO. 1, BUT FAVORABLE AS TO COMMITTEE SUBSTITUTE BILL NO. 2

S.B.(CS #1) **968** Mountain Resources Planning.

Draft Number:	35385
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	No

UNFAVORABLE AS TO COMMITTEE SUBSTITUTE BILL NO. 2, BUT FAVORABLE AS TO SENATE COMMITTEE SUBSTITUTE BILL

H.B.(CS #2) **589** Insurance/Cover Hearing Aids.

Draft Number:	30448
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	Yes

TOTAL REPORTED: 2

Committee Clerk Comments:

HB589 - Senator Purcell will handel on Floor.

Principal Clerk

Reading Clerk

Corrected:

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The Senate Committee on **Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Wednesday	August 5, 2009	9:00 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
SB 968	Mountain Resources Planning.	Senator Queen
HB 589	Insurance/Cover Hearing Aids.	Representative England, M.D. Representative Wiley Representative Alexander Representative Glazier
SB 1088	Funeral Expenses State Highway Patrol.	Senator Snow

Senator Linda Garrou, Co-Chair
Senator Charles W. Albertson, Co-Chair
Senator Charlie Smith Dannelly, Co-Chair
Senator A. B. Swindell, Co-Chair

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
Minutes
August 5, 2009

The Appropriations/Base Budget Committee met on August 5, 2009 in room 643 Legislative Office Building. 20 members of the Committee were present. Senator A.B. Swindell, co-Chair, presided.

The first bill on the agenda was **HB 589, "Ins.&St. Hlth Plan Cover/Hearing Aids/Autism."** Senator Purcell was recognized to explain the bill. Senator Purcell moved to introduce the Senate Committee Substitute of this bill.

At the suggestion of Senator Purcell, the Chair called on a young boy named Colin Tastet to speak in favor of the bill. Senator Purcell then concluded his remarks and took questions. Senator Rand moved for a favorable report; motion carried.

The second bill on the agenda was **Senate Bill 1088, "Funeral Expenses State Highway Patrol."** Senator Snow was recognized to explain the bill. Senator Dannelly motioned to hold the bill until Short Session. The motion carried.

The third bill on the item was **Senate Bill 968, "Mountain Resources Planning."** Senator Queen motioned that a committee substitute be considered at the motion carried. Senator Queen then explained the PCS. Senator Rand offered an amendment on the bill. The amendment carried. Another amendment was offered by Senator Rand and it carried as well. Senator Kinnaird moved for a favorable report for the PCS, as amended. Motion carried.

Having no further business, Senator A.B. Swindell adjourned the committee.

Sincerely,

Senator A.B. Swindell, Co-Chair

Andrew Dugan, Committee Assistant

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

H D

HOUSE BILL 589*
Committee Substitute Favorable 5/26/09
Committee Substitute #2 Favorable 6/3/09
Fourth Edition Engrossed 7/22/09
PROPOSED SENATE COMMITTEE SUBSTITUTE H589-PCS30448-LN-51

Short Title: Ins.&St. Hlth Plan Cover/Hearing Aids/Autism. (Public)

Sponsors:

Referred to:

March 16, 2009

A BILL TO BE ENTITLED

AN ACT TO REQUIRE HEALTH BENEFIT PLANS AND THE STATE HEALTH PLAN TO COVER HEARING AIDS AND REPLACEMENT HEARING AIDS; AND TO REQUIRE THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES TO PROVIDE COVERAGE FOR AUTISM TREATMENT DISORDERS.

The General Assembly of North Carolina enacts:

SECTION 1. Article 3 of Chapter 58 of the General Statutes is amended by adding the following new section to read:

"**§ 58-3-285. Coverage for hearing aids.**

(a) Every health benefit plan, including the State Health Plan for Teachers and State Employees, shall provide coverage for one hearing aid per hearing-impaired ear up to two thousand five hundred dollars ($2,500) per hearing aid every 36 months for covered individuals under the age of 22 years subject to subsection (b) of this section. The coverage shall include all medically necessary hearing aids and services that are ordered by a physician or an audiologist licensed in this State. Coverage shall be as follows:

(1) Initial hearing aids and replacement hearing aids not more frequently than every 36 months.

(2) A new hearing aid when alterations to the existing hearing aid cannot adequately meet the needs of the covered individual.

(3) Services, including the initial hearing aid evaluation, fitting, and adjustments, and supplies, including ear molds.

(b) The same deductibles, coinsurance, and other limitations as apply to similar services covered under the health benefit plan apply to hearing aids and related services and supplies required to be covered under this section.

(c) Nothing in this section prevents an insurer from applying utilization review criteria to determine medical necessity as defined by G.S. 58-50-61 as long as it does so in accordance with all requirements for utilization review programs and medical necessity determinations specified in that section, including the offering of an insurer appeal process and where applicable, health benefit plans external review as provided in Part 4 of Article 50 of Chapter 58 of the General Statutes."

SECTION 2. G.S. 135-45.8(13), as amended by Section 2(d) of Session Law 2009-16, reads as rewritten:

"**§ 135-45.8. General limitations and exclusions.**

The following shall in no event be considered covered expenses nor will benefits described in G.S. 135-45.6 through G.S. 135-45.11 be payable for:

...

(13) Charges for routine eye examinations, eyeglasses or other corrective lenses (except for cataract lenses certified as medically necessary for aphakia persons) ~~and~~and, except as authorized under G.S. 58-3-280, hearing aids or examinations for the prescription or fitting thereof.

...."

SECTION 3.(a) Part 3 of Article 3A of Chapter 135 of the General Statutes is amended by adding the following new section to read:

"**§ 135-45.8A. Coverage for autism spectrum disorders.**

(a) Benefits for the diagnosis and treatment of autism spectrum disorders for individuals is covered by the Plan and, except as otherwise provided in this section, shall be subject to the same deductibles and coinsurance factors as are benefits for physical illness generally.

(b) Coverage under this section shall not be subject to any limits on the number of visits an individual may make to an autism services provider.

(c) Coverage for behavioral therapy under this section is subject to a maximum benefit of seventy-five thousand dollars ($75,000) per year. After December 31, 2009, the Executive Administrator shall, on an annual basis, adjust the maximum benefit for inflation by using the Medical Care Component of the United States Department of Labor Consumer Price Index for all urban consumers (CPI-U). The Executive Administrator shall submit the adjusted maximum benefit for publication no later than June of each calendar year; and the published adjusted maximum benefit shall be applicable in the following Plan year. Payments made by the Plan on behalf of a covered individual for any care, treatment, intervention, service, or item unrelated to autism spectrum disorders shall not be applied towards any maximum benefit established under this section.

(d) Except for inpatient services, if a Plan member is receiving treatment for autism spectrum disorders, the Plan may request a review of that treatment not more than once every 12 months unless the Plan member's licensed medical doctor or licensed psychologist agrees that a more frequent review is necessary. The cost of obtaining any review shall be borne by the Plan."

SECTION 3.(b) G.S. 135-45.1 is amended by adding the following new subdivisions in alphabetical order to read with subdivision designations to be assigned by the Revisor of Statutes:

(*) "Autism spectrum disorders." – Any of the pervasive developmental disorders as defined in the Diagnostic and Statistical Manual of Mental Disorders (DSM-IV), or subsequent edition published by the American Psychiatric Association, or the International Statistical Classification of Diseases and Related Health Problems (ICD-10), or subsequent edition published by the World Health Organization.

(*) "Behavioral therapy." – Interactive therapies derived from evidence-based research, including, but not limited to, applied behavior analysis. Applied behavior analysis means the design, implementation, and evaluation of environmental modifications, using behavioral stimuli and consequences, to produce socially significant improvement in human behavior, including, but not limited to, the use of direct observation, measurement, and functional analysis of the relationship between environment and behavior.

(*) "Habilitative or rehabilitative care." – Professional, counseling, and guidance services and treatment programs, including behavioral therapy, that are necessary to develop, maintain, and restore, to the maximum extent practicable, the functioning of an individual.

(*) "Pharmacy care." – Medications prescribed by a licensed medical doctor and any health-related services deemed medically necessary to determine the need or effectiveness of the medications.

(*) "Therapeutic care." – Services provided by licensed or certified speech therapists, occupational therapists, or physical therapists.

(*) "Treatment for autism spectrum disorders." – Includes the following care prescribed, provided, or ordered for an individual diagnosed with one of the autism spectrum disorders by a licensed medical doctor or a licensed psychologist who determines the care to be medically necessary:

a. Habilitative or rehabilitative care.

b. Pharmacy care.

c. Psychiatric care.

d. Psychological care.

e. Therapeutic care."

SECTION 4. Section 3 of this act becomes effective January 1, 2010. The remainder of this act becomes effective March 1, 2010, and applies to health benefit plans that are delivered, issued for delivery, or renewed on and after that date.

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Linda Garrou, Co-Chair
Senator Charlie Smith Dannelly, Co-Chair
Senator Charles W. Albertson, Co-Chair
Senator A. B. Swindell, Co-Chair

Thursday, August 06, 2009

Senator DANNELLY,
submits the following with recommendations as to passage:

UNFAVORABLE AS TO COMMITTEE SUBSTITUTE BILL NO. 1, BUT FAVORABLE AS TO SENATE COMMITTEE SUBSTITUTE BILL

H.B.(CS #1) **836** Removal of Electronic Monitoring Device.

Draft Number:	11041
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	Yes

TOTAL REPORTED: 1

Committee Clerk Comments:

Sen. Garrou will handle on the Floor.

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
Minutes
August 06, 2009

The Senate Appropriations/Base Budget Committee met around the Senate chamber desk of Senator Charlie Dannelly, co-chair.

The Committee considered the Senate Proposed Committee Substitute for **H.B. 836, "Removal of Electronic Monitoring Device."** The bill was given a unfavorable report as to bill, but favorable to Senate Committee Substitute.

With no further business before the committee, Senator Charlie Dannelly adjourned the meeting.

Respectfully Submitted,

Senator Charlie Dannelly, co-chair

Andrew Dugan, Committee/Research Assistant

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

H D

HOUSE BILL 836*
Committee Substitute Favorable 5/5/09
PROPOSED SENATE COMMITTEE SUBSTITUTE H836-PCS11041-MH-25

Short Title: Modify Appropriations Act. (Public)

Sponsors:

Referred to:

March 30, 2009

A BILL TO BE ENTITLED

AN ACT TO MAKE TECHNICAL, CLARIFYING, AND OTHER MODIFICATIONS TO THE APPROPRIATIONS ACT OF 2009.

The General Assembly of North Carolina enacts:

SECTION 1.(a) If Senate Bill 202, 2009 Regular Session, becomes law, then Section 2.1 of that act is amended by rewriting the appropriation for the Department of Public Instruction to read:

"Department of Public Instruction 7,458,261,240 7,360,833,223".

SECTION 1.(b) If Senate Bill 202, 2009 Regular Session, becomes law, then Section 2.1 of that act is amended by rewriting the appropriation for the Commerce to read:

"Commerce 44,528,421 40,915,209".

SECTION 1.(c) If Senate Bill 202, 2009 Regular Session, becomes law, then Section 2.1 of that act is amended by rewriting the appropriation for the Rural Economic Development Center to read:

"Rural Economic Development Center 24,407,436 23,832,436".

SECTION 1.(d) If Senate Bill 202, 2009 Regular Session, becomes law, then Section 2.1 of that act is amended by rewriting the appropriation for the Department of Crime Control and Public Safety to read:

"Department of Crime Control and Public Safety 34,320,831 33,718,963".

SECTION 1.(e) If Senate Bill 202, 2009 Regular Session, becomes law, then Section 2.1 of that act is amended by rewriting the appropriation for the Department of Juvenile Justice and Delinquency Prevention to read:

"Department of Juvenile Justice and
Delinquency Prevention 148,752,858 147,183,945".

SECTION 1.(f) If Senate Bill 202, 2009 Regular Session, becomes law, then Section 2.1 of that act is amended by rewriting the total at the end of the section to read:

**"TOTAL CURRENT OPERATIONS –
GENERAL FUND $ 19,010,057,199 $ 19,559,764,576".**

SECTION 1A. If Senate Bill 202, 2009 Regular Session, becomes law, then Section 2.2(a) of that act is rewritten to read:

"**SECTION 2.2.(a)** The General Fund availability used in developing the 2009-2011 biennial budget is shown below:



	FY 2009-2010	FY 2010-2011
Projected Reversions FY 2008-2009	91,967,011	3,702,182
Less Earmarkings of Year End Fund Balance	0	0
Savings Reserve Account	0	0
Repairs and Renovations	0	0
Beginning Unreserved Fund Balance	**91,967,011**	**3,702,182**
Revenues Based on Existing Tax Structure	**16,796,300,000**	**17,384,400,000**
Nontax Revenues		
Investment Income	67,300,000	93,100,000
Judicial Fees	200,700,000	208,300,000
Disproportionate Share	100,000,000	100,000,000
Insurance	77,700,000	81,900,000
Other Nontax Revenues	148,300,000	155,200,000
Highway Trust Fund/Use Tax Reimbursement Transfer	108,500,000	72,800,000
Highway Fund Transfer	17,600,000	17,600,000
Subtotal Nontax Revenues	**720,100,000**	**728,900,000**
Total General Fund Availability	**17,608,367,011**	**18,117,002,182**
Adjustments to Availability: 2009 Session		
Adjust Transfer from Insurance Regulatory Fund	(1,644,300)	(1,644,300)
Adjust Transfer from Treasurer's Office	(398,880)	(605,833)
Transfer from Disproportionate Share Reserve	25,000,000	0
Transfer of Cash Balances from Special Funds	38,318,305	0
Transfer from Capital and R&R Accounts	24,372,701	0
Transfer from Health and Wellness Trust Fund	5,000,000	5,000,000
Transfer from Tobacco Trust Fund	5,000,000	5,000,000
Transfer Excess Sales Tax for Wildlife Resources Commission	1,650,000	1,650,000
Transfer Funds for Grape Growers Council	900,000	900,000
Department of Revenue Improved Enforcement	60,000,000	90,000,000
Department of Revenue Compliance Initiative	150,000,000	0
Individual Income Surtax	172,800,000	177,100,000
Corporate Income Surtax	23,100,000	25,500,000
Increase Sales Tax Rate	803,500,000	1,061,300,000
Digital Products & Click-Throughs	11,800,000	24,100,000
IRC Conformity	(116,300,000)	(80,900,000)
Adjust Revenue Distributions	22,100,000	0
Increase Excise Taxes	68,800,000	93,800,000
Suspend Corp Income Tax Earmark-Schools	60,500,000	64,500,000
Increase General Government Fees	7,555,995	7,365,196
Increase Justice and Public Safety Fees	47,090,559	51,475,278
Increase Health Services Regulation Fees	1,122,990	1,122,990
Subtotal Adjustments to Availability: 2009 Session	**1,410,267,370**	**1,525,663,331**

Revised General Fund Availability	**19,018,634,381**	**19,642,665,513**
Less: General Fund Appropriations	**19,014,932,199**	**19,559,764,576**
Unappropriated Balance Remaining	3,702,182	82,900,937".

SECTION 2. If Senate Bill 202, 2009 Regular Session, becomes law, then the first sentence of Section 2.2(g) of that act is amended by deleting "18878" and substituting "19978".

SECTION 3. If Senate Bill 202, 2009 Regular Session, becomes law, then Section 6.6C(d) of that act reads as rewritten:

"**SECTION 6.6C.(d)** Guidance. – The Office of State Budget and Management shall work with the recipient State agencies to budget federal receipts awarded according to the annual program needs and within the parameters of the respective granting entities and to incorporate federal funds into the certified budgets of the recipient State agency. State agencies shall not use federal ARRA funds for recurring purposes unless provided for in this act. However, depending on the nature of the award, additional State personnel may be employed on a temporary or time-limited basis. Nothing in this subsection shall be construed to prohibit the use of federal ARRA funds to employ teachers and other school ~~personnel~~personnel, and faculty and other university personnel for the ~~2009-2010 school year.~~2009-2011 fiscal biennium."

SECTION 3A.(a) If Senate Bill 202, 2009 Regular Session, becomes law, then the last sentence of Section 6.13(b) of that act is amended by deleting "October 31, 2009" and substituting "January 1, 2010."

SECTION 3A.(b) If Senate Bill 202, 2009 Regular Session, becomes law, then the first sentence of Section 6.13(c) of that act is amended by deleting "the Office of State Budget and Management" and substituting "the Office of Information and Technology Services and the Office of State Budget and Management."

SECTION 3A.(c) If Senate Bill 202, 2009 Regular Session, becomes law, then the last sentence of Section 6.13(c) of that act is amended by deleting "February 28, 2010" and substituting "May 1, 2010".

SECTION 3B.(a) If Senate Bill 202, 2009 Regular Session, becomes law, then the first sentence of Section 6.16(b) of that act is rewritten to read:

"The Office of State Budget and Management and the Office of the State Chief Information Officer shall develop a plan for converting one or more paper forms to an electronic format."

SECTION 3B.(b) If Senate Bill 202, 2009 Regular Session, becomes law, then the first sentence of Sections 6.16(e) and (f) are amended by deleting "Office of State Budget and Management" and substituting "Office of State Budget and Management and the Office of the State Chief Information Officer."

SECTION 3C. If Senate Bill 202, 2009 Regular Session, becomes law, then Section 6.8 of that act is amended by adding a new subsection to read:

"**SECTION 6.8.(h)** ESRI License Funding. – The State Chief Information Officer (i) shall use up to the sum of six hundred thousand dollars ($600,000) from funding appropriated to the Information Technology Fund during the 2009-2010 fiscal year to support ESRI licenses for State agencies and (ii) may use anticipated carryforward from fiscal year 2009-2010 to provide the funding for those licensing fees. The State Chief Information Officer shall not charge subscription fees to fund ESRI licenses."

SECTION 3E. If Senate Bill 202, 2009 Regular Session, becomes law, then Section 7.12(a) of that act reads as rewritten:

"**SECTION 7.12.(a)** Up to three hundred fifty thousand dollars ($350,000) may be transferred ~~annually~~ to the Office of the Governor for NC Virtual (NCV) within the Education Cabinet and for the Education E-Learning Portal. These funds shall be used to provide services to coordinate e-learning activities across all State educational agencies and to make the Education E-Learning Portal fully operational by December 1, 2009."

SECTION 3F. If Senate Bill 202, 2009 Regular Session, becomes law, then Section 7.18(b) of that act is amended by adding a new paragraph at the end to read:

"Savings that result from eliminating tests shall be used to implement this section."

SECTION 3G.(a) If Senate Bill 202, 2009 Regular Session, becomes law, then Section 7.19 of that act is amended by deleting the language "Department of Public Instruction" wherever it appears and substituting "State Board of Education".

SECTION 3G.(b) If Senate Bill 202, 2009 Regular Session, becomes law, then Section 7.19(d) of that act reads as rewritten:

"**SECTION 7.19.(d)** Standards and specifications shall be submitted to the Education Cabinet no later than ~~January 1, 2010.~~March 1, 2010. The Education Cabinet shall review these standards and submit its recommendations regarding them to the Joint Legislative Education Oversight Committee, the Fiscal Research Division, and the Office of State Budget and Management by ~~March 1, 2010.~~April 1, 2010."

SECTION 3H. If Senate Bill 202, 2009 Regular Session, becomes law, then Section 7.41(b) of that act reads as rewritten:

"**SECTION 7.41.(b)** This section becomes effective ~~January 1, 2011.~~June 30, 2011."

SECTION 3I. If Senate Bill 202, 2009 Regular Session, becomes law, then that act is amended by adding a new section to read:

"**SECTION 7.42.** Of the funds appropriated in this act to the Department of Public Instruction for the 2009-2010 fiscal year, up to two hundred thousand dollars ($200,000) may be used to support a Leadership Academy that provides professional development to superintendents, enabling them to train principals to address critical areas such as student achievement and teacher recruitment and retention."

SECTION 3J. If Senate Bill 202, 2009 Regular Session, becomes law, then that act is amended by adding a new section to read:

"**SECTION 7.43.(a)** The Joint Legislative Education Oversight Committee shall develop a plan to restructure the North Carolina Teacher Salary Schedule. It is North Carolina's goal to have a competitive system of compensation that attracts highly skilled and motivated individuals into the profession. Further, it should compensate teachers' knowledge, skills, and instructional expertise that lead to improved student learning. In developing the restructured salary system, the Committee should consider the following factors:

(1) Designs a schedule that emphasizes increasing beginning teacher salary to make the starting salaries more competitive to attract recent graduates and promotes teacher retention.

(2) Aligns with the newly adopted North Carolina Professional Teaching Standards.

(3) Rewards expert, accomplished teachers for taking on challenging assignments, such as working in high-poverty, low-performing schools.

(4) Provides incentives for becoming licensed in high-needs subject areas, such as math and science, and teaching in high-needs areas of the State.
(5) Considers research and data that supports improved teaching and learning.
(6) Provides optional pathways for salary increases that focus on strategies such as National Board Certified Teachers, Literacy Coach endorsement, and other options that lead to improved student learning.

"**SECTION 7.43.(b)** The Committee may contract for consultant services as provided by G.S. 120-32.02.

"**SECTION 7.43.(c)** The Committee is encouraged to seek partnerships with other State and national public and private groups in designing the new compensation system. The Committee shall report on the plan to the General Assembly no later than September 30, 2010."

SECTION 3K. If Senate Bill 202, 2009 Regular Session, becomes law, then that act is amended by adding a new section to read:

"**SECTION 7.44.** The State Board of Education may use, out of funds available, up to one million five hundred thousand dollars ($1,500,000) that had previously been set aside from G.S. 115C-546.2 to support positions in the Department of Public Instruction's Support Services Division."

SECTION 3L. If Senate Bill 202, 2009 Regular Session, becomes law, then Section 7.13(f) of that act reads as rewritten:

"**SECTION 7.13.(f)** Of the funds appropriated in this act for dropout prevention, the sum of:

(1) One hundred thousand dollars ($100,000) for the 2009-2010 fiscal year and one hundred thousand dollars ($100,000) for the 2010-2011 fiscal ~~years~~ year may be used to extend a current contract or to issue a request for proposals from qualified vendors on a competitive basis to contract as a consultant to assist with the evaluation. The factors to be considered in awarding the contract shall be identified in the request for proposals;
(2) Up to one hundred seventy-five thousand dollars ($175,000) for the 2009-2010 fiscal year and up to one hundred seventy-five thousand dollars ($175,000) for the 2010-2011 fiscal ~~years~~ year may be used by the Department of Public Instruction for its administrative assistance to the Committee and to provide technical assistance under this section;
(3) Three hundred thousand dollars ($300,000) in nonrecurring funds shall be used by the North Carolina Congress of Parents and Teachers, Incorporated, a nonprofit organization, to continue the North Carolina PTA Parent Involvement/Dropout Prevention Initiative; and
(4) Fifty percent (50%) of the remainder shall be used by the Committee on Dropout Prevention to award grants to new recipients, and fifty percent (50%) shall be used to award successive grants to previous grant recipients. All grants shall be awarded in accordance with subsection (b) of this section."

SECTION 3M.(a) If Senate Bill 202, 2009 Regular Session, becomes law, then Section 7.4(a)(5) of that act reads as rewritten:

"(5) Provide a base for the consolidated funds allotment of at least ~~seven hundred seventeen thousand three hundred sixty dollars ($717,360),~~ seven hundred eighty-eight thousand seven hundred eighty-nine dollars ($788,789), excluding textbooks, for the 2009-2010 fiscal year and a base of ~~seven hundred seventeen thousand three hundred sixty dollars ($717,360)~~ seven

hundred eighty-eight thousand seven hundred eighty-nine dollars ($788,789) for the 2010-2011 fiscal year."

SECTION 3M.(b) If Senate Bill 202, 2009 Regular Session, becomes law, then notwithstanding Item 27 on page F4 of the Joint Conference Committee Report on the Continuation, Expansion, and Capital Budgets dated August 3, 2009, there is no reduction in funds for small county supplemental funding.

SECTION 4. If Senate Bill 202, 2009 Regular Session, becomes law, then Section 8.6(b) of that act reads as rewritten:

"**SECTION 8.6.(b)** The Office of State Budget and Management shall transfer sufficient funds from the State Public School Fund to the Community Colleges System Office to implement ~~subsection (b)~~subsection (a) of this section."

SECTION 5. If Senate Bill 202, 2009 Regular Session, becomes law, then G.S. 115D-5(b), as enacted by Section 8.11(d) of that act, reads as rewritten:

"(b) In order to make instruction as accessible as possible to all citizens, the teaching of curricular courses and of noncurricular extension courses at convenient locations away from institution campuses as well as on campuses is authorized and shall be encouraged. A pro rata portion of the established regular tuition rate charged a full-time student shall be charged a part-time student taking any curriculum course. In lieu of any tuition charge, the State Board of Community Colleges shall establish a uniform registration fee, or a schedule of uniform registration fees, to be charged students enrolling in extension courses for which instruction is financed primarily from State funds; provided, however, that the State Board of Community Colleges may provide by general and uniform regulations for waiver of tuition and registration fees for persons not enrolled in elementary or secondary schools taking courses leading to a high school diploma or equivalent certificate, for training courses for volunteer firemen, local fire department personnel, volunteer rescue and lifesaving department personnel, local rescue and lifesaving department personnel, Radio Emergency Associated Citizens Team (REACT) members when the REACT team is under contract to a county as an emergency response agency, local law-enforcement officers, patients in State alcoholic rehabilitation centers, all full-time custodial employees of the Department of Correction, employees of the Department's Division of Community Corrections and employees of the Department of Juvenile Justice and Delinquency Prevention required to be certified under Chapter 17C of the General Statutes and the rules of the Criminal Justice and Training Standards Commission, trainees enrolled in courses conducted under the New and Expanding Industry Program, clients of sheltered workshops, clients of adult developmental activity programs, students in Health and Human Services Development Programs, juveniles of any age committed to the Department of Juvenile Justice and Delinquency Prevention by a court of competent jurisdiction, prison inmates, members of the North Carolina State Defense Militia as defined in G.S. 127A-5 and as administered under Article 5 of Chapter 127A of the General Statutes, and elementary and secondary school employees enrolled in courses in first aid or cardiopulmonary resuscitation (CPR). Provided further, tuition shall be waived for up to six hours of credit instruction and 96 contact hours of noncredit instruction per academic semester for senior citizens age 65 or older who are qualified as legal residents of North Carolina. Provided further, tuition shall also be waived for all courses taken by high school students at community colleges, including students in early college and middle college high school programs, in accordance with G.S. 115D-20(4) and this section."

SECTION 5A. If Senate Bill 202, 2009 Regular Session, becomes law, then section 10.68A(a)(7)i. of that act reads as rewritten:

"i. Failure to comply with notification, recipient transition planning, or record maintenance shall be grounds for withholding payment until such activity is concluded. In addition, failure to comply shall be conditions that prevent enrollment for any Medicaid or State-funded service. A provider (including its officers, directors, agents, or managing employees or individuals or entities having a direct or indirect ownership interest or control interest of five percent (5%) or more as set forth in Title XI of the Social Security Act) that fails to comply with the required record retention may be subject to sanctions, including exclusion from further participation in the Medicaid program, as set forth in Title XI."

SECTION 6. If Senate Bill 202, 2009 Regular Session, becomes law, then that act is amended by adding the following new section to read:

"**MEDICAID UTILIZATION MANAGEMENT OF OUTPATIENT IMAGING SERVICES**

"**SECTION 10.68B.(a)** Contract Authorization. – The Department of Health and Human Services may contract for utilization management of the following outpatient imaging services: CT, PET, PET-CT, MRI, ultrasound, echocardiogram; nuclear imaging, including nuclear cardiology; and angiography. The contract shall not include any imaging service provided to hospital inpatients or patients in or referred through a hospital emergency department.

"**SECTION 10.68B.(b)** Vendor Requirements. – A vendor with whom the Department contracts for imaging utilization management services shall:

(1) Ensure that patients obtain medically appropriate imaging services while not imposing unreasonable requirements on patients or medical providers ordering or providing those services. The term "medically appropriate" means care that is consistent with evidence-based guidelines, such as the Appropriateness Criteria recognized by the American College of Radiology or other physician specialty organizations. In addition:
   a. The vendor shall not authorize imaging services from only selected Medicaid participating imaging providers.
   b. The vendor shall provide the health care provider that provides services to Medicaid patients the capability for the electronic submission of authorization requests and appeals and shall evaluate and, as quickly as possible, implement electronic system interfaces with computerized provider order entry (CPOE) technology that the State determines meets or exceeds the standards set forth in this subdivision.
   c. The vendor shall provide online availability of the criteria and the source upon which utilization management decisions are based.

(2) Be accredited by a national accrediting organization for utilization management organizations, such as the Utilization Review Accreditation Commission (URAC).

(3) Disclose in advance of entering into a contract with the Department any financial relationship, ownership involvement, or other relationship with facilities or providers whose services are subject to utilization management by the vendor in North Carolina.

(4) Provide adequate orientation, training, and technical assistance regarding the vendor's system and criteria for primary care physicians and other physicians who will be responsible for processing initial authorization requests.

"**SECTION 10.68B.(c)** Contract and Reporting. – The contract between the Department and the vendor shall seek to (i) continue to assure that the State Medicaid program provides medically necessary imaging services to enrollees consistent with evidence-based guidelines, (ii) protect enrollees from potentially harmful exposures that may result from excessive imaging, and (iii) minimize disruption to clinical services. The initial contract for the imaging management services vendor shall be for a period not to exceed two years. Before any new RFP or contract extension is executed, the Department shall:

(1) Consult with medical providers affected by imaging management on an ongoing basis to evaluate how the program is being administered, to determine whether imaging utilization management through a third party has accomplished the goals set forth in this subdivision, and to explore newer models or technologies that might further improve care, treatment effectiveness, and value.

(2) 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 about the effects of the vendor's utilization management services on:

a. Consumer safety and access, including numbers of denials, appeals, reversals of appeals, and decreases in potentially harmful or questionable excessive exposures;

b. Providers;

c. Cost savings;

d. Utilization trends; and

e. Comparison with national norms and practices."

SECTION 7. If Senate Bill 202, 2009 Regular Session, becomes law, then the prefatory language of the first sentence of Section 10.78(ff) reads as rewritten:

"The sum of two hundred fifty thousand dollars ($250,000) appropriated in this section in the Substance Abuse Prevention and Treatment Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2009-2010 fiscal year for the North Carolina Institute of Medicine (NCIOM) shall be used to study ~~the following:~~at least two of the following:".

SECTION 8. If Senate Bill 202, 2009 Regular Session, becomes law, then Section 10.31(b) of that act reads as rewritten:

"**SECTION 10.31.(b)** In consultation with the Department of Health and Human Services, Division of Medical Assistance, and other appropriate organizations, the Office of State Budget and Management shall conduct an independent analysis of the ~~cost to determine~~ costs and appropriate staffing levels to manage and implement the transition of NC Health Choice from the State Health Plan to the Division to ensure that the transition of NC Health Choice occurs with minimal disruption and that the Division has adequate staffing and an organizational structure that fits with its existing structure. The Office of State Budget and Management shall report with staffing recommendations by March 1, 2010, 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 9. If Senate Bill 202, 2009 Regular Session, becomes law, then Section 10.52(a) of that act reads as rewritten:

"**SECTION 10.52.(a)** The Program Evaluation Division of the North Carolina General Assembly shall study the consolidation of administrative functions among county departments of social services.

In conducting the study, the Program Evaluation Division shall identify opportunities for functional consolidation, affected administrative functions, estimated cost savings, and requisite policy changes, if applicable, to accommodate the consolidation of administrative functions among county departments of social services. The Department of Health and Human ~~Services, Division of Social Services,~~ Services shall not consolidate these administrative functions except as directed by an act of the General Assembly."

SECTION 10. If Senate Bill 202, 2009 Regular Session, becomes law, then Section 10.19A(a) of that act reads as rewritten:

"**SECTION 10.19A.(a)** The Department of Health and Human Services shall reduce the allocation of State funds to each LME ~~by ten percent (10%) in each fiscal year. In no event shall an LME that has a fund balance or other resources available reduce or otherwise adversely affect services due to the reduction in State funds in each fiscal year. LMEs that have fund balances or other resources shall use those funds to supplant the reduction in State funds in each fiscal year. Monies from fund balances shall be used exclusively to provide services to LME clients, even if the dollar amount of the funds in the fund balance exceeds what is necessary to supplant the reduction in State funds. The use of fund balance monies to provide services is subject to the prior approval of the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services. The Division shall track fund balance usage of each LME to ensure that the amount used from the fund balance in each fiscal year is at least equal to the reduction in State funds for that fiscal year and is used to provide services and for no other purpose.~~ as necessary to achieve budget reductions in this act for this purpose giving consideration to the LME's unrestricted fund balance and the LME's ability to supplement funding of services without impairing its financial stability."

SECTION 10A. If Senate Bill 202, 2009 Regular Session, becomes law, then Section 10.41(a) of that act reads as rewritten:

"**SECTION 10.41.(a)** Of the funds appropriated in this act to the Department of Health and Human Services (Department), the sum of ten million seven hundred sixty-five thousand one hundred fifty-three dollars ($10,765,153) for fiscal year 2009-2010 and the sum of eight million sixty-four thousand one hundred twenty-eight dollars ($8,064,128) for fiscal year 2010-2011 shall be (i) deposited to the Department's information technology budget code and (ii) used to match federal funds for the procurement, design, development, and implementation of the new Medicaid Management Information System (MMIS) and to fund the central management of the project. The Department shall utilize ~~all~~ prior year earned revenues received for the MMIS. In the event that the Department does not receive prior year earned revenues in the amounts authorized by this section, the Department is authorized, with approval of the Office of State Budget and Management, to utilize other overrealized receipts and funds appropriated to the Department to achieve the level of funding specified in this section for the MMIS."

SECTION 10B. If Senate Bill 202, 2009 Regular Session, becomes law, then the schedule in Section 10.78(a) is amended by changing the dollar amount for the entry entitled "TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT RECEIVED THROUGH ARRA" from "$67,543,143" to "$67,543,134".

SECTION 11. If Senate Bill 202, 2009 Regular Session, becomes law, then Section 10.78(p) of that act reads as rewritten:

"**SECTION 10.78.(p)** The Department of Health and Human Services, Division of Social Services, shall continue implementing county demonstration grants that began in the 2006-2007

fiscal ~~year. The county demonstration grants may be awarded for up to three years~~year with all projects ending no later than the end of fiscal year 2009-2010. The purpose of the county demonstration grants is to identify best practices that can be used by counties to improve the work participation rates. The Division of Social Services is authorized to establish two time-limited positions to manage the grant award process and monitor the demonstration projects through fiscal year 2009-2010.

Funding provided under the county demonstration grants shall not be used to supplant local funds, and counties shall be required to maintain the current level of effort and funding for the Work First program.

The Department of Health and Human Services, Division of Social Services, shall report on the status of county demonstration grants implemented pursuant to this subsection 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 no later than February 1, 2010."

SECTION 12. If Senate Bill 202, 2009 Regular Session, becomes law, then, notwithstanding Item 84 on page H15 of the Joint Conference Committee Report on the Continuation, Expansion, and Capital Budgets dated August 3, 2009, the sum of five hundred thousand dollars ($500,000) shall be transferred from the Department of Commerce to the North Carolina Rural Economic Development Center to be used to support existing small businesses.

SECTION 12A. If Senate Bill 202, 2009 Regular Session, becomes law, then Section 14.19(e2) reads as rewritten:

"**SECTION 14.19.(e2)** Prior to the expenditure of any of the cash balance that does not revert to the General Fund as required by subsection (e1) of this section, the agency responsible for administering the Fund shall report on the planned expenditure of the cash balance to the Joint Legislative ~~Oversight Committee~~Commission on Governmental Operations."

SECTION 13. If Senate Bill 202, 2009 Regular Session, becomes law, then G.S. 7A-44(a), as rewritten by Section 15.10 of that act, reads as rewritten:

"(a) A judge of the superior court, regular or special, shall receive the annual salary set forth in the Current Operations Appropriations Act, and in addition shall be paid the same travel allowance as State employees generally by ~~G.S. 138-6(a)(1) and (2),~~ G.S. 138-6(a), provided that no travel allowance be paid for travel within his county of residence. The Administrative Officer of the Courts may also reimburse superior court judges, in addition to the above funds for travel, for travel and subsistence expenses incurred for professional education."

SECTION 13A. If Senate Bill 202, 2009 Regular Session, becomes law, then G.S. 7A-304, as enacted by Section 15.20(c) of that act, reads as rewritten:

"(f) The court may allow a defendant owing ~~costs~~ monetary obligations under this section to either make payment in full when costs are assessed or make payment on an installment plan arranged with the court. Defendants making use of an installment plan shall pay a onetime setup fee of twenty dollars ($20.00) to cover the additional costs to the court of receiving and disbursing installment payments. Fees collected under this ~~section~~ subsection shall be remitted to the State Treasurer for support of the General Court of Justice."

SECTION 14. If Senate Bill 202, 2009 Regular Session, becomes law, then the final paragraph of Section 15.20(n) reads as rewritten:

"Subsections (e), (g), and (i) of this section become effective July 1, 2010, and apply to fees assessed or collected on or after that date. ~~Subsection (m) becomes effective July 1, 2009.~~ The remainder of this section becomes effective September 1, 2009, and applies to fees assessed or collected on or after that date."

SECTION 14A. If Senate Bill 202, 2009 Regular Session, becomes law, then Section 17.4 of that act reads as rewritten:

"STUDY CONSOLIDATION OF LAW ENFORCEMENT AGENCIES

"SECTION 17.4. The Office of State Budget and Management shall study the feasibility of consolidating the law enforcement agencies ~~in the executive branch~~ of State government for the purpose of coordinating the activities of these agencies, and reducing duplication and overlapping of law enforcement responsibilities, training, and technical assistance among State law enforcement agencies. The Office of State Budget and Management may consider law enforcement functions within any State government agency where consolidation with other functions in other agencies, departments, or institutions can generate efficiencies and economies and improve the coverage of the required enforcement function. The Office of State Budget and Management shall report its findings and recommendations by February 1, 2010, to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee."

SECTION 15A. If Senate Bill 202, 2009 Regular Session, becomes law, then Section 19.20 of that act is rewritten to read:

"SECTION 19.20.(a) The Department of Correction shall consult with the State Health Plan for Teachers and State Employees (Plan) and the Plan's claims processing contractor to develop a mutually agreed upon procedure by December 1, 2009, for the Department to obtain and pay for medically necessary services for inmates committed to its custody from providers and medical facilities. Such agreement may require the Plan to amend its contracts with its claims processing contractor. The Department may delegate the responsibility for administering the payment process for such services to the Executive Administrator of the Plan. It is the intent of the General Assembly that providers and medical facilities who provide medically necessary services to inmates in the Department's custody be paid by the Department through the Plan's claims processor for services provided in an amount equal to the rate paid by the claims processor for Plan beneficiaries for medically necessary services. If the medically necessary services provided are not included in the Plan's reimbursement schedule, the Department may pay the reasonable and customary rate for the services. The requirements of this subsection apply to all medical and facility services provided outside the correctional facility, including hospitalizations, professional services, medical supplies, and other medications provided to any inmate confined in a correctional facility. The Department is responsible for entering enrollment information for the inmates into the Plan's claims processor's system through one central location.

"SECTION 19.20.(b) The Department of Correction, in consultation with the State Health Plan, shall issue a Request for Proposals (RFP) for a contractor to process claims for medical services provided to inmates in the custody of the Department, to provide medical management services to the Department, and to develop and manage a medical professional and facility provider network to serve the medical needs of inmates. The State Health Plan shall provide the Department with any technical and consultative assistance in developing and evaluating the RFP. The Department shall issue the RFP by April 1, 2010. The Department shall not enter into any long-term contracts for claims processing or health care services before or during the pendency of the RFP process, except as may be required under subsection (a) of this section.

"SECTION 19.20.(c) The Department of Correction shall consult with the Division of Medical Assistance in the Department of Health and Human Services to develop protocols for prisoners who would otherwise be eligible for Medicaid if they were not incarcerated to access

Medicaid while in custody or under extended limits of confinement. The Department may make recommendations to the 2010 Regular Session of the 2009 General Assembly for special purpose facilities designed to house inmates but preserve Medicaid eligibility.

"**SECTION 19.20.(d)** The Department of Correction shall, whenever possible, seek to make use of its own hospitals and health care facilities to provide health care services to inmates. To the extent that the Department of Correction must utilize other facilities and services to provide health care services to inmates, the Department shall, to the extent possible, use community hospitals with unused available capacity or other health care facilities in a region to accomplish that goal. The Department shall work to ensure that care usage is distributed equitably among all hospitals or other appropriate health care facilities in a region, unless doing so would jeopardize the health of the inmate. The Plan and its claims processor are not responsible for the equitable distribution of inmates among all hospitals or other appropriate health care facilities in a region.

"**SECTION 19.20.(e)** Subsection (a) of this section becomes effective upon being signed into law and expires upon the effective date of the execution of a contract authorized under subsection (b) of this section."

SECTION 16.(a) If Senate Bill 202, 2009 Regular Session, becomes law, then Section 120 of S.L. 1989-1066, as rewritten by Section 19.22B of that act, reads as rewritten:

"Sec. 120. The Department of Correction shall permit the Gates County Board of Education to tie the wastewater treatment systems of the Gates County Junior High School and the Gates County High School into the wastewater treatment system of the Gates County Correctional Center. The Department of Correction shall continue to operate the wastewater treatment system for at least ~~six months~~one year after closing of the Gates County Correctional Center, and then shall transfer the facility to Gates County for operation by that county or another unit of local government designated by Gates County. The transfer may be in accordance with G.S. 160A-274 or other applicable law."

SECTION 16.(b) If Senate Bill 202, 2009 Regular Session, becomes law, then Section 19.22B(b) of that act reads as rewritten:

"**SECTION 19.22B.(b)** The Department of Correction shall continue to fund the operation of the wastewater treatment system for the ~~six-month~~one-year period from funds available to the Department."

SECTION 16A. If Senate Bill 202, 2009 Regular Session, becomes law, Section 19.26(f) of that act is rewritten to read:

"**SECTION 19.26.(f)** This section becomes effective September 1, 2009, and applies to persons ordered to perform community service on or after that date."

SECTION 17. If Senate Bill 202, 2009 Regular Session, becomes law, then Section 17.4A of that act is rewritten to read:

"**SECTION 17.4A.** Subsection 11 of S.L. 2008-220 reads as rewritten:

"**SECTION 11.(a)** Funds ~~are authorized to be~~ allocated by S.L. 2008-107 to the Governor's Crime Commission shall be used for award as ~~grants~~ a grant to ~~eligible sheriffs' offices~~the North Carolina Sheriffs' Association, Inc., to assist the sheriffs of North Carolina with training and technical assistance in the enforcement of the State's sex offender laws. The ~~grants~~ grant shall be awarded specifically to enhance and support law enforcement efforts by sheriffs to do the following: (i) process and conduct in-person sex offender registrations, (ii) monitor compliance of sex offenders as required under Article 27A of Chapter 14 of the General Statutes, and (iii) conduct activities to investigate and apprehend persons who commit reportable offenses as defined under Article 27A of Chapter 14 of the General Statutes. ~~Eligible sheriffs' offices are required to provide non-State matching funds equal to fifty percent (50%)~~

~~of the grant amount awarded under this section, one-half of which may be in in-kind contributions.~~

"~~SECTION 11.(b) The Commission shall establish the criteria regarding the eligibility and amount of the awards for the grants described in this section. The grant criteria shall include consideration of all of the following:~~

~~(1) The number of convicted sex offenders in the county of the applicant.~~

~~(2) The level of community support for the grant award.~~

~~(3) Whether the application identifies a problem that is consistent with the purposes of this initiative.~~

~~(4) The applicant's development and maintenance of a process to regularly exchange information and intelligence with other public safety agencies.~~

~~(5) Whether the application articulates clearly the jurisdiction's goals, outcomes, and objectives and describes the accountability system and performance measures to determine progress towards achieving them.~~

"**SECTION 11.(c)** ~~Any grants allocated~~The funds for this grant shall not revert to the General Fund but shall remain with the Commission for the purposes described in this section.

"**SECTION 11.(d)** ~~The grant funds described by this section shall supplement, and not supplant, existing funds and services provided for the tracking of registered sex offenders.~~ The ~~grants~~ grant shall be subject to established fiscal controls, annual reporting, and accountability requirements specified by the Commission.

"**SECTION 11.(e)** There is appropriated from the General Fund to the Department of Crime Control and Public Safety the sum of two hundred fifty thousand dollars ($250,000) for fiscal year 2008-2009 to be allocated to the Governor's Crime Commission to award ~~as grants of up to twenty-five thousand dollars ($25,000) each to eligible sheriffs' offices~~the grant specified by this section to assist with the enforcement of the State's sex offender laws.""

SECTION 18. If Senate Bill 202, 2009 Regular Session, becomes law, then notwithstanding Item 16 on page I3 of the Joint Conference Committee Report on the Continuation, Expansion, and Capital Budgets dated August 3, 2009, the six vacant positions eliminated in the Judicial Department, Public Defender Services, are:

(1) Three assistant capital defender positions;

(2) One assistant appellate defender position; and

(3) Two assistant public defender positions.

SECTION 18A. If Senate Bill 202, 2009 Regular Session, becomes law, then notwithstanding Item 53 on page I10 of the Joint Conference Committee Report on the Continuation, Expansion, and Capital Budgets dated August 3, 2009, the elimination of the SOS program results in a reduction of six million one hundred seventy-one thousand sixty-two dollars ($6,171,062) for the 2009-2010 fiscal year and six million one hundred seventy-one thousand sixty-two dollars ($6,171,062) for the 2010-2011 fiscal year.

SECTION 18B. If Senate Bill 202, 2009 Regular Session, becomes law, then notwithstanding Item 56 (Close the Samarkand YDC) on page I10 of the Joint Conference Committee Report on the Continuation, Expansion, and Capital Budgets dated August 3, 2009:

(1) Samarkand YDC shall close July 1, 2010, rather than September 1, 2009; and

(2) The cut for the 2009-2010 fiscal year regarding the closure of Samarkand YDC shall be eliminated, and the cut to positions for the 2009-2010 fiscal year shall be eliminated.

SECTION 18C. If Senate Bill 202, 2009 Regular Session, becomes law, then notwithstanding Item 89 on page I15 of the Joint Conference Committee Report on the Continuation, Expansion, and Capital Budgets dated August 3, 2009, the continuation budget for the Department of Crime Control and Public Safety is adjusted to a level at or below the 2008-2009 Authorized Budget amount by reducing the continuation budget amount by the sum of two million one hundred twenty-four thousand nine hundred thirty-seven dollars ($2,124,937) in the 2009-2010 fiscal year and by the sum of two million two hundred ninety-one thousand seven hundred twenty-nine dollars ($2,291,729) in the 2010-2011 fiscal year.

SECTION 18D. If Senate Bill 202, 2009 Regular Session, becomes law, then notwithstanding Item 91 on page I16 of the Joint Conference Committee Report on the Continuation, Expansion, and Capital Budgets dated August 3, 2009, the Department of Crime Control and Public Safety shall not eliminate position numbers 60084440 and 60084582 but shall eliminate the following four vacant positions for a reduction of one hundred ninety thousand eighteen dollars ($190,018):

60084186 Processing Assistant V
60087071 Public Safety Officer
60084174 Processing Assistant IV
60084166 Information Processing Tech.

SECTION 19. If Senate Bill 202, 2009 Regular Session, becomes law, then Section 21A.2 of that act is rewritten to read:

"REDUCE COMPENSATION FOR RULES REVIEW COMMISSION MEMBERS

"SECTION 21A.2. Notwithstanding G.S 143B-30.1(d), for fiscal year 2010-2011, members of the Rules Review Commission who are not officers or employees of the State shall receive compensation of one hundred fifty dollars ($150.00) for each day or part of a day of service plus reimbursement for travel and subsistence expenses at the rates specified in G.S. 138-5. Members of the Commission who are officers or employees of the State shall receive reimbursement for travel and subsistence at the rate set out in G.S. 138-6."

SECTION 19A. If Senate Bill 202, 2009 Regular Session, becomes law, then, notwithstanding Item 23 on page J5 of the Joint Conference Committee Report on the Continuation, Expansion, and Capital Budgets dated August 3, 2009, the following positions shall be funded from receipts from single audits of State agencies and institutions:

(1) Asst. State Auditor (60008992);
(2) Asst. State Auditor (60008926); and
(3) Asst. State Auditor (60008862).

SECTION 20. If Senate Bill 202, 2009 Regular Session, becomes law, then that act is amended by adding the following new section to read:

"DMV TO MOVE EMISSIONS PROGRAM CALL CENTER TO NORTH CAROLINA

"SECTION 25.10. The Department of Transportation, Division of Motor Vehicles, shall replace the current out-of-state contractors handling questions from service station operators about the State's emissions program with State employees at an existing Division of Motor Vehicles call center within the State. The Department of Transportation, Division of Motor Vehicles, is authorized to create up to 15 new receipt-supported positions to replace the current out-of-state contractors."

SECTION 21. If Senate Bill 202, 2009 Regular Session, becomes law, then Section 26.1A(a) of that act reads as rewritten:

"**SECTION 26.1A.(a)** The salaries of those officers and employees, whose salaries for the 2008-2009 fiscal year were set or increased in Sections 26.1, 26.2, 26.3, 26.4, 26.5, 26.6, 26.7, 26.8, 26.9, 26.10, 26.11, 26.11A, 26.12, 26.12D, 26.13, 26.14, 26.18, and 26.19 of Session Law 2008-107, and in effect on June 30, 2009, or the last date in pay status during the 2008-2009 fiscal year if earlier, shall remain in effect and shall not increase for the 2009-2010 and 2010-2011 fiscal years, except:

(1) As provided for by Section 29.20A of S.L. 2005-276.

(2) For Community College faculty as otherwise provided in Section 8.1 of this act.

(3) For University of North Carolina faculty as otherwise provided by the Faculty Recruiting and Retention ~~Fund or~~Fund, the Distinguished Professors Endowment ~~Fund.~~Fund, or retention adjustments funded from available non-State funding sources.

(4) Salaries may be increased for reallocations or promotions, in-range adjustments for job change, career progression adjustments for demonstrated competencies, or any other adjustment related to an increase in job duties or responsibilities, none of which are subject to the salary freeze otherwise provided by this subsection. All other salary increases are prohibited."

SECTION 22. If Senate Bill 202, 2009 Regular Session, becomes law, then a retailer is not liable for an overcollection or undercollection of sales tax if the retailer has made a good faith effort to comply with the law and collect the proper amount of tax and has, due to the change under Section 27A.2 of Senate Bill 202, 2009 Regular Session, in the rate of tax imposed under G.S. 105-164.4(a), overcollected or undercollected the amount of sales tax that is due. This subsection applies only to the period beginning September 1, 2009, and ending October 1, 2009.

SECTION 23. Except as otherwise provided by this act, this act is effective July 1, 2009.

JOINT APPROPRIATIONS COMMITTEE
Minutes, April 6 2010
Room 643, Legislative Office Building

This meeting occurred during the Interim before the Short Session of 2010. Senator Linda Garrou presided over the meeting.

Senator Garrou made a series of opening remarks and then went over the schedule handed out to the committee. Senator Garrou then reviewed the budget process.

Senator Garrou then opened the floor for questions or comments. Co-chair Mickey Michaux made a few remarks.

Having no further business, Senator Garrou adjourned the meeting.

Respectfully Submitted,

Senator Linda Garrou, Chair

Andrew Dugan, Committee Assistant

April

Sun	*Mon*	*Tue*	*Wed*	*Thu*	*Fri*	*Sat*
				1	2	3
4	5	6 10:00 - Meeting with Subcommittee Chairs.	7	8	9	10
11	12	13	14	15	16	17
18	19 Joint Subcommittees Report	20 Governor's Budget Joint Subcommittees Report	21 Joint Subcommittees Report	22 Joint Subcommittees Report	23 Joint Subcommittees Report	24
25	26	27	28	29	30	

Joint Subcommittee Work/Meetings

Joint Subcommittee Work/Meetings

2010

May

Sun	*Mon*	*Tue*	*Wed*	*Thu*	*Fri*	*Sat*
						1
2	**3**	**4** ***Primary Elections***	**5**	**6**	**7**	**8**
			Senate Subcommittees Meet			
9	**10**	**11**	**12** ***Session Convenes***	**13**	**14** Bill Drafting Deadline for Approp. Bills (due to Drafting)	**15**
	Senate Subcommittees Continue to Meet and Begin Reporting					
16	**17**	**18**	**19** Filing Deadline for Study Comm. Bills	**20** Senate Passes Budget	**21**	**22**
23	**24**	**25**	**26**	**27**	**28**	**29**
	House Subcommittees Meet					
		Filing Deadline - Approp. Bills	Filing Deadline – Local and Pension/ Retirement Bills			
30	**31-Memorial Day** House Subcommittees Meet and Begin Reporting					

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2010

June

Sun	*Mon*	*Tue*	*Wed*	*Thu*	*Fri*	*Sat*
		1	**2**	**3**	**4**	**5**
		House Subcommittees Meet and Begin Reporting				
6	**7**	**8**	**9**	**10**	**11**	**12**
				House Passes Budget	Conferees Appointed	
13	**14**	**15**	**16**	**17**	**18**	**19**
	Senate Reviews House Budget	Conferees Meet to Resolve Differences				
20	**21**	**22**	**23**	**24**	**25**	**26**
	Conferees Meet to Resolve Differences					
27	**28**	**29**	**30**			
		Adopt Conference Report	End of the 2009-10 Fiscal Year			

2009-2010

SENATE APPROPRIATIONS

MINUTES

Joint Meeting

Senate and House of Representatives Committees on Appropriations

Legislative Office Building, Room 643
April 21st, 2010
10:00 a.m.

Opening Remarks	Senate and House Chairs of Appropriations

Presentation of Governor's 2010-11 Recommended Budget Adjustments

Introduction/Overview	Charles Perusse, State Budget Director
Education	Elizabeth Grovenstein, Assistant State Budget Officer
Health and Human Services	Pam Kilpatrick, Assistant State Budget Officer
Justice and Public Safety/General Government	Melvin Lee, Assistant State Budget Officer
Natural and Economic Resources/Capital	Jennifer Hoffmann, Assistant State Budget Officer
Transportation	Mercidee Benton, Associate State Budget Officer
Statewide Reserves	David Brown, Deputy State Budget Director
Economic and Revenue Update	Nathan Knuffman, Assistant State Budget Officer
Questions/Closing Comments	Charles Perusse, State Budget Director

Principal Clerk ____
Reading Clerk ____

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The Senate Committee on **Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Wednesday	April 21, 2010	8:30 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR

Senator Linda Garrou, Co-Chair
Senator Charlie Smith Dannelly, Co-Chair
Senator Charles W. Albertson, Co-Chair
Senator A. B. Swindell, Co-Chair

JOINT APPROPRIATIONS COMMITTEE
Minutes, April 21 2010
Room 643, Legislative Office Building

The Joint Appropriations Committee met at 10:00 a.m. in room 643 LOB. This meeting occurred during the interim preceding the Short Session of 2010 in order to review the Governor's Budget. Senator Linda Garrou, co-chair, presided.

After making a series of introductory remarks, Senator Garrou recognized Charles Perusse, State Budget Director, to provide an overview of the budget.

Following Charles Perusse's comments, the Chair recognized Elizabeth Grovenstein, Assistant State Budget Officer. Ms. Grovenstein reviewed the Education portion of the budget.

Pam Kilkpatrick, Assistant State Budget Officer, was then recognized to present the Health and Human Services portion of the budget.

Next, Melvin Lee, Assistant State Budget Officer, was recognized to present the JPS/General Government portion of the budget.

The next presenter was Jennifer Hoffman, Assistant Sate Budget Officer, to explain the NER/Capital Budget.

The next presenter was Mercidee Bento, Assistant State Budget Officer, to present the Transportation Budget.

The next presentation was given by David Brown, Deputy State Budget Director on the topic of Statewide Reserves.

The final presentation was given by Nathan Knuffman, Assistant State Budget Officer. Mr. Knuffman gave an update on state Revenue.

Following the conclusion of these remarks, Charlie Perusse addressed the committee again in order to take questions.

Afterward, Senator Garrou made a series of final remarks. With no further business before the Joint Committee, Senator Garrou adjourned the meeting.

Respectfully Submitted,

Linda Garrou
Senator Linda Garrou, Chair

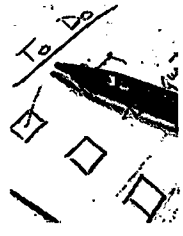
Andrew Dugan, Committee Clerk

FY 2010-11 Presentation of Governor Perdue's Recommended Budget

Prepared by:
The Office of State Budget and Management
April 21, 2010

Agenda

I. **Governor Perdue's Budget Priorities**
II. Summary of FY 2010-11 Budget
III. Recommendations by Subcommittee
IV. Economic and Revenue Update
V. Summary

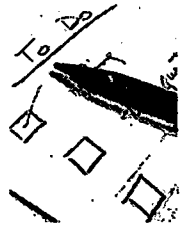


Governor Perdue's Budget Priorities

- Jobs and Economic Recovery
- Career and College – Ready, Set, Go!
- Setting Government Straight
- Healthy Communities
- Safe Communities

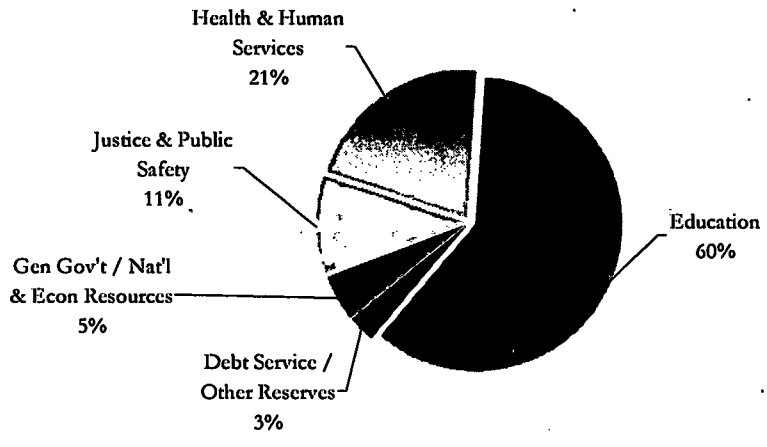
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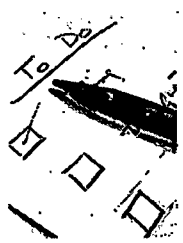
Availability (dollars in millions)	
Unappropriated Balance	83
Base Revenues (Reduced by $703 million)	18,936
Revenue Changes	163
Revenue Changes for Economic Development	(33)
Total Availability	**19,149**

Appropriations (dollars in millions)	
Certified Budget	19,560
Agency Reductions	(957)
Federal Recovery Funds	(579)
Entitlements Rebase and Expansion	1,125
Total Appropriation	**19,149**



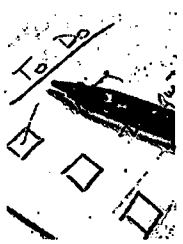
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IV. Recommendations by Subcommittee

A. Education
B. Health and Human Services
C. General Government/ Justice & Public Safety
D. Natural and Economic Resources/Capital
E. Transportation
F. Statewide Reserves

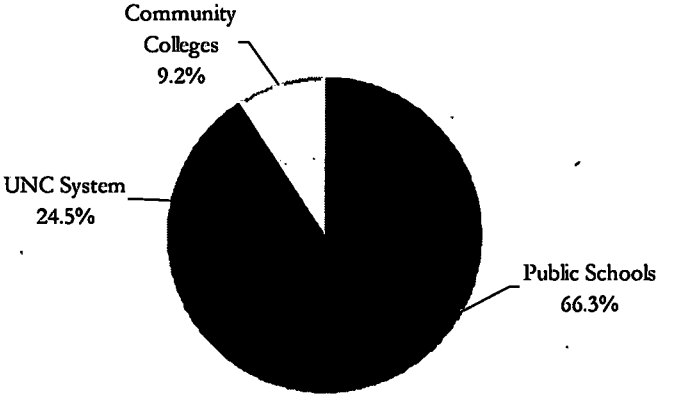


	Certified FY 2010-11[2]	*Recommended FY 2010-11*[1,2]	*% Change*
Public Schools			
Requirements	$10,575	$10,413	-1.5%
Receipts	$2,841	$2,878	1.3%
Appropriations	$7,734	$7,535	-2.6%
UNC System			
Requirements	$4,116	$4,079	-0.9%
Receipts	$1,316	$1,291	-1.9%
Appropriations	$2,800	$2,788	-0.4%
Community Colleges			
Requirements	$1,315	$1,423	8.2%
Receipts	$303	$378	24.8%
Appropriations	$1,012	$1,045	3.2%

All figures in millions of dollars.

1. Includes Teachers' Salary Step Increase
2. Amounts for Public Schools and UNC adjusted for State Fiscal Stabilization Fund

- Allocation of FY 2010-11 GF Appropriation for Education ($11.4 billion)



Education: Enrollment Changes

	FY 2009-10	*FY 2010-11*	*% Change*
Public Schools	1,464,914	1,475,668	0.7%
UNC	193,433	198,359	2.5%
Community Colleges	213,472	247,590	16.0%

Figures are FTE/ADM.

Governor Perdue's Education Budget

- **Protect K-3 classrooms** and provide **diagnostics** to address areas of need for individual students
- Continues to **provide access to UNC system** for North Carolinians at reasonable and affordable cost
  - Fully funds enrollment growth and need-based financial aid
- Community college budget focuses on **meeting workforce and educational needs**
  - Fully funds enrollment growth and need-based financial aid
  - Ensure workforce development

Education: Budget Reductions

- **Total Reductions:** **$419 million[1]**

- Public Education: $279 million[1]
- UNC System: $105 million
- Community Colleges: $35 million[1]

1. Does not include State Fiscal Stabilization Fund or Technical Adjustments

Major Reductions in Public Education

- Adjust budgeted teacher salary to match actual salary and benefit expenditures ($45 million)
- LEA flexibility adjustment ($135 million)
  - Protects class size, teachers, and teacher assistants in grades K-3
  - LEAs shall maximize federal funds; including American Recovery and Reinvestment Act, Title I, IDEA, Title II, new Jobs Legislation being debated in Congress; and also use attrition to mitigate this reduction
- Reduce Central Office appropriation by 5% ($5.4 million)
- Reduce Assistant Principal appropriation to provide one 10 month position for every 863 students ($8.9 million)

Major Reductions in Public Education (cont.)

- Maintain low wealth appropriation at the 2009-10 level ($10 million)
- Delay 2010-11 school bus replacement for one year ($12 million, NR)
- Reduce Department of Public Instruction budget and 36 positions ($10 million)

Major Reductions in the UNC System

- UNC GA flexibility reduction of 2.4% ($1 million) plus targeted reductions totaling $900 K for an overall 4.5% reduction
- UNC campus flexibility reduction of 3.9% ($99 million)
  - Make reductions in areas based upon interests of each campus
- Reduce UNC Hospital transfer by 3.9% ($1.7 million)
- Reduce Legislative Tuition Grant rate by 3.9% ($1.2 million)

Major Reductions in NCCCS

- Reduce the System Office by 7 positions and specified operating adjustments totaling 4.5% ($1.2 million)
- Community college flexibility reduction of 3.5% ($33 million)
- Eliminate remaining appropriation for Fayetteville Technical Community College Botanical Laboratory, the only horticulture program in NCCCS supported by a special appropriation ($264 K)
- Merge Hickory Metro Higher Education Center under ASU's higher education center in Hickory ($264.8 K)

Education: Budget Expansion Items

- **Total Expansion Items: $303 million[1,2]**

- Public Education: $118 million[1]
- UNC System: $ 91 million[2]
- Community Colleges: $ 94 million[2]

1. Includes Teachers' Salary Step Increase

2. Does not include State Fiscal Stabilization Fund or Technical Adjustments

Expansion Highlights: Public Education

- **Career and College – Ready, Set, Go!**
  - **Invest $40 million** to:
    - Provide **diagnostics** in elementary grades K-3 and 5
      - Gives immediate student-specific feedback
      - Ensure deficiencies in reading/math addressed before middle school
    - Provide **diagnostics and intervention** in grades 8 and 11
      - Ensure students graduate career and college ready
  - **Implement** the North Carolina Virtual Public Schools funding formula ($11 million) and serve an estimated 25% enrollment increase
  - **Provide a salary step** for teachers ($61 million)

Expansion Highlights: UNC System

- **Career and College – Ready, Set, Go!**
  - Full funding for **UNC Need-Based Financial Aid** ($35 million)
    - Ensure that all eligible students receive a grant
    - Will hold recipients harmless from increases in the cost of education
  - Restore $35 million reduction enacted in 2009 and implement UNC BOG approved tuition rates to **enable UNC campuses to retain tuition for high priority needs**

Expansion Highlights: NCCCS

- **Career and College – Ready, Set, Go!**
  - Full funding for 34,000 additional students, an **unprecedented 16% enrollment increase** ($85 million)
  - Expand **need-based financial aid by 46%** ($6.5 million)
    - Ensure that all eligible students receive a grant
    - Will hold needy students harmless from increases in the cost of education
  - Support equipment and technology needs ($2.5 million)

IV. Recommendations by Subcommittee

A. Education

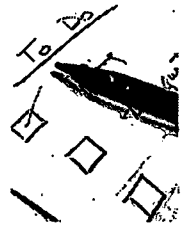
B. Health and Human Services

C. General Government/ Justice & Public Safety

D. Natural and Economic Resources/Capital

E. Transportation

F. Statewide Reserves



	Certified FY 2010-11	*Recommended FY 2010-11*	*% Change*
Health and Human Services			
Requirements	$16,318	$17,129	5.0%
Receipts	$11,997	$13,194	10.0%
Appropriations	$4,321	$3,935	(8.9%)

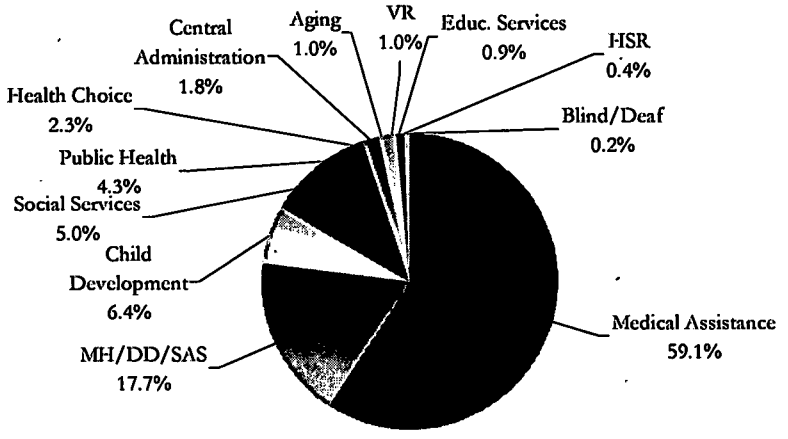
All figures in millions of dollars.

HHS: Budget Context

Summary of GF DHHS Adjustments (dollars in millions)

Medicaid Rebase & Savings from Federal Participation	$(147)
DHHS Reductions	(307)
DHHS Expansion	68
Net Change GF Appropriation	**$(386)**

- Allocation of FY 2010-11 GF Appropriation for HHS ($ 3.9 billion)



HHS: Budget Context

- **Governor's Priorities for HHS Budget:**
  - **Control cost in the Medicaid Program** through improved care management, program management and policy changes while preserving critical services
  - **Eliminate fraud, waste and abuse** in the Medicaid and child care subsidy programs through various initiatives, including the use of innovative technology
  - **Provide services to vulnerable populations** by targeting scarce expansion resources to support them
  - Invest in **Mental Health Services**

HHS: Medicaid Adjustments

Medicaid Rebase and Federal Participation (dollars in millions)

Rebase state impact	$431
FMAP 6 month extension savings	(499)
Medicare Part D Clawback savings	(79)
General Fund Savings	**$(147)**

- **Assumptions**
  - 5.6% growth in eligibles
  - No provider inflationary rate increases

Major Reductions in HHS

Total General Fund Reductions: $307 million

- **Controlling Medicaid Costs and Eliminating Fraud, Waste and Abuse**
  - Managed care initiatives
    - Achieve savings through CCNC activities ($45 million)
    - Expand capitated behavioral health program ($1.6 million)
  - Reduce fraud, abuse & waste through program integrity initiatives ($36 million)
  - Implement independent assessments for high cost services ($21 million)
  - Manage off-label use of mental health drugs and collect supplemental rebates ($9.5 million)
  - Modify community support team services ($41 million)
  - Reform Personal Care Services ($59.8 million)
  - Improve accuracy of payments and efficiency of administration in the Subsidy Program through innovative technology ($9.3 million)

Major Reductions in HHS (cont.)

- **Other significant adjustments**
  - Create a Childhood Immunization Account through assessments ($6.4 million)
  - Reduce Community Health Grants ($1 million)
  - Eliminate CCNC Grant funds ($0.4 million)
  - Reduce Smart Start non subsidy services ($7.7 million)
  - Child Support Enforcement state savings ($1.3 million)
  - Offset state funds with federal recovery funds ($1.5 million, NR)
  - Budget receipts to support nursing home licensure and certification ($1.7 million, NR)

HHS: Budget Expansion Items

Total General Fund Expansion Items: $68 million

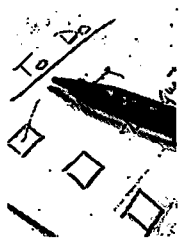
- **Increase access to health care** to children of working families and the uninsured by expanding SCHIP to serve 8,096 additional children ($8.5 million)
- **Support older adults & caregiver families** by expanding Project CARE to serve 500 additional families ($1 million)
- **Fund the AIDS Drug Assistance Program** to serve those currently enrolled and reopen to people at 125% of FPL (11.2 million plus $3 million, NR)
- **Implement a Medicaid Assisted Living waiver** for individuals residing in adult care homes ($9 million)

HHS: Budget Expansion Items (cont'd)

- **Improve community-based resources** that provide services to the mentally ill
  - Crisis services-local inpatient bed capacity ($12 million)
  - Restore $40 million non-recurring reduction in community service funding by providing state funds and use $17 million in federal funds to generate state funds for mental health ($23 million, NR)
- **Other adjustments**
  - Provide a grant in aid to Special Olympics ($100 K)
  - Mental Health training and workforce development ($500 K)

IV. Recommendations by Subcommittee

A. Education
B. Health and Human Services
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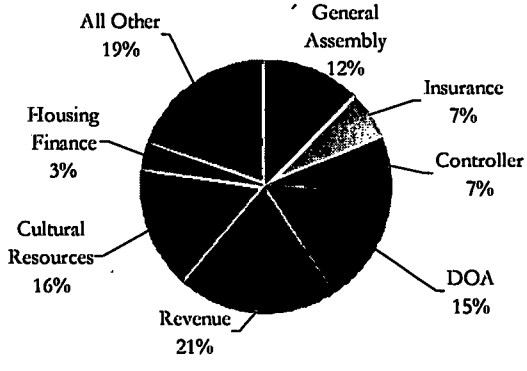


	Certified FY 2010-11	*Recommended FY 2010-11*	*% Change*
General Government (GG)			
Requirements	$566	$567	0.2%
Receipts	$126	$126	0.0%
Appropriations	$440	$441	0.2%
Justice and Public Safety (JPS)			
Requirements	$2,407	$2,357	-2.1%
Receipts	$227	$239	5.3%
Appropriations	$2,180	$2,118	-2.8%

All figures in millions of dollars.

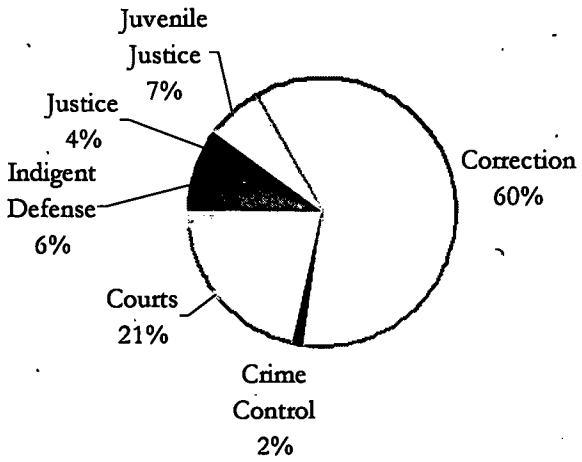
Allocation for General Government

- Allocation of FY 2010-11 Appropriation for General Government ($441 million)



Allocation for Justice and Public Safety

- Allocation of FY 2010-11 Appropriation for JPS ($2.1 billion)



GG/JPS: Major Budget Reductions

- **Total Reductions:** $115 million
  - Generally includes:
    - Reductions to operating accounts agency-wide
    - Position eliminations
    - Position reductions
    - Replace state funds with receipts
    - Consolidation and reassignment of workloads
    - Increase fees

Other Major Reductions for GG

- Reduce Reserves for Legislative Services Commission ($648 K)
- Reduce the Volunteer Safety Workers' Compensation Fund ($400 K, NR)
- Consolidate Youth Employment and Advocacy Functions within DOA and the Office of the Governor ($200 K)
- Eliminate Call Recording Funds for the Taxpayer Assistance Call Center ($700 K)

Other Major Reductions for JPS

- Eliminate the NC Legal Assistance Fund Program ($375 K)
- Eliminate the Woodson Wilderness Camp ($1 million)
- Reduce the Eckerd Wilderness Camp Program ($7.6 million)
- Close the Macon County Multi-Purpose Home ($600 K)
- Reduce Inmate Medical Costs ($20 million)
- Reduce Criminal Justice Partnership Program ($1 million; NR)

GG/JPS: Budget Expansion Items

- **Total Expansion:** $40 million
  - **Setting Government Straight** ($997 K):
    - **State Ethics Commission**
      - Provide resources for Online **Statement of Economic Interest (SEI) disclosure system** ($134 K)
      - Provide resources for timely **investigations of complaints and prompt response** ($190 K)
      - Provide resources to **monitor gift ban good government** ($104 K)
      - Provide resources for **contractual services and online education program** ($120 K)
    - **State Board of Elections**
      - Provide resources for the **development of campaign finance software** ($450 K)

Expansion Highlights for GG/JPS (cont.)

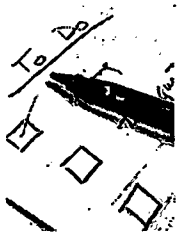
- **Supporting Our Military Members**
  - Sustain **funding for military grants and military installations** ($750 K)
- **Corporate Settlement Initiative (Resolution Initiative II)**
  - Target **Corporations with outstanding tax liabilities,** which is expected to generate $110 million in 2010-11 ($4 million)

– **Safe Communities**

- **Enhance Supervision of Probationers/Parolees**
  - Improve **recruitment and retention of Probation and Parole Officers** ($1.6 million)
  - Provide funding for **Criminal Justice Law Enforcement Automated Data Services (CJLEADS)** ($9.5 million)
  - Provide state match funds to continue **Voice Interoperability Plan for Emergency Responders (VIPER)** ($4.7 million)
  - Provide funding for **DNA forensic specialist and statewide training budget** ($750 K)
- **Medicaid Fraud Criminal Investigation Team**
  - Provide funding to expand the Medicaid Fraud Criminal Investigation Team ($756 K)

IV. Recommendations by Subcommittee

A. Education
B. Health and Human Services
C. General Government/ Justice & Public Safety
D. Natural and Economic Resources/Capital
E. Transportation
F. Statewide Reserves



	Certified FY 2010-11	*Recommended FY 2010-11*	*% Change*
Natural and Economic Resources[1]			
Requirements	$639	$671.5	5.2%
Receipts	$226	$228.9	1.3%
Appropriations	$413	$443.2	7.3%

All figures in millions of dollars.

1. Includes:

Agriculture and Consumer Services

Labor

Environment and Natural Resources

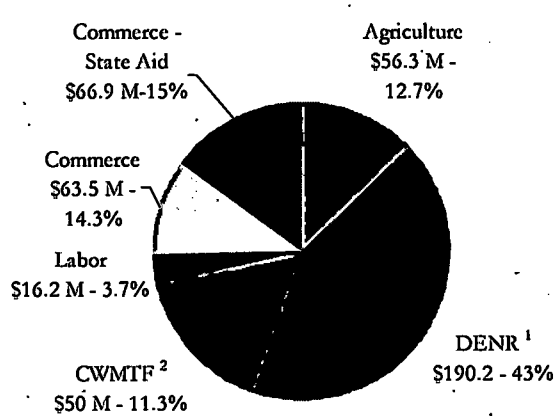
Clean Water Management Trust Fund

Commerce

Commerce - State Aid (Biotech, REDC)

Allocation for Natural and Economic Resources

Allocation of FY 2010-11 GF Appropriation for NER ($443 M)



1. Department of Environment and Natural Resources
2. North Carolina Clean Water Management Trust Fund

NER: Budget Reductions

NER Agencies		Recurring Reductions	FTEs	% Reduction
Department of Agriculture and Consumer Services	$	(4,239,178)	(18.00)	-7.0%
Department of Labor	$	(1,219,388)	(0.50)	-7.0%
Department of Environment and Natural Resources	$	(13,766,901)	(60.52)	-7.2%
Clean Water Management Trust Fund	$	0	-	0%
Department of Commerce	$	(2,292,787)	(9.75)	-5.6%
Commerce – Non-State Entities	$	0	-	0%
NER TOTAL	**$**	**(21,518,254)**	**(88.77)**	**-5.2%**

- Generally includes:
  - Reductions to operating accounts agency-wide
  - Position eliminations
  - Fund-shifting various expenditures to receipts
  - Fee Increases
  - Management Flexibility Reserves

Notable Reductions for NER

- **Consolidate Environmental Health Programs in Division of Public Health, DHHS**
  - **DEH programs transferred to DPH ($791 K)**
    - Environmental Health Services (childhood lead; food and lodging inspections; pool, tattoo and institution sanitation; dairy protection)
    - Public Health Pest Management (mosquito control; sleep products)
    - On-site Water Protection (On-site water program; private water supply; water treatment facility operators; certification board)
    - Shellfish Sanitation & Recreational Water Quality
    - Radiation Protection
  - **DEH programs moved internally within DENR ($354 K)**
    - Public Water Supply Section remaining in DENR

Total savings from consolidation and other program reductions $1.1 million

- **Other Operational Efficiencies within DENR**
  - Merge Pollution Prevention and Environmental Asst with Customer Service ($308 K)
  - Reduce Educational Forests from 7 to 6 ($112 K)
  - Eliminate Well Drillers Program with Division of Water Quality ($344 K)
  - Eliminate Asheville and Washington Water Quality Laboratories ($112 K)
  - Eliminate Office of Conservation and Community Assistance ($78 K)

Total Savings from Reorganization/Eliminations = $955K

NER: Budget Expansion Items

Total FY 2010-11 Expansion:

Natural and Economic Resources	Recurring	Nonrecurring
Environment and Natural Resources	$ 1,050,689	$ 12,600,000
Commerce	$ 200,000	$ 20,650,000
Commerce - State Aid	$ 2,600,000	$ 10,100,000
NER TOTAL	**$ 3,850,689**	**$ 48,850,000**

Expansion Highlights for NER

Support for Small Businesses ($10.2 million)

- Home Grown Jobs Initiative ($3 million, NR)
- Main Street Solutions ($2 million, NR)
- One N.C. Small Business Fund ($1.5 million, NR)
- North Carolina Tourism Promotion ($1 million, NR)
- N.C. Farm Innovation Fund ($1 million, NR)
- N.C. Small Business Assistance Fund ($1 million, NR)
- Energy Research and Green Jobs ($500 K, NR)
- "InSource NC" ($150 K, NR)

Expansion Highlights for NER

Keeping North Carolina Competitive ($23.8 mil)

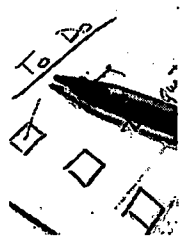
- One NC Fund ($15 million, NR)
- Regional Economic Development Comm. ($2.6 million)
- Biotechnology Center ($3 million, NR)
- Biofuels Center ($2 million, NR)
- Business Recruitment & NC Product Marketing Funds ($1 million, NR)
- International Trade ($200 K)

Infrastructure Development and Capital

- Drinking Water State Revolving Loan Fund ($6.2 million, NR)
- Wastewater Treatment Plant State Revolving Loan Fund ($7.3 million, NR)
- Water Resources Development Projects ($11.2 million, NR)
- BRIDGE program in DENR ($912 K)

IV. Recommendations by Subcommittee

A. Education
B. Health and Human Services
C. General Government/ Justice & Public Safety
D. Natural and Economic Resources/Capital
E. Transportation
F. Statewide Reserves



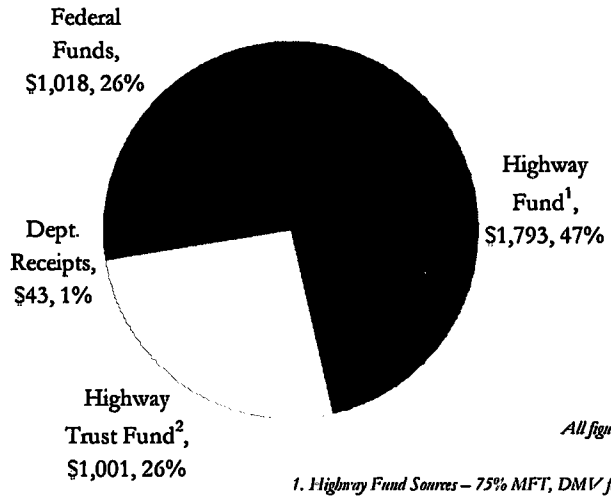
	Certified FY 2010-11	*Recommended FY 2010-11*	*% Change*
Transportation			
Requirements	$3,759	$3,892	3.5%
Receipts	$1,098	$1,098	0.0%
Appropriations	$2,661	$2,794	5.0%

All figures in millions of dollars.

Transportation: Budget Context

- **Investment in the state's infrastructure** is vital to economic growth
- **Restoring and maintaining the state's transportation infrastructure** and promoting multi-modal transportation initiatives are a key component
- **$3.8 billion is recommended** in support of North Carolina's Transportation Program for fiscal year 2010-11

Transportation: Funding Sources, FY 2010-11

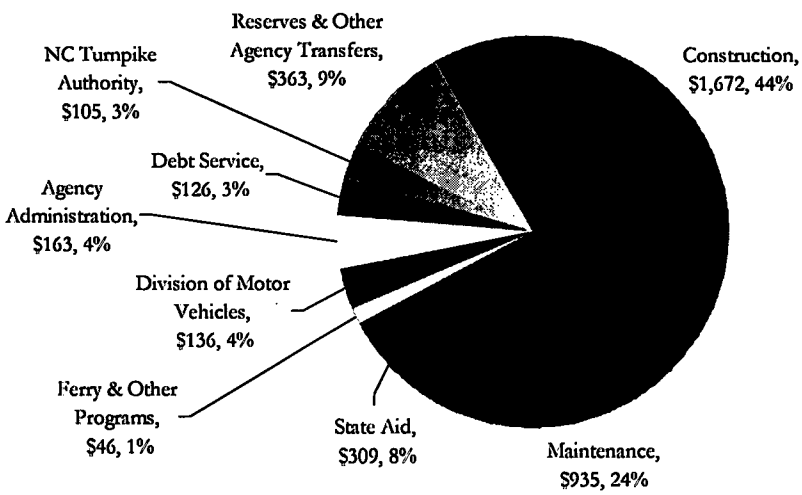


All figures in millions of dollars.

1. Highway Fund Sources – 75% MFT, DMV fees, Investment Earnings

2. Highway Trust Fund Sources – 25% MFT, HUT, Title fees, Investment Earnings

Transportation: Appropriations, FY 2010-11



All figures in millions of dollars.

Budget Reductions: Highway Trust Fund

- **Total Reductions:** $22.2 million
  - **Transfer to the General Fund** ($22 million)
  - **Secondary roads construction** ($170 K)

Budget Reductions: Highway Fund

- **Total Reductions:** $5.8 million
  - **Highway maintenance** funds ($3.7 million)
  - **Driver Education Program** ($1.3 million, NR)
  - **State aid to municipalities** (Powell Bill) funds as statutorily required ($785 K)
  - **Leaking underground storage tank** (LUST) funds as statutorily required ($40 K)

Expansion Items: Highway Trust Fund

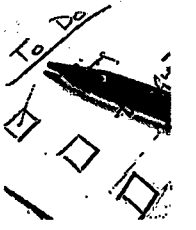
- **Total Expansion Items:** $102.5 million
  - Establish **NC Mobility Fund** ($94.6 million)
    - Dedicated source of funds for projects of statewide significance that are linked to statewide economic goals
    - Relieves burden on regional transportation plans
    - Critical congestion bottlenecks will be addressed
    - Logistics capabilities will be improved
    - Not included in the equity formula
    - Funds available for all transportation modes
  - Required Statutory Adjustments ($7.9 million):
    - **Intrastate System** - $5 million
    - **Urban Loops** construction - $ 2 million
    - **Aid to Municipalities** (Powell Bill) -$524 K
    - **Program Administration** - $371 K

Expansion Items: Highway Fund

- **Total Expansion Items:** $58.7 million
  - Funds for **secondary roads construction** as statutorily required ($3.8 million)
  - Restore **ferry operations** funding to avoid disruption in current level of service ($4.8 million)
  - Construction of the **Pembroke Northeast Bypass Connector** ($4.3 million, NR)
  - Provide grants for **short line railroad** rehabilitation projects ($2 million)
  - **Information technology** initiatives ($2 million)
  - Restore **driver education** funds ($33 million)

IV. Recommendations by Subcommittee

A. Education
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E. Transportation
F. Statewide Reserves



Statewide Reserves: Reductions

- **Total Reductions:** $18.0 million
  - Reduce debt service requirements ($15.8 million)
    - Lower than anticipated interest rates
  - Job Development Investment Grant (JDIG) Program ($6.6 million)
    - Based on updated payment schedule
  - Motor fleet rate adjustment ($2 million)

Statewide Reserves: Expansion Items

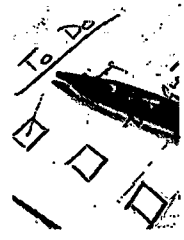
- **Total Expansion Items:** $185 million
  - **"Back to Work" Incentive Fund ($15 million)**
    - State level incentive to complement federal HIRE Act tax benefit
    - NC small businesses can receive a cash rebate for hiring and retaining new workers who were previously unemployed
    - Businesses must be eligible for federal payroll tax deduction (IRS form 941)
    - Rebate limited to businesses with 25 or fewer employees
    - Qualified employee has not worked 40 hours during 60 days before hiring date
    - Must begin employment after July 1, 2010 and before December 31, 2010
    - Must work a minimum of 3 months before eligible (job claimed on form 941)
    - Business will apply for rebate through the Department of Revenue
    - Amount of rebate is $1,000 per job; cap of $6,000 per employer
    - Rebates are issued on first come, first serve basis

Statewide Reserves: Expansion Items Continued

- **Total Expansion Items:** $185 million
  - **Teachers and state employees payback** ($63 million, NR)
    - For funds withheld to balance the 2008-09 budget
  - **Teacher salary step** to stay competitive ($55 million, plus $6 million, NR)
    - Ensure teachers do not fall farther behind the national average
  - **Retirement system contribution** ($20 million)
  - **Savings Reserve Account** ($102 million, NR)
    - Increase balance from $150 million to $252 million or use as estate tax buffer.

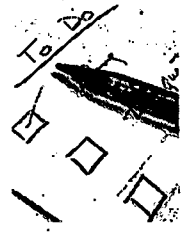
Agenda

I. Governor Perdue's Budget Priorities
II. Summary of FY 2010-11 Budget
III. Recommendations by Subcommittee
IV. Economic and Revenue Update
V. Summary

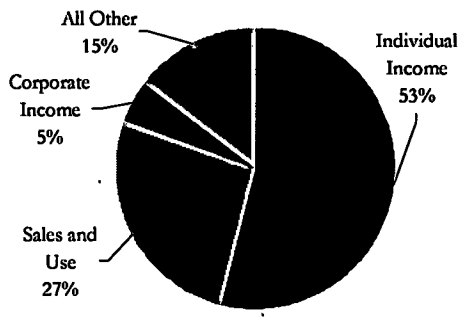


IV. Economic and Revenue Update

A. Background on Revenue and the Economy
B. General Fund Revenue Outlook: 2009-2011
C. Revenue Changes



General Fund Revenue Components



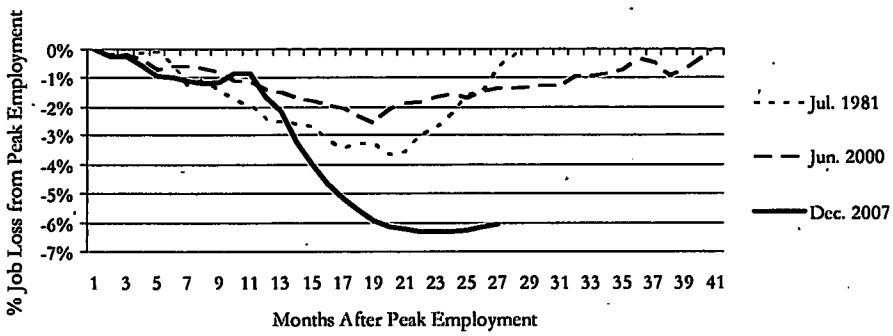
FY 2008-09 General Fund Revenue: $17.6 billion

Tax/Source	*$ (billions)*	*% of GF*
Individual Income	$9.5	53%
Sales & Use	$4.7	27%
Corporate Income	$0.8	5%
All Other Revenue	$2.6	15%

- NC's tax base compared to other states:
  - More Reliance on Individual Income Tax
  - Less Reliance on Sales and Use Tax

Current Recession in Perspective: Jobs

Current recession: lost 257,000 jobs as of Feb. 2010
84,000 jobs lost in 2000 recession



Source: NC Employment Security Commission

FY 2009-10 GF Revenue Update

$56 million below budget through March

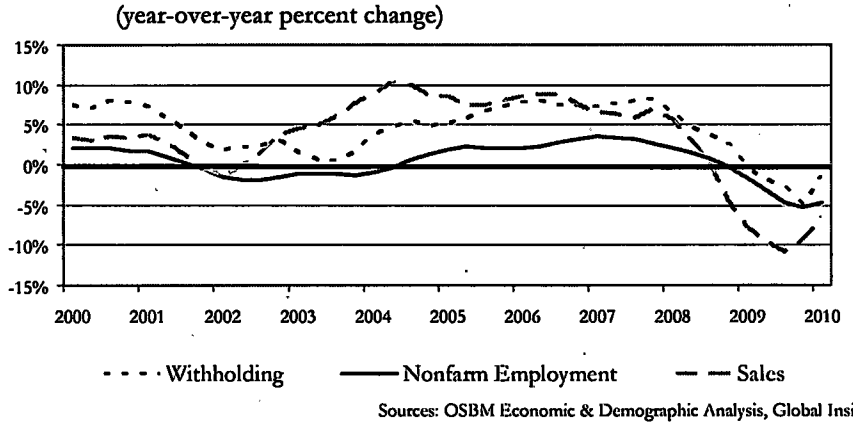
- **0.4% below expected revenue**
- Resolution Initiative collected $422 million ($272 million above budget expectations)
- Without the Resolution Initiative, total collections would be down $330 million (about 2.6% below budget)
- Sales and Personal Income Tax collections are the main drivers of the budget shortfall

$391 million shortfall expected in FY 2009-10

- $18.5 billion vs. $18.9 billion budgeted
- **2.1% below budgeted revenue**

Income Tax/Sales Tax Collections Turning Around?

Withholding, sales tax collections, and employment showing signs of improvement



Sources: OSBM Economic & Demographic Analysis, Global Insight

Economic Outlook: 2010-2011

- Key economic indicators suggest improvement in FY 2010-11

Year-over-year Growth In North Carolina (forecast):

	FY 2010-11
Wages	4.2%
Nonfarm Employment	0.9%
Profits	7.8%
Retail Sales	6.2%

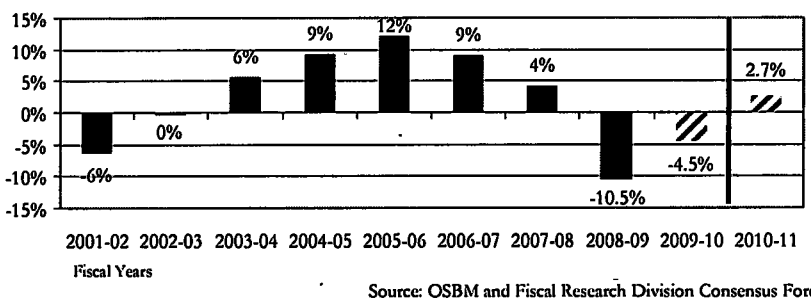
Source: Global Insight

Consensus Forecast for General Fund Revenue

FY 2010-11

- Total: $19.1 billion, **modest growth (2.7%)**
- Revenue forecast lowered $703 million

General Fund Revenue Growth (baseline year-over-year percent change)



Source: OSBM and Fiscal Research Division Consensus Forecast

FY 2010-11 Forecast by Revenue Source

Individual Income Tax

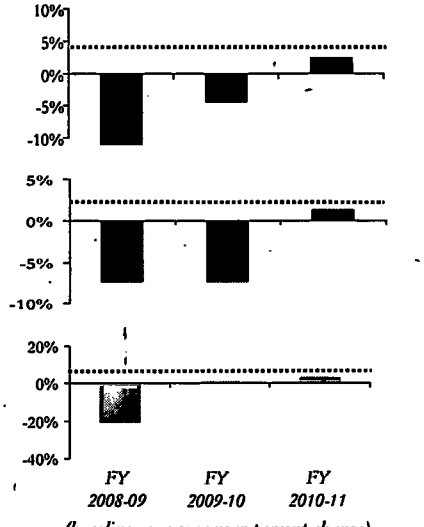
- 3.0% growth

Sales Tax

- 1.5% growth

Corporate Income Tax

- 3.6% growth



(baseline year-over-year percent change)

Revenue Changes: Overview

Projected General Fund Revenue Changes:

	FY 2010-11
Improved Enforcement	$110
Disproportionate Share Receipts	$35
Reduce Highway Trust Fund Transfer	$(22)
Small Business Tax Relief	$(16)
Other	$23
Net Revenue Effect	**$130**

All figures in millions of dollars.

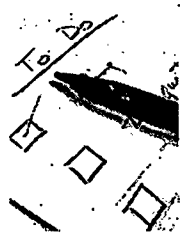
Revenue Changes: Tax Relief

Governor's JobsNOW Small Business Tax Relief Package **saves small businesses $16 million** in FY 2010-11

- **Small Business Start-Up Relief** ($0)
  - Encourages investment in innovative small companies by allowing favorable capital gains treatment of founding interests
- **Small Business Health Insurance Credit** ($5 million)
  - Renews $250 per employee credit for small businesses that provide health insurance to their employees
- **Qualified Business Venture Tax Credit** ($8 million)
  - Expands this credit by raising the cap from $7.5 million to $8.0 million to spur more investments in entrepreneurial businesses
- **Tax Break for Equipment Purchases** ($3 million)
  - Allows businesses to write off investments in equipment earlier

Agenda

I. Governor Perdue's Budget Priorities
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Budget Highlights

- **Making government more effective and efficient**
  - Recommends **another $957 million in reductions** on top of the $2 billion taken last year.
  - Eliminates or reduces more than 70 state programs that are **duplicative, costly, or nonessential**.
- **Living within our means**
  - Reduces original FY 2010-11 budget by $410 million or 2.1%.
  - Spends **5.0% less per capita** than FY 2008-09.
  - Authorizes no additional indebtedness.
- **Investing and saving for the future**
  - Authorizes an additional **$86 million for key small business and infrastructure investments** that will help create 35,000 jobs over the next three years.
  - Deposits **$102 million in the Rainy Day Fund** to increase balance or use as estate tax buffer.

Office of State Budget and Management
Balancing Needs - Improving Government

FY 2010-11 Presentation of Governor Perdue's Recommended Budget

Prepared by:
The Office of State Budget and Management
April 21, 2010

Senate Appropriations Committee

Agenda

Legislative Office Building, Room 643
1:00 p.m.
May 20th, 2010

Opening Remarks — Senate Appropriations Chairs

Subcommittee Overview: — Senate Subcommittee Chairs

- Education
- Health and Human Services
- Natural and Economic Resources
- Justice and Public Safety
- General Government
- Transportation
- Salaries and Benefits (Fiscal Staff)
- Statewide Reserves (Fiscal Staff)
- Capital (Fiscal Staff)

Vote on Proposed Committee Substitute Senate Bill 897

Adjourn

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Linda Garrou, Co-Chair
Senator Charles W. Albertson, Co-Chair
Senator Charlie Smith Dannelly, Co-Chair
Senator A. B. Swindell, Co-Chair

CORRECTED REPORT

Tuesday, May 18, 2010

Senator GARROU,
submits the following with recommendations as to passage:

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO COMMITTEE SUBSTITUTE BILL

S.B. **897** Appropriations Act of 2009.

Draft Number:	35431
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	Yes

TOTAL REPORTED: 1

Committee Clerk Comments:

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

S D

SENATE BILL 897
PROPOSED COMMITTEE SUBSTITUTE S897-CSLExf-47 [v.17]

5/17/2010 5:09:28 PM

Short Title: Appropriations Act of 2010. (Public)

Sponsors:

Referred to:

March 26, 2009

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE CURRENT OPERATIONS AND CAPITAL IMPROVEMENTS APPROPRIATIONS ACT OF 2009 AND FOR OTHER PURPOSES.

The General Assembly of North Carolina enacts:

PART I. INTRODUCTION AND TITLE OF ACT

TITLE OF ACT

SECTION 1.1. This act shall be known as "The Current Operations and Capital Improvements Appropriations Act of 2010."

INTRODUCTION

SECTION 1.2. 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 State Budget Act, or this act, the savings shall revert to the appropriate fund at the end of each fiscal year as provided in G.S. 143C-1-2(b).

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 adjusted for the fiscal year ending June 30, 2011, according to the schedule that follows. Amounts set out in brackets are reductions from General Fund appropriations for the 2009-2010 fiscal year.

Current Operations – General Fund	**2010-2011**
EDUCATION	
Community Colleges System Office	$ 50,744,859

Department of Public Instruction		(219,159,933)
University of North Carolina – Board of Governors		
General Administration		(632,140)
University Institutional Programs		5,846,731
Related Educational Programs		8,195,517
UNC Financial Aid Private Colleges		(1,500,000)
North Carolina School of Science and Mathematics		
UNC Hospitals at Chapel Hill		(2,000,000)
Total University of North Carolina – Board of Governors	$	9,910,108
HEALTH AND HUMAN SERVICES		
Department of Health and Human Services		
Central Management and Support	$	(4,923,834)
Division of Blind Services/Deaf/HH		(632,912)
Division of Child Development		(46,090,555)
Division of Education Services		(5,612,680)
Division of Health Service Regulation		(2,061,346)
Division of Medical Assistance		(349,276,270)
Division of Mental Health		21,595,819
NC Health Choice		6,444,925
Division of Public Health		(6,091,724)
Division of Social Services		(15,645,084)
Division of Vocational Rehabilitation		(3,102,472)
Total Health and Human Services	$	(405,396,133)
NATURAL AND ECONOMIC RESOURCES		
Department of Agriculture and Consumer Services	$	(1,938,749)
Department of Commerce		
Commerce		33,952,587
Commerce State-Aid		4,980,564
NC Biotechnology Center		(725,095)
Rural Economic Development Center		2,933,378
Department of Environment and Natural Resources		1,227,571
Department of Labor		(1,411,321)
JUSTICE AND PUBLIC SAFETY		
Department of Correction	$	(54,081,580)
Department of Crime Control and Public Safety		(1,316,174)
Judicial Department		(15,818,245)
Judicial Department – Indigent Defense		(4,194,867)
Department of Justice		(2,990,307)

Department of Juvenile Justice and Delinquency Prevention		(4,737,080)
GENERAL GOVERNMENT		
Department of Administration	$	(2,157,910)
Office of Administrative Hearings		(278,356)
Department of State Auditor		(777,194)
Office of State Controller		8,075,323
Department of Cultural Resources		
Cultural Resources		(3,905,057)
Roanoke Island Commission		(115,926)
State Board of Elections		373,851
General Assembly		(3,295,241)
Office of the Governor		
Office of the Governor		(353,359)
Office of State Budget and Management		(373,164)
OSBM – Reserve for Special Appropriations		(4,650)
Housing Finance Agency		(850,732)
Office of Lieutenant Governor		(54,235)
Department of Revenue		(1,523,641)
Department of Secretary of State		(666,886)
RESERVES, ADJUSTMENTS AND DEBT SERVICE		
Reserve for Teachers' and State Employees' Retirement Contribution	$	20,000,000
Reserve for Job Development Investment Grants (JDIG)		(6,600,000)
University Cancer Research Fund		600,000
Reserve for Capital		18,222,000
Debt Service		
General Debt Service		(15,845,385)
TOTAL CURRENT OPERATIONS – GENERAL FUND	**$**	**(597,650,979)**

GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2.(a) Section 2.2(a) of S.L. 2009-451 is repealed. The General Fund availability used in adjusting the 2010-2011 budget is shown below:

	FY 2010-2011
Unappropriated Balance Remaining from Previous Year	3,702,182
Adjustment from Estimated to Actual 2009-2010 Beginning Unreserved Balance	270,080
Beginning Unreserved Fund Balance	**3,972,262**
Revenues Based on Existing Tax Structure	**18,199,339,016**
Nontax Revenues	
Investment Income	57,500,000
Judicial Fees	239,100,000
Disproportionate Share	100,000,000
Insurance	67,000,000
Other Nontax Revenues	182,700,000
Highway Trust Fund/Use Tax Reimbursement Transfer	72,800,000
Highway Fund Transfer	17,600,000
Subtotal Nontax Revenues	**736,700,000**
Total General Fund Availability	**18,940,011,278**
Adjustments to Availability: Senate Bill 897	
IRC Conformity	(1,200,000)
Cap Tax Rate on Family-Owned and Other Small Business Income	(39,700,000)
Lower Sales Tax Compliance Burden on Small Retailers	(7,000,000)
Relieve Annual Report Compliance Burden on Small Business	(400,000)
Extend Sunset on Expiring Tax Incentive Income Tax Credits and Sales Tax Refunds One Year	(3,500,000)
Modernize Sales Tax On Accommodations	(700,000)
Modernize Admissions Tax and Restore Amenities Exclusion	3,000,000
Improve Tax and Debt Collection Process	(1,500,000)
Reduce Franchise Tax Burden On Construction Companies	1,700,000
Department of Revenue Corporate Settlement Initiative	110,000,000
Loss of Estate Tax Revenues for FY 2010-2011	(85,000,000)
Transfer from Disproportionate Share Reserve	35,000,000
Adjust Highway Fund Transfer – Commerce Executive Aircraft Transfer	(500,000)
Increase Justice and Public Safety Fees	22,214,722
Transfer From Severance Reserve Expenditure Account	30,000,000
Commerce Business Recruitment Initiatives (Pending Legislation)	(10,000,000)
Transfer from Tobacco Trust Fund	2,500,000
Subtotal Adjustments to Availabilty: Senate Bill 897	**54,914,722**
Revised General Fund Availability	**18,994,926,000**
Less: General Fund Appropriations	**18,989,677,375**
Unappropriated Balance Remaining	**5,248,625**

SECTION 2.2.(b) Notwithstanding the provisions of G.S. 143C-4-3, the State Controller shall not transfer funds to the Repairs and Renovations Reserve Account on June 30, 2010. This subsection becomes effective June 30, 2010.

SECTION 2.2.(c) Notwithstanding G.S. 143C-4-2, the State Controller shall not transfer funds to the Savings Reserve Account on June 30, 2010. This subsection becomes effective June 30, 2010.

SECTION 2.2.(d) Section 2.2(h) of S.L. 2009-451 reads as rewritten:

"**SECTION 2.2.(h)** Notwithstanding G.S. 143C-9-3, of the funds credited to the Tobacco Trust, the sum of five million dollars ($5,000,000) for the 2009-2010 fiscal year and the sum of seven million five hundred thousand dollars ($7,500,000) for the 2010-2011 fiscal year 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 (Intrastate Transfers) to support General Fund ~~appropriations for the 2009-2010 and 2010-2011 fiscal years. These funds shall be transferred on or after April 30, 2010.~~appropriations."

PART III. CURRENT OPERATIONS/HIGHWAY FUND

CURRENT OPERATIONS/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 adjusted for the fiscal year ending June 30, 2011, according to the following schedule. Amounts set out in brackets are reductions from Highway Fund Appropriations for the 2010-2011 fiscal year.

	2010-2011
Department of Transportation	
Administration	$ 1,663,695
Division of Highways	
Administration	0
Construction	3,840,718
Maintenance	(7,709,150)
Planning and Research	0
OSHA Program	0
Ferry Operations	11,349,869
State Aid	
Municipalities	(785,319)
Public Transportation	0
Airports	500,000
Railroads	6,325,000
Governor's Highway Safety Program	0
Division of Motor Vehicles	617,223
Transfers to Other State Agencies, Reserves	37,087,964
TOTAL	**$ 52,890,000**

HIGHWAY FUND AVAILABILITY

SECTION 3.2. Section 3.2 of S.L. 2009-451 is repealed. The Highway Fund availability used in adjusting the 2010-2011 fiscal year budget is shown below:

Highway Fund Availability Statement	2010-2011
Unappropriated Balance From Previous Year	0
Beginning Fund Balance	0
Estimated Revenue	1,792,540,000
Total Highway Fund Availability	**$1,792,540,000**

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS

CURRENT OPERATIONS/HIGHWAY TRUST FUND

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 adjusted for the fiscal year ending June 30, 2011, according to the following schedule. Amounts set out in brackets are reductions from Highway Trust Fund Appropriations for the 2010-2011 fiscal year.

Current Operations – Highway Trust Fund	2010-2011
Intrastate System	4,995,162
Urban Loops	2,019,836
Aid to Municipalities	524,109
Secondary Roads	(170,627)
Program Administration	371,520
North Carolina Turnpike Authority	0
Transfer to General Fund	0
Debt Service	0
TOTAL	**7,740,000**

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

SECTION 4.2. Section 4.2 of S.L. 2009-451 is repealed. The Highway Trust Fund availability used in developing the 2010-2011 fiscal year is shown below:

Total Highway Trust Fund Availability	**$ 928,730,000**

PART V. OTHER APPROPRIATIONS

EDUCATION LOTTERY

SECTION 5.1.(a) Pursuant to G.S. 18C-164, the revenue used to support appropriations made in this act is transferred from the State Lottery Fund in the amount of four hundred forty-one million three hundred forty-seven thousand five hundred dollars ($441,347,500) for the 2010-2011 fiscal year.

SECTION 5.1.(b) Notwithstanding G.S. 18C-164, the appropriations made from the Education Lottery Fund pursuant to G.S. 18C-164(d) for the 2010-2011 fiscal year are as follows:

(1)	Class Size Reduction	$ 136,038,041
(2)	Prekindergarten Program	84,635,709

(3)	Public School Building Capital Fund	176,539,000
(4)	Scholarships for Needy Students	44,134,750
Total		$ 441,347,500

SECTION 5.1.(c) Notwithstanding G.S. 18C-164(f) or any other provision of law, excess lottery receipts realized in the 2009-2010 fiscal year in the amount of thirty-one million eight hundred eighty-one thousand forty-six dollars ($31,881,046) shall be transferred to the Public School Building Capital Fund and allocated on the basis of average daily membership (ADM) to those local school administrative units that did not qualify for funding in the 2009-2010 fiscal year pursuant to G.S. 115C-546.2(d)(2). Notwithstanding G.S. 18C-164(f) or any other provision of law, the balance of the excess lottery revenues realized in the 2009-2010 fiscal year shall be used for scholarships for needy students.

SECTION 5.1.(d) Section 5.2.(d) of S.L. 2009-451, as enacted by Section 3N of S.L. 2009-575, is repealed.

SECTION 5.1.(e) Notwithstanding G.S. 18C-164(c), G.S 115C-546.2(d), or any other provision of law, funds appropriated in this section to the Public School Building Capital Fund for the 2010-2011 fiscal year shall be allocated to counties on the basis of average daily membership (ADM). Counties may authorize local school administrative units to use all or part of these funds for classroom teachers.

These funds shall not be included in the computation of "average per pupil allocation for average daily membership" or "per pupil local current expense appropriation" under G.S. 115C-238.29H.

SECTION 5.1.(f) Notwithstanding G.S. 18C-164(c), Article 35A of Chapter 115C of the General Statutes, or any other provision of law, of the funds appropriated in this section for Scholarships for Needy Students, the sum of twenty-six million six hundred sixty-one thousand forty-six dollars ($26,661,046) shall be administered in accordance with the policy adopted by the Board of Governors of The University of North Carolina.

SECTION 5.1.(g) Subsections (c) and (d) of this section become effective June 30, 2010.

INFORMATION TECHNOLOGY AVAILABILITY AND APPROPRIATION

SECTION 5.2. Section 5.3.(b) of S.L. 2009-451 reads as rewritten:

"**SECTION 5.3.(b)** Appropriations are made from the Information Technology Fund for the 2009-2011 fiscal biennium as follows:

Office of Information Technology Services	**FY 2009-2010**	**FY 2010-2011**
Information Technology Operations	~~$5,350,000~~	~~$4,990,000~~
Center for Geographic Information and Analysis		$740,000
Enterprise Security and Risk Management Office		1,101,296
Enterprise Project Management Office		1,795,000
Architecture and Engineering		648,000
Total Information Technology Operations	$5,350,000	$4,284,296
Information Technology Projects	~~$4,462,733~~	~~$4,077,467~~
Enterprise Licensing		$300,000
State Portal		500,000
Enterprise Identity Management		1,250,000
IT Consolidation		2,079,467
Electronic Forms/Digital Signatures		653,704
Total Information Technology Projects	$4,462,733	$4,783,171

Budget and Performance Management System	$1,021,985	0
Budget/Committee Reporting System	$500,000	0
Total	**$11,334,718**	**$9,067,467"**

APPROPRIATION OF CASH BALANCES

SECTION 5.3. Section 5.4 of S.L. 2009-451 reads as rewritten:

"**SECTION 5.4.(a)** State funds, as defined in G.S. 143C-1-1(d)(25), are appropriated ~~and authorized~~ as provided in G.S. 143C-1-2 for the 2009-2011 fiscal biennium as follows:

(1) For all budget codes listed in the Base Budget and Performance Management Information sections of "North Carolina State Budget, Recommended Operating Budget 2009-2011, Volumes 1 through 6," and in the Budget Support Document, cash balances and receipts are appropriated up to the amounts specified in Volumes 1 through 6, as adjusted by the General Assembly, for the 2009-2010 fiscal year and the 2010-2011 fiscal year. Funds may be expended only for the programs, purposes, objects, and line items specified in Volumes 1 through 6, or otherwise authorized by the General Assembly. Expansion budget funds listed in those documents are appropriated only as otherwise provided in this act.

(2) For all budget codes that are not listed in "North Carolina State Budget, Recommended Operating Budget 2009-2011, Volumes 1 through 6," or in the Budget Support Document, cash balances and receipts are appropriated for each year of the 2009-2011 fiscal biennium up to the level of actual expenditures for the ~~2008-2009~~ 2009-2010 fiscal year, unless otherwise provided by law. Funds may be expended only for the programs, purposes, objects, and line items authorized for the ~~2008-2009~~ 2009-2010 fiscal year.

(3) Notwithstanding subdivisions (1) and (2) of this subsection, any receipts that are required to be used to pay debt service requirements for various outstanding bond issues and certificates of participation are appropriated up to the actual amounts received for the 2009-2010 fiscal year and the 2010-2011 fiscal year and shall be used only to pay debt service requirements.

(4) Notwithstanding subdivisions (1) and (2) of this subsection, cash balances and receipts of funds that meet the definition issued by the Governmental Accounting Standards Board of a trust or agency fund are appropriated for and in the amounts required to meet the legal requirements of the trust agreement for the 2009-2010 fiscal year and the 2010-2011 fiscal year.

"**SECTION 5.4.(b)** Receipts collected in a fiscal year in excess of the amounts authorized by this section shall remain unexpended and unencumbered until appropriated by the General Assembly in a subsequent fiscal year, unless the expenditure of overrealized receipts in the fiscal year in which the receipts were collected is authorized by the State Budget Act.

Overrealized receipts are appropriated up to the amounts necessary to implement this subsection.

In addition to the consultation and reporting requirements set out in G.S. 143C-6-4, the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division within 30 days after the end of each quarter on any overrealized receipts approved for expenditure under this subsection by the Director of the Budget. The report shall include the source of the receipt, the amount overrealized, the amount authorized for expenditure, and the rationale for expenditure.

"**SECTION 5.4.(c)** Notwithstanding subsections (a) and (b) of this section, there is appropriated from the Reserve for Reimbursements to Local Governments and Shared Tax Revenues for each fiscal year an amount equal to the amount of the distributions required by law to be made from that reserve for that fiscal year."

OTHER RECEIPTS FROM PENDING GRANT AWARDS

SECTION 5.4. Section 5.6 of S.L. 2009-451 reads as rewritten:

"**SECTION 5.6.** Notwithstanding G.S. 143C-6-4, State agencies may, with approval of the Director of the Budget and after consultation with the Joint Legislative Committee on Governmental Operations, spend funds received from grants awarded subsequent to the enactment of this act. The Office of State Budget and Management shall work with the recipient State agencies to budget grant awards according to the annual program needs and within the parameters of the respective granting entities. Depending on the nature of the award, additional State personnel may be employed on a time-limited basis. The Office of State Budget and Management shall consult with the Joint Legislative Commission on Governmental Operations prior to expending any funds received from grant awards. Funds received from such grants are hereby appropriated and shall be incorporated into the ~~certified~~ authorized budget of the recipient State agency."

PART VI. GENERAL PROVISIONS

EXPENDITURE OF FUNDS IN RESERVES LIMITED

SECTION 6.1. All funds appropriated by this act into reserves may be expended only for the purposes for which the reserves were established.

BUDGET CODE CONSOLIDATIONS

SECTION 6.2. Notwithstanding G.S. 143C-6-4, the Office of State Budget and Management may adjust the enacted budget by making transfers among purposes or programs for the purpose of consolidating budget and fund codes or eliminating inactive budget and fund codes. The Office of State Budget and Management shall change the authorized budget to reflect these adjustments.

BUDGET REALIGNMENT

SECTION 6.3. Notwithstanding G.S. 143C-6-4(b), the Office of State Budget and Management, in consultation with the Office of the State Controller and the Fiscal Research Division, may adjust the enacted budget by making transfers among purposes or programs for the sole purpose of correctly aligning authorized positions and associated operating costs with the appropriate purposes or programs as defined in G.S. 143C-1-1(d)(23). The Office of State Budget and Management shall change the certified budget to reflect these adjustments only after reporting the proposed adjustments to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division. Under no circumstances shall total General Fund expenditures for a State department exceed the amount appropriated to that department from the General Fund for the fiscal year.

BUDGET ADJUSTMENTS AUTHORIZED

SECTION 6.4.(a) Notwithstanding G.S. 143C-6-4(a) or any other provision of law, the maximum amount expended at the budget code level from funds appropriated in Section 2.1 of S.L. 2009-451, as amended, shall not exceed by more than three percent (3%) the amount appropriated for that budget code in Section 2.1 of S.L. 2009-451, as amended.

SECTION 6.4.(b) This section applies to the 2010-2011 fiscal year only.

ESTABLISHING OR INCREASING FEES PURSUANT TO THIS ACT

SECTION 6.5.(a) Notwithstanding G.S. 12-3.1, an agency is not required to consult with the Joint Legislative Commission on Governmental Operations prior to establishing or increasing a fee as authorized or anticipated in this act.

SECTION 6.5.(b) Notwithstanding G.S. 150B-21.1A(a), an agency may adopt an emergency rule in accordance with G.S. 150B-21.1A to establish or increase a fee as authorized by this act if the adoption of a rule would otherwise be required under Article 2A of Chapter 150B of the General Statutes.

LEGISLATIVE BUDGET PRIORITIES

SECTION 6.6. The General Assembly finds North Carolina's citizens and businesses are suffering from the effects of a significant State, national, and international financial crisis and that this financial crisis has resulted in large reductions in revenues available to fund the State's budget for the upcoming year and in large increases in demand for State services. The General Assembly further finds that, in spite of the reduced revenues, the State must act decisively to create jobs, encourage economic activity to keep our families working, provide job training and higher education opportunities to the citizens of the State, and protect core government services such as health care for the most vulnerable populations and public safety for the citizens of the State; therefore, the General Assembly provides funding for and support of the following initiatives:

(1) Retention of classroom teachers.
(2) Tax credits for small businesses.
(3) Small Business Assistance Fund.
(4) Preservation of access to health care for vulnerable populations.
(5) Financial aid to needy college and community college students.
(6) Full funding community college enrollment growth to be used to hire additional faculty and student support staff.
(7) Small Business Centers at community colleges.
(8) Business Recruitment.
(9) One North Carolina Small Business.
(10) One North Carolina Fund.
(11) Job Maintenance and Capital Development Fund.
(12) Health science and engineering programs at the community college and university levels.
(13) Energy Research Grants.
(14) Regional Economic Development Commissions.
(15) Home Grown Jobs.
(16) Funding restored for mental health programs.
(17) Tar Heel Work Program.
(18) UNCC Energy Production Infrastructure Center (EPIC).
(19) ECU Dental School Operations.
(20) Sustainable Communities Task Force.
(21) Clean Water State Revolving Fund.
(22) Drinking Water State Revolving Fund.
(23) Minority Support Center.
(24) Tourism Marketing.
(25) In-Source NC.
(26) Lab-to-Market Commercialization Funds.
(27) Capital projects.

AMEND ARRA FUNDS

SECTION 6.7. Section 6.6C.(b) of Session Law 2009-451 reads as rewritten:

"**SECTION 6.6C.(b)** Appropriation of ARRA Funds. – Funds received from ARRA grants and receipts not specified in this act are hereby appropriated in the amounts provided in the notification of award from the federal government or any entity acting on behalf of the federal government to administer federal ARRA funds. ~~Prior to allocation of funds not expressly delineated in this act, the~~ OSBM and affected state agencies shall ~~consult with~~ report to the Joint Legislative Commission on Governmental ~~Operations.~~ Operations on ARRA grants received that are not expressly delineated in this act."

INFORMATION TECHNOLOGY OPERATIONS

SECTION 6.8. Section 6.7 of S.L. 2009-451 reads as rewritten:

"**SECTION 6.7.(a)** Office of Information Technology Services Budget. – Notwithstanding G.S. 147-33.88, the Office of Information Technology Services shall develop an annual budget for review and approval by the Office of State Budget and Management in accordance with a schedule prescribed by the Director of the Office of State Budget and Management. The approved Office of Information Technology Services budget shall be included in the Governor's budget recommendations to the General Assembly.

The Office of State Budget and Management shall ensure that State agencies have an opportunity to adjust their budgets based on any rate changes proposed by the Office of Information Technology Services.

"**SECTION 6.7.(b)** Enterprise Projects. – The State Chief Information Officer shall consult the respective State agency chief information officers to identify specific State agency requirements prior to the initiation of any enterprise project. State agency requirements shall be incorporated into any enterprise agreement signed by the State Chief Information Officer. Enterprise projects shall not exceed the participating State agencies' ability to financially support the contracts.

The State Chief Information Officer shall not enter into any information technology contracts without obtaining written agreements from participating State agencies regarding apportionment of funding. State agencies agreeing to participate in a contract shall:

(1) Ensure that sufficient funds are budgeted to support their agreed shares of enterprise agreements throughout the life of the contract.

(2) Transfer the agreed-upon funds to the Office of Information Technology Services in sufficient time for the Office of Information Technology Services to meet contract requirements.

(3) Ensure that enterprise project costs are allocated to participating agencies in an equitable manner.

"**SECTION 6.7.(c)** Notwithstanding the cash management provisions of G.S. 147-86.11, the Office of Information Technology Services may procure information technology goods and services for periods of up to a total of three years where the terms of the procurement contract require payment of all, or a portion, of the contract purchase price at the beginning of the agreement. All of the following conditions shall be met before payment for these agreements may be disbursed:

(1) Any advance payment complies with the Office of Information Technology Services budget.

(2) The State Controller receives conclusive evidence that the proposed agreement would be more cost-effective than a multiyear agreement that complies with G.S. 147-86.11.

(3) The procurement complies in all other aspects with applicable statutes and rules.

(4) The proposed agreement contains contract terms that protect the financial interests of the State against contractor nonperformance or insolvency

through the creation of escrow accounts for funds, source codes, or both, or by any other reasonable means that have legally binding effect.

The Office of State Budget and Management shall ensure the savings from any authorized agreement shall be included in the Office of Information Technology Services calculation of rates before the Office of State Budget and Management annually approves the proposed rates. The Office of Information Technology Services shall report to the Office of State Budget and Management on any State agency budget impacts resulting from multiyear contracts.

The Office of Information Technology Services shall submit a quarterly written report of any authorizations granted under this subsection to the Joint Legislative Oversight Committee on Information Technology and to the Fiscal Research Division.

"**SECTION 6.7.(d)** State agencies developing and implementing information technology projects shall use the State infrastructure to host their projects. The State Chief Information Officer may grant an exception if the State agency can demonstrate any of the following:

(1) Using an outside contractor would be more cost-effective for the State.

(2) The Office of Information Technology Services does not have the technical capabilities required to host the application.

(3) Valid security requirements preclude the use of State infrastructure, and a contractor can provide a more secure environment.

"**SECTION 6.7.(e)** Service level agreements developed with supported State agencies shall include metrics for ITS, as well as the supported agencies. When ITS or an agency fails to meet metrics established by the SLA, a report will be provided to the Office of State Budget and Management and the Fiscal Research Division of the General Assembly within 10 days that details the shortfall and provides a corrective action plan with a time line.

"**SECTION 6.7.(f)** The Office of Information Technology Procurement shall assist State agencies in identifying the least expensive source for the purchase of IT goods and services and shall ensure that agencies receive every available discount when purchasing IT goods and services.

"**SECTION 6.7.(g)** The State CIO shall ensure that the agency bills from ITS for information technology goods and services are easily understood and fully transparent."

COORDINATION OF INFORMATION TECHNOLOGY REQUIREMENTS AND GEOGRAPHICAL INFORMATION SYSTEM EFFORTS

SECTION 6.9.(a) The State Chief Information Officer (SCIO), through the Enterprise Program Management Office (EPMO), shall adopt measures to avoid the duplication of information technology capabilities and resources across State agencies. When multiple State agencies require the same or a substantially similar information technology capability, the SCIO shall designate one State agency as the lead to coordinate support and to manage that capability for all State agencies requiring the capability, with the SCIO maintaining oversight of the effort. Further, the EPMO shall:

(1) Review all ongoing and future information technology projects to determine whether the capabilities required for each project, or the specific requirements comprising a component within a project, already exist in a planned, ongoing, or completed information technology project developed by another State agency.

(2) When State agencies request approval for new projects determine if the information technology project has transferable applicability to current or future capabilities required by another State agency.

(3) Upon identifying an existing information technology capability needed by a State agency, assist that agency in determining how best to access existing projects.

(4) Identify all current instances of duplication and work with the affected State agencies to develop and implement a plan to integrate their efforts. These plans shall be reported to the Joint Legislative Oversight Committee on Information Technology and to the Fiscal Research Division by January 1, 2011.

SECTION 6.9.(b) All State agencies shall coordinate any Geographic Information System (GIS) initiatives through the Center for Geographic Information and Analysis (CGIA) to ensure that they are not duplicating an existing function. The CGIA shall monitor and approve all new GIS-related information technology projects and expansion budget requests. By January 1, 2011, the CGIA shall make a written report to the Joint Legislative Oversight Committee on Information Technology and to the Fiscal Research Division on the results of these efforts.

CRIMINAL JUSTICE LAW ENFORCEMENT AUTOMATED DATA SERVICES (CJLEADS)

SECTION 6.10.(a) The Office of the State Controller, in cooperation with the State Chief Information Officer, shall:

(1) Continue the implementation of the Criminal Justice Data Integration Pilot Program, which is now known as the Criminal Justice Law Enforcement Automated Data Services (CJLEADS), in Wake County; and

(2) Begin the transfer of the hosting of CJLEADS to the Department of Justice.

The Office of the State Controller shall not expand CJLEADS beyond Wake County.

SECTION 6.10.(b) Effective October 1, 2010, CJLEADS is transferred from the Office of State Controller to the Department of Justice. This transfer shall have all of the elements of a Type I transfer, as defined in G.S. 143A-6.

SECTION 6.10.(c) The Department of Justice shall administer CJLEADS with the assistance of a Leadership Council consisting of:

(1) The Attorney General;

(2) The Director of Administrative Office of the Courts;

(3) The Secretary of the Department of Correction;

(4) The Secretary of Crime Control and Public Safety;

(5) The Secretary of the Department of Juvenile Justice and Delinquency Prevention;

(6) The Commissioner of Motor Vehicles, Department of Transportation;

(7) The President of The North Carolina Association of Chiefs of Police;

(8) The Executive Director of the North Carolina Sheriffs' Association, Inc.; and

(9) A representative of the Federal Bureau of Investigation who shall be a nonvoting member.

SECTION 6.10.(d) The transfer of the hosting of CJLEADS to the Department of Justice shall be completed by July 1, 2011.

SECTION 6.10.(e) Funds appropriated for CJLEADS shall be used only for project requirements of CJLEADS and not for other BEACON data integration requirements.

ITS NETWORK INTEGRATION

SECTION 6.11. Section 6.13.(c) of S.L. 2009-451 as amended by Section 3A(b) of S.L. 2009-575 reads as rewritten:

"**SECTION 6.13.(c)** Following completion of the feasibility study by the Office of Information and Technology Services and the Office of State Budget and Management, and if the Program Evaluation Division and the Fiscal Research Division can verify that the efficiencies and savings identified in the study are valid, accurate, and substantial enough to justify increased coordination, then the Office of Information Technology Services and MCNC

shall develop a plan to identify areas in which it may be feasible to coordinate their operations. The coordination plan shall include at least the following:

(1) Definition of requirements to achieve statewide integration.
(2) Detailed information on the allocation of responsibility for each requirement and component.
(3) An estimate of the associated costs with each requirement or component, including what the costs to each agency would be without coordination.
(4) Priorities for integration.
(5) A schedule for implementation.
(6) Detailed cost information for the development and integration of a single network.
(7) A governance structure for management and oversight of the network.
(8) A means for resolution of any issues identified during the feasibility study.

The coordination plan shall be completed by ~~February 28, 2010,~~ December 1, 2010, and shall be presented to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Oversight Committee on Information Technology."

INFORMATION TECHNOLOGY CONTRACTED PERSONNEL

SECTION 6.12. Section 6.18 of S.L. 2009-451 reads as rewritten:

"**SECTION 6.18.(a)** Beginning July 1, 2009, and notwithstanding any provision of law to the contrary:

(1) No contract for information technology personal services, or providing personnel to perform information technology functions, may be established or renewed ~~for any term longer than 12 months unless otherwise specifically required by a contract in effect on June 30, 2009.~~ without the express written approval of the Statewide Information Technology Procurement Office.
(2) Before any State agency, department, or institution may renew a contract position for information technology personnel the State agency must report to the Statewide Information Technology Procurement Office (SITPO), Office of State Budget and Management (OSBM), to the Office of State Personnel (OSP), to the Office of Information Technology Services (ITS), and to the Fiscal Research Division (FRD) of the Legislative Services Office on the justification for the contract. The report shall explain:
    a. The proposed duration of the contract position. If the contract term is for more than 12 months, why recruitment for an in-house State employee position is not feasible.
    b. Whether the contract position requires unique skills for which the State has a short-term need.
    c. Whether the contract position is required by a specific information technology project and if the position will be terminated upon completion of the project.
    d. The specific work products and completion time lines for the contract position.
(3) Contract positions subject to this subsection shall be reviewed and approved by the Statewide Information Technology Procurement Office and shall be entered in the project portfolio management tool.
(4) Once approved, contract positions will be reviewed by the Office of State Personnel to determine what the market rate is for the type of contractor required, as well as to determine the comparable cost for a State employee. Agencies may not exceed the market rate determined by OSP.
(5) After OSP provides cost data, OSBM must approve funding for the position.

(6) Whenever a State agency, department, or institution determines that only a contractor can fill a position and the position is required to perform an ongoing function within the agency, the head of the State agency must develop and implement a plan to hire or train a qualified State employee to fill that position within 12 months. Within 60 days of hiring the contractor, this plan shall be forwarded to the Office of State Budget and Management, to the Office of State Personnel, to the Office of Information Technology Services, to the Joint Legislative Oversight Committee on Information Technology, and to the Fiscal Research Division of the Legislative Services Office.

(7) Any contract position requiring information technology skills is subject to this provision. OSBM may immediately terminate the funding for any information technology position that is filled without following defined procedures.

(8) All information technology personnel contracts shall be competitive and shall be subject to competition each time they expire. Exceptions must be approved by ITS, OSP, and OSBM and can only be approved once for a particular individual. Approved exceptions must be immediately reported to the Joint Legislative Oversight Committee on Information Technology and to the Fiscal Research Division of the Legislative Services Office.

"**SECTION 6.18.(b)** By October 1, 2009, and monthly thereafter, each State agency, department, and institution employing information technology personal services contractors, or personnel to perform information technology functions, shall provide a detailed report on those contracts to the Office of State Budget and Management, to the Office of State Personnel, to the Office of Information Technology Services, to the Joint Legislative Oversight Committee on Information Technology, and to the Fiscal Research Division of the Legislative Services Office. Each State agency's report shall include at least the following:

(1) For each contracted information technology position:

a. The title of the position, a brief synopsis of the essential functions of the position, and how long the position has existed.

b. The name of the individual filling the position and the vendor company, if any, that regularly employees that individual.

c. The type, start date, and the termination date of the contract.

d. The length of time that the individual filling the contracted position has been employed as a contractor.

e. The contracted position salary or hourly rate, the number of hours per year, and the total annualized cost of the contracted position.

f. The salary and benefits cost for a State employee performing the same function.

g. The purchase order number for the position.

h. Whether the position can be converted to a State employee position. This determination shall be made by the SITPO.

i. When the agency anticipates converting the position to a State employee.

(2) The total annual cost for information technology contractors and the total annual salary and benefits cost for filling the contract positions with State employees.

(3) A determination of whether the information technology functions performed by contractors can be performed by State employees, which shall be validated by the Statewide Information Technology Procurement Office.

(4) All information required by this subsection related to information technology contractors regardless of the contracting source.

(5) A detailed explanation for any differences between the agency report and the Information Technology Expenditures Report annually published by the Office of the State Controller.

"**SECTION 6.18.(c)** This section does not apply to The University of North Carolina and its constituent institutions."

CONTINUING PILOT PROGRAM TO ALLOW PUBLIC-PRIVATE PARTNERSHIPS TO MEET DEPARTMENT OF REVENUE TECHNOLOGY NEEDS

SECTION 6.13. Section 6.20 of S.L. 2009-451 reads as rewritten:

"**SECTION 6.20.(a)** To speed the implementation of the Tax Information Management System (TIMS) and the additional components of the Planning and Design Project (PDP) ~~during the 2009-2011 fiscal biennium,~~through June 30, 2015, the Secretary of the Department of Revenue may enter into public-private arrangements where (i) the funding of projects under the arrangement comes from revenue generated by the project and (ii) the project is related to the implementation of TIMS and additional components of the PDP. As used in this section, the "additional components of the PDP" are Enterprise Data Warehouse, Management Reporting and Decision Analytics, Customer Relationship Management, Enterprise Case Management, and E-Services.

Work under a public-private arrangement may be contracted by requests for proposals, modifications to existing contracts, and purchases using existing contract vehicles.

The Secretary of Revenue shall establish a measurement process to determine the increased revenue attributable to the public-private arrangements. To accomplish this, the Secretary shall consult subject matter experts outside the Department of Revenue, both within State government and from private industry. The measurement process shall include:

(1) Calculation of a revenue baseline against which the increased revenue attributable to the project is measured;

(2) Periodic evaluation to determine if the baseline needs to be modified based on significant measurable changes in the economic environment; and

(3) Monthly calculation of increased revenue attributable to contracts executed under this program.

Of funds generated from collections above the baseline established by subdivision (1) of this subsection, in both the General and Highway Funds, up to forty-one million dollars ($41,000,000) may be authorized by the Office of State Budget and Management (i) for the purchases related to the implementation of TIMS and the additional components of the PDP, including payment for services from non-State entities and (ii) toward internal State costs related to the implementation of TIMS and PDP components. The total of any funds expended ~~during the 2009-2011 biennium~~ for implementation of TIMS and the additional PDP components shall not exceed the sum of forty-one million dollars ($41,000,000).

If the Department of Revenue finds that it cannot generate additional benefits totaling forty-one million dollars ($41,000,000) ~~in the 2009-2011 biennium,~~through June 30, 2015, the Department shall immediately notify the Chairs of the House of Representatives and Senate Appropriations Committees and Fiscal Research Division, identify any obligations to vendors, identify options for meeting obligations to vendors, and provide costs associated with each option. The Department shall ensure that this notification is made in sufficient time to allow the General Assembly to properly evaluate the options presented.

"**SECTION 6.20.(b)** Notwithstanding G.S. 114-2.3, the Department of Revenue shall engage the services of private counsel with the pertinent information technology and computer law expertise to review requests for proposals, and to negotiate and review contracts associated with TIMS and the additional components of the Planning and Design Project (PDP)

(Enterprise Data Warehouse, Management Reporting and Decision Analytics, Customer Relationship Management, Enterprise Case Management, and E-Services).

"**SECTION 6.20.(c)** There is established within the Department of Revenue the Oversight Committee for reviewing and approving the benefits measurement methodology and calculation process. The Oversight Committee shall review and approve all contracts executed under this section. This shall include (i) details of each public-private contract, (ii) the benefits from each contract, and (iii) a comprehensive forecast of the benefits of using public-private agreements to implement TIMS and the additional PDP components, including the measurement process established for the Secretary of Revenue. The Oversight Committee shall approve all of the fund transfers for this project.

The members of the Committee shall include the following:

(1) The State Budget Director;
(2) The Secretary of the Department of Revenue;
(3) The State Chief Information Officer;
(4) Two persons appointed by the Governor;
(5) One member of the general public having expertise in information technology appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives; and
(6) One member of the general public having expertise in economic and revenue forecasting appointed by the General Assembly upon recommendation of the President Pro Tempore of the Senate.

The State Budget Director shall serve as chair of the Committee. The Committee shall set its meeting schedule and adopt its rules of operation by majority vote. A majority of the members constitutes a quorum. Vacancies shall be filled by the appointing authority. Administrative support staff shall be provided by the Department of Revenue. Members of the Committee shall receive reimbursements for subsistence and travel expenses as provided by Chapter 138 of the General Statutes. The Committee shall terminate on ~~June 30, 2011.~~June 30, 2015.

"**SECTION 6.20.(d)** Beginning October 1, 2009 and quarterly thereafter, the Department of Revenue shall submit reports to the Chairs of the House of Representatives and Senate Committees on Appropriation, to the Joint Legislative Oversight Committee on Information Technology, and to the Fiscal Research Division of the Legislative Services Office. The report shall include (i) details of each public-private contract, (ii) the benefits from each contract, (iii) a comprehensive forecast of the benefits of using public-private agreements to implement TIMS and the additional PDP components, including cost savings and the acceleration of the project timeline, (iv) and any issues associated with the operation of the public-private partnership. Within 60 days of implementing the public-private partnership, the Department of Revenue shall provide to the Chairs of the House of Representatives and Senate Appropriations Committees, and Fiscal Research Division, a schedule for vendor payments that identifies sources and amounts of funding anticipated as a result of the project's implementation.

"**SECTION 6.20.(e)** In addition to the oversight provided by the Oversight Committee established in subsection (c) of this section, the TIMS project shall be subject to existing Information Technology project oversight legislation, including, but not limited to, G.S. 147-33.72C and G.S. 147-33.72E."

FUNDING FOR DATA INTEGRATION ENTERPRISE LICENSING AGREEMENTS

SECTION 6.14.(a) If the cost of data integration enterprise licensing agreements for the 2010-2011 fiscal year is in excess of two million dollars ($2,000,000), the Office of Information Technology Services shall recover the excess cost through cost allocation to participating agencies.

SECTION 6.14.(b) The State Chief Information Officer shall develop a plan for the equitable distribution of all costs for executive agency data integration enterprise licensing agreements to the participating agencies. By October 1, 2010, the State Chief Information Officer shall present this plan to the Joint Legislative Oversight Committee on Information Technology and shall provide a copy to Fiscal Research Division.

SECTION 6.14.(c) Beginning with the 2011-2012 fiscal year, all costs for executive agency data integration enterprise licensing agreements shall be allocated to the participating agencies.

NETWORK SECURITY ASSESSMENTS

SECTION 6.15.(a) G.S. 147-33.111 reads as rewritten:

"**§ 147-33.111. State CIO approval of security standards and security assessments.**

(a) Notwithstanding G.S. 143-48.3 or any other provision of law, and except as otherwise provided by this section, all information technology security purchased using State funds, or for use by a State agency or in a State facility, shall be subject to approval by the State Chief Information Officer in accordance with security standards adopted under this Article.

(a1) The State Chief Information Officer shall conduct assessments of network vulnerability, including network penetration or any similar procedure. The State Chief Information Officer may contract with another party or parties to perform the assessments. Detailed reports of the security issues identified shall be kept confidential as provided in G.S. 132-6.1(c).

(b) If the legislative branch, the judicial branch, The University of North Carolina and its constituent institutions, local school administrative units as defined by G.S. 115C-5, or the North Carolina Community Colleges System develop their own security standards, taking into consideration the mission and functions of that entity, that are comparable to or exceed those set by the State Chief Information Officer under this section, then these entities may elect to be governed by their own respective security standards, and approval of the State Chief Information Officer shall not be required before the purchase of information technology security. The State Chief Information Officer shall consult with the legislative branch, the judicial branch, The University of North Carolina and its constituent institutions, local school administrative units, and the North Carolina Community Colleges System in reviewing the security standards adopted by those entities.

(c) Before a State agency may enter into any contract with another party for an assessment of network ~~vulnerability, including network penetration or any similar procedure,~~ vulnerability, the State agency shall notify the State Chief Information Officer and obtain approval of the request. ~~The State Chief Information Officer shall refer the request to the State Auditor for a determination of whether the Auditor's office can perform the assessment and testing. If the State Auditor determines that the Auditor's office can perform the assessment and testing, then the State Chief Information Officer shall authorize the assessment and testing by the Auditor. If the State Auditor determines that the Auditor's office cannot perform the assessment and testing, then with the approval of the State Chief Information Officer and State Auditor, the State agency may enter into a contract with another party for the assessment and testing.~~ If the State agency enters into a contract with another party for assessment and testing, after approval of the State Chief Information Officer, the State agency shall issue public reports on the general results of the reviews. The contractor shall provide the State agency with detailed reports of the security issues identified that shall not be disclosed as provided in G.S. 132-6.1(c). The State agency shall provide the State Chief Information Officer ~~and the State Auditor~~ with copies of the detailed reports that shall not be disclosed as provided in G.S. 132-6.1(c).

(d) Nothing in this section shall be construed to preclude the Office of the State Auditor from assessing the security practices of State information technology systems as part of that Office's duties and responsibilities."

SECTION 6.15.(b) G.S. 147-64.6(c)(18) is repealed.

INMATE MEDICAL COST CONTAINMENT

SECTION 6.16.(a) Providers and facilities that deliver medically necessary services to inmates in the Department's custody of the Department of Correction shall charge the Department using the same schedule of charges used for other patients, and the Department may reimburse those providers and facilities at up to seventy percent (70%) of the amount charged. The requirements of this subsection shall apply to all medical and facility services provided outside the correctional facility, including hospitalizations, professional services, medical supplies, and other medications provided to any inmate confined in a correctional facility.

SECTION 6.16.(b) The Department of Correction shall make every effort to contain inmate medical costs by making use of its own hospital and health care facilities to provide health care services to inmates. To the extent that the Department of Correction must utilize other facilities and services to provide health care services to inmates, the Department shall make use of hospitals with available capacity or other health care facilities in a region to accomplish that goal. The Department shall work to ensure that care usage is distributed equitably among all hospitals or other appropriate health care facilities, with no one health care facility being required to admit more than five percent (5%) of all patients requiring hospitalization or hospital services, unless doing so would jeopardize the health of an inmate or unless otherwise agreed to by contract. The Department shall also give preference to those hospitals in the same county or an adjoining county to the correctional facility where an inmate requiring hospitalization is incarcerated.

SECTION 6.16.(c) The Department of Correction shall consult with the Division of Medical Assistance in the Department of Health and Human Services to develop protocols for prisoners who would be eligible for Medicaid if they were not incarcerated to access Medicaid while in custody or under extended limits of confinement. The Department shall seek reimbursement from Medicaid for those health care costs incurred by the Department in those instances when an inmate's Medicaid eligibility has been temporarily reinstated due to a hospitalization.

SECTION 6.16.(d) The Department of Correction, in consultation with the Office of State Budget and Management, shall study the impact on inmate medical costs resulting from the measures set forth in subsections (a), (b), and (c) of this section. The Department shall present its findings by March 1, 2011, to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee.

SECTION 6.16.(e) If the findings of the Department of Correction demonstrate that the Department has been unable to achieve the savings in inmate medical costs called for in the 2010-2011 budget, the Office of State Budget and Management may require that any hospital that provides health care services to Medicaid and Medicare patients shall also provide services to any inmate confined in a correctional facility at the rates applicable under subsection (a) of this section.

SECTION 6.16.(f) The Department of Correction shall make every effort to explore other cost containment methods not expressly outlined in this section. These methods may include the following:

(1) Contracting with a private third party to manage and provide all inmate medical services;

(2) Partnering with the federal government to allow for treatment of State inmates in federal correctional hospitals; and

(3) Purchasing a fixed number of beds at a hospital.

SECTION 6.16.(g) The Department of Correction shall report to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee no later than October 1, 2010, on

(1) The Department's progress with the RFP process initiated pursuant to Section 19.20(b) of S.L. 2009-451, as rewritten by Section 15A of S.L. 2009-575, to contract for claims processing, medical management services, and the development and management of a medical professional and facility provider network.

(2) The anticipated effects on medical care provided to inmates as a result of the new hospital at Central Prison and the updated facilities at the North Carolina Correctional Institute for Women, as well as any other new medical services capacity within the Department. Specifically, the Department shall report on:

a. The types and volumes of services that the new and updated facilities will provide that previously would have been provided by community providers; and

b. The projected types and volumes of services that will still be referred to community providers.

The report shall also address changes in statewide inmate custody that are needed to maximize the utilization of the new facilities and the Department's ability to contract with community providers with the available capacity throughout the State.

SECTION 6.16.(h) The Department of Correction shall report to the Joint Legislative Commission on Governmental Operations no later than October 1, 2010, and quarterly thereafter on:

(1) The volume of services provided by community medical providers that can be scheduled in advance and, of that volume, the percentage of those services that are provided by contracted providers; and

(2) The volume of services provided by community medical providers that cannot be scheduled in advance and, of that volume, the percentage of those services that are provided by contracted providers.

SECTION 6.16.(i) Section 19.20(a) of S.L. 2009-451, as amended by Section 15A of S.L. 2009-575, is repealed.

PART VII. PUBLIC SCHOOLS

FUNDS FOR CHILDREN WITH DISABILITIES

SECTION 7.1. The State Board of Education shall allocate additional funds for children with disabilities on the basis of three thousand five hundred ninety-eight dollars and fifty-five cents ($3,598.55) per child. 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 2010-2011 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.

FUNDS FOR ACADEMICALLY GIFTED CHILDREN

SECTION 7.2. The State Board of Education shall allocate additional funds for academically or intellectually gifted children on the basis of one thousand one hundred ninety-two dollars and ninety cents ($1,192.90) per child. A local school administrative unit shall receive funds for a maximum of four percent (4%) of its 2010-2011 allocated average daily membership, regardless of the number of children identified as academically or intellectually gifted in the unit. 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.

STATE FISCAL STABILIZATION FUND APPROPRIATION

SECTION 7.3. In order to ensure compliance with the requirements of Title XIV of the American Recovery and Reinvestment Act of 2009 and notwithstanding any other provision of law, the Office of State Budget and Management shall adjust the State Fiscal Stabilization Fund appropriation amounts, including any associated budget reductions, between the State Public School Fund and The University of North Carolina budget to align with the requirements of the North Carolina State Fiscal Stabilization Fund application as amended for 2010-2011. If associated budget reductions are required within the State Public School Fund, the Office of State Budget and Management shall first adjust the Career Technical Education – Months of Employment allotment prior to adjusting any other allotments within the State Public School Fund.

NORTH CAROLINA VIRTUAL PUBLIC SCHOOLS ALLOTMENT FORMULA

SECTION 7.4.(a) The State Board of Education shall implement an allotment formula for the North Carolina Virtual Public Schools (NCVPS) beginning with the 2010-2011 school year. In accordance with Section 7.16 of S.L. 2006-66, the allotment formula shall create a sustainable source of funding that increases commensurate with student enrollment and recognizes "the extent to which projected enrollment in e-learning courses affects funding required for other allotments that are based on ADM."

SECTION 7.4.(b) The State Board shall use only funds provided through the North Carolina Virtual Public Schools Allotment Formula to fund NCVPS.

SECTION 7.4.(c) The Department of Public Instruction shall take the following steps to implement the North Carolina Virtual Public Schools Allotment Formula:

(1) Project the unduplicated NCVPS enrollment for each local school administrative unit and for each grade level.

(2) Divide the projected unduplicated NCVPS enrollment for each unit by six in order to calculate its ADM-equivalent student enrollment in NCVPS.

(3) Reduce the unit's ADM allotments by seventy-five percent (75%) of its ADM-equivalent student enrollment in NCVPS.

(4) Transfer a dollar amount equal to seventy-five percent (75%) of the unit's ADM-equivalent student enrollment to NCVPS.

NCVPS shall use the funds transferred to it to provide the NCVPS program at no cost to all high school students in North Carolina who are enrolled in North Carolina's public schools, Department of Defense schools, and schools operated by the Bureau of Indian Affairs.

SECTION 7.4.(d) NCVPS shall provide only high school courses.

SECTION 7.4.(e) The Director of NCVPS shall continue to ensure that course quality standards are established and met and that all e-learning opportunities offered by State-funded entities to public school students are consolidated under the North Carolina Virtual Public School program, eliminating course duplication.

MORE AT FOUR PROGRAM

SECTION 7.5.(a) The Department of Public Instruction shall continue the implementation of the More at Four prekindergarten program for four-year-olds who are at risk for school failure in all counties. The State prekindergarten program shall serve children who reach the age of four on or before August 31 of that school year and who meet eligibility criteria that indicate a child's risk for school failure. Prekindergarten classrooms shall be operated in public schools, Head Start programs, and licensed child care facilities that choose to participate under procedures defined by the Office of Early Learning within the Department of Public Instruction. All such classrooms shall be subject to the supervision of the Office of Early Learning and shall be operated in accordance with standards adopted by the State Board of Education.

SECTION 7.5.(b) The Office of Early Learning shall specify program standards and requirements addressing:

(1) Early learning standards and curricula;
(2) Teacher education and specialized training;
(3) Teacher in-service training and professional development;
(4) Maximum class size;
(5) Staff-child ratio;
(6) Screenings, referrals, and support services;
(7) Meals; and
(8) Monitoring of sites to demonstrate adherence to State programs standards.

SECTION 7.5.(c) The State Board of Education shall submit an annual report no later than March 15 of each year to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Education Oversight Committee, the Senate Appropriations Committee on Education, the House of Representatives Appropriations Subcommittee on Education, the Office of State Budget and Management, and the Fiscal Research Division. The report shall include the following:

(1) The number of children participating in State prekindergarten.
(2) The number of children participating in State prekindergarten 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 State prekindergarten expenditures for the programs and the source of the local contributions.
(4) The results of an annual evaluation of the program.

SECTION 7.5.(d) The Office of Early Learning shall establish income eligibility requirements for the program not to exceed seventy-five percent (75%) of the State median income. Up to twenty percent (20%) of children enrolled may have family incomes in excess of seventy-five percent (75%) of median income if they have other designated risk factors. Furthermore, any age-eligible child of (i) an active duty member of the armed forces of the United States, including the North Carolina National Guard, State military forces, or a reserve component of the armed forces who is ordered to active duty by the proper authority within the last 18 months or expected to be ordered within the next 18 months or (ii) a member of the armed forces of the United States, including the North Carolina National Guard, State military forces, or a reserve component of the armed forces, who was injured or killed while serving on active duty, shall be eligible for the program.

SECTION 7.5.(e) The More at Four program funding shall not supplant any funding for classrooms serving four-year-olds as of the 2005-2006 fiscal year. Support of existing four-year-old classrooms with More at Four program funding shall be permitted when current funding is eliminated, reduced, or redirected as required to meet other specified federal or State mandates.

SECTION 7.5.(f) The Office of Early Learning shall develop a new More at Four funding model to be implemented in the 2010-2011 fiscal year. The per-child funding rates shall be based on participating provider cost structures and shall require a contribution of local resources to support the full cost of providing high quality prekindergarten. The Office of Early Learning shall implement an administrative cap on More at Four program funding and shall establish parameters for allowable administrative costs.

SECTION 7.5.(g) The Office of Early Learning shall contract with an independent research organization not affiliated with the Department of Health and Human Services, the Department of Public Instruction, the Office of the Governor, or any entity currently funded by or affiliated with the Department of Health and Human Services, the Department of Public Instruction, or the Office of the Governor to produce an annual report to include longitudinal review of the More at Four program and academic, behavioral, and other child-specific outcomes. The review shall include a quasi-experimental research design of a representative sample of children who complete the More at Four program every year and shall report on their sustained progress until the end of grade 9. The review shall also study a representative sample of children who do not enter the More at Four program but who are of the same grade level and demographic as those who complete the program, and their sustained progress shall also be reviewed until the end of grade 9. The review shall be presented to the Joint Legislative Oversight Committee on Education by January 31 of every year.

LEADERSHIP ACADEMY

SECTION 7.6. Of the funds appropriated in this act to the Department of Public Instruction for the 2010-2011 fiscal year, up to two hundred thousand dollars ($200,000) may be used to support a Leadership Academy that provides professional development to superintendents enabling them to train principals to address critical areas such as student achievement and teacher recruitment and retention.

DEPARTMENT OF PUBLIC INSTRUCTION

SECTION 7.7.(a) The Department of Public Instruction is not required to eliminate receipt-supported positions for the 2010-2011 fiscal year.

SECTION 7.7.(b) The Department of Public Instruction shall review expenditures of federal funds for personnel and contracts at the State level. Unless the expenditure is a condition of receiving the funds, the Department shall reallocate the funds to local school administrative units whenever possible.

The Department shall report on the reallocation of these funds to local school administrative units, to the Office of the Governor, the chairs of the House of Representatives Committee on Appropriations and the House of Representatives Appropriations Subcommittee on Education, the chairs of the Senate Committee on Appropriations/Base Budget and the Senate Appropriations Committee on Education/Higher Education, and the Office of State Budget and Management no later than January 15, 2011.

CAREER AND COLLEGE – READY, SET, GO!

SECTION 7.8.(a) The State Board of Education shall work with all member institutions of the Education Cabinet and the Joint Governing Boards to focus funding and program priorities to ensure that all North Carolina students graduate prepared to successfully pursue a career or further education. Each Education Cabinet Institution shall prioritize the Governor's Ready, Set, Go! initiative and ensure that all students PK-20:

(1) Are prepared to be successful in school and can successfully progress through PK-20 education. This includes, but is not limited to:

a. Establishment of the Governor's Child Advocacy Council to increase ways for all children to come to school healthy and ready to learn;

b. Investment in early child development programs like Smart Start and More at Four;
c. Investment in smaller class sizes in K-3;
d. Implementation of student diagnostics in grades K-3 and 5 to ensure that all students at a minimum possess grade-level reading, writing, and math skills;
e. Implementation of student diagnostics for career and college readiness in grades 8 and 11 so students graduate prepared for work, college, or technical training; and
f. Implementation of the Student Learning Conditions Survey for grades 7, 9, and 11 that is aligned with the Teacher Working Conditions Survey.

(2) Receive clear standards and high expectations, and benefit from the best teachers and principals that can most effectively help students reach those standards. This includes, but is not limited to:
a. Adoption of the State-led National Common Standards, including Career and College Ready Skills and assessments that prepare students for the global economy;
b. Evaluation of Teacher Preparation programs to identify best practices and programs that produce effective teachers;
c. Increased access to virtual learning opportunities for students and teachers like those provided through the NC Virtual Public School;
d. Increased access to Science, Technology, Engineering and Mathematics (STEM) opportunities;
e. Development of leadership academies that recruit and prepare effective principals;
f. Development of a PK-20 data system to provide comprehensive information on students;
g. Reduction and eventual elimination of low-performing status in North Carolina schools; and
h. Job-imbedded professional development for teachers and principals.

(3) Fully understand and complete the prerequisites for the career, certification, or degree of choice that promotes workforce success. This includes, but is not limited to:
a. Development of academic boot camps for high school students who need additional support in reading, composition, and math;
b. Consolidation of high school transition courses to provide high school students with more college level or career and technical courses;
c. Increased access to virtual college level and specific career and technical courses for high school students;
d. Alignment between high school and college curricula so that all students are prepared for higher education work; and
e. Implementation of NCSuccess, a program designed to increase the number of certificates and associate or bachelor's degrees in higher education.

SECTION 7.8.(b) The Education Cabinet shall report by January 15, 2011, to the Office of the Governor, the Joint Governing Boards, and the Joint Education Oversight Committee on its progress toward reaching the Governor's goal that every North Carolina student will graduate ready to be successful in a career, a 2- or 4-year college, or technical training.

SCHOOL CONNECTIVITY INITIATIVE

SECTION 7.9. Section 7.12.(a) of S.L. 2009-451, as rewritten by Section 3E of S.L. 2009-575, is repealed.

SCHOOL CALENDAR PILOT PROGRAM

SECTION 7.10. Section 7.40 of S.L. 2009-451 reads as rewritten:

"**SECTION 7.40.** The State Board of Education shall establish a school calendar pilot program in the Wilkes County Schools. The purpose of the pilot program is to determine whether and to what extent a local school administrative unit can save money during this extreme fiscal crisis by consolidating the school calendar.

Notwithstanding G.S. 115C-84.2(a)(1), the school calendar for the 2009-2010 ~~calendar year~~and the 2010-2011 calendar years for the Wilkes County Schools shall include a minimum of 180 days or 1,000 hours of instruction covering at least nine calendar months. Notwithstanding G.S. 115C-84.2(d), the opening date for students shall not be before August 24.

If the Wilkes County Board of Education adds instructional hours to previously scheduled days under this section, the local school administrative unit is deemed to have a minimum of 180 days of instruction and teachers employed for a 10-month term are deemed to have been employed for the days being made up and shall be compensated as if they had worked the days being made up.

The State Board of Education shall report to the Joint Legislative Education Oversight Committee by March 15, ~~2010,~~2011, on the administration of the pilot program, cost-savings realized by it, and its impact on student achievement."

NATIONAL BOARD FOR PROFESSIONAL TEACHING STANDARDS (NBPTS) FUNDS

SECTION 7.11.(a) G.S. 115C-296.2(d1) reads as rewritten:

"(d1) Repayment of the Application Fee. – A teacher shall repay the application fee to the State Education Assistance Authority within three years. The State Education Assistance Authority may forgive the loan upon the death or permanent disability of the teacher.

All funds appropriated to, or otherwise received by, the Authority to provide loans to teachers pursuant to this section, all funds received as repayment of loans, and all interest earned on these funds shall be placed in a trust fund. This fund shall be used only for loans made pursuant to this section and administrative costs of the Authority."

SECTION 7.11.(b) The State Board of Education shall transfer funds in the amount of three million two hundred seventy-four thousand five hundred dollars ($3,274,500) from the State Public School Fund to the State Education Assistance Authority for the 2010-2011 fiscal year for NBPTS loans. It is the intent of the General Assembly that these funds are included in the certified budget for the State Education Assistance Authority for the 2011-2012 fiscal year and subsequent fiscal years.

DRIVER EDUCATION

SECTION 7.12. The Highway Safety Research Center Institute of the University of North Carolina at Chapel Hill shall work in collaboration with the Department of Public Instruction and the Governor's Highway Safety Commission to create a standard curriculum to be used for the Driver Education Program in the Department of Public Instruction. The curriculum shall be ready for use in the school year beginning in the fall of 2011 and shall be used for all driver education programs funded with State funds.

PROTECTION OF THE CLASSROOM WHILE MAXIMIZING FLEXIBILITY

SECTION 7.13.(a) Section 7.8 of S.L. 2009-451 reads as rewritten:

"**SECTION 7.8.(a)** The State Board of Education is authorized to adopt emergency rules in accordance with G.S. 150B-21.1A to grant maximum flexibility to local school administrative units regarding the expenditure of State funds. These rules shall not be subject to the limitations on transfers of funds between funding allotment categories set out in G.S. 115C-105.25. These rules:

(1) Shall authorize the transfer of textbook funds to other allotments to manage funding cuts; and

(2) Shall not permit the transfer of funds from school-based positions to the central office.

"**SECTION 7.8.(b)** ~~For fiscal years 2009-2010 and 2010-2011,~~ For the 2010-2011 fiscal year, local school administrative units shall ~~make every effort to~~ reduce spending whenever and wherever such budget reductions are appropriate ~~with the goal of~~ to ~~protecting~~ protect direct classroom ~~services~~ services. ~~and services for students at risk and children with special needs.~~ Local school administrative units shall implement administrative and other operating efficiencies prior to ~~and minimize~~ the dismissal of classroom-based ~~personnel~~ personnel. Local school administrative units shall maximize federal ~~by maximizing~~ funds received ~~from the~~ including American Recovery and Reinvestment Act of 2009 (ARRA), P.L. 111-5; Keep Our Educators Working Act or any other federal act that provides funding that can be expended on positions; Individuals with Disabilities Act (IDEA); Title I; and Title II funds. Local school administrative units are encouraged to designate all Title I-eligible schools and must maximize attrition prior to the dismissal of classroom-based personnel. Notwithstanding G.S. 115C-301 or any other law, local school administrative units shall have the maximum flexibility to use allotted teacher positions to maximize student achievement in grades 4-12. Allocation of teachers and class size requirements in grades K-3 shall remain unchanged.

"**SECTION 7.8.(c)** Within 14 days of the date this act becomes law, the State Board of Education shall notify each local school administrative unit and charter school of the amount the unit must reduce from the State General Fund appropriations. The State Board shall determine the amount of the reduction for each unit on the basis of average daily membership.

"**SECTION 7.8.(d)** Each unit shall report to the State Board of Education, the Office of State Budget and Management, and the Department of Public Instruction on the flexibility budget reductions it has identified for the unit, including an explanation of how administrative efficiencies, federal funds, and attrition have been maximized prior to the dismissal of classroom-based personnel, within 30 days of the date this act becomes law."

SECTION 7.13.(b) For fiscal year 2010-2011, local boards of education may also implement furloughs in accordance with Section 29.1 of this act to manage funding amounts.

PROBATIONARY TEACHERS

SECTION 7.14.(a) G.S. 115C-325(c)(5) reads as rewritten:

"(5) Consecutive Years of Service. – If a probationary teacher in a full-time permanent position does not work for at least 120 workdays in a school year because the teacher is on sick leave, disability leave, or both, that school year shall not be deemed to constitute (i) a consecutive year of service for the teacher or (ii) a break in the continuity in consecutive years of service for the teacher.

If a probationary teacher in a full-time permanent position resigns or is not renewed because of a reduction in force and is subsequently rehired by the same school system within three years, there shall be deemed to be no break in the continuity in consecutive years of service for such teacher up to a maximum of three consecutive years towards career status. If, at the time the teacher resigns or is not renewed because of a reduction in force, the teacher had been employed by a school system for four consecutive years

pursuant to G.S. 115C-325(c)(1), or one year pursuant to G.S. 115C-325(c)(2), and the board subsequently rehires such teacher within three years, the board may grant career status immediately upon reemploying the teacher, or vote on the teacher's career status pursuant to G.S. 115C-325(c)(1) or (c)(2) after one additional year of employment."

SECTION 7.14.(b) This act is effective when it becomes law and applies to probationary teacher employed by a local school administrative unit in a full-time permanent position for the 2010-2011 school year.

PART VIII COMMUNITY COLLEGES

CARRYFORWARD OF COLLEGE INFORMATION SYSTEM FUNDS

SECTION 8.1.(a) Of the funds appropriated to the Community Colleges System Office for the 2009-2011 fiscal biennium for the College Information System, up to one million two hundred fifty thousand dollars ($1,250,000) shall not revert at the end of each fiscal year but shall remain available until expended. These funds may only be used to purchase periodic system upgrades.

SECTION 8.1.(b) This section becomes effective June 30, 2010.

STATE AID BUDGET FLEXIBILITY

SECTION 8.2. G.S. 115D-31 is amended by adding a new subsection to read:

"(b1) A local community college may use all State funds allocated to it, except for Literacy funds and Customized Training funds, 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."

TUITION FOR PRISON INMATES

SECTION 8.3.(a) Funds are appropriated to the Department of Correction in Section 2.1 of this act to provide courses for inmates in State prisons. These funds shall be used only for courses that are known to reduce recidivism.

Courses provided in federal prisons or local jails shall be offered on a self-supporting basis.

SECTION 8.3.(b) The Department of Correction and the Community Colleges System Office shall report to the 2011 General Assembly on:

(1) The implementation of the new funding structure and requirements.

(2) Strategies for implementing their recommendations to:

a. Enhance measurable goals, objectives, and outcomes.

b. Enhance and standardize data collection.

c. Strengthen the continuum of programming from entry to exit, based on assessment of skills and needs.

d. Give individuals the opportunity to use specific skills through work assignments that meet system needs.

e. Tailor programs to specific inmate needs.

f. Increase Cognitive Behavioral Interventions (CBI) courses.

g. Develop an offender-specific human resources development course.

h. Explore additional funding sources.

i. Explore federal grant for wiring courses.

(3) Strategies for reasonably limiting the number of courses an individual takes while in prison.

SECTION 8.3.(c) The Office of State Budget and Management shall transfer sufficient funds from the Department of Correction to the Community Colleges System Office to pay for inmates' tuition for the Fall 2010 semester.

TUITION WAIVERS

SECTION 8.4.(a) G.S. 115D-5(b) reads as rewritten:

"(b) In order to make instruction as accessible as possible to all citizens, the teaching of curricular courses and of noncurricular extension courses at convenient locations away from institution campuses as well as on campuses is authorized and shall be encouraged. A pro rata portion of the established regular tuition rate charged a full-time student shall be charged a part-time student taking any curriculum course. In lieu of any tuition charge, the State Board of Community Colleges shall establish a uniform registration fee, or a schedule of uniform registration fees, to be charged students enrolling in extension courses for which instruction is financed primarily from State ~~funds; provided, however, that the~~ funds. The State Board of Community Colleges may provide by general and uniform regulations for waiver of tuition and registration fees ~~for persons~~for:

(1) Persons not enrolled in elementary or secondary schools taking courses leading to a high school diploma or equivalent ~~certificate, for training~~ certificate;

(2) Training courses for (i) volunteer firemen, (ii) local fire department personnel, (iii) volunteer rescue and lifesaving department personnel, (iv) local rescue and lifesaving department personnel, (v) Radio Emergency Associated Citizens Team (REACT) members when the REACT team is under contract to a county as an emergency response agency, ~~local~~ (vi) municipal, county, State, or federal law-enforcement officers, provided that the permanent duty station of the officers is within North Carolina, ~~patients in State alcoholic rehabilitation centers,~~ (vii) all full-time custodial employees of the Department of Correction, and (viii) employees of the Department's Division of Community Corrections and employees of the Department of Juvenile Justice and Delinquency Prevention required to be certified under Chapter 17C of the General Statutes and the rules of the Criminal Justice and Training Standards ~~Commission,~~Commission;

(3) Patients in State alcoholic rehabilitation centers;~~trainees~~

(4) Trainees enrolled in courses conducted under the ~~New and Expanding Industry Program, clients~~ Customized Training Program;

(5) Clients of sheltered ~~workshops, clients~~workshops;

(6) Clients of adult developmental activity ~~programs, students~~programs;

(7) Students in Health and Human Services Development ~~Programs, juveniles~~Programs;

(8) Juveniles of any age committed to the Department of Juvenile Justice and Delinquency Prevention by a court of competent ~~jurisdiction, members~~jurisdiction;

(9) Members of the North Carolina State Defense Militia as defined in G.S. 127A-5 and as administered under Article 5 of Chapter 127A of the General ~~Statutes, and elementary~~ Statutes;

(10) Elementary and secondary school employees enrolled in courses in first aid or cardiopulmonary resuscitation ~~(CPR). Provided further, tuition shall be waived for up~~ (CPR);

(11) Up to six hours of credit instruction and ~~96 contact hours~~ one course of noncredit instruction per academic semester for senior citizens age 65 or

older who are qualified as legal residents of North ~~Carolina. Provided further, tuition shall also be waived for all~~ Carolina;

(12) All courses taken by high school students at community colleges, including students in early college and middle college high school programs, in accordance with G.S. 115D-20(4) and this ~~section."~~section; and

(13) Human resources development courses for any individual who (i) is unemployed; (ii) has received notification of a pending layoff; (iii) is working and is eligible for the Federal Earned Income Tax Credit (FEITC); or (iv) is working and earning wages at or below two hundred percent (200%) of the federal poverty guidelines."

SECTION 8.4.(b) The Community Colleges System Office shall report to the 2011 General Assembly on the number and cost of courses taken by State law enforcement officers and of courses taken by local law enforcement officers.

SECTION 8.4.(c) The Community Colleges System Office shall make a comprehensive study of the currently authorized tuition waivers and shall report to the 2011 General Assembly on waivers that should be modified or abolished because they are not being used or for other reasons.

COMMUNITY COLLEGE FINANCIAL AID LOANS

SECTION 8.5.(a) The State Board of Community Colleges shall permanently realign its funding formula by increasing the amount allocated in the funding formula for students' services by fifty million dollars ($50,000,000) and by reducing the amount in the funding formula for curriculum and continuing education instruction by a commensurate amount. The revised formula shall ensure that community colleges have the adequate funds and resources necessary to administer and provide financial aid services to students.

SECTION 8.5.(b) G.S. 115D-40.1 reads as rewritten:

"**§ 115D-40.1. Financial Assistance for Community College Students.**

(a) Need-Based Assistance Program. – It is the intent of the General Assembly that the Community College System make these financial aid funds available to the neediest students who are not eligible for other financial aid programs that fully cover the required educational expenses of these students. The State Board may use some of these funds as short-term loans to students who anticipate receiving the federal HOPE or Lifetime Learning Tax Credits.

(b) Targeted Assistance. – Notwithstanding subsection (a) of this section, the State Board may allocate no more than ten percent (10%) of the funds appropriated for Financial Assistance for Community College Students to:

(1) Students who do not qualify for need-based assistance but who enroll in low-enrollment programs that prepare students for high-demand occupations, and

(2) Students with disabilities who have been referred by the Division of Vocational Rehabilitation and are enrolled in a community college.

(c) Administration of Program. – The State Board shall adopt rules and policies for the disbursement of the financial assistance provided in subsections (a) and (b) of this section. Degree, diploma, and certificate students must complete a Free Application for Federal Student Aid (FAFSA) to be eligible for financial assistance. The State Board may contract with the State Education Assistance Authority for administration of these financial assistance funds. These funds shall not revert at the end of each fiscal year but shall remain available until expended for need-based financial assistance. The

~~The State Board shall ensure that at least one counselor is available at each college to inform students about federal programs and funds available to assist community college students including, but not limited to, Pell Grants and HOPE and Lifetime Learning Tax Credits and to actively encourage students to utilize these federal programs and funds. The~~

interest earned on the funds provided in subsections (a) and (b) of this section may be used to support the costs of administering the Community College Grant Program.

(d) Participation in Federal Loan Programs. – All community colleges shall participate in the William D. Ford Federal Direct Loan Program. The State Board shall ensure that at least one counselor is available at each college to inform students about federal programs and funds available to assist community college students, including, but not limited to, Pell Grants, HOPE and Lifetime Learning Tax Credits, and the William D. Ford Federal Direct Loan Program, and to actively encourage students to utilize these federal programs and funds."

SECTION 8.5.(c) Subsection (b) of this section becomes effective July 1, 2011. The remainder of this section becomes effective July 1, 2010.

TUITION REFUNDS

SECTION 8.6.(a) A refund of community college tuition shall not be made except under the following circumstances:

(1) A one hundred percent (100%) refund shall be made if the student officially withdraws prior to the first day of class of the academic semester or term as noted in the college calendar. Also, a student is eligible for a 100 percent refund if the class in which the student is officially registered is cancelled due to insufficient enrollment.

(2) A seventy-five percent (75%) refund shall be made if the student officially withdraws from the class prior to or on the official ten percent (10%) point of the semester.

(3) For classes beginning at times other than the first week (seven calendar days) of a semester a one hundred percent (100%) refund shall be made if the student officially withdraws from the class prior to the first class meeting. A seventy-five percent (75%) refund shall be made if the student officially withdraws from the class prior to or on the ten percent (10%) point of the class.

(4) A one hundred percent (100%) refund shall be made if the student officially withdraws from a contact hour class prior to the first day of class of the academic semester or term or if the college cancels the class. A seventy-five percent (75%) shall be made if the student officially withdraws from a contact hour class on or before the tenth calendar day of the class.

SECTION 8.6.(b) To comply with applicable federal regulations regarding refunds, federal regulations supersede the provisions of this section.

SECTION 8.6.(c) Where a student, having paid the required tuition for a semester, dies during that semester (prior to or on the last day of examinations of the college the student was attending), all tuition and fees for that semester may be refunded to the estate of the deceased.

SECTION 8.6.(d) Community colleges shall adopt local refund policies for classes for which they collect receipts which are not required to be deposited into the State Treasury account.

MANAGEMENT FLEXIBILITY REDUCTION/COMMUNITY COLLEGES

SECTION 8.7. Section 8.24 of S.L. 2009-451 reads as rewritten:

"**SECTION 8.24.** The management flexibility reduction for the North Carolina Community College System shall be allocated by the State Board of Community Colleges in a manner that accounts for the unique needs of each college and provides for the equitable distribution of funds to the institutions consistent with G.S. 115D-5(a). Before taking reductions to instructional budgets, the community colleges shall consider reducing budgets for senior and middle management personnel and for programs that have both low-enrollment and

low-postgraduate success. Colleges shall minimize the impact on student support services and on the retraining of dislocated workers. Colleges shall not reduce funding for the Small Business Centers. The community colleges shall also review their institutional funds to determine whether there are monies available in those funds that can be used to assist with operating costs before taking reductions in instructional budgets."

PART IX. UNIVERSITIES

REPEAL ESCHEAT FUND APPROPRIATION FOR MILLENNIUM TEACHING SCHOLARSHIP LOAN PROGRAM

SECTION 9.1. Section 9.1.(c) of S.L. 2009-451 is repealed.

STUDY FINANCIAL AID CONSOLIDATION

SECTION 9.2.(a) The State Education Assistance Authority, The University of North Carolina, the North Carolina Community College System, and the Fiscal Research Division of the General Assembly shall establish a work group to study jointly the simplification and consolidation of State-funded financial aid for students. North Carolina Independent Colleges and Universities, Inc., shall also be included as a joint member of the work group if it chooses to participate in the study. The State Education Assistance Authority shall be the lead agency for the work group and study.

SECTION 9.2.(b) The purpose of the study is to develop recommendations and options for simplifying and consolidating the delivery of, administration of, and access to State-funded financial aid for students. In conducting the study, the work group shall consider the State's current student financial aid programs and how to consolidate those programs into two categories of State-funded student aid programs: one program that consolidates the State's major need-based programs and one program that consolidates many of the State's scholarship and forgivable loan programs currently available to students who plan to earn degrees and pursue careers in certain professional areas. More specifically the work group shall do the following:

(1) Design a unified need-based financial aid program that combines at a minimum the following three programs into a single need-based financial aid program: The University of North Carolina Need-Based Grant program, the North Carolina Community College Grant program, and the North Carolina Education Lottery Scholarship program established under Article 35A of Chapter 115C of the General Statutes. Currently each of these programs has its own award criteria, formulas, target populations, and funding sources (Escheat Fund, General Fund, and Lottery Funds). As part of its study, the work group shall determine what the appropriate parameters may be for such a unified program by using models that take into account income, expected family contribution, college expenses, type of college attended, and any other factors the work group deems relevant. In designing the program, the work group shall address the issue of proportionality of funding and shall take into account all of the following in its consideration of that issue: the proportionality of funding that currently exists among The University of North Carolina, the North Carolina Community College System, and the North Carolina private colleges and universities; funding sources; accounting for student enrollment change; monetary differences between certain categories of students and whether based on those monetary differences student financial aid should be based on cost of attendance or tuition and fees. The work group may also consider whether it is appropriate to redefine "need" for purposes of student financial aid and to develop a

common formula for the distribution of financial aid and the consequences of any proposed modifications if the decision is made to redefine "need" and develop a common formula. The program shall be designed to: (i) distribute funds in a manner that is consistent with legislative intent, but more easily understood by potential students, and (ii) retain the ability to track lottery funds.

(2) Design a "forgivable loans for service" program that combines at a minimum the following existing programs into one consolidated program that focuses on loans for services: the Nurse Educators of Tomorrow; Nurse Scholars Program; Nurse Education Scholarship Loan Program; Board of Governors Medical Scholarship Loans; Board of Governors Dental Scholarship Loans; Health, Science and Mathematics Student Loan Program; Prospective Teacher Scholarship Loan Program; and the Teacher Assistant Scholarship Program. This single consolidated program shall initially focus on two high area needs: teaching and health professions (including nursing, allied health and medical, dental, and pharmacy careers). In designing this program, the work group may consider the current allocation of funds among the various scholarship and forgivable loan programs, whether it would be appropriate to allow the reallocation and award of funds not distributed as forgivable loans in a specific service area to be awarded as forgivable loans in a different service area, and, if so, what procedure and methodology would be appropriate to trigger the reallocation of funds and provide for the distribution of those funds as awards in a different service area.

SECTION 9.2.(c) In addition to the considerations set out in subsection (b) of this section, the work group shall also consider all of the following:

(1) The time period required to phase out student loans from any of the programs affected by the program consolidation.

(2) How federal funding may affect student financial aid services.

(3) How to deal with current recipients of funds from programs affected by the consolidation.

(4) How to deal with recipients who are paying back loans made through programs affected by the consolidation.

(5) Whether the State Education Assistance Authority should be authorized to extend the repayment period for forgivable loans in hardship circumstances when a good faith effort has been made to repay the loan in a timely manner, and if so, what the appropriate procedure may be for making that determination and extending the repayment period.

(6) Whether there are, and if so how to address, any significant abuses of the financial aid system, particularly by persons who intentionally apply for and receive financial aid but who intend to drop out of school after securing financial aid funds.

(7) Any other issues the work group deems relevant to this study.

SECTION 9.2.(d) The work group shall present its proposed program designs and report its findings and recommendations to the Joint Select Committee on State Funded Student Financial Aid by October 1, 2010. In its report the work group shall also identify options that may vary from the proposed program designs but that are alternatives that the work group determines may also be workable and consistent with the legislative intent of this study. The work group shall also include in the report any legislative changes that may be needed to implement the program designs and work group recommendations.

COORDINATE THE REPORT DUE DATES FOR VARIOUS TEACHER EDUCATION REPORTS

SECTION 9.3.(a) G.S. 116-11 is amended by adding a new subdivision to read:

"(12d) The Board of Governors shall provide a comprehensive annual report on teacher education efforts at The University of North Carolina. The report shall include information about teacher education and recruitment, 2+2 initiatives, distance education programs focused on teacher education, and professional development programs for teachers and school administrators. The teacher education report shall be due on April 15 of each year to the Joint Legislative Education Oversight Committee and the State Board of Education."

SECTION 9.3.(b) G.S. 116-74.21(c) reads as rewritten:

"(c) The Board of Governors shall study the issue of supply and demand of school administrators to determine the number of school administrators to be trained in the programs in each year of the biennium and report the results of this study to the Joint Legislative Education Oversight Committee no later than ~~March 1~~April 15 annually."

SECTION 9.3.(c) Section 9.7(c) of S.L. 2008-107 reads as rewritten:

"**SECTION 9.7.(c)** The University of North Carolina and Community Colleges System Office shall report by ~~September 1, 2008,~~ April 15, 2011, and annually thereafter, to the Joint Legislative Education Oversight ~~Commission,~~ Committee, the State Board of Education, the Office of State Budget and Management, and the Fiscal Research Division of the General Assembly on the implementation of the UNC-NCCCS 2+2 E-Learning Initiative. This report shall include:

(1) The courses and programs within the 2+2 E-Learning Initiative;

(2) The total number of prospective teachers that have taken or are taking part in this initiative to date broken down by the current academic period and each of the previous academic periods since the program's inception;

(3) The total number of teachers currently in the State's classrooms, by local school administrative unit, who have taken part in this initiative;

(4) The change in the number of teachers available to schools since the program's inception;

(5) The qualitative data from students, teachers, local school administrative unit personnel, university personnel, and community college personnel as to the impact of this initiative on our State's teaching pool; and

(6) An explanation of the expenditures and collaborative programs between the North Carolina Community College System and The University of North Carolina, including recommendations for improvement."

SECTION 9.3.(d) Section 9.3(c) of S.L. 2005-276 reads as rewritten:

"**SECTION 9.3.(c)** These results shall be reported by ~~September 1, 2006,~~ April 15, 2011, and annually thereafter to the State Board of Education, the Board of Governors of The University of North Carolina, the State Board of Community Colleges, the Education Cabinet, the Joint Legislative Education Oversight ~~Commission,~~ Committee, and the Office of State Budget and Management."

SECTION 9.3.(e) Section 9.9 of S.L. 2002-126 reads as rewritten:

"**SECTION 9.9.** The Board of Governors of The University of North Carolina may allow Elizabeth City State University, the University of North Carolina at Pembroke, and Western Carolina University each to allocate up to one hundred seventy-eight thousand three hundred eighty dollars ($178,380) of the funds allocated to them for focused enrollment growth for a maximum of 20 Prospective Teacher Scholars. These funds may be used to recruit new nonresident students to enter into agreements to: (i) pursue a full-time course of study that will lead to teacher certification in North Carolina and (ii) teach in a North Carolina public school

or a school operated by the United States government in North Carolina for one year for each year that they receive this benefit. The Board of Governors shall establish guidelines and regulations for this pilot program, including methodology for determining its success in increasing the supply of qualified teachers for North Carolina public schools. The Board shall report its guidelines and regulations to guide these pilot programs to the Joint Legislative Education Oversight Committee by ~~November 15, 2002.~~ April 15, 2011. The Board shall report annually to the Committee on the progress of the pilot programs and their costs."

ELIMINATE BIENNIAL DISTANCE EDUCATION REPORTS

SECTION 9.4. Section 11.7 of S.L. 1998-212 reads as rewritten:

"Section 11.7. This act provides funding to The University of North Carolina Board of Governors for degree-related courses provided away from the campus sites of the constituent institutions of The University of North Carolina. The intent of this commitment is to provide expanded opportunities for higher education to more North Carolina residents, including nontraditional students, and to increase the number of North Carolina residents who earn post-secondary degrees.

These funds shall be used for the provision of off-campus higher education programs, including the costs for the development or adaptation of programs for this purpose, and the funds may be used for the costs of providing space and services at the off-campus sites.

Prior to approving funding for off-campus programs in nursing, the Board shall consult with the central office of the Area Health Education Centers (AHEC) to obtain information about regional needs and priorities and to coordinate funding with AHEC efforts in nursing education.

The Board of Governors shall track these funds separately in order to provide data on the costs of providing these programs, including the different costs for various methods of delivery of educational programs. The Board of Governors shall provide for evaluation of these off-campus programs, including comparisons to the costs and quality of on-campus delivery of similar programs, as well as the impact on access to higher education and the educational attainment levels of North Carolina residents. ~~The Board shall provide a preliminary report to the General Assembly by May 1, 2000, and subsequent evaluations, including recommendations for changes, shall be made at least biennially to the Joint Legislative Education Oversight Committee.~~"

REPEAL DUPLICATE STUDY/STATE-FUNDED STUDENT FINANCIAL AID

SECTION 9.5. Section 9.24 of S.L. 2009-451 is repealed.

PERMANENT TRANSFER OF FUNDING TO ROANOKE ISLAND COMMISSION FOR PERFORMING ARTS

SECTION 9.6. Section 9.4 of S.L. 2009-451 reads as rewritten:

"**SECTION 9.4.** The General Assembly finds that in order to expand opportunities for students involved in the performing arts, existing funding for the Summer Institute on Roanoke Island should not be allocated to one specific University of North Carolina institution but instead be allocated directly to the Roanoke Island Commission, so that any interested University of North Carolina institution may have the opportunity to participate in summer arts enrichment and education programs. Therefore, of the funds appropriated by this act to the Board of Governors of The University of North Carolina and allocated to the Summer Institute of the University of North Carolina School of the Arts on Roanoke Island program for the 2009-2011 fiscal biennium, the sum of four hundred sixty-one thousand six hundred forty-six dollars ($461,646) shall be transferred for the 2009-2010 fiscal year to the Roanoke Island Commission, and the ~~sum of four hundred sixty-one thousand six hundred forty-six dollars ($461,646) shall be transferred for the 2010-2011 fiscal year to the Roanoke Island~~

~~Commission.~~ recurring funds appropriated for the 2010-2011 fiscal year to the Board of Governors of The University of North Carolina and allocated to the University of North Carolina School of the Arts for the Summer Institute on Roanoke Island program shall be permanently transferred to the Department of Cultural Resources and allocated to the Roanoke Island Commission. The amount to be transferred shall be equal to the amount of the appropriation remaining after all reductions, prior to and included in the act, are incorporated. The Roanoke Island Commission may use these funds to contract with any of the constituent institutions of The University of North Carolina System to provide music and drama students an education in a professional performing environment while providing a public service to the State. Any available funds may be used to contract with community-based or nonprofit performing arts groups or other performing arts groups supported with State or local funds to provide music and drama on Roanoke Island."

REVIEW OF UNC SCIENCE, TECHNOLOGY, ENGINEERING, AND MATHEMATICS (STEM) PROGRAMS

SECTION 9.7.(a) In order to assess the effectiveness of the science, technology, engineering, and mathematics (STEM) programs administered by The University of North Carolina, General Administration shall compile a comprehensive list of the programs within The University System whose primary objective is to provide community outreach in the form of either (i) teacher professional development programs to strengthen the quality of science or mathematics instruction in the public schools; or (ii) K-12 student enrichment programs in the areas of science, technology, engineering, or mathematics. The University of North Carolina General Administration shall submit the list of STEM programs compiled pursuant to this subsection to the Office of State Budget and Management and the Fiscal Research Division by February 15, 2011.

At a minimum, all of the following programs shall be included in the list:

(1) Pre-College and Teacher Professional Development programs administered through the North Carolina Mathematics and Science Education Network (NC-MSEN).

(2) Summer Ventures Program.

(3) North Carolina Central University Center for Science, Math and Technology Education.

(4) Fayetteville State University CHEER Summer Bridges.

(5) NCSTEM Community Collaborative.

SECTION 9.7.(b) The University of North Carolina General Administration shall conduct a review of each of the programs identified pursuant to subsection (a) of this section and shall report the results to the Office of State Budget and Management and the Fiscal Research Division no later than September 30, 2011, to assist with future funding decisions. The report shall contain the following information for each program:

(1) A description of the program mission, goals, and objectives.

(2) The statutory objectives for the program if applicable.

(3) Annual State appropriation and receipt funding for the program.

(4) Program effectiveness measures for Teacher Professional Development programs to include at a minimum:

a. A measure of teachers' classroom effectiveness in STEM areas before and after attending a university professional development program.

b. A measure of math and science educators retained as a result of attending a UNC professional development program.

(5) Program effectiveness measures for student enrichment programs to include at a minimum:

a. A measure of students' expected college and career aspirations before and after attending a STEM program.
b. A measure of students' math and science performance on standardized tests before and after attending a STEM program.
c. A measure of declared STEM majors within the UNC system who attended a UNC-sponsored STEM program.

SECTION 9.7.(c) In addition, the Department of Public Instruction shall survey math and science educators in North Carolina to identify the number of current math and science educators who attended a Pre-College or Summer Ventures program sponsored by The University of North Carolina before entering college. The survey may be conducted in cooperation with ongoing data collection efforts within The University of North Carolina System. The data shall be reported to the Office of State Budget and Management and the Fiscal Research Division by February 15, 2011.

TRANSFER OF A+ SCHOOLS FROM UNC-GREENSBORO TO DEPARTMENT OF CULTURAL RESOURCES

SECTION 9.8. The A+ Schools program is transferred from the University of North Carolina at Greensboro to the North Carolina Arts Council in the Department of Cultural Resources, as if by a Type I transfer as defined in G.S. 143A-6, with all the elements of such a transfer. The program transfer shall include the sum of fifty-eight thousand six hundred thirty-eight dollars ($58,638).

COASTAL DEMONSTRATION WIND TURBINES

SECTION 9.9. Section 9.14 of S.L. 2009-451 reads as rewritten:

"**SECTION 9.14.(a)** Of the funds received by the State and appropriated by United States Public Law 111-005, the American Recovery and Reinvestment Act of 2009, and appropriated in this act to the State Energy Office for the 2009-2010 fiscal year, the sum of three hundred thousand dollars ($300,000) in nonrecurring funds shall be allocated to The University of North Carolina to continue the coastal sounds wind energy study set forth in Section 9.12 of S.L. 2008-107. The University shall contract with a third party by October 1, 2009, to design, permit, procure, construct, establish, ~~operate, and reclaim as appropriate at the end of their economic life~~and operate up to three demonstration turbines and necessary support facilities in the sounds or off the coast of ~~North Carolina by September 1, 2010.~~North Carolina. The contract shall provide for the reclamation and decommissioning of the project at the end of its economic life. The demonstration project shall commence operations as soon as practicable, and, in any event, no later than December 31, 2011.

Any contract entered into between The University and a third party pursuant to this section shall ensure that The University is provided appropriate access to the demonstration turbines and necessary support facilities for research purposes. The actual number and placement of the wind turbines and necessary support facilities shall be determined by the coastal sounds wind energy study in coordination with participating entities. The Director of the Budget shall ensure that any available federal funds are secured by the State to construct the demonstration turbines and necessary support facilities. The University may negotiate and execute any rights-of-way, easements, leases, and any other agreements necessary to construct, establish, and operate the demonstration turbines and supporting facilities, notwithstanding any other provisions of law governing such negotiation and execution of any rights-of-way, easements, leases, or other required agreements required for the facilities authorized under this section.

...

"**SECTION 9.14.(c)** The North Carolina Utilities Commission is directed to facilitate and expedite wind energy pilot projects developed pursuant to this act that come within its jurisdiction to the extent allowed by law and consistent with State statute. A wind turbine

constructed pursuant to this section shall be exempt from the requirements of G.S. 62-110.1. For such wind turbines owned by a public utility, upon an application by the public utility seeking a rider to recover the costs of such project, the Utilities Commission shall establish an annual rider for the public utility to recover the just and reasonable costs, including the utility's cost of debt and equity, of such project upon completion. Should the project development and construction of the demonstration wind turbines be unreasonably delayed beyond the date set forth in subsection (a) of this section for reasons outside the control of the public utility, all just and reasonable costs incurred by the public utility during project development and construction shall nonetheless be recoverable through an annual rider under this subsection, provided that the public utility shall bear the burden of proving by a preponderance of the evidence that the reasons for the delay were beyond its control and its execution of the project was reasonable and prudent. Should the demonstration wind turbines be abandoned prior to completion, the capital costs and AFUDC related to the project shall nonetheless be recoverable under this Article, provided that the utility shall bear the burden of proving by a preponderance of the evidence that the decision to abandon construction of the project was prudent.

..."

COASTAL WAVE ENERGY RESEARCH AND PROTOTYPE PROJECT

SECTION 9.10.(a) In order to provide opportunities for research into tidal, wave, and other ocean-based sources of alternative energy, the University of North Carolina Coastal Studies Institute shall form a consortium with the Colleges of Engineering at North Carolina State University, North Carolina Agricultural and Technical State University, and the University of North Carolina at Charlotte to design and construct a prototype generator to capture energy of ocean waves. The generator shall be attached to or staged from an existing State-owned structure located in the ocean waters of the State and shall be used to support marine or ocean-based research collaborations involving public and private universities.

SECTION 9.10.(b) With respect to the demonstration wave energy facility and necessary support facilities authorized by subsection (a) of this section, the facilities authorized under this act shall be constructed in accordance with the provisions of general law applicable to the construction of State facilities, except that the State Property Office shall expedite and grant all easements and use agreements required for construction of the facilities without payment of any fee, royalty, or other cost. Notwithstanding any other provision of law, construction of the facilities authorized by this section shall be exempt from the following statutes and rules implementing those statutes: G.S. 143-48 through 143-64, 143-128, 143-129, 143-132, 113A-1 through 113A-10, 113A-50 through 113A-66, and 113A-116 through 113A-128. With respect to any other environmental permits required for construction of the facilities, the Department of Environment and Natural Resources is directed to expedite permitting of the project to the extent allowed by law and shall waive any application fees that would be otherwise applicable to applications for permits required for the facilities and, where possible under applicable law, issue all permits within 40 days of receipt of a complete application.

UNIVERSITY OF NORTH CAROLINA HEALTH CARE SYSTEM

SECTION 9.11. G.S. 116-37 reads as rewritten:

"**§ 116-37. University of North Carolina Health Care System.**

(a) Creation of System. –

...

(4) With respect to the provisions of subsections (d), (e), (f), (h), (i), (j), and (k) of this section, the board of directors may adopt policies that make the authorities and responsibilities established by one or more of said subsections ~~separately~~ applicable ~~either~~ to the University of North Carolina

Hospitals at Chapel ~~Hill or~~ Hill, to the clinical patient care programs of the School of Medicine of the University of North Carolina at Chapel Hill, ~~or to both.~~to both, or to other persons or entities affiliated with or under the control of the University of North Carolina Health Care System.

...

(b) Board of Directors. – There is hereby established a board of directors of the University of North Carolina Health Care System, effective November 1, 1998.

(1) The board of directors ~~initially~~ shall be composed as follows:

a. A minimum of six members ex officio of said board shall be the President of The University of North Carolina (or the President's designee); the Chief Executive Officer of the University of North Carolina Health Care System; ~~two~~ the Chancellor of the University of North Carolina at Chapel Hill and one additional administrative ~~officers~~ officer of the University of North Carolina at Chapel Hill designated by the ~~Chancellor of that institution;~~Chancellor; and two members of the faculty of the School of Medicine of the University of North Carolina at Chapel Hill designated by the Dean of the School of Medicine; provided, that if not such a member ex officio by virtue of holding one or more of the offices aforementioned, additional ex officio memberships shall be held by the President of the University of North Carolina Hospitals at Chapel ~~Hill~~ Hill, the faculty member responsible for leading the clinical patient care programs of the School of Medicine, and the Dean of the School of Medicine of the University of North Carolina at Chapel ~~Hill, for a total potential ex officio membership of eight.~~Hill.

b. No less than nine and no more than 21 members at large, which number shall be determined by the board of directors, shall be appointed for four-year terms, commencing on November 1 of the year of appointment; provided, that the initial class of at-large members shall include the persons who hold the appointed memberships on the board of directors of the University of North Carolina Hospitals at Chapel Hill incumbent as of October 31, 1998, with their terms of membership on the board of directors of the University of North Carolina Health Care System to expire on the last day of October of the year in which their term as a member of the board of directors of the University of North Carolina Hospitals at Chapel Hill would have expired. Vacant at-large positions shall be filled by the appointment of persons from the business and professional public at large who have special competence in business management, hospital administration, health care delivery, or medical practice or who otherwise have demonstrated dedication to the improvement of health care in North Carolina, and who are neither members of the Board of Governors, members of the board of trustees of a constituent institution of The University of North Carolina, nor officers or employees of the State. Members shall be appointed by the President of the University, and ratified by the Board of Governors, from among a slate of nominations made by the board of directors of the University of North Carolina Health Care ~~System, said slate to include at least twice as many nominees as there are vacant positions to be filled.~~System. No member may be appointed to more than two full four-year terms in succession;

provided, that persons holding appointed memberships on November 1, 1998, by virtue of their previous membership on the board of directors of the University of North Carolina Hospitals at Chapel Hill, shall not be eligible, for a period of one year following expiration of their term, to be reappointed to the board of directors of the University of North Carolina Health Care System. Any vacancy in an unexpired term shall be filled by an appointment made by the President, and ratified by the Board of Governors, upon the nomination of the board of directors, for the balance of the term remaining.

(2) ~~The board of directors, with each ex officio and at large member having a vote, shall elect a chairman from among the at large members, for a term of two years; no person shall be eligible to serve as chairman for more than three terms in succession.~~The Chancellor of the University of North Carolina at Chapel Hill or a board member designated by the Chancellor shall serve as chair of the board of directors.

...

(4) In meeting the patient-care, educational, research, and public-service goals of the University of North Carolina Health Care System, the board of directors is authorized to exercise such authority and responsibility and adopt such policies, rules, and regulations as it deems necessary and appropriate, not inconsistent with the provisions of this section or the policies of the Board of ~~Governors.~~ Governors or, to the extent the board's actions affect employees of the University of North Carolina at Chapel Hill, the policies of the University of North Carolina at Chapel Hill. The board may authorize any component of the University of North Carolina Health Care System, including the University of North Carolina Hospitals at Chapel Hill, to contract in its individual capacity, subject to such policies and procedures as the board of directors may direct. The board of directors may enter into formal agreements with the University of North Carolina at Chapel Hill with respect to the provision of clinical experience for students and for the provision of maintenance and supporting services. The board's action on matters within its jurisdiction is final, except that appeals may be made, in writing, to the Board of Governors with a copy of the appeal to the Chancellor of the University of North Carolina at Chapel Hill. The board of directors shall keep the Board of Governors and the board of trustees of the University of North Carolina at Chapel Hill fully informed about health care policy and recommend changes necessary to maintain adequate health care delivery, education, and research for improvement of the health of the citizens of North Carolina.

(c) Officers. –

(1) The executive and administrative head of the University of North Carolina Health Care System shall have the title of "Chief Executive Officer." The board of directors, ~~in cooperation with~~ the board of trustees and the Chancellor of the University of North Carolina at Chapel Hill, following such search process as the boards and the Chancellor deem appropriate, shall identify, ~~in cooperation with the Chancellor,~~ two or more persons as candidates for the office, who, pursuant to criteria agreed upon by the boards and the Chancellor, have the qualifications for both the positions of Chief Executive Officer of the University of North Carolina Health Care System and Vice-Chancellor for Medical Affairs of the University of North Carolina

at Chapel Hill. The names of the candidates so ~~identified~~ identified, once approved by the board of directors and the board of trustees, shall be forwarded by the Chancellor to the President of The University of North Carolina, who if satisfied with the quality of one or more of the candidates, will nominate one as Chief Executive Officer, subject to selection by the Board of Governors. The individual serving as Chief Executive Officer shall have complete executive and administrative authority to formulate proposals for, recommend the adoption of, and implement policies governing the programs and activities of the University of North Carolina Health Care System, subject to all requirements of the board of directors. That same individual, when serving as Vice-Chancellor for Medical Affairs, shall have all authorities, rights, and responsibilities of a vice-chancellor of the University of North Carolina at Chapel Hill.

...

(3) The board of directors shall elect, on nomination of the Chief Executive Officer, the President of the University of North Carolina Hospitals at Chapel Hill, and such additional administrative and professional staff employees of the University of North Carolina Health Care System as may be deemed necessary to assist in fulfilling the duties of the office of the Chief Executive Officer, all of whom shall serve at the pleasure of the Chief Executive Officer.

...."

UNIVERSITY CANCER RESEARCH FUND

SECTION 9.12. G.S. 116-29.1 reads as rewritten:

"**§ 116-29.1. University Cancer Research Fund.**

...

(c) Cancer Research Fund Committee. – The Cancer Research Fund Committee shall consist of five ex officio members and two appointed members. The five ex officio members shall consist of the following: (i) one member shall be the ~~President of The University of North Carolina,~~ Chancellor of the University of North Carolina at Chapel Hill, (ii) one member shall be the Director of the Lineberger Comprehensive Cancer Center, (iii) one member shall be the Dean of the School of Medicine at The University of North Carolina, (iv) one member shall be the Dean of the School of Pharmacy at The University of North Carolina, and (v) one member shall be the Dean of the School of Public Health at The University of North Carolina. The remaining two members shall be appointed by a majority vote of the standing members of the Committee and shall be selected from persons holding a leadership position in a nationally prominent cancer program.

If any of the specified positions cease to exist, then the successor position shall be deemed to be substituted in the place of the former one, and the person holding the successor position shall become an ex officio member of the Committee."

(d) Chair. – The chair shall be the ~~President of The University of North Carolina.~~Chancellor of the University of North Carolina at Chapel Hill.

...."

UNC MANAGEMENT FLEXIBILITY REDUCTION

SECTION 9.13.(a) Section 9.19 of S.L. 2009-451 reads as rewritten:

"**SECTION 9.19.** The management flexibility reduction for The University of North Carolina shall not be allocated by the Board of Governors to the constituent institutions and affiliated entities using an across-the-board method but in a manner that recognizes the importance of the academic mission and differences among The University of North Carolina

entities. Before taking reductions in instructional budgets, the Board of Governors and the campuses of the constituent institutions shall consider reducing budgets for senior and middle management personnel, centers and institutes, low enrollment degree programs, speaker series, and nonacademic activities. The Board of Governors and the campuses of the constituent institutions also shall review the institutional trust funds and the special funds held by or on behalf of ~~the~~ The University of North Carolina and its constituent institutions to determine whether there are monies available in those funds that can be used to assist with operating costs before taking reductions in instructional budgets. In addition, the campuses of the constituent institutions also shall require their faculty to have a teaching workload equal to the national average in their Carnegie classification. Budget reductions shall not be considered in funding available for need-based financial aid.

Notwithstanding any other provision of law, for the 2010-2011 fiscal year only, the constituent institutions may, with the approval of the President of The University of North Carolina and the Board of Governors, increase tuition by up to seven hundred fifty dollars ($750.00) per academic year. This increase shall be in addition to other increases authorized for the fiscal year. These funds shall be used only to offset the institutions' management flexibility reductions."

SECTION 9.13.(b) Section 9.23 of S.L. 2009-451 is repealed.

INSTITUTE FOR OUTDOOR DRAMA

SECTION 9.14.(a) The Institute for Outdoor Drama shall be transferred from the University of North Carolina at Chapel Hill to East Carolina University.

SECTION 9.14.(b) Of the funds appropriated to the Department of Commerce, Division of Tourism, Film, and Sports Development, the sum of one hundred fifty thousand dollars ($150,000) shall be transferred to the Board of Governors of The University of North Carolina for the Institute for Outdoor Drama at East Carolina University.

RECRUITMENT OF PHARMACY STUDENTS

SECTION 9.15.(a) The University of North Carolina at Chapel Hill shall collaborate with the University of North Carolina at Asheville and Elizabeth City State University regarding the recruitment of students of pharmacy. The universities shall develop and institute a plan in which potential pharmacy students are informed of the pharmacy programs at each of the public universities in an effort to recruit those students to State schools.

SECTION 9.15.(b) The Board of Governors shall make funds in the amount of forty-four thousand dollars ($44,000) available to Elizabeth State University for the 2010-2011 fiscal year for the recruitment and academic support of pharmacy students.

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

ELECTRONIC BENEFITS TRANSFER SYSTEM

SECTION 10.1. The Department of Health and Human Services, Division of Child Development, shall implement an Electronic Benefits Transfer system for child care subsidy. The Department shall review all current electronic card system operations as related to Child Support Enforcement and Food and Nutrition to determine whether coordination may occur among the three-card systems that result in cost-savings.

The Department shall monitor the implementation of the "smart card" system pilot program in Georgia and similar technology in other states. The Department shall submit a 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 on the implementation of Georgia's pilot program and other states' programs and provide any recommendations for a card system program in this State by May 1, 2011.

REPEAL POLICIES TO FACILITATE AND EXPEDITE USE OF CHILD CARE SUBSIDY FUNDS

SECTION 10.2. Section 10.4 of S.L. 2009-451 is repealed.

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES ENHANCEMENTS

SECTION 10.3. Section 10.7.(g) of S.L. 2009-451 reads as rewritten:

"**SECTION 10.7.(g)** For fiscal years 2009-2010 and 2010-2011, 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. ~~The Department of Health and Human Services shall determine the level of funds that need to be expended in order to draw down all federal recovery funds and shall direct the local partnerships to spend at least at the determined level. The local partnerships shall not spend at a level less than that directed by the Department.~~"

COST SHARE HEALTH-RELATED EXPENDITURES WITH MEDICAID

SECTION 10.4. The Division of Public Health and the Division of Medical Assistance shall coordinate with the North Carolina Partnership for Children, Inc., to cost share the health-related expenditures with Medicaid. The Division of Child Development shall transfer the amount of planned expenditures for health-related activities to the Division of Public Health to coordinate the cost-sharing through local health departments. The Division of Child Development shall report on these activities by October 1, 2010, 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.

ADMINISTRATIVE ALLOWANCE FOR COUNTY DEPARTMENTS OF SOCIAL SERVICES

SECTION 10.5. Section 10.10 of S.L. 2009-451 reads as rewritten:

"**SECTION 10.10.** The Division of Child Development of the Department of Health and Human Services shall increase the allowance that county departments of social services may use for administrative costs from four percent (4%) to five percent (5%) of the county's total child care subsidy funds allocated in the Child Care Development Fund Block Grant plan. The increase shall be effective for the 2009-2010 ~~fiscal year.~~and 2010-2011 fiscal years."

MENTAL HEALTH CHANGES

SECTION 10.6.(a). Section 10.12.(b) of S.L. reads as rewritten:

"**SECTION 10.12.(b)** Of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the sum of twenty million one hundred twenty-one thousand six hundred forty-four dollars ($20,121,644) for the 2009-2010 fiscal year and the sum of twenty million one hundred twenty-one thousand six hundred forty-four dollars ($20,121,644) for the 2010-2011 fiscal year shall be allocated for the purchase of local inpatient psychiatric beds or bed days. These beds or bed days shall be distributed across the State in all LME catchment areas and according to need as determined by the Department. The Department shall enter into contracts with the LMEs and community hospitals for the management of these beds or bed days. The Department shall work to ensure that these contracts are awarded equitably around all regions of the State. Local inpatient psychiatric beds or bed days shall be managed and controlled by the LME, including the determination of which local or State hospital the

individual should be admitted to pursuant to an involuntary commitment order. Funds shall not be allocated to LMEs but shall be held in a statewide reserve at the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to pay for services authorized by the LMEs and billed by the hospitals through the LMEs. LMEs shall remit claims for payment to the Division within 15 working days of receipt of a clean claim from the hospital and shall pay the hospital within 30 working days of receipt of payment from the Division. If the Department determines (i) that an LME is not effectively managing the beds or bed days for which it has responsibility, as evidenced by beds or bed days in the local hospital not being utilized while demand for services at the State psychiatric hospitals has not reduced, or (ii) the LME has failed to comply with the prompt payment provisions of this subsection, the Department may contract with another LME to manage the beds or bed days, or, notwithstanding any other provision of law to the contrary, may pay the hospital directly. The Department shall develop reporting requirements for LMEs regarding the utilization of the beds or bed days. Funds appropriated in this section for the purchase of local inpatient psychiatric beds or bed days shall be used to purchase additional beds or bed days not currently funded by or through LMEs and shall not be used to supplant other funds available or otherwise appropriated for the purchase of psychiatric inpatient services under contract with community hospitals, including beds or bed days being purchased through Hospital Utilization Pilot funds appropriated in S.L. 2007-323. Not later than March 1, 2010, the Department shall report to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division on a uniform system for beds or bed days purchased (i) with local funds, (ii) from existing State appropriations, (iii) under the Hospital Utilization Pilot, and (iv) purchased using funds appropriated under this subsection.

SECTION 10.6.(b). Section 10.12.(f) of S.L. 2009-451 reads as rewritten:

"SECTION 10.12.(f)

~~(1) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall continue implementation of the current Supports Intensity Scale (SIS) assessment tool pilot project if the pilot project has demonstrated that the SIS tool:~~

~~a. Is effective in identifying the appropriate array and intensity of services, including residential supports or placement, for individuals assessed.~~

~~b. Is valid for determining intensity of support related to resource allocation for CAP-MR/DD, public and private ICF-MR facilities, developmental disability group homes, and other State- or federally funded services.~~

~~c. Is used by an assessor that does not have a pecuniary interest in the determinations resulting from the assessment.~~

~~d. Determines the level of intensity and type of services needed from developmental disability service providers.~~

~~(2) The Department shall report on the progress of the pilot project by May 1, 2010. The Department shall submit the report to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, 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. The report shall include the following:~~

~~a. The infrastructure that will be needed to assure that the administration of the assessment tool is independent from service~~

~~delivery, the qualifications of assessors, training and management of data, and test-retest accountability.~~

~~b. The cost to (i) purchase the tool, (ii) implement the tool, (iii) provide training, and (iv) provide for future expansion of the tool statewide.~~

The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall require the seven LMEs participating in the current Supports Intensity Scale (SIS) assessment tool pilot project to administer a SIS assessment to all clients with developmental disabilities. The participating LMEs shall use the results of the SIS assessment to assign clients with developmental disabilities to one of the Tiers within the CAP-MR/DD Waiver and to other needed services, according to their relative intensity of need."

TERM LIMITS FOR COUNTY MANAGERS ON AREA MENTAL HEALTH BOARDS

SECTION 10.7. G.S. 122C-118.1(d) reads as rewritten:

"(d) Any member of an area board who is a county commissioner serves on the board in an ex officio capacity. The terms of county commissioners on an area board are concurrent with their terms as county commissioners. The terms of county managers on an area board may be for the duration of their employment as a county manager. The terms of the other members on the area board shall be for three years, except that upon the initial formation of an area board one-third shall be appointed for one year, one-third for two years, and all remaining members for three years. Members, other than county managers, shall not be appointed for more than two consecutive terms. Board members serving as of July 1, 2006, may remain on the board for one additional term. This subsection applies to all area authority board members regardless of the procedure used to appoint members under subsection (a) of this section."

REPEAL SCHOOL-BASED CHILD AND FAMILY TEAM INITIATIVE

SECTION 10.8. Section 10.13 of S.L. 2009-451 is repealed.

JOINT STUDY COMMITTEE ON AUTISM SPECTRUM DISORDERS AND PUBLIC SAFETY

SECTION 10.9. Section 10.21D.(i) of S.L. 2009-451 reads as rewritten:

"**SECTION 10.21D.(i)** The Committee may submit an interim report on the results of its study, including any proposed legislation, to the members of the Senate and the House of Representatives on or before May 1, 2010, by filing a copy of the report with the Office of the President Pro Tempore of the Senate, the Office of the Speaker of the House of Representatives, and the Legislative Library. The Committee shall submit a final report on the results of its study, including any proposed legislation, to the members of the Senate and the House of Representatives ~~on or before December 31, 2010,~~ upon the completion of its work by filing a copy of the report with the Office of the President Pro Tempore of the Senate, the Office of the Speaker of the House of Representatives, and the Legislative Library. The Committee shall terminate ~~on December 31, 2010, or upon the filing of is final report, whichever occurs first.~~upon the completion of its work."

CLOSURE PLAN FOR DOROTHEA DIX HOSPITAL

SECTION 10.10. The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall do all of the following with respect to Dorothea Dix Hospital:

(1) By August 1, 2010, submit an itemized operations budget for the 2010-2011 fiscal year 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.

(2) By October 1, 2010, develop and submit a plan for closing the hospital no later than June 30, 2011, 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.

CHANGES TO COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 10.11. Section 10.23.(c) of S.L. 2009-451 reads as rewritten:

"**SECTION 10.23.(c)** The Department of Health and Human Services shall report on the following with respect to funds appropriated to the CFEHDI for the 2009-2010 fiscal year. The report shall address the following:

(1) Which community programs and local health departments received CFEHDI grants.
(2) The amount of funding each program or local health department received.
(3) Which of the minority populations were served by the programs or local health departments.
(4) Which counties were served by the programs or local health departments.
(5) What activities were planned and implemented by the programs or local health departments to fulfill the community focus of the CFEHDI program.
(6) How the activities implemented by the programs or local health departments fulfilled the goal of reducing health disparities among minority populations.

The report shall also include specific activities undertaken pursuant to subsection (a) of this section to address large gaps in health status among North Carolinians who are African-American and other minority populations in this State. The Department shall submit the report not later than ~~March 15, 2010~~,March 14, 2011, 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."

SUPPLEMENTAL FUNDS FOR HEALTH INITIATIVES FROM HEALTH AND WELLNESS TRUST FUND

SECTION 10.12. The Health and Wellness Trust Fund Commission shall allocate from funds available in the Health and Wellness Trust Fund in the 2010-2011 fiscal year the sum of three million two hundred ninety-seven thousand dollars ($3,297,000) for health initiatives in the Department of Health and Human Services in accordance with the following:

(1)	Stroke Prevention	$450,000
(2)	Improve Birth Outcomes	$247,000
(3)	Prevent Neural Tube Birth Defects	$350,000
(4)	Prevent Blindness	$150,000
(5)	Amyotrophic Lateral Sclerosis (ALS)	$300,000
(6)	Adolescent and Teen Pregnancy Prevention	$650,000
(7)	Healthy Carolinians	$100,000
(8)	North Carolina Arthritis Patient Services	$ 50,000
(9)	Rural Hospital Operation & Maintenance	$1,000,000

These funds shall supplement and not supplant other funds allocated within the Division of Public Health for these activities.

IMMUNIZATION CHANGES

SECTION 10.13. Section 10.29A of S.L. 2009-451 is amended by adding a new subsection to read:

"(c) The General Assembly finds that health insurers licensed to practice in this State currently provide reimbursement for the full series of standard immunizations recommended by the federal Centers for Disease Control and Prevention (CDC) and the American Academy of Family Physicians, and required by the North Carolina Immunization Program. The covered immunizations include all of the following:

(1) Diphtheria, Pertussis, Tetanus Toxoid (DPT)
(2) Polio
(3) Measles, Mumps, Rubella (MMR)
(4) Influenza
(5) Pneumococcal vaccine
(6) Human Papilloma virus (HPV)
(7) Haemophilus Influenzae Type b (Hib) vaccine
(8) Hepatitis B
(9) Meningococcal vaccine
(10) Chicken Pox
(11) Rotavirus
(12) Shingles

The General Assembly also finds that, consistent with G.S. 130A-153, physicians and local health departments currently administer the required immunizations listed in subdivisions (1) through (12) of this subsection, that are supplied by the federal government at no cost through the Vaccine For Children (VFC) program, to uninsured and under-insured children with incomes below two hundred percent (200%) of the federal poverty level. Therefore, the General Assembly eliminates the State appropriation for the purchase of childhood vaccines for which health care providers, including local health departments, should be billing health insurers."

NORTH CAROLINA HEALTH CHOICE EMERGENCY ROOM VISIT CO-PAYMENTS

SECTION 10.14. Under the North Carolina Health Choice Program for Children, the co-payment for nonemergency visits to the emergency room for children whose family income is at or below one hundred fifty percent (150%) of the federal poverty level is ten dollars ($10.00). The co-payment for children whose family income is between one hundred fifty-one percent (151%) and two hundred percent (200%) of the federal poverty level is twenty-five dollars ($25.00).

COMMUNITY CARE OF NORTH CAROLINA

SECTION 10.15. Section 10.36 of S.L. 2009-451 reads as rewritten:

"~~**SECTION 10.36.(a)** Given the primary care case management foundation established by Community Care of North Carolina (CCNC), the Department shall build upon that foundation to ensure quality care and cost control of care provided to Medicaid patients.~~

~~**SECTION 10.36.(b)** The Department shall contract with CCNC participating physicians and local CCNC networks to manage the care of Medicaid recipients through a per member per month reimbursement.~~

~~**SECTION 10.36.(c)** The Department shall ensure that, through CCNC participating physicians and networks, the Department is striving to follow tenets adapted from the National Committee of Quality Assurance's (NCQA) national measures for patient centered Medical Homes Models. The Department shall consult with local CCNC networks to achieve all of the following:~~

~~(1) Identify priority diseases, conditions, and patients for care management.~~
~~(2) Develop, adopt, and implement protocols for consistent and effective care management of those diseases, conditions, and patients.~~

~~(3) Identify data elements necessary for effective delivery and management of medical care and care management services.~~

~~(4) Develop and implement a system to measure, analyze, and report clinical performance and service performance by physicians and networks.~~

~~**SECTION 10.36.(d)** Consistent with subdivision (1) of subsection (c) of this section, the Department shall (i) identify baseline data on priority diseases, conditions, patients, and populations, and on physicians and networks; (ii) identify patient, physician, and network performance measures, and (iii) develop and implement data systems to gather, analyze, and report on those performance measures. The Department shall begin work immediately to implement this subsection.~~

~~**SECTION 10.36.(e)** The Department shall report to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division no later than December 31, 2009, on the performance measures adopted pursuant to subsection (d) of this section. Beginning July 1, 2010, and every six months thereafter, the Department shall submit a report to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division evaluating the performance of each of the 14 CCNC Networks based on the performance measures adopted pursuant to subsection (d) of this section.~~

"**SECTION 10.36.(f)** The Department of Health and Human Services (Department) shall conduct a Request for Proposal process to solicit bids from qualified outside entities with proven experience in conducting actuarial and health care studies and evaluations to annually report on the Medicaid cost savings achieved by the ~~CCNC~~ Community Care of North Carolina (CCNC) networks during a 12-month period. Beginning ~~December 31, 2010,~~ March 1, 2011, and every year thereafter, the Department shall submit a report on the Medicaid cost savings achieved by the CCNC networks, which shall include children, adults, and the aged, blind, and disabled, 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.

"**SECTION 10.36.(g)** By October 1, 2010, the Department and the Division of Medical Assistance (DMA) shall contract with North Carolina Community Care Networks, Inc. (NCCCN, Inc.) and the 14 participating local CCNC networks represented by NCCCN, Inc. to provide standardized clinical and budgetary coordination, oversight, and reporting for a State-wide Enhanced Primary Care Management System for Medicaid enrollees. The contract with NCCCN, Inc., shall build upon and expand the existing successful CCNC primary care case management model to include comprehensive State-wide quantitative performance goals and deliverables which shall include all of the following areas: (i) service utilization management, (ii) budget analytics, (iii) budget forecasting methodologies, (iv) quality of care analytics, (v) participant access measures, and (vi) predictable cost containment methodologies.

"**SECTION 10.36.(g1)** NCCCN, Inc., shall report quarterly to the Department and to the Office of State Budget and Management (OSBM) on the development of the statewide Enhanced Primary Care Case Management System and its defined goals and deliverables as agreed upon in the contract. Beginning July 1, 2010, NCCCN, Inc., shall submit a quarterly report to the Secretary of Health and Human Services, OSBM, 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 on the progress and results of implementing the quantitative, analytical, utilization, quality, cost containment, and access goals and deliverables set out in the contract. NCCCN, Inc., shall conduct its own analysis of the CCNC system to identify any variations from the development plan for the Enhanced Primary Care Case Management System and its defined goals and deliverables set out in the contract between DMA and NCCCN, Inc. Upon identifying any variations, NCCCN,

Inc., shall develop and implement a plan to address the variations. NCCCN, Inc., shall report the plan to DMA within 30 days after taking any action to implement the plan.

"**SECTION 10.36.(h)** By July 1, 2011, the Department and OSBM shall assess the performance of NCCCN, Inc., and CCNC regarding the goals and deliverables established in the contract. Based on this assessment, the Department and DMA shall expand, cancel, or alter the contract with NCCCN, Inc., and CCNC effective October 1, 2011. Expansion or alteration of the contract may reflect refinements based on clearly identified goals and deliverables in the areas of quality of care, participant access, cost containment, and service delivery.

"**SECTION 10.36.(i)** By July 1, 2011, the Department, DMA, and NCCCN, Inc., shall finalize a comprehensive plan that establishes management methodologies which include all of the following: (i) quality of care measures, (ii) utilization measures, (iii) recipient access measures, (iv) performance incentive models in which past experience indicates a benefit from financial incentives, (v) accountable budget models, (vi) shared savings budget models, and (vii) budget forecasting analytics as agreed upon by the Department, DMA, and NCCCN, Inc. In the development of these methodologies, the Department, DMA, and NCCCN, Inc., shall consider options for shared risk. The Department and DMA shall provide assistance to NCCCN, Inc., in meeting the objectives of this section.

"**SECTION 10.36.(j)** Beginning with the 2010-2011 fiscal year, the Department shall establish a separate line item in Budget Code 14445 for all expenditures in DMA associated with managed care activities pertaining to the utilization of Medicaid expenditures through CCNC.

"**SECTION 10.36.(k)** The Department shall not increase the per member per month funding to CCNC without prior approval from the General Assembly."

MEDICAID MANAGEMENT INFORMATION SYSTEM (MMIS) FUNDS/IMPLEMENTATION OF MMIS

SECTION 10.16. Section 10.41.(a) of S.L. 2009-451 reads as rewritten:

"**SECTION 10.41.(a)** Of the funds appropriated in this act to the Department of Health and Human Services (Department), the sum of ~~ten million seven hundred sixty-five thousand one hundred fifty-three dollars ($10,765,153) for fiscal year 2009-2010 and the sum of eight million sixty-four thousand one hundred twenty-eight dollars ($8,064,128)~~ eleven million seven hundred thirty-seven thousand four hundred fourteen dollars ($11,737,414) for fiscal year 2010-2011 shall be (i) deposited to the Department's information technology budget code and (ii) used to match federal funds for the procurement, design, development, and implementation of the new Medicaid Management Information System (MMIS) and to fund the central management of the project. The Department shall utilize all prior year earned revenues received for the MMIS. In the event that the Department does not receive prior year earned revenues in the amounts authorized by this section, the Department is authorized, with approval of the Office of State Budget and Management, to utilize other overrealized receipts and funds appropriated to the Department to achieve the level of funding specified in this section for the MMIS."

ELIMINATE STATE FUNDING FOR CHILD SUPPORT OFFICES

SECTION 10.17. Section 10.46A of S.L. 2009-451 is amended by adding a new subsection to read:

"**SECTION 10.46A.(c)** Notwithstanding G.S. 143-64.03 and G.S. 143-64.05, the Secretary of Department of Health and Human Services may transfer State-owned equipment, including computers, printers, and furniture, used by State-operated child support offices to administer child support enforcement programs to a county government or the Eastern Band of the Cherokee Indians for the sole purpose of facilitating the county government or the Eastern Band of the Cherokee Indians' administration of the child support program. The transfer shall

be at no cost to the county government or the Eastern Band of the Cherokee Indians and shall occur no later than July 1, 2010.

The county government or the Eastern Band of the Cherokee Indians assuming responsibility for the child support program effective July 1, 2010, shall identify from the existing equipment and office furnishings which items will be needed to administer the child support program. A comprehensive list of items to be transferred shall be compiled and signed by the manager of the State-operated child support office and the manager of the county or tribal child support office and the signed list shall serve as official documentation of the transfer. Copies of the documentation shall be provided to the Department of Health and Human Services Controller's Office and the Department of Administration. Any equipment not included in the transfer shall revert to the Department of Administration, Division of Surplus Property."

CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM/USE OF ESCHEAT FUND

SECTION 10.18. Section 10.50 of S.L. 2009-451 reads as rewritten:

"**SECTION 10.50.(a)** There is appropriated from the Escheat Fund income to the Department of Health and Human Services the sum of three million one hundred sixty-eight thousand two hundred fifty dollars ($3,168,250) for the 2009-2010 fiscal year. These funds shall be used to support the child welfare postsecondary support program for the educational needs of foster youth aging out of the foster care system and special needs children adopted from foster care after age 12 by providing assistance with the "cost of attendance" as that term is defined in 20 U.S.C. § 1087ll. The Department shall collaborate with the State Education Assistance Authority to develop policies and procedures for the distribution of these funds.

If the interest income generated from the Escheat Fund is less than the amounts referenced in this section, the difference may be taken from the Escheat Fund principal to reach the appropriations referenced in this section; however, under no circumstances shall the Escheat Fund principal be reduced below the sum required in G.S. 116B-6(f).

Funds appropriated by this subsection shall be allocated by the State Education Assistance Authority.

The purpose for which funds are appropriated under this section is in addition to other purposes for which Escheat Fund income is distributed under G.S. 116B-7 and shall not be construed to otherwise affect the distribution of funds under G.S. 116B-7.

"**SECTION 10.50.(a1)** Of the funds appropriated from the General Fund to the Department of Health and Human Services, the sum of ~~three million one hundred sixty-eight thousand two hundred fifty dollars ($3,168,250)~~one million five hundred eighty-four thousand one hundred twenty-five dollars ($1,584,125) for the 2010-2011 fiscal year shall be used to support the child welfare postsecondary support program for the educational needs of foster youth aging out of the foster care system and special needs children adopted from foster care after age 12 by providing assistance with the "cost of attendance" as that term is defined in 20 U.S.C. § 1087ll.

Funds appropriated by this subsection shall be allocated by the State Education Assistance Authority.

"**SECTION 10.50.(b)** Of the funds appropriated from the General Fund to the Department of Health and Human Services the sum of fifty thousand dollars ($50,000) for the 2009-2010 fiscal year and the sum of fifty thousand dollars ($50,000) for the 2010-2011 fiscal year shall be allocated to the North Carolina State Education Assistance Authority (SEAA). The SEAA shall use these funds only to perform administrative functions necessary to manage and distribute scholarship funds under the child welfare postsecondary support program.

"**SECTION 10.50.(c)** Of the funds appropriated from the General Fund to the Department of Health and Human Services the sum of five hundred thousand dollars ($500,000) for the

2009-2010 fiscal year and the sum of ~~five hundred thousand dollars ($500,000)~~three hundred thirty-nine thousand four hundred ninety-three dollars ($339,493) for the 2010-2011 fiscal year shall be used to contract with an entity to develop and administer the child welfare postsecondary support program described under subsection (a) of this section, which development and administration shall include the performance of case management services.

"**SECTION 10.50.(d)** Funds appropriated to the Department of Health and Human Services for the child welfare postsecondary support program shall be used only for students attending public institutions of higher education in this State."

TANF BENEFIT IMPLEMENTATION

SECTION 10.19. Section 10.51 of S.L. 2009-451 reads as rewritten:

"**SECTION 10.51.(a)** The General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan FY ~~2009-2011,~~"2010-2012," prepared by the Department of Health and Human Services and presented to the General Assembly. The North Carolina Temporary Assistance for Needy Families State Plan covers the period October 1, ~~2009,~~2010, through September 30, ~~2011.~~2012. 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 2009 General Assembly.

"**SECTION 10.51.(b)** The counties approved as Electing Counties in the North Carolina Temporary Assistance for Needy Families State Plan FY ~~2009-2011,~~2010-2012, as approved by this section are: Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

"**SECTION 10.51.(c)** 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 2009 through 2011, pursuant to G.S. 108A-27(e), shall operate under the Electing County budget requirements effective July 1, 2009. For programmatic purposes, all counties referred to in this subsection ~~shall~~ may remain under their current county designation through September 30, ~~2009.~~2012.

"**SECTION 10.51.(d)** For the ~~2009-2010~~2010-2011 fiscal year, Electing Counties shall be held harmless to their Work First Family Assistance allocations for the 2008-2009 fiscal year, provided that remaining funds allocated for Work First Family Assistance and Work First Diversion Assistance are sufficient for payments made by the Department on behalf of Standard Counties pursuant to G.S. 108A-27.11(b).

"**SECTION 10.51.(e)** In the event that Departmental projections of Work First Family Assistance and Work First Diversion Assistance for the ~~2009-2010~~2010-2011 fiscal year indicate that remaining funds are insufficient for Work First Family Assistance and Work First Diversion Assistance payments to be made on behalf of Standard Counties, the Department is authorized to deallocate funds, of those allocated to Electing Counties for Work First Family Assistance in excess of the sums set forth in G.S. 108A-27.11, up to the requisite amount for payments in Standard Counties. Prior to deallocation, the Department shall obtain approval by the Office of State Budget and Management. If the Department adjusts the allocation set forth in subsection (d) of this section, then a report shall be made to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division."

EXTEND REPORTING DATE/EVALUATION OF CONSOLIDATION OF ADMINISTRATIVE FUNCTIONS OF COUNTY DEPARTMENT OF SOCIAL SERVICES

SECTION 10.20. Section 10.52.(b) of S.L. 2009-451 reads as rewritten:

"**SECTION 10.52.(b)** The Program Evaluation Division shall report its findings and recommendations 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 ~~December 1, 2010.~~February 1, 2011."

ELIMINATION OF THE OFFICE OF EDUCATION SERVICES/TRANSFER RESIDENTIAL AND PRESCHOOLS TO THE DEPARTMENT OF PUBLIC INSTRUCTION

SECTION 10.21.(a) The Office of Education Services (OES) within the Department of Health and Human Services is hereby dissolved and the Central Office, Resource Support, Governor Morehead School Outreach, Deaf/Blind, and Exceptional Children Support programs within OES are eliminated.

SECTION 10.21.(b) In accordance with G.S. 143A-6, the North Carolina School for the Deaf, the Eastern North Carolina School for the Deaf, the Governor Morehead School for the Blind, the Governor Morehead Preschool, Early Intervention Services – Preschool, and Family Resource Center programs operated within the Office of Education Services are transferred to the Department of Public Instruction, Exceptional Children Division, by Type I transfer. In addition, the School Administrator position, #60089692, and School Speech-Language Pathologist position, #60039336, shall be transferred to the Department of Public Instruction, Exceptional Children Division, to continue to provide technical assistance to Local Education Agencies and support collaborative efforts with the following:

(1) North Carolina Central University, Visual Impairment Training Program.
(2) East Carolina University, Teacher Support Program for Students with Deaf-Blindness.
(3) East Carolina University, Project E.A.R.
(4) Department of Health and Human Services, Division of Public Health, Early Intervention Services.
(5) Beginnings for Parents of Children Who Are Deaf or Hard of Hearing.
(6) University of North Carolina Center for the Acquisition of Spoken Language through Listening Enrichment (CASTLE).

SECTION 10.21.(c) The Office of State Budget and Management, the Department of Health and Human Services, and the Department of Public Instruction shall effect this Type I transfer no later than July 1, 2010.

SECTION 10.21.(d) Upon transfer, the Director of the Exceptional Children Division shall assume the functions of the Superintendent of the Local Education Agency comprised of the North Carolina School for the Deaf, the Eastern North Carolina School for the Deaf, and the Governor Morehead School for the Blind. The Department shall establish an Assistant Director position to augment management of residential school and itinerant preschool programs.

SECTION 10.21.(e) The Department of Public Instruction shall reinstate the residential and instructional schedules for the Governor Morehead School for the Blind, Eastern North Carolina School for the Deaf, and North Carolina School for the Deaf in effect before February 8, 2010. Residential students shall have the opportunity to arrive at their respective schools on the evening of the day before commencement of academic instruction for the week. The Department of Public Instruction shall also reinstate on-site summer school programming for these schools.

MEDICAID POLICY CHANGES

SECTION 10.22.(a) Section 10.58.(d) of S.L. 2009-451 reads as rewritten:

"**SECTION 10.58.(d)** Services and Payment Bases. – The Department shall spend funds appropriated for Medicaid services 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. Unless otherwise provided, services and payment bases will be as prescribed in the State Plan as established by the Department of Health and Human Services and may be changed with the approval of the Director of the Budget.

...

(28) Drugs. – Reimbursements. Reimbursements shall be available for prescription drugs 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. Payments for drugs are subject to the provisions of this subdivision 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. In addition to the professional services fee, the Department may pay an enhanced fee for pharmacy services.

Limitations on quantity. – The Department of Health and Human Services may establish authorizations, limitations, and reviews for specific drugs, drug classes, brands, or quantities in order to manage effectively the Medicaid pharmacy ~~program, except that the Department shall not impose limitations on brand name medications for which there is a generic equivalent in cases where 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."~~program. The Department may impose prior authorization requirements on brand-name drugs in instances where the phrase "medically necessary" is written on the prescription.

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 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 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. Notwithstanding this subdivision to the contrary, the Secretary of Health and Human Services may prevent substitution of a generic equivalent drug, including a generic equivalent that is on the State maximum allowable cost list, when the net cost to the State of the brand-name drug, after

consideration of all rebates, is less than the cost of the generic equivalent. 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).

Prior authorization. – 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, major depressive disorder or ~~(ii) HIV/AIDS, except that the Department of Health and Human Services shall continually review utilization of medications under the State Medical Assistance Program prescribed for Medicaid recipients for the treatment of mental illness, including, but not limited to, medications for schizophrenia, bipolar disorder, or major depressive disorder. The Department may, however, with respect to drugs to treat mental illnesses, develop guidelines and measures to ensure appropriate usage of these medications, including FDA approved indications and dosage levels.~~ (ii) HIV/AIDS. Medications prescribed for the treatment of mental illness shall be included on the Preferred Drug List (PDL). The Department of Health and Human Services, Division of Medical Assistance, may initiate prior authorization for the prescribing of drugs specified for the treatment of mental illness for the purpose of identifying providers who fail to prescribe those drugs in accordance with indications and dosage levels approved by the federal Food and Drug Administration or in accordance with best practices. The Department may ~~also~~ require retrospective clinical justification for the use of multiple psychotropic drugs for a Medicaid patient. For individuals 18 years of age and under who are prescribed three or more psychotropic medications, the Department shall implement clinical edits that target inefficient, ineffective, or potentially harmful prescribing patterns. When such patterns are identified, the Medical Director for the Division of Medical Assistance and the Chief of Clinical Policy for the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall require a peer-to-peer consultation with the target prescribers. Alternatives discussed during the peer-to-peer consultations shall be based upon:

a. Evidence-based criteria available regarding efficacy or safety of the covered treatments; and

b. Policy approval by a majority vote of the North Carolina Physicians Advisory Group (NCPAG).

The target prescriber has final decision-making authority to determine which prescription drug to prescribe or refill.

...

(30) Experimental or trial procedures. – Coverage is limited to procedures that are recognized or approved by a nationally recognized professional specialty organization.

(31) Medicaid as secondary payer claims. – The Department shall apply Medicaid medical policy to recipients who have primary insurance other than Medicare, Medicare Advantage, and Medicaid. The Department shall pay 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. The Department may disregard application of this policy in cases where application of the policy would adversely affect patient care."

SECTION 10.22.(b) Section 10.58.(e) of S.L. reads as rewritten:

"**SECTION 10.58.(e)** Provider Performance Bonds and Visits. –

(1) Subject to the provisions of this subdivision, the Department may require Medicaid-enrolled providers to 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 require the purchase of a performance bond or the submission of an executed letter of credit or financial instrument as a condition of initial enrollment, reenrollment, or reinstatement if:

a. The provider fails to demonstrate financial viability,

b. The Department determines there is significant potential for fraud and abuse,

c. The Department otherwise finds it is in the best interest of the Medicaid program to do so.

The Department shall specify the circumstances under which a performance bond or executed letter of credit will be required.

(1a) The Department may waive or limit the requirements of this paragraph for individual Medicaid-enrolled providers or for one or more classes of Medicaid-enrolled providers based on the following:

a. The provider's or provider class's dollar amount of monthly billings to Medicaid.

b. The length of time an individual provider has been licensed, endorsed, certified, or accredited in this State to provide services.

c. The length of time an individual provider has been enrolled to provide Medicaid services in this State.

d. The provider's demonstrated ability to ensure adequate record keeping, staffing, and services.

e. The need to ensure adequate access to care.

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 shall provide to the affected provider written notice of the findings upon which its action is based and shall include the performance bond requirements and the conditions under which a waiver or limitation apply. The Department may adopt temporary rules in accordance with G.S. 150B-21.1 as necessary to implement this provision.

(2) Reimbursement is available for up to 30 visits per recipient per fiscal year for the following professional services: ~~hospital outpatient providers,~~ physicians, nurse practitioners, nurse midwives, clinics, health departments, optometrists, chiropractors, and podiatrists. The Department of Health and Human Services shall adopt medical policies in accordance with G.S. 108A-54.2 to distribute the allowable number of visits for each service or each group of services consistent with federal law. In addition, the Department shall establish a threshold of some number of visits for these

services. The Department shall ensure that primary care providers or the appropriate CCNC network are notified when a patient is nearing the established threshold to facilitate care coordination and intervention as needed.

Prenatal services, all EPSDT children, emergency room visits, and mental health visits subject to independent utilization review are exempt from the visit limitations contained in this subdivision. Subject to appropriate medical review, the Department may authorize exceptions when additional care is medically necessary. Routine or maintenance visits above the established visit limit will not be covered unless necessary to actively manage a life threatening disorder or as an alternative to more costly care options."

SPECIALTY DRUG PROVIDER NETWORK

SECTION 10.23. The Department of Health and Human Services shall create a specialty drug provider network that requires best practices, prevents overutilization, and allows for drug reimbursement rate negotiations for hemophilia, hepatitis C, and intravenous immunoglobulin (IVIG) drugs.

STATEWIDE EXPANSION OF CAPITATED 1915(B)/(C) BEHAVIORAL HEALTH WAIVERS

SECTION 10.24. The Division of Medical Assistance and the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services may expand the capitated 1915(b)/(c) waivers which have been operating in the Piedmont Behavioral Healthcare Local Management Entity (LME) catchment area as a demonstration program since April 2005. The Divisions shall add additional LMEs to the waiver program as they demonstrate readiness to participate through a request for proposal process. The waiver program shall include all Medicaid-covered mental health, developmental disabilities, and substance abuse services. Expansion of the waiver to additional LMEs shall be contingent upon approval by the Centers for Medicare and Medicaid Services.

STUDY MEDICAID PROVIDER RATES

SECTION 10.25.(a) The Department of Health and Human Services, Division of Medical Assistance shall, initiate a study or contract out for a study of reimbursement rates for Medicaid providers and program benefits. The study shall include the following information:

(1) A comparison of Medicaid reimbursement rates in North Carolina with reimbursement rates in surrounding states and with rates in two additional states; and

(2) A comparison of Medicaid program benefits in North Carolina with program benefits provided in surrounding states and with rates in two additional states. Selected provider rates shall be studied for the initial report.

SECTION 10.25.(b) The Department shall report its initial findings to the Governor, 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 April 1, 2011.

SECTION 10.25.(c) Funds appropriated to the Department of Health and Human Services may be used to complete this study.

MEDICAID FRAUD PREVENTION

SECTION 10.26.(a) The Department of Health and Human Services (Department) is authorized to create a fraud prevention program that uses information, lawfully obtained,

from State and private databases to develop a fraud risk analysis of Medicaid providers and recipients. This analysis would be used to prevent fraud before it takes place and to achieve cost avoidance savings. While it is the intent that this initiative allow broad new access to information and databases across State government, the plan shall comply with all necessary security measures and restrictions to ensure that access to any specific information held confidential under federal and State law shall be limited to authorized persons.

SECTION 10.26.(b) The information obtained by the Department pursuant to subsection (a) of this section shall be privileged and confidential, is not a public record pursuant to G.S. 132-1, and may only be used for investigative or evidentiary purposes related to violations of State or federal law and regulatory activities. The Department shall release data collected pursuant to this section to the following persons only:

(1) An individual who requests the individual's own Medicaid recipient information.

(2) A provider who requests the provider's Medicaid provider information.

(3) Special agents of the North Carolina State Bureau of Investigation who are assigned to the Medicaid Fraud Investigations Unit. The SBI shall notify the Office of the Attorney General of North Carolina of each request for inspection of records maintained by the Department.

(4) To a court pursuant to a lawful court order in a criminal action.

The Department may provide data to public or private entities for statistical, research, or educational purposes only after removing information that could be used to identify individual recipients or providers of Medicaid services.

SECTION 10.26.(c) Notwithstanding any other provision of law to the contrary, the Department may modify or extend existing contracts to achieve Medicaid fraud prevention savings in a timely manner, subject to review and approval by the Secretary of the Department of Administration. The requirements of G.S. 143-59 apply to contracts entered into, modified, or extended pursuant to this section.

SECTION 10.26.(d) The Department shall report on the activities conducted under this section, including actions taken relating to compliance with G.S. 143-59 and any contract modifications or extensions that are approved pursuant to this section to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Office of State Budget and Management, and the Fiscal Research Division on or before April 1, 2011.

SECTION 10.26.(e) The authority granted to the Department under this section expires one year following the effective date of this section. The Department shall destroy all records and information obtained pursuant to this section after five years. Any records or information turned over to the State Bureau of Investigation or a court of competent jurisdiction shall not be subject to the destruction requirements of this subsection.

STUDY HIV MEDICAID WAIVER

SECTION 10.27. By November 1, 2010, the Department of Health and Human Services, Divisions of Medical Assistance and Public Health, shall jointly study and 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 on the financial and programmatic feasibility of reducing the waiting list for the AIDS Drug Assistance Program (ADAP) by expanding eligibility for Medicaid to HIV-positive individuals with incomes at or below one hundred thirty-three percent (133%) of the federal poverty level. The study shall include an assessment of the cost-effectiveness of using State dollars to expand Medicaid eligibility to this population as compared to using State dollars for ADAP. The study may also consider any planning and coordination benefits the State may derive from expanding Medicaid eligibility to HIV-positive individuals, in

preparation for the expansion of Medicaid eligibility in calendar year 2014 to all individuals with incomes at or below one hundred thirty-three percent (133%) of the federal poverty level. If, as a result of the study, the Divisions of Medical Assistance and Public Health conclude that expanding Medicaid eligibility to HIV-positive individuals with incomes at or below one hundred thirty-three percent (133%) of the federal poverty level is a cost-effective means for the State to eliminate its ADAP waiting list, then the Division of Medical Assistance shall apply to the Centers for Medicare and Medicaid Services (CMS) for an appropriate waiver to implement this expansion in Medicaid eligibility. If approved by CMS, the Division shall not implement the waiver except as authorized by an act of the General Assembly appropriating funds for this purpose.

ELIMINATE REIMBURSEMENT OF "NEVER EVENTS"

SECTION 10.28. The Department of Health and Human Services, Division of Medical Assistance, shall modify its Medicaid State Plan, as detailed by the Centers for Medicare and Medicaid Services in its July 31, 2008, letter to State Medicaid Directors, to ensure that inpatient hospital reimbursement is not provided for Hospital-Acquired Conditions (HACs) that are identified as nonpayable by Medicare. The State Plan Amendment addressing this "Never Event" modification shall apply to all Medicaid reimbursement provisions in section 4.19A of the North Carolina Medicaid State Plan governing inpatient hospital reimbursement, including Medicaid supplemental or enhanced payments and Medicaid disproportionate share hospital payments.

AMEND MEDICAID PROVIDER APPEALS PROCESS

SECTION 10.29.(a) Section 10.15A(e1) of S.L. 2008-107 reads as rewritten:

"**SECTION 10.15A.(e1)** For the purpose of expediting the resolution of appeals by providers of community support services or ~~provider appeals~~ personal care services (PCS) and thereby saving State and federal funds that are paid for services that are found to be unnecessary or otherwise ineligible for payment, the Department shall implement ~~on a temporary basis~~ a community ~~support~~ support/PCS provider appeals process. The process shall be a substitute for informal provider appeals at the Department level and formal provider appeals by the Office of Administrative Hearings. The community ~~support~~ support/PCS provider appeals process shall apply to a provider of community support services ~~provider:~~or PCS:

(1) Who is aggrieved by a decision of the Department to reduce, deny, recoup, or recover reimbursement for community support ~~services,~~ services or PCS, or to deny, suspend, or revoke a provider agreement to provide community support ~~services.~~services or PCS.

(2) Whose endorsement has been withdrawn or whose application for endorsement has been denied by a local management entity.

SECTION 10.29.(b) Section 10.15A(e2) of S.L. 2008-107, as amended by Section 1.1(c) of S.L. 2009-550, reads as rewritten:

"**SECTION 10.15A.(e2)** The appeals process for providers of community support ~~provider appeals process~~ services or PCS shall be developed and implemented as follows:

...

(2) If there is a timely request for an appeal, the Department shall promptly designate a hearing officer who shall hold an evidentiary hearing. The hearing officer shall conduct the hearing according to applicable federal law and regulations and shall ensure that:

a. Notice of the hearing is given not less than 15 days before the hearing. The notice shall state the date, hour, and place of the hearing and shall be deemed to have been given on the date that a copy of the

notice is mailed, via certified mail, to the address provided by the petitioner in the petition for hearing.

b. The hearing is held in Wake County, except that the hearing officer ~~may, after consideration of the numbers, locations, and convenience of witnesses and in order to promote the ends of justice, hold the hearing~~may take testimony and receive evidence by telephone or other electronic ~~means or hold the hearing in a county in which the petitioner resides.~~means. The petitioner and the petitioner's legal representative may appear before the hearing officer in Wake County.

c. Discovery is no more extensive or formal than that required by federal law and regulations applicable to the hearings. Prior to and during the hearing, a provider representative shall have adequate opportunity to examine the provider's own case file. No later than five days before the date of the hearing, each party to a contested case shall provide to each other party a copy of any documentary evidence that the party intends to introduce at the hearing and shall identify each witness that the party intends to call.

(3) The hearing officer shall have the power to administer oaths and affirmations, subpoena the attendance of witnesses, rule on prehearing motions, and regulate the conduct of the hearing. The following shall apply to hearings held pursuant to this section:

a. At the hearing, the parties may present such sworn evidence, law, and regulations as are relevant to the issues in the case.

b. The petitioner and the respondent agency each have a right to be represented by a person of his choice, including an attorney obtained at the party's own expense.

c. The petitioner and the respondent agency shall each have the right to cross-examine witnesses as well as make a closing argument summarizing his view of the case and the law.

d. The appeal hearing shall be recorded. If a petition for judicial review is ~~filed pursuant to subsection (f) of this section, a transcript will be prepared and made~~filed, the Department shall include a copy of the recording of the hearing as part of the official ~~report and shall be prepared at no cost to the appellant. In the absence of the filing of a petition for a judicial review, no transcript will be prepared unless requested by a party, in which case each party shall bear the cost of the transcript or part thereof or copy of the transcript or part thereof requested by the party.~~record. The recording of the appeal hearing may be erased or otherwise destroyed 180 days after the final decision is mailed as provided in G.S. 108A-79(i)(5).

...

(8) In the event of a conflict between federal law or regulations and State law or regulations, federal law or regulations shall control. This section applies to all petitions that are filed by a Medicaid PCS provider on or after July 1, 2010, and for all Medicaid PCS provider petitions that have been filed at the Office of Administrative Hearings previous to July 1, 2010, but for which a hearing on the merits has not been commenced prior to that date. The requirement that the agency decision must be rendered not more than 90 days from the date of the filing of the petition for hearing shall not apply to (i) PCS provider petitions that were filed at the Office of Administrative

Hearings or (ii) requests for a hearing under the Department's informal settlement process prior to the effective date of this act. The Office of Administrative Hearings shall transfer all cases affected by this section to the Department of Health and Human Services within 30 days of the effective date of this section. This act preempts the existing informal appeals process and reconsideration review process at the Department of Health and Human Services and the existing appeal process at the Office of Administrative Hearings with regard to all appeals filed by Medicaid PCS providers under the Medical Assistance Program."

SECTION 10.29.(c) Sections 10.15A(e3) and 10.15A(e4) of S.L. 2008-107 read as rewritten:

"**SECTION 10.15A.(e3)** Notwithstanding any other provision of law to the contrary, the Department of Health and Human Services may, pursuant to its ~~statutory~~ authority or federal Medicaid requirements, suspend the endorsement or Medicaid participation of a provider of community support services or PCS pending a final agency decision based on a fair hearing of the provider's appeal filed with the Department under its community ~~support~~ support/PCS provider appeal process. A provider of community support services or PCS whose ~~endorsement,~~endorsement or Medicaid ~~participation, or services have~~participation has been suspended is not entitled to payment during the period the appeal is pending, and the Department shall make no such payment to the provider during that period. If the final agency decision is in favor of the provider, the Department shall remove the suspension, commence payment for provider services, and reimburse the provider for payments withheld during the period of appeal. ~~Contracts between the Department or a local management entity and the provider shall contain a provision indicating the circumstances under which a provider may appeal an agency decision and giving notice of the suspension of payments to the provider while the appeal is pending.~~ This subsection applies to community support provider appeals pending in the Department of Health and Human Services or the Office of Administrative Hearings, as applicable, on and after July 1, 2008. This subsection also applies to appeals by providers of PCS pending in the Department of Health and Human Services or the Office of Administrative Hearings, as applicable, on and after July 1, 2010.

"~~**SECTION 10.15A.(e4)** The Department's community support provider appeals process established under this section shall expire July 1, 2010. The Department shall report to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division on March 1, 2009, October 1, 2009, and March 1, 2010, on the effectiveness and efficiency of the community support provider appeals process.~~"

SECTION 10.29.(d) G.S. 122C-151.4(g) reads as rewritten:

"(g) This section does not apply to providers of community support services or personal care services who appeal directly to the Department of Health and Human Services under the Department's community ~~support~~ support/PCS provider appeal ~~process.~~process."

SECTION 10.29.(e) G.S. 150B-1(e)(16) reads as rewritten:

"(16) The Department of Health and Human Services with respect to contested cases commenced by (i) Medicaid providers appealing a ~~denial~~ denial, recoupment, suspension, or reduction in reimbursement for community support or personal care services, or a denial, suspension, or revocation of a Medicaid provider agreement for community support or personal care services, or a denial, suspension, or revocation of a Medicaid provider agreement for community support or personal care services, and (ii) providers of community support or personal care services ~~providers~~

appealing decisions by the LME to deny or withdraw the provider's endorsement."

AMEND MEDICAID RECIPIENT APPEALS PROCESS

SECTION 10.30.(a) Section 10.15A.(h1) through (h6) of S.L. 2008-107, as amended by Section 3.13.(b) of S.L. 2008-118, Section 2.(a) of S.L. 2009-526, Section 2.(b) of S.L. 2009-526, and by ss. 1.1(a) and (b) of S.L. 2009-550 reads as rewritten:

"**SECTION 10.15A.(h1)**

(1) General Rule. – Notwithstanding any provision of State law or rules to the contrary, this subsection shall govern the process used by a Medicaid applicant or recipient to appeal a determination made by the Department of Health and Human Services to deny, terminate, suspend, or reduce Medicaid covered services. For purposes of this subsection, the phrase "adverse determination" means a determination by the Department to deny, terminate, suspend, or reduce Medicaid covered services. For purposes of this subsection, all references to an applicant or recipient include the applicant or recipient's parent, guardian, or legal representative; however, notice need only be given to a parent, guardian, or legal representative who has requested in writing to receive the notice.

(2) Notice. – Except as otherwise provided by federal law or regulation, at least 10 days before the effective date of an adverse determination, the Department shall notify the applicant or recipient, and the provider, if applicable, in writing of the determination and of the applicant's or recipient's right to appeal the determination. The notice shall be mailed on the date indicated on the notice as the date of the determination. The notice shall include:

a. An identification of the applicant or recipient whose services are being affected by the adverse determination, including full name and Medicaid identification number.

b. An explanation of what service is being denied, terminated, suspended, or reduced and the reason for the determination.

c. The specific regulation, statute, or medical policy that supports or requires the adverse determination.

d. The effective date of the adverse determination.

e. An explanation of the applicant's or recipient's right to appeal the Department's adverse determination in an evidentiary hearing before an administrative law judge.

f. An explanation of how the applicant or recipient can request a hearing and a statement that the applicant or recipient may represent himself or use legal counsel, a relative, or other spokesperson.

g. A statement that the applicant or recipient will continue to receive Medicaid services at the level provided on the day immediately preceding the Department's adverse determination or the amount requested by the applicant or recipient, whichever is less, if the applicant or recipient requests a hearing before the effective date of the adverse determination. The services shall continue until the hearing is completed and a final decision is rendered.

h. The name and telephone number of a contact person at the Department to respond in a timely fashion to the applicant's or recipient's questions.

i. The telephone number by which the applicant or recipient may contact a Legal Aid/Legal Services office.

j. The appeal request form described in subdivision (4) of this subsection that the applicant or recipient may use to request a hearing.

(3) Appeals. – Except as provided by this subsection and subsection 10.15A(h2) of this act, a request for a hearing to appeal an adverse determination of the Department under this section is a contested case subject to the provisions of Article 3 of Chapter 150B of the General Statutes. The applicant or recipient must request a hearing within 30 days of the mailing of the notice required by subdivision (2) of this subsection by sending an appeal request form to the Office of Administrative Hearings and the Department. Where a request for hearing concerns the reduction, modification, or termination of Medicaid services, upon the receipt of a timely appeal, the Department shall reinstate the services to the level or manner prior to action by the Department as permitted by federal law or regulation. The Department shall immediately forward a copy of the notice to the Office of Administrative Hearings electronically. The information contained in the notice is confidential unless the recipient appeals. The Office of Administrative Hearings may dispose of the records after one year. The Department may not influence, limit, or interfere with the applicant's or recipient's decision to request a hearing.

(4) Appeal Request Form. – Along with the notice required by subdivision (2) of this subsection, the Department shall also provide the applicant or recipient with an appeal request form which shall be no more than one side of one page. The form shall include the following:

a. A statement that in order to request an appeal, the applicant or recipient must send the form by mail or fax to the address or fax number listed on the form within 30 days of mailing of the notice.

b. The applicant's or recipient's name, address, telephone number, and Medicaid identification number.

c. A preprinted statement that indicates that the applicant or recipient would like to appeal the specific adverse determination of which the applicant or recipient was notified in the notice.

d. A statement informing the applicant or recipient that he or she may choose to be represented by a lawyer, a relative, a friend, or other spokesperson.

e. A space for the applicant's or recipient's signature and date.

(5) Final Decision. – After a hearing before an administrative law judge, the judge shall return the decision and record to the Department in accordance with subsection 10.15A(h2) of this act. The Department shall make a final decision in the case within 20 days of receipt of the decision and record from the administrative law judge and promptly notify the applicant or recipient of the final decision and of the right to judicial review of the decision pursuant to Article 4 of Chapter 150B of the General Statutes.

"SECTION 10.15A.(h2)

(1) Application. – This subsection applies only to contested Medicaid cases commenced by Medicaid applicants or recipients under subsection 10.15A(h1) of this act. Except as otherwise provided by subsection 10.15A(h1) and this subsection governing time lines and procedural steps, a contested Medicaid case commenced by a Medicaid applicant or recipient is subject to the provisions of Article 3 of Chapter 150B. To the extent any

provision in this subsection or subsection 10.15A(h1) of this act conflicts with another provision in Article 3 of Chapter 150B, this subsection and subsection 10.15A(h1) controls.

(2) Simple Procedures. – Notwithstanding any other provision of Article 3 of Chapter 150B of the General Statutes, the chief administrative law judge may limit and simplify the procedures that apply to a contested Medicaid case involving a Medicaid applicant or recipient in order to complete the case as quickly as possible. To the extent possible, the Office of Administrative Hearings shall schedule and hear all contested Medicaid cases within 55 days of submission of a request for appeal. Hearings shall be conducted telephonically or by video technology, however the recipient or applicant, or the recipient's or applicant's representative may request that the hearing be conducted before the administrative law judge in-person. An in-person hearing shall be conducted in Wake County, however for good cause shown, the in-person hearing may be conducted in the county of residence of the recipient or applicant. Good cause shall include but is not limited to the applicant's or recipient's impairments limiting travel or the unavailability of the applicant's or recipient's treating professional witnesses. The Department shall provide written notice to the recipient or applicant of the use of telephonic hearings, hearings by video conference, and in-person hearings before the administrative law judge, and how to request a hearing in the recipient's or applicant's county of residence. The simplified procedure may include requiring that all prehearing motions be considered and ruled on by the administrative law judge in the course of the hearing of the case on the merits. An administrative law judge assigned to a contested Medicaid case shall make reasonable efforts in a case involving a Medicaid applicant or recipient who is not represented by an attorney to assure a fair hearing and to maintain a complete record of the hearing. The administrative law judge may allow brief extensions of the time limits contained in this section for good cause and to ensure that the record is complete. Good cause includes delays resulting from untimely receipt of documentation needed to render a decision and other unavoidable and unforeseen circumstances. Continuances shall only be granted in accordance with rules adopted by the Office of Administrative Hearings, and shall not be granted on the day of the hearing, except for good cause shown. If a petitioner fails to make an appearance at a hearing that has been properly noticed via certified mail by the Office of Administrative Hearings, the Office of Administrative Hearings shall immediately dismiss the contested case provision.

(3) Mediation. – Upon receipt of an appeal request form as provided by subdivision 10.15A(h1)(4) of this act or other clear request for a hearing by a Medicaid applicant or recipient, the Office of Administrative Hearings shall immediately notify the Mediation Network of North Carolina which shall within five days contact the petitioner to offer mediation in an attempt to resolve the dispute. If mediation is accepted, the mediation must be completed within 25 days of submission of the request for appeal. Upon completion of the mediation, the mediator shall inform the Office of Administrative Hearings and the Department within 24 hours of the resolution by facsimile or electronic messaging. If the parties have resolved matters in the mediation, the case shall be dismissed by the Office of Administrative Hearings. The Office of Administrative Hearings shall not conduct any contested Medicaid cases hearings until it has received notice

from the mediator assigned that either: (i) the mediation was unsuccessful, or (ii) the petitioner has rejected the offer of mediation, or (iii) the petitioner has failed to appear at a scheduled mediation. Nothing in this subdivision shall restrict the right to a contested case hearing.

(4) Burden of Proof. – The petitioner has the burden of proof to show entitlement to a requested benefit or the propriety of requested agency action when the agency has denied the benefit or refused to take the particular action. The agency has the burden of proof when the appeal is from an agency determination to impose a penalty or reduce, terminate, or suspend a benefit previously granted. The party with the burden of proof on any issue has the burden of going forward, and the administrative law judge shall not make any ruling on the preponderance of evidence until the close of all evidence.

(4a) New Evidence.- The petitioner shall be permitted to submit evidence regardless of whether obtained prior to or subsequent to the Department's actions and regardless of whether the Department had an opportunity to consider the evidence in making its determination to deny, reduce, terminate or suspend a benefit. When such evidence is received, at the request of the Department, the administrative law judge shall continue the hearing for a minimum of 15 days and a maximum of 30 days to allow for the Department's review of the evidence. Subsequent to review of the evidence, if the Department reverses its original decision, it shall immediately inform the administrative law judge.

(4b) Issue for Hearing.- For each penalty imposed or benefit reduced, terminated, or suspended, the hearing shall determine whether the Department substantially prejudiced the rights of the petitioner and if the Department, based upon evidence at the hearing:

a. Exceeded its authority or jurisdiction;
b. Acted erroneously;
c. Failed to use proper procedure;
d. Acted arbitrarily or capriciously; or,
e. Failed to act as required by law or rule.

(5) Decision. – The administrative law judge assigned to a contested Medicaid case shall hear and decide the case without unnecessary delay. The Office of Administrative Hearings shall send a copy of the audiotape or diskette of the hearing to the agency within five days of completion of the hearing. The judge shall prepare a written decision and send it to the parties. The decision must be sent together with the record to the agency within 20 days of the conclusion of the hearing.

"**SECTION 10.15A.(h3)** From funds available to the Department of Health and Human Services for the ~~2008-2009~~2010-2011 fiscal year, the sum of two million dollars ($2,000,000) shall be transferred by the Department of Health and Human Services to the Office of Administrative Hearings. These funds shall be allocated by the Office of Administrative Hearings for mediation services provided for Medicaid applicant and recipient appeals and to contract for other services necessary to conduct the appeals process.

"**SECTION 10.15A.(h4)** Effective October 1, 2008, the Department of Health and Human Services shall discontinue its current informal appeals process for Medicaid applicants and recipients appealing a determination made by the Department to deny, terminate, suspend, or reduce Medicaid covered services. All such informal appeals by Medicaid applicants or recipients under the current system which are pending on that date and for which a hearing has not been held shall be discontinued and the applicant or recipient offered an opportunity to

appeal to the Office of Administrative Hearings in accordance with the provisions of subsection 10.15A(h1) of this act. The Department shall make every effort to resolve or settle all of the backlogged cases prior to the effective date of this act.

"**SECTION 10.15A.(h5)** Nothing in this act shall prevent the Department of Health and Human Services from engaging in an informal review of the case with the applicant or recipient prior to issuing a notice of adverse determination as provided by subsection 10.15A(h1) of this act.

~~"**SECTION 10.15A.(h6)** The appeals process for Medicaid applicants and recipients established under this section shall expire July 1, 2010. The Department of Health and Human Services and the Office of Administrative Hearings shall each report to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Subcommittee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division on March 1, 2009, October 1, 2009, and March 1, 2010, on the costs, effectiveness, and efficiency of the appeals process for Medicaid applicants and recipients and make recommendations regarding the continuation of the process.~~"

SECTION 10.30.(b) The Revisor of Statutes shall codify the statutes set forth in Section #.(a).

SECTION 10.30.(c) Not later than October 1, 2011, the Office of Administrative Hearings shall submit a report to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services on the number, status, and outcome of contested Medicaid cases handled by the Office pursuant to the appeals process established in Section #.(a) of this act. The report shall include information on the number of contested Medicaid cases resolved through mediations and through formal hearings, the outcome of settled and withdrawn cases, and the number of incidences in which the Division of Medical Assistance reverses the decision of an administrative law judge.

ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE

SECTION 10.31. Section 10.64.(b) of S.L. 2009-451 reads as rewritten:

"**SECTION 10.64.(b)** For the 2009-2010 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred twenty-four million nine hundred ninety-four thousand nine hundred fifty-four dollars ($124,994,954) with the Department of State Treasurer to be accounted for as nontax revenue. For the 2010-2011 fiscal year, the Department of Health and Human Services shall deposit from its revenues ~~one hundred million dollars ($100,000,000)~~one hundred thirty-five million dollars ($135,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. These deposits shall represent the return of General Fund appropriations provided to the Department of Health and Human Services to provide indigent care services at State-owned and operated mental hospitals. The treatment of any revenue derived from federal programs shall be in accordance with the requirements specified in the Code of Federal Regulations, Volume 2, Part 225."

MEDICAID PREFERRED DRUG LIST

SECTION 10.32. Section 10.66.(c) of S.L. 2009-451 reads as rewritten:

"**SECTION 10.66.(c)** The Department, in consultation with the PAG, shall adopt and publish policies and procedures relating to the preferred drug list, including:

(1) Guidelines for the presentation and review of drugs for inclusion on the preferred drug list,

(2) The manner and frequency of audits of the preferred drug list for appropriateness of patient care and cost-effectiveness,

(3) An appeals process for the resolution of disputes, and

(4) Such other policies and procedures as the Department deems necessary and appropriate.

The Department and the pharmaceutical and therapeutics committee shall consider all therapeutic classes of prescription drugs for inclusion on the preferred drug ~~list, except medications for treatment of human immunodeficiency virus or acquired immune deficiency syndrome shall not be subject to consideration for inclusion on the preferred drug~~ list.

The Department shall maintain an updated preferred drug list in electronic format and shall make the list available to the public on the Department's Internet Web site.

The Department shall: (i) enter into a multistate purchasing pool; (ii) negotiate directly with manufacturers or labelers; (iii) contract with a pharmacy benefit manager for negotiated discounts or rebates for all prescription drugs under the medical assistance program; or (iv) effectuate any combination of these options in order to achieve the lowest available price for such drugs under such program.

The Department may negotiate supplemental rebates from manufacturers that are in addition to those required by Title XIX of the federal Social Security Act. The committee shall consider a product for inclusion on the preferred drug list if the manufacturer provides a supplemental rebate. The Department may procure a sole source contract with an outside entity or contractor to conduct negotiations for supplemental rebates."

MEDICAID PREFERRED DRUG LIST (PDL) REVIEW PANEL

SECTION 10.33.(a) The Secretary of the Department of Health and Human Services shall establish a Preferred Drug List (PDL) Policy Review Panel within 60 days after the effective date of this section. The purpose of the PDL Policy Review Panel is to review the Medicaid PDL recommendations from the Department of Health and Human Services, Division of Medical Assistance, and the Physician Advisory Group (PAG) Pharmacy and Therapeutics (P&T) Committee.

SECTION 10.33.(b) The Secretary shall appoint the following individuals to the review panel:

(1) The Director of Pharmacy for the Division of Medical Assistance.
(2) A representative from the PAG P&T Committee.
(3) A representative from the Old North State Medical Society.
(4) A representative from the North Carolina Association of Pharmacists.
(5) A representative from Community Care of North Carolina.
(6) A representative from the North Carolina Psychiatric Association.
(7) A representative from the North Carolina Pediatric Society.
(8) A representative from the North Carolina Academy of Family Physicians.
(9) A representative from the North Carolina Chapter of the American College of Physicians.

Individuals appointed to the Review Panel, except for the Division's Director of Pharmacy, shall only serve a two-year term.

SECTION 10.33.(c) Within 30 days after the Department, in consultation with the PAG P&T Committee, publishes a proposed policy or procedure related to the Medicaid PDL, the Review Panel shall hold an open meeting to review the recommended policy or procedure along with any written public comments received as a result of the posting. The Review Panel shall provide an opportunity for public comment at the meeting. After the conclusion of the meeting, the Review Panel shall submit policy recommendations about the proposed Medicaid PDL policy or procedure to the Department.

LOCK NARCOTIC PRESCRIPTIONS INTO SINGLE PHARMACY/PROVIDER

SECTION 10.34. The Department of Health and Human Services, Division of Medical Assistance, shall lock narcotic prescription medications provided to Medicaid enrollees into a single pharmacy and provider, as follows:

(1) Enrollees may be prescribed narcotic medications by only one prescribing physician, and may not change the prescribing physician at any time without prior approval or authorization by the Division.

(2) Enrollees may have prescriptions for narcotic medications filled at only one pharmacy, and may not change to another pharmacy at any time without prior approval or authorization by the Division. For the purposes of this section, all locations of the same chain of pharmacies shall constitute one pharmacy.

AUTHORIZE THE DIVISION OF MEDICAL ASSISTANCE TO TAKE CERTAIN STEPS TO EFFECTUATE COMPLIANCE WITH BUDGET REDUCTIONS IN THE MEDICAID PROGRAM

SECTION 10.35. Section 10.68A.(a) of S.L. 2009-451, as amended by Section 5A of S.L. 2009-575, reads as rewritten:

"**SECTION 10.68A.(a)** For the purpose of enabling the Department of Health and Human Services, Division of Medical Assistance, to achieve the budget reductions enacted in this act for the Medicaid program, the Department may take the following actions, notwithstanding any other provision of this act or other State law or rule to the contrary and subject to the requirements of subsection (e) of this section:

(1) Electronic transactions. –

a. Within 60 days of notification of its procedures via the DMA Web site, Medicaid providers shall follow the Department's established procedures for securing electronic payments. No later than September 1, 2009, the Department shall cease routine provider payments by check.

b. Effective September 1, 2009, all Medicaid providers shall file claims electronically to the fiscal agent. Nonelectronic claims submission may be required when it is in the best interest of the Department.

c. Effective September 1, 2009, enrolled Medicaid providers shall submit Preadmission Screening and Annual Resident Reviews (PASARR) through the Department's Web-based tool or through a vendor with interface capability to submit data into the Web-based PASARR.

(2) Clinical coverage. – The Department of Health and Human Services, Division of Medical Assistance, shall amend applicable clinical policies and submit applicable State Plan amendments to CMS to implement the budget reductions authorized in the following clinical coverage areas in this act:

a. Consolidate and reduce Targeted Case Management and case management functions bundled within other Medicaid services.

b. Take appropriate action to lower the cost of HIV case management, including tightening service hours and limiting administrative costs. The Department shall maintain HIV case management as a stand-alone service outside of departmental efforts to consolidate case management services.

c. Eliminate coverage of therapeutic camps. The Department shall report on or before October 1, 2009, on the plan to transition children out of mental health residential therapeutic camps. The Department shall submit the report to the Joint Legislative Oversight Committee

on Mental Health, Developmental Disabilities, and Substance Abuse Services.

~~(3) Medicaid Personal Care Service provision. Upon the enactment of this act, the Division of Medical Assistance shall implement the following new criteria for personal care services (PCS):~~

~~a. Independent assessment by an entity that does not provide direct PCS services for evaluation of the recipient prior to initiation of service. The independent assessment will determine the qualifying Activities of Daily Living (ADL), the level of assistance required, and the amount and scope of PCS to be provided, according to policy criteria.~~

~~b. Independent assessment or review from the assigned Community Care of North Carolina (CCNC) physician of the continued qualification for PCS services under the revised PCS policy criteria.~~

~~c. Establishment of time limits on physician service orders and reauthorization in accordance with the recipient's diagnosis and acuity of need.~~

~~d. Add the following items to the list of tasks that are not covered by this service: nonmedical transportation, errands and shopping, money management, cueing, and prompting, guiding, or coaching.~~

~~e. Online physician attestation of medical necessity.~~

~~f. If sufficient reduction in cost is not achieved with the revised policy, the Secretary shall direct the Division of Medical Assistance to further modify the policy to achieve targeted cost savings.~~

~~Recipients currently receiving PCS services shall be reviewed under the above criteria, and those recipients not meeting the new criteria shall be terminated from the service within 30 days of the review. The Department shall review usage of personal care services in adult care homes to determine if overuse is occurring and shall report its findings 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 on or before December 1, 2009.~~

(3) Medicaid Personal Care Service provision. – The Department of Health and Human Services, Division of Medical Assistance, shall reform the Personal Care Services (PCS) and Personal Care Services-Plus (PCS-Plus) programs provided under the State Medicaid plan as follows:

a. Terminate all services provided under these two PCS programs and implement two new PCS programs, PCS-C and PCS-ADE, effective January 1, 2011, or whenever approval is received from CMS.

b. Determine the most effective and efficient means for Medicaid to manage the cost, quality, and utilization of personal care services through one of the available funding options, including revised Medicaid plan optional services, a §1915(c) home and community-based services (HCBS) waiver, or through a §1915(i) option that allows states to establish home- and community-based services that can target specific populations.

c. Submit applications or State plan amendments to CMS as required to obtain approval for two PCS programs, as follows:

1. PCS for Children (PCS-C) – To assist families to meet their needs for personal care assistance for children, including individuals under the age of 21 receiving comprehensive and

preventative child health services through the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program.

2. PCS for Disabled and Elderly (PCS-ADE) – To meet the needs of individuals 21 years of age or older who, because of a medical condition, disability, or cognitive impairment, demonstrate extensive or higher levels of unmet needs for assistance in at least three of the five activities of daily living (ADLs) that include eating, dressing, bathing, toileting, and mobility. PCS-ADE shall target individuals at the highest level of need who are able to safely remain in the home and who do not meet the State's criteria for nursing facility placement.

d. Establish program limitations:

1. PCS-C shall be limited to no more than 60 hours of service per month, unless additional services are required to correct or ameliorate defects and physical and mental illnesses and conditions as defined in 42 U.S.C. § 1396d(r)(5) in accordance with a plan of care approved by DMA or its designee.

2. PCS-ADE shall be limited to no more than 80 hours of service per month in accordance with a plan of care approved by DMA or its designee.

e. For both programs, require that:

1. Services are provided in a manner that supplements not supplants family roles and responsibilities and care provided by informal caregivers.

2. Prior to admission to PCS, the recipient be seen by his or her primary or attending physician and that the recipient's physician authorizes referral for PCS in writing and attests to the medical necessity for PCS. The Department of Health and Human Services shall track and analyze from the written referrals to detect and address overutilization of PCS services.

3. Initial assessments and continuing need reassessments be performed by an Independent Assessment Entity (IAE) that is not a PCS service provider.

4. The IAE authorize the amount of service to be provided on a "needs basis," as determined by each recipient's degree of functional disability and level of unmet needs for hands-on personal assistance in the five qualifying ADLs.

5. PCS shall not be used to perform household chores not directly related to the qualifying ADLs, nonmedical transportation, money management, running errands, and shopping, and nonhands-on assistance such as cueing, prompting, guiding, or coaching in accordance with the Medicaid Clinical Coverage Policy for each program.

6. Transition qualified recipients into the programs at such time that all approvals from CMS have been obtained; Medicaid Clinical Coverage Policies have been posted, reviewed, and approved as required; and all appropriate implementation tasks have been completed.

(4) MH/DD/SA Personal Care and Personal Assistance Services Provision. – A denial, reduction, or termination of Medicaid-funded personal care services shall result in a similar denial, reduction, or termination of State-funded MH/DD/SA personal care and personal assistance services.

(5) Community Support and other MH/DD/SA services. – The Department of Health and Human Services shall transition community support child and adult, individual and group services to other defined services on or before June 30, 2010. The Division of Medical Assistance and the Division of MH/DD/SA shall take the steps necessary for the Medicaid and the State-funded community support program to provide for transition and discharge planning to recipients currently receiving community support services. The following shall occur:

a. The Department shall submit to CMS: (i) revised service definitions that separate case management functions from the Community Support definition and (ii) a new service definition for peer support services for adults with mental illness and/or substance abuse ~~disorders.~~ disorders, for implementation no sooner than January 1, 2011.

b. No new admissions for community support individual or group shall be allowed during this transition period unless the Department determines appropriate alternative services are not available, in which case limited community support services may be provided during the transition period. LMEs will be responsible for referring eligible consumers to appropriate alternative services.

c. Authorizations currently in effect as of the date of enactment of this act remain valid. Any new authorization or subsequent reauthorization is subject to the provisions of this act.

d. No community support services shall be provided in conjunction with other enhanced services. Until CMS approves the new case management definition, professional level community support may be provided in conjunction with residential Level III and IV to assist in recipient discharge planning. Up to a maximum of 24 hours of case management (professional level) functions may be provided over a 90-day authorization period as approved by the prior authorization vendor.

e. The current moratorium on community support provider endorsement shall remain in effect.

f. A provider of community support services whose endorsement has been withdrawn or whose Medicaid participation has been terminated is not entitled to payment during the period the appeal is pending, and the Department shall make no payment to the provider during that period. If the final agency decision is in favor of the provider, the Department shall remove the suspension, commence payment for valid claims, and reimburse the provider for payments withheld during the period of appeal.

g. Effective 60 days from the enactment of this act, the paraprofessional level of community support shall be eliminated, and from this date the Department shall not use any Medicaid or State funds to pay for this level of service.

h. Thirty days after the enactment of this act, any concurrent request shall be accompanied with a discharge plan. Submission of the

discharge plan will be a required document for a request to be considered complete. Failure to submit the discharge plan will result in the request being returned as "unable to process." Discharge from the service must occur within 90 days after the submission of the discharge plan.

i. Any community support provider that ceases to function as a provider shall provide written notification to DMA, the Local Management Entity, recipients, and the prior authorization vendor 30 days prior to closing of the business.

j. Medical and financial record retention is the responsibility of the provider and shall be in compliance with the record retention requirements of their Medicaid provider agreement or State-funded services contract. Records shall also be available to State, federal, and local agencies.

k. Failure to comply with notification, recipient transition planning, or record maintenance shall result in suspension of further payment until such failure is corrected. In addition, failure to comply shall result in denial of enrollment as a provider for any Medicaid or State-funded service. A provider (including its officers, directors, agents, or managing employees or individuals or entities having a direct or indirect ownership interest or control interest of five percent (5%) or more as set forth in Title XI of the Social Security Act) that fails to comply with the required record retention may be subject to sanctions, including exclusion from further participation in the Medicaid program, as set forth in Title XI.

(6) Community Support Team. – Authorization for a Community Support Team shall be based upon medical necessity as defined by the Department and shall not exceed 18 hours per week. The Division of Medical Assistance shall do an immediate rate study of the Community Support Team to bring the average cost of service per recipient in line with Assertive Community Treatment Team (ACTT) services. The Division shall also revise provider qualifications and tighten the service definition to contain costs in this line item. Not later than December 1, 2009, the Division of Medical Assistance shall report its findings on the rate study and any actions it has taken to conform with this subdivision to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services.

(7) MH Residential. – The Department of Health and Human Services shall restructure the Medicaid child mental health, developmental disabilities, and substance abuse residential services to ensure that total expenditures are within budgeted levels. All restructuring activities shall be in compliance with federal and State law or rule. The Divisions of Medical Assistance and Mental Health, Developmental Disabilities, and Substance Abuse Services shall establish a team inclusive of providers, LMEs, and other stakeholders to assure effective transition of recipients to appropriate treatment options. The restructuring shall address all of the following:

a. Submission of the therapeutic family service definition to CMS.

b. The Department shall reexamine the entrance and continued stay criteria for all residential services. The revised criteria shall promote least restrictive services in the home prior to residential placement.

During treatment, there must be inclusion in community activities and parent or legal guardian participation in treatment.

c. Require all existing residential providers or agencies to be nationally accredited within one year of enactment of this act. Any providers enrolled after the enactment of this act shall be subject to existing endorsement and nationally accrediting requirements. In the interim, providers who are nationally accredited will be preferred providers for placement considerations.

d. Before a child can be admitted to Level III or Level IV placement, one or more of the following shall apply:

1. Placement shall be a step down from a higher level placement such as a psychiatric residential treatment facility or inpatient.
2. Multisystemic therapy or intensive in-home therapy services have been unsuccessful.
3. The Child and Family Team has reviewed all other alternatives and recommendations and recommends Level III or IV placement due to maintaining health and safety.
4. Transition or discharge plan shall be submitted as part of the initial or concurrent request.

e. Length of stay is limited to no more than 120 days. Any exceptions granted will require an independent psychiatric assessment, Child and Family Team review of goals and treatment progress, family or discharge placement setting are actively engaged in treatment goals and objectives and active participation of the prior authorization of vendor.

f. Submission of discharge plan is required in order for the request to be considered complete. Failure to submit a complete discharge plan will result in the request being returned as unable to process.

g. Any residential provider that ceases to function as a provider shall provide written notification to DMA, the Local Management Entity, recipients, and the prior authorization vendor 30 days prior to closing of the business.

h. Record maintenance is the responsibility of the provider and must be in compliance with record retention requirements. Records shall also be available to State, federal, and local agencies.

i. Failure to comply with notification, recipient transition planning, or record maintenance shall be grounds for withholding payment until such activity is concluded. In addition, failure to comply shall be conditions that prevent enrollment for any Medicaid or State-funded service. A provider (including its officers, directors, agents, or managing employees or individuals or entities having a direct or indirect ownership interest or control interest of five percent (5%) or more as set forth in Title XI of the Social Security Act) that fails to comply with the required record retention may be subject to sanctions, including exclusion from further participation in the Medicaid program, as set forth in Title XI.

j. On or before October 1, 2009, the Department shall report on its plan for transitioning children out of Level III and Level IV group homes. The Department shall submit the reports to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services.

(8) Reduce Medicaid rates. – Subject to the prior approval of the Office of State Budget and Management, the Secretary shall reduce Medicaid provider rates to accomplish the reduction in funds for this purpose enacted in this act. The Secretary shall consider the impact on access to care through primary care providers and critical access hospitals and may adjust the rates accordingly. The rate reduction applies to all Medicaid private and public providers with the following exceptions: federally qualified health clinics, rural health centers, State institutions, hospital outpatient, pharmacies, and the noninflationary components of the case-mix reimbursement system for nursing facilities. Medicaid rates predicated upon Medicare fee schedules shall follow Medicare reductions but not Medicare increases unless federally required. Inflationary increases for Medicaid providers paying provider fees (private ICF-MRs and nursing facilities) can occur if the State share of the increases can be funded with provider fees.

(9) Medicaid identification cards. – The Department shall issue Medicaid identification cards to recipients on an annual basis with quarterly updates.

(10) The Department of Health and Human Services shall develop a plan for the consolidation of case management services. The plan shall address the time line and process for implementation, the vendors involved, the identification of savings, and the Medicaid recipients affected by the consolidation. Consolidation under this subdivision does not apply to HIV case management. By December 1, 2009, the Department shall report on the plan 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.

(11) For the purpose of promoting cost-effective utilization of outpatient mental health services for children, DMA shall require prior authorization for services following the 16th visit.

(12) Provision of Medicaid Private Duty Nursing (PDN) – DMA shall change the Medicaid Private Duty Nursing Program provided under the State Medicaid Plan, as follows:

a. Restructure the current PDN Program to provide services that are:

1. Provided only to qualified recipients under the age of 21;
2. Authorized by the recipient's primary care or attending physician;
3. Limited to 16 hours of service per day, unless additional services are required to correct or ameliorate defects and physical and mental illnesses and conditions as defined in 42 U.S.C. § 1396d(r)(5);
4. Approved based on an initial assessment and continuing need reassessments performed by an Independent Assessment Entity (IAE) that does not provide PDN services and authorized in amounts that are medically necessary based on the recipient's medical condition, amount of family assistance available, and other relevant conditions and circumstances, as defined by the Medicaid Clinical Coverage Policy for this service.
5. Provided in accordance with a plan of care approved by DMA or its designee.

b. Develop and submit to CMS a § 1915(c) Home and Community-Based Services Waiver for individuals dependent on technology to substitute for a vital body function.

c. Once approved by CMS and upon approval of the Medicaid Clinical Coverage Policy, transition all qualified recipients age 21 and older currently receiving PDN to waiver services provided under the Technology Dependent Waiver."

IMPLEMENT INDEPENDENT ASSESSMENTS ON MENTAL HEALTH SERVICES

SECTION 10.36.(a) The Department of Health and Human Services, Division of Medical Assistance, shall require that, prior to the delivery of enhanced mental health services in the Medicaid program, an independent assessment be conducted that meets all of the following criteria:

(1) An initial assessment or a continuing need reassessment is performed by an Independent Assessment Entity (IAE) that is not the provider of the services in question.

(2) The IAE authorizes the type and amount of service to be provided based on the specific health condition and needs of the intended recipient of the service.

SECTION 10.36.(b) The Department of Health and Human Services, Division of Medical Assistance, shall provide a report of savings generated and other findings relating to 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 on or before April 1, 2011.

DHHS BLOCK GRANTS

SECTION 10.37.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2011, according to the following schedule:

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS

Local Program Expenditures

Division of Social Services

01.	Work First Family Assistance	$41,435,452
02.	Work First County Block Grants	94,453,315
03.	Work First Electing Counties	2,378,213
04.	Work First – Boys and Girls Clubs	2,500,000
05.	Work First – After-School Services for At-Risk Children	1,639,714
06.	Work First – After-School Programs for At-Risk Youth in Middle Schools	400,000
07.	Work First – Connect, Inc. (Work Central)	440,000

08.	Work First – Citizens Schools Program	360,000
09.	Adoption Services – Special Children's Adoption Fund	3,000,000
10.	Family Violence Prevention	2,200,000
11.	Child Protective Services – Child Welfare Workers for Local DSS	14,452,391
12.	Child Welfare Collaborative	1,129,115
	Division of Child Development	
13.	Subsidized Child Care Program	65,843,377
	Division of Public Health	
14.	Teen Pregnancy Initiatives	450,000
	Department of Public Instruction	
15.	More at Four	16,176,036
	DHHS Programs	
16.	Community Services	17,000,000
	DHHS Administration	
17.	Division of Social Services	1,093,176
18.	Office of the Secretary	75,392
	Transfers to Other Block Grants	
	Division of Child Development	
19.	Transfer to the Child Care and Development Fund	84,330,900
	Division of Social Services	
20.	Transfer to Social Services Block Grant for Child Protective Services – Child Welfare Training in Counties	1,750,000
21.	Transfer to Social Services Block Grant for Maternity Homes	943,002
22.	Transfer to Social Services Block Grant for Teen	

	Pregnancy Prevention Initiatives	2,500,000
23.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,500,000
24.	Transfer to Social Services Block Grant for Foster Care Services	390,000
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS		$359,440,083

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS RECEIVED THROUGH THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

Local Program Expenditures

Division of Social Services

01.	Work First Family Assistance	$46,392,544

Division of Child Development

02.	Subsidized Child Care	20,000,000
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS RECEIVED THROUGH THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)		$66,392,544

SOCIAL SERVICES BLOCK GRANT

Local Program Expenditures

Divisions of Social Services and Aging and Adult Services

01.	County Departments of Social Services (Transfer from TANF – $4,500,000)	$ 28,868,189
02.	State In-Home Services Fund	2,101,113
03.	State Adult Day Care Fund	2,155,301
04.	Child Protective Services/CPS Investigative Services-Child Medical Evaluation Program	609,455
05.	Foster Care Services (Transfer from TANF – $390,000)	1,997,619
06.	Maternity Homes (Transfer from TANF)	943,002
07.	Special Children Adoption Incentive Fund	500,000

08.	Child Protective Services-Child Welfare Training for Counties (Transfer from TANF)	1,750,000
09.	Home and Community Care Block Grant (HCCBG)	1,834,077
10.	Child Advocacy Centers	375,000
	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	
11.	Mental Health Services Program	422,003
12.	Developmental Disabilities Services Program	5,000,000
13.	Mental Health Services-Adult and Child/Developmental Disabilities Program/ Substance Abuse Services-Adult	3,234,601
	Division of Child Development	
14.	Subsidized Child Care Program	1,156,744
	Division of Vocational Rehabilitation	
15.	Vocational Rehabilitation Services – Easter Seal Society/UCP Community Health Program	188,263
	Division of Public Health	
16.	Teen Pregnancy Prevention Initiatives (Transfer from TANF)	2,500,000
	DHHS Program Expenditures	
	Division of Aging and Adult Services	
17.	UNC-CARES Training Contract	247,920
	Division of Services for the Blind	
18.	Independent Living Program	3,633,077
	Division of Health Service Regulation	
19.	Adult Care Licensure Program	411,897
20.	Mental Health Licensure and Certification Program	205,668
	DHHS Administration	

21.	Division of Aging and Adult Services	688,436
22.	Division of Social Services	892,624
23.	Office of the Secretary/Controller's Office	138,058
24.	Office of the Secretary/DIRM	87,483
25.	Division of Child Development	15,000
26.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	29,665
27.	Division of Health Service Regulation	235,625
28.	Office of the Secretary-NC Inter-Agency Council for Coordinating Homeless Programs	250,000
29.	Office of the Secretary	48,053

Transfers to Other State Agencies

Department of Administration

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

Transfers to Other Block Grants

Division of Public Health

31.	Transfer to Preventive Health Services Block Grant for HIV/STD Prevention and Community Planning	145,819

TOTAL SOCIAL SERVICES BLOCK GRANT $ 60,867,890

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

Local Program Expenditures

Division of Social Services

01.	Low-Income Energy Assistance Program (LIEAP)	$ 70,909,401
02.	Crisis Intervention Program (CIP)	40,373,328

Local Administration

Division of Social Services

03.	County DSS Administration	6,362,505
DHHS Administration		
04.	Division of Social Services	275,000
05.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	8,128
06.	Office of the Secretary/DIRM	276,784
07.	Office of the Secretary/Controller's Office	12,332
Transfers to Other State Agencies		
Department of Commerce		
08.	Weatherization Program	500,000
09.	Heating Air Repair and Replacement Program (HARRP)	8,103,157
10.	Local Residential Energy Efficiency Service Providers – Weatherization	25,000
11.	Local Residential Energy Efficiency Service Providers – HARRP	266,375
12.	Department of Commerce Administration – Weatherization	25,000
13.	Department of Commerce Administration – HARRP	266,375
14.	Department of Administration – N.C. State Commission of Indian Affairs	129,807
TOTAL LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT		$ 127,533,192
CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		
Local Program Expenditures		
Division of Child Development		
01.	Subsidized Child Care Services (CCDF)	$153,889,889
02.	Contract Subsidized Child Care Services Support	547,600

03. Subsidized Child Care Services (Transfer from TANF)	84,330,900
04. Quality and Availability Initiatives	23,726,564
05. TEACH	3,800,000
Division of Social Services	
06. Local Subsidized Child Care Services Support	$19,340,596
DHHS Administration	
Division of Child Development	
07. DCD Administrative Expenses	6,539,277
Division of Central Administration	
08. DHHS Central Administration – DIRM Technical Services	774,317
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	$292,949,143
CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT RECEIVED THROUGH THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)	
Local Program Expenditures	
Division of Child Development	
01. Subsidized Child Care Services (CCDF)	$5,980,997
02. Electronic Benefits Transfer System	4,000,000
DHHS Program Expenditures	
Division of Child Development	
03. Quality and Availability Initiatives	2,904,787
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT RECEIVED THROUGH THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)	$12,885,784
MENTAL HEALTH SERVICES BLOCK GRANT	
Local Program Expenditures	
01. Mental Health Services – Adult	$ 5,124,810

02.	Mental Health Services	1,731,432
03.	Mental Health Services – Child	5,421,991
04.	Administration	100,000
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT		$ 12,378,233

SUBSTANCE ABUSE PREVENTION
AND TREATMENT BLOCK GRANT

Local Program Expenditures

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

01.	Substance Abuse Services – Adult	$ 19,278,310
02.	Substance Abuse Services	2,729,770
03.	Substance Abuse Treatment Alternative for Women	8,107,303
04.	Substance Abuse – HIV and IV Drug	5,116,378
05.	Substance Abuse Prevention – Child	7,186,857
06.	Substance Abuse Services – Child	4,940,500
07.	Institute of Medicine	250,000
08.	Administration	250,000

Division of Public Health

09.	Risk Reduction Projects	633,980
10.	Aid-to-Counties	209,576
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		$ 48,702,674

MATERNAL AND CHILD HEALTH BLOCK GRANT

Local Program Expenditures

Division of Public Health

01.	Children's Health Services	7,534,865
02.	Women's Health	7,701,691

03. Oral Health	38,041
DHHS Program Expenditures	
Division of Public Health	
04. Children's Health Services	1,368,778
05. Women's Health	135,452
06. State Center for Health Statistics	179,483
07. Quality Improvement in Public Health	14,646
08. Health Promotion	88,746
09. Office of Minority Health	55,250
10. Immunization Program – Vaccine Distribution	382,648
DHHS Administration	
Division of Public Health	
11. Division of Public Health Administration	631,966
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT	$ 18,131,566
PREVENTIVE HEALTH SERVICES BLOCK GRANT	
Local Program Expenditures	
Division of Public Health	
01. NC Statewide Health Promotion	$1,730,653
02. Services to Rape Victims	197,112
03. HIV/STD Prevention and Community Planning (Transfer from Social Services Block Grant)	145,819
DHHS Program Expenditures	
Division of Public Health	
04. NC Statewide Health Promotion	1,623,117
05. Oral Health	70,000

06. State Laboratory of Public Health	16,600
TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT	$3,783,301
COMMUNITY SERVICES BLOCK GRANT	
Local Program Expenditures	
Office of Economic Opportunity	
01. Community Action Agencies	$ 17,968,944
02. Limited Purpose Agencies	998,275
DHHS Administration	
03. Office of Economic Opportunity	998,274
TOTAL COMMUNITY SERVICES BLOCK GRANT	$ 19,965,493
COMMUNITY SERVICES BLOCK GRANT RECEIVED THROUGH THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)	
Local Program Expenditures	
Office of Economic Opportunity	
01. Community Action Agencies	$ 10,000,000
TOTAL COMMUNITY SERVICES BLOCK GRANT RECEIVED THROUGH THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)	$ 10,000,000

GENERAL PROVISIONS

SECTION 10.37.(b) Information to Be Included in Block Grant Plans. – The Department of Health and Human Services shall submit a separate plan for each Block Grant received and administered by the Department, and each plan shall include the following:

(1) A delineation of the proposed allocations by program or activity, including State and federal match requirements.

(2) A delineation of the proposed State and local administrative expenditures.

(3) An identification of all new positions to be established through the Block Grant, including permanent, temporary, and time-limited positions.

(4) A comparison of the proposed allocations by program or activity with two prior years' program and activity budgets and two prior years' actual program or activity expenditures.

(5) A projection of current year expenditures by program or activity.

(6) A projection of federal Block Grant funds available, including unspent federal funds from the current and prior fiscal years.

SECTION 10.37.(c) Changes in Federal Fund Availability. – If the Congress of the United States increases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing block grants administered by the Department of

Health and Human Services from the amounts appropriated in this section, the Department shall allocate the increase proportionally across the program and activity appropriations identified for that Block Grant in this section. In allocating an increase in federal fund availability, the Office of State Budget and Management shall not approve funding for new programs or activities not appropriated in this section.

If the Congress of the United States decreases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing block grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall reduce State administration by at least the percentage of the reduction in federal funds. After determining the State administration, the remaining reductions shall be allocated proportionately across the program and activity appropriations identified for that Block Grant in this section. The Office of State Budget and Management shall report on these changes.

Prior to allocating the change in federal fund availability, the proposed allocation must be approved by the Office of State Budget and Management. If the Department adjusts the allocation of any Block Grant due to changes in federal fund availability, then a report shall be made to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

SECTION 10.37.(d) Appropriations from federal Block Grant funds are made for the fiscal year ending June 30, 2011, according to the schedule enacted for State fiscal year 2010-2011 or until a new schedule is enacted by the General Assembly.

SECTION 10.37.(e) All changes to the budgeted allocations to the Block Grants or contingency funds and other grants related to existing block grants administered by the Department of Health and Human Services that are not specifically addressed in this section shall be approved by the Office of State Budget and Management, and the Office of State Budget and Management shall consult with the Joint Legislative Commission on Governmental Operations for review prior to implementing the changes. The report shall include an itemized listing of affected programs, including associated changes in budgeted allocations. All changes to the budgeted allocations to the Block Grants shall be reported immediately 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. This subsection does not apply to Block Grant changes caused by legislative salary increases and benefit adjustments.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS

SECTION 10.37.(f) The sum of one million ninety-three thousand one hundred seventy-six dollars ($1,093,176) appropriated in this section in TANF funds to the Department of Health and Human Services, Division of Social Services, for the 2010-2011 fiscal year shall be used to support administration of TANF-funded programs.

SECTION 10.37.(g) The sum of two million two hundred thousand dollars ($2,200,000) appropriated under this section in TANF funds to the Department of Health and Human Services, Division of Social Services, for the 2010-2011 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 support 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 develop jointly 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, 2010. 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, 2010, 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, 2010. The Division of Social Services may reallocate unspent funds to counties that submit a written request for additional funds.

SECTION 10.37.(h) The sum of one million six hundred thirty-nine thousand seven hundred fourteen dollars ($1,639,714) appropriated in this section in TANF funds to the Department of Health and Human Services, Division of Social Services, for the 2010-2011 fiscal year 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, school dropout, and gang participation. 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 fund one position within the Division of Social Services to coordinate at-risk after-school programs and shall not be used for other State administration.

SECTION 10.37.(i) The sum of fourteen million four hundred fifty-two thousand three hundred ninety-one dollars ($14,452,391) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in TANF funds for the 2010-2011 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 postadoption services for eligible families.

SECTION 10.37.(j) The sum of three million dollars ($3,000,000) appropriated in this section in TANF funds to the Department of Health and Human Services, Special Children Adoption Fund, for the 2010-2011 fiscal year shall be used in accordance with G.S. 108A-50.2, as enacted in Section 10.48 of S.L. 2009-451. 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 10.37.(k) The sum of four hundred thousand dollars ($400,000) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in TANF funds for the 2010-2011 fiscal year shall be used to expand after-school programs for at-risk children attending middle school. The Department shall develop and implement a grant program to award funds to community-based programs demonstrating the capacity to reach children at risk of teen pregnancy, school dropout, and

gang participation. These funds shall not be used for training or administration at the State level. All funds shall be distributed to community-based programs, focusing on those communities where similar programs do not exist in middle schools.

SECTION 10.37.(l) In implementing the use of TANF funds, the Department of Health and Human Services shall review policies, programs, and initiatives to ensure that they support men in their role as fathers and strengthen fathers' involvement in their children's lives. The Department shall encourage county departments of social services to ensure their Work First programs emphasize responsible fatherhood and increased participation by noncustodial fathers.

SECTION 10.37.(m) The sum of four hundred forty thousand dollars ($440,000) appropriated in this section to the Department in TANF funds for the 2010-2011 fiscal year shall be transferred to Connect, Inc. Connect, Inc., shall report on the number of people served and the services received as a result of the receipt of funds. The report shall contain expenditure data, including the amount of funds used for administration and direct training. The report shall also include the number of people who have been employed as a direct result of services provided by Connect, Inc., including the length of employment in the new position. The Department of Health and Human Services shall evaluate the program and ensure that services provided are not duplicative of local employment security commissions in the nine counties served by Connect, Inc. The evaluation report shall be submitted 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 no later than May 1, 2011.

SECTION 10.37.(n) The sum of two million five hundred thousand dollars ($2,500,000) appropriated in this section to the Department in TANF funds for Boys and Girls Clubs for the 2010-2011 fiscal year 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 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 gang participation, 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.

SECTION 10.37.(o) The sum of one million one hundred twenty-nine thousand one hundred fifteen dollars ($1,129,115) appropriated in this section to the Department of Health and Human Services in TANF funds for the 2010-2011 fiscal year shall be used to continue support for the Child Welfare Collaborative.

SECTION 10.37.(p) The sum of three hundred sixty thousand dollars ($360,000) appropriated to the Department of Health and Human Services, Division of Social Services, under this section in TANF funds for the 2010-2011 fiscal year shall be used to continue support for the Citizens Schools Program, a three-year urban/rural dropout prevention pilot program in the Durham and Vance County public school systems.

SECTION 10.37.(q) The sum of seventeen million dollars ($17,000,000) appropriated in this section to the Department of Health and Human Services in TANF funds for the 2010-2011 fiscal year for community services shall be used to support TANF-eligible programs. The Department, upon review and approval of the Office of State Budget and Management, shall implement an equivalent reduction of General Fund appropriations and shall transfer the appropriations to support community services.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS

SECTION 10.37.(r) The sum of twenty million dollars ($20,000,000) appropriated under this section from TANF Emergency Contingency funds to the Department of Health and Human Services, Division of Social Services, for the 2010-2011 fiscal year shall be used for subsidized child care services. Payment for subsidized child care services provided with TANF Emergency Contingency funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 10.37.(s) The sum of forty-six million three hundred ninety-two thousand five hundred forty-four dollars ($46,392,544) appropriated under this section from TANF Emergency Contingency funds to the Department of Health and Human Services, Division of Social Services, for the 2010-2011 fiscal year shall be used to support assistance payments provided under the Work First Family Assistance program.

SOCIAL SERVICES BLOCK GRANT

SECTION 10.37.(t) Social Services Block Grant funds appropriated to the North Carolina Inter-Agency Council for coordinating homeless programs, child medical evaluations, and community services provided by Children's Advocacy Centers are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.37.(u) The sum of one million seven hundred fifty thousand dollars ($1,750,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2010-2011 fiscal year shall be used to support various child welfare training projects as follows:

(1) Provide a regional training center in southeastern North Carolina.

(2) Provide training for residential child caring facilities.

(3) Provide for various other child welfare training initiatives.

SECTION 10.37.(v) The sum of nine hundred forty-three thousand two dollars ($943,002) appropriated in this section to the Department of Health and Human Services in the Social Services Block Grant for the 2010-2011 fiscal year shall be used to support maternity home services.

SECTION 10.37.(w) The sum of one million nine hundred ninety-seven thousand six hundred nineteen dollars ($1,997,619) appropriated in this section in the Social Services Block Grant for child caring agencies for the 2010-2011 fiscal year shall be allocated in support of State foster home children.

SECTION 10.37.(x) The Department of Health and Human Services is authorized, subject to the approval of the Office of State Budget and Management, to transfer Social Services Block Grant funding allocated for departmental administration between divisions that have received administrative allocations from the Social Services Block Grant.

SECTION 10.37.(y) Social Services Block Grant funds appropriated for the Special Children's Adoption Incentive Fund will require a fifty percent (50%) local match.

SECTION 10.37.(z) The sum of three hundred seventy-five thousand dollars ($375,000) appropriated in this section in the Social Services Block Grant for the 2010-2011 fiscal year shall be allocated to the Division of Social Services to support community services provided by Children's Advocacy Centers on behalf of children who are victims of child abuse.

SECTION 10.37.(aa) 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 2010-2011 fiscal year shall be used to continue a Mental Health Services Program for children.

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

SECTION 10.37.(bb) Additional emergency contingency funds received may be allocated for Energy Assistance Payments or Crisis Intervention Payments without prior consultation with the Joint Legislative Commission on Governmental Operations. Additional

funds received shall be reported to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division upon notification of the award. The Department of Health and Human Services shall not allocate funds for any activities, including increasing administration, other than assistance payments, without prior consultation with the Joint Legislative Commission on Governmental Operations.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 10.37.(cc) 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 10.37.(dd) 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 10.37.(ee) If American Recovery and Reinvestment Act of 2009 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.

SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

SECTION 10.37.(ff) The sum of two hundred fifty thousand dollars ($250,000) appropriated in this section in the Substance Abuse Prevention and Treatment Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2010-2011 fiscal year for the North Carolina Institute of Medicine (NCIOM) shall be used to study the following:

(1) The availability of Medicaid and State-funded mental health, developmental disabilities, and substance abuse services to active duty, reserve, and veteran members of the military and National Guard. The study should discuss the current availability of services, the extent of use, and any gaps in services.

(2) Issues related to cost, quality, and access to appropriate and affordable health care for all North Carolinians. The North Carolina Institute of Medicine (NCIOM) may use funds appropriated for the 2007-2009 fiscal biennium to continue the work of its Health Access Study Group to study these issues. The Health Access Study Group may include in its study the matters contained in Sections 31.1, 31.2, and 31.3 of S.L. 2008-181 and also may monitor federal health-related legislation to determine how the legislation would impact costs, quality, and access to health care.

(3) Short-term and long-term strategies to address issues within adult care homes that provide residence to persons who are frail and elderly and to persons suffering from mental illness.

The Institute shall make an interim report to the Governor's Office, the Joint Legislative Health Care Oversight Committee, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services no later than January 15, 2010, which may include recommendations and proposed legislation, and shall issue its final report with findings, recommendations, and suggested legislation to the 2011 General Assembly upon its convening. In the event members of the General Assembly serve on the NCIOM Health Access Study Group, they shall receive per diem, subsistence, and travel allowances in accordance with G.S. 120-3.1. The Health Access Study Group may include in

its study the matters contained in Sections 31.1, 31.2, and 31.3 of S.L. 2008-181 and also may monitor federal health-related legislation to determine how the legislation would impact costs, quality, and access to health care.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 10.37.(gg) 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 2010-2011 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) and (4a). The Department of Public Instruction shall carefully and strictly follow federal guidelines in implementing and administering the abstinence education grant funds.

SECTION 10.37.(hh) The Department of Health and Human Services shall ensure that there will be follow-up testing in the Newborn Screening Program.

PART XI. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

FEE INCREASES FOR PESTICIDE DEALERS, PESTICIDE APPLICATORS, AND PEST CONTROL CONSULTANTS

SECTION 11.1.(a) G.S. 143-440 reads as rewritten:

"**§ 143-440. Restricted use pesticides regulated.**

(a) The Board may, by regulation after a public hearing, adopt and from time to time revise a list of restricted use pesticides for the State or for designated areas within the State. The Board may designate any pesticide or device as a "restricted use pesticide" upon the grounds that, in the judgment of the Board (either because of its persistence, its toxicity, or otherwise) it is so hazardous or injurious to persons, pollinating insects, animals, crops, wildlife, lands, or the environment, other than the pests it is intended to prevent, destroy, control, or mitigate that additional restriction on its sale, purpose, use or possession are required.

(b) The Board may include in any such restricted use regulation the time and conditions of sale, distribution, or use of such restricted use pesticides, may prohibit the use of any restricted use pesticide for designated purposes or at designated times; may require the purchaser or user to certify that restricted use pesticides will be used only as labeled or as further restricted by regulation; may require the certification and recertification of private applicators and, charge a fee of up to ten dollars ($10.00), with the fee set at a level to make the certification/recertification program self-supporting, and, after opportunity for a hearing, may suspend, revoke or modify the certification for violation of any provision of this Article, or any rule or regulation adopted thereunder; and may, if it deems it necessary to carry out the provisions of this Part, require that any or all restricted use pesticides shall be purchased, possessed, or used only under permit of the Board and under its direct supervision in certain areas and/or under certain conditions or in certain quantities or concentrations except that any person licensed to sell such pesticides may purchase and possess such pesticides without a permit. The Board may require all persons issued such permits to maintain records as to the use of the restricted use pesticides. The Board may authorize the use of restricted use pesticides by persons licensed under the North Carolina Structural Pest Control Act without a permit. A nonrefundable fee of ten dollars ($10.00) shall be charged for each examination required by this section. This examination fee is in addition to the certification or recertification fee, and any other fee authorized pursuant to any other provision of Article 4C of Chapter 106 of the General Statutes.

(c) A fee of fifty dollars ($50.00) shall be charged for examination of individuals seeking to be designated as Worker Protection Designated Trainers, in accordance with provisions of the Federal Worker Protection Standard set forth in 40 C.F.R. Part 170, and subsequent amendments to those regulations."

SECTION 11.1.(b) G.S. 143-448(b) reads as rewritten:

"§ 143-448. Licensing of pesticide dealers; fees.

...

(b) Applications for a pesticide dealer license shall be in the form and shall contain the information prescribed by the Board. Each application shall be accompanied by a non-refundable fee of ~~fifty dollars ($50.00).~~seventy-five dollars ($75.00). All licenses issued under this Part shall expire on December 31 of the year for which they are issued.

...."

SECTION 11.1.(c) G.S. 143-449(b) reads as rewritten:

"§ 143-449. Qualifications for pesticide dealer license; examinations.

...

(b) Each applicant shall satisfy the Board as to his responsibility in carrying on the business of a pesticide dealer. Each applicant for an original license must demonstrate upon written, or written and oral, examination to be prescribed by the Board his knowledge of pesticides, their usefulness and their hazards; his competence as a pesticide dealer; and his knowledge of the laws and regulations governing the use and sale of pesticides. A nonrefundable fee of fifty dollars ($50.00) shall be charged for each examination required by this section. This examination fee is in addition to any fee authorized pursuant to any other provision of Article 4C of Chapter 106 of the General Statutes.

...."

SECTION 11.1.(d) G.S. 143-452(b) reads as rewritten:

"§ 143-452. Licensing of pesticide applicators; fees.

...

(b) Applications for pesticide applicator license shall be in the form and shall contain the information prescribed by the Board. Each application shall be accompanied by a non-refundable fee of ~~fifty dollars ($50.00)~~seventy-five dollars ($75.00) for each pesticide applicator's license. In addition, an annual inspection fee of twenty-five dollars ($25.00) shall be submitted for each aircraft to be licensed. Should any aircraft fail to pass inspection, making it necessary for a second inspection to be made, the Board shall require an additional twenty-five-dollar ($25.00) inspection fee. In addition to the required inspection, unannounced inspections may be made without charge to determine if equipment is properly calibrated and maintained in conformance with the laws and regulations. All aircraft licensed to apply pesticides shall be identified by a license plate or decal furnished by the Board at no cost to the licensee, which plate or decal shall be affixed on the aircraft in a location and manner prescribed by the Board. No applicator inspection or license fee, original or renewal, shall be charged to State agencies or local governments or their employees. Inspections of ground pesticide application equipment may be made. Any such equipment determined to be faulty or unsafe shall not be used for the purpose of applying a pesticide(s) until such time as proper repairs and/or alterations are made."

SECTION 11.1.(e) G.S. 143-453 reads as rewritten:

"§ 143-453. Qualifications for pesticide applicator's license; examinations.

(a) An applicant for a license must present satisfactory evidence to the Board concerning his qualifications for a pesticide applicator license. The contractor and each pilot involved in aerial application of pesticides shall be licensed.

Those qualifications, in the case of a pilot, shall include at least 125 hours and one year's flying experience as a pilot in the field of aerial pesticide application. A pilot lacking 125 hours and one year's experience as a pilot in the field of aerial pesticide application shall be licensed

as an apprentice aerial pesticide applicator pilot. All aerial applications of pesticides by a licensed apprentice shall be conducted under the direct supervision of a licensed pesticide applicator pilot. The supervising pilot, while directly supervising an apprentice, shall operate out of the same airstrip as the apprentice and shall be available periodically throughout each day to provide advice and assistance to the apprentice. A nonrefundable fee of fifty dollars ($50.00) shall be charged for the examination required by this subsection. Such examination fee shall be charged in addition to the fees authorized pursuant to subsection (b) of this section or any other provision of Article 4C of Chapter 106 of the General Statutes.

(b) Each applicant shall satisfy the Board as to his knowledge of the laws and regulations governing the use and application of pesticides in the classifications he has applied for (manually or with various equipment that he may have applied for a license to operate), and as to his responsibility in carrying on the business of a pesticide applicator. Each applicant for an original license must demonstrate upon written, or written and oral, examination to be prescribed by the Board his knowledge of pesticides, their usefulness and their hazards; his competence as a pesticide applicator; and his knowledge of the laws and regulations governing the use and application of pesticides in the classification for which he has applied. A nonrefundable fee of fifty dollars ($50.00) shall be charged for the core examination, and an additional twenty dollars ($20.00) shall be charged for each additional specific classification licensure. Such examination fees shall be charged in addition to the fees authorized pursuant to subsection (a) of this section or any other provision of Article 4C of Chapter 106 of the General Statutes.

...."

SECTION 11.1.(f) G.S. 143-455 reads as rewritten:

"**§ 143-455. Pest control consultant license.**

(a) No person shall perform services as a pest control consultant without first procuring from the Board a license. Applications for a consultant license shall be in the form and shall contain the information prescribed by the Board. The application for a license shall be accompanied by a non-refundable annual fee of ~~fifty dollars ($50.00).~~seventy-five dollars ($75.00).

(b) An applicant for a consultant license must present satisfactory evidence to the Board concerning his qualifications for such license. The Board may classify consultant licenses into one or more classifications or subclassifications based upon types of consulting services performed or to be performed. Such classifications and subclassifications may reflect the crops involved in the consulting service, the discipline or training of consultant, the discretion or lack of discretion involved in the consulting service, and the site or location of the service. Each classification and subclassification may be subject to separate testing procedures and requirements, and may be subject to its own minimum standards of training in specialized subject matter from a recognized college or university, or equivalent specialized consulting experience or training. A nonrefundable fee of fifty dollars ($50.00) shall be charged for the consultant examination, and an additional twenty dollars ($20.00) shall be charged for each additional specific classification licensure permitted by this subsection. Such examination fee shall be charged in addition to the fees authorized pursuant to subsection (a) of this section or any other provision of Article 4C of Chapter 106 of the General Statutes. Qualifications for licensing may be less stringent if the licensee is restricted to making recommendations contained in publications recognized by the Board as appropriate for a specific consulting classification or subclassification.

...."

STRUCTURAL PEST CONTROL ACT FEE INCREASES

SECTION 11.2.(a) G.S. 106-65.27 reads as rewritten:

"**§ 106-65.27. Examinations of applicants; fee; license not transferable.**

(a) Certified Applicator. – All applicants for a certified applicator's identification card shall demonstrate practical knowledge of the principles and practices of pest control and safe use of pesticides. Competency shall be determined on the basis of written examinations to be provided and administered by the Committee and, as appropriate, performance testing. Testing shall be based upon examples of problems and situations appropriate to the particular phase or subphase of structural pest control for which application is made and shall include, where relevant, the following areas of competency:

(1) Label and labeling comprehension.
(2) Safety factors associated with pesticides – toxicity, precautions, first aid, proper handling, etc.
(3) Influence of and on the environment.
(4) Pests – identification, biology, and habits.
(5) Pesticides – types, formulations, compatibility, hazards, etc.
(6) Equipment – types and uses.
(7) Application techniques.
(8) Laws and regulations.

An applicant for a certified applicator's identification card shall submit an examination fee of ~~ten dollars ($10.00)~~twenty-five dollars ($25.00) for each phase or subphase of structural pest control in which the applicant chooses to be examined. An examination for more than one phase or subphase may be taken at the same time at any regularly scheduled examination. Frequency of such examinations shall be at the discretion of the Committee, provided that a minimum of two examinations be given annually. The examination will cover each phase or subphase of structural pest control for which application is being made.

(b) License. – Each applicant for an original license must demonstrate upon written examination, to be provided and administered by the Committee, his competency as a structural pest control operator for the phase or subphase in which he is applying for a license. Frequency of such examinations shall be at the discretion of the Committee, provided that a minimum of two examinations shall be given annually. The examination will cover each phase or subphase of structural pest control for which application is being made. All applicants for a license shall register with the Division on a prescribed form. A license examination fee of ~~twenty-five dollars ($25.00)~~fifty dollars ($50.00) shall be charged for each phase or subphase of structural pest control in which the applicant chooses to be examined. An examination for more than one phase or subphase of structural pest control may be taken at the same time.

...."

SECTION 11.2.(b) G.S. 106-65.31 reads as rewritten:

"**§ 106-65.31. Annual certified applicator card and license fee; registration of servicemen, salesmen, solicitors, and estimators; identification cards.**

(a) Certified Applicator's Identification Card. – The fee for issuance or renewal of a certified applicator's identification card shall be ~~thirty dollars ($30.00).~~fifty dollars ($50.00). Within 75 days after the employment of a certified applicator, the licensee shall apply to the Division for the issuance of a certified applicator's identification card. A certified applicator's identification card shall expire on June 30 of each year and shall be renewed annually. All certified applicators who fail or neglect to renew their card on or before June 30 but make application before January 1 of the following year may have their card renewed without having to be reexamined unless the applicant is scheduled for periodic reexamination under regulations adopted pursuant to G.S. 106-65.27(d)(3). All applicants submitting applications for the renewal of their cards after June 30 shall not use or supervise the use of restricted use pesticides until a new card has been issued.

Any certified applicator whose employment is terminated with a licensee or agent prior to the end of any license year may at any time prior to the end of the license year be reissued a certified applicator's identification card for the remainder of the license year as an employee of

another licensee or agency or as an individual for a fee of five dollars ($5.00). The licensee shall notify the Division of the termination or change in status of any certified applicator.

Any certified applicator whose identification card is lost or destroyed or changed in any way may be reissued a new card for the remainder of the license year for a fee of five dollars ($5.00).

(b) License. – The fee for the issuance or renewal of a license for any one phase of structural pest control shall be ~~one hundred fifty dollars ($150.00).~~two hundred dollars ($200.00). Each additional phase shall be ~~sixty-five dollars ($65.00).~~seventy-five dollars ($75.00). The fee for each subphase shall be fifteen dollars ($15.00). Licenses shall expire on June 30 of each year and shall be renewed annually. All licensees who fail or neglect to renew their license on or before June 30, but who make application before January 1 of the following year, may have their license renewed without having to be reexamined, unless the applicant is scheduled for periodic reexamination under regulations adopted pursuant to G.S. 106-65.27(d)(3). No structural pest control work may be performed until the license has been renewed or until a new license has been issued.

Any licensee whose employment is terminated by his employer or any licensee who is transferred to another company or location other than the company or location shown on his license certificate, may at any time, have his license reissued for the remainder of the license year for a fee of ten dollars ($10.00).

Any licensee whose license is lost or destroyed may secure a duplicate license for a fee of ten dollars ($10.00).

(b1) Registration. – Within 75 days after the hiring of an employee who is either an estimator, salesman, serviceman, or solicitor, the licensee shall apply to the Division for the issuance of an identification card for such employee. The application must be accompanied by a fee of ~~twenty-five dollars ($25.00)~~forty dollars ($40.00) for each card. The card shall be issued in the name of the employee and shall bear the name of the employing licensee, the employer's license number and phases, the name and address of the employer's business, and such other information as the Committee may specify. The identification card shall be carried by the employee on his person at all times while performing any phase of structural pest control work. The card must be displayed upon demand by the Commissioner, the Committee, the Division, or any representative thereof, or the person for whom any phase of structural pest control work is being performed. A registered technician's identification card must be renewed annually on or before June 30 by payment of a renewal fee of twenty-five dollars ($25.00). If a card is lost or destroyed the licensee may secure a duplicate for a fee of five dollars ($5.00).The licensee shall notify the Division of the termination or change in status of any registered technician. All identification cards expire when a license expires.

When a license is reissued, the licensee shall be responsible for registering and securing identification cards for all existing employees who engage in structural pest control within 10 days of the reissuance of the license.

A certified applicator who is not an employee of a licensed individual shall register the names of all employees under his supervision who are engaged in the performance of structural pest control with the Division and shall purchase a registered technician's identification card for each such employee.

...."

CONSOLIDATE GRADE "A" MILK PROGRAM INTO DAIRY PROGRAM AND STUDY FEE STRUCTURE

SECTION 11.3.(a) All functions, powers, duties, and obligations previously vested in the Grade "A" Milk Sanitation Program within the Division of Environmental Health of the Department of Environment and Natural Resources are transferred to and vested in the Food

and Drug Protection Division of the Department of Agriculture and Consumer Services by a Type I transfer, as defined in G.S. 143A-6.

SECTION 11.3.(b) The Department of Agriculture and Consumer Services shall study the development of a schedule of fees for the Grade "A" Milk Sanitation Program consistent with the existing fee schedule for the Dairy Program. In its study under this subsection, the Department of Agriculture and Consumer Services shall consider the costs associated with operating the Grade "A" Milk Program.

SECTION 11.3.(c) The Department of Agriculture and Consumer Services shall report not later than January 15, 2011, to the House and Senate Appropriation Subcommittees on Natural and Economic Resources and the Fiscal Research Division on the results of its study under subsection (b) of this section. The Department of Agriculture and Consumer Services shall include in this report what fee schedule the Department recommends as well as any findings, other recommendations, or legislative proposals.

SECTION 11.3.(d) Part 9 of Article 8 of Chapter 130A of the General Statutes is recodified as Article 28C of Chapter 106 of the General Statutes, to be entitled "Grade 'A' Milk Sanitation"; G.S. 130A-274 is recodified as G.S. 106-266.30; G.S. 130A-275 is recodified as G.S. 106-266.31; G.S. 130A-276 is recodified as G.S. 106-266.32; G.S. 130A-277 is recodified as G.S. 106-266.33; G.S. 130A-278 is recodified as G.S. 106-266.34; and G.S. 130A-279 is recodified as G.S. 106-266.35.

SECTION 11.3.(e) G.S. 106-266.30, as recodified under subsection (d) of this section, reads as rewritten:

"**§ 106-266.30. Definitions.**

The following definitions shall apply throughout this ~~Part:~~Article:

(1) "Grade 'A' milk" means fluid milk and milk products which have been produced, transported, handled, processed and distributed in accordance with the provisions of the rules adopted by the ~~Commission.~~Board of Agriculture.

(2) "Milk" means the lacteal secretion practically free from colostrum obtained by the milking of one or more cows, goats, or other lactating animals."

SECTION 11.3.(f) G.S. 106-266.31, as recodified under subsection (d) of this section, reads as rewritten:

"**§ 106-266.31. ~~Commission~~ Board to adopt rules.**

~~Notwithstanding the provisions of G.S. 106-267 et seq., the Commission is authorized and directed to~~The Board of Agriculture shall adopt rules relating to the sanitary production, transportation, processing and distribution of Grade "A" milk. The rules, in order to protect and promote the public health, shall provide definitions and requirements for: (i) the sanitary production and handling of milk on Grade "A" dairy farms; (ii) the sanitary transportation of Grade "A" raw milk for processing; (iii) the sanitary processing of Grade "A" milk; (iv) the sanitary handling and distribution of Grade "A" milk; (v) the requirements for the issuance, suspension and revocation of permits; and (vi) the establishment of quality standards for Grade "A" milk. The rules shall be no less stringent than the 1978 Pasteurized Milk Ordinance recommended by the U.S. Public Health Service/Food and Drug Administration as amended effective January 1, 1982. The ~~Commission~~ Board of Agriculture may adopt by reference the U.S. Public Health Service/Food and Drug Administration 1978 Pasteurized Milk ~~Ordinance, and any amendment thereto~~Ordinance, as amended."

SECTION 11.3.(g) G.S. 106-266.32, as recodified under subsection (d) of this section, reads as rewritten:

"**§ 106-266.32. Permits required.**

No person shall produce, transport, process, or distribute Grade "A" milk without first having obtained a valid permit from the ~~Department.~~Department of Agriculture and Consumer Services."

SECTION 11.3.(h) G.S. 106-266.33, as recodified under subsection (d) of this section, reads as rewritten:

"**§ 106-266.33. Duties of the Department.**

The Department of Agriculture and Consumer Services shall enforce the rules of the ~~Commission~~ Board of Agriculture governing Grade "A" milk by making sanitary inspections of Grade "A" dairy farms, Grade "A" processing plants, Grade "A" milk haulers and Grade "A" distributors; by determining the quality of Grade "A" milk; and by evaluating methods of handling Grade "A" milk to insure compliance with the provisions of the rules of the ~~Commission.~~Board of Agriculture. The Department of Agriculture and Consumer Services shall issue permits for the operation of Grade "A" dairy farms, processing plants and haulers in accordance with the provisions of the rules of the ~~Commission~~ Board of Agriculture and shall suspend or revoke permits for violations in accordance with the rules."

SECTION 11.3.(i) G.S. 106-266.34, as recodified under subsection (d) of this section, reads as rewritten:

"**§ 106-266.34. Certain other authorities of Department of Agriculture and Consumer Services not replaced.**

This ~~Part~~ Article shall not repeal or limit the Department of Agriculture and Consumer Services' authority to carry out labeling requirements, required butterfat testing, aflatoxin testing, pesticide testing, other testing performed by the Department of Agriculture and Consumer ~~Services~~ Services, and any other function of the Department of Agriculture and Consumer Services concerning Grade "A" milk ~~which~~ under any other Article under this Chapter that is not inconsistent with this Article."

SECTION 11.3.(j) G.S. 106-266.35 as recodified under subsection (d) of this section, reads as rewritten:

"**§ 106-266.35. Sale or dispensing of milk.**

Only milk that is Grade "A" pasteurized milk may be sold or dispensed directly to consumers for human consumption. Raw milk and raw milk products shall be sold or dispensed only to a permitted milk hauler or to a processing facility at which the processing of milk is permitted, graded, or regulated by a local, State, or federal agency. The ~~Commission~~ Board of Agriculture may adopt rules to provide exceptions for dispensing raw milk and raw milk products for nonhuman consumption. Any raw milk or raw milk product dispensed as animal feed shall include on its label the statement "NOT FOR HUMAN CONSUMPTION" in letters at least one-half inch in height. Any raw milk or raw milk product dispensed as animal feed shall also include on its label the statement "IT IS NOT LEGAL TO SELL RAW MILK FOR HUMAN CONSUMPTION IN NORTH CAROLINA." "Sale" or "sold" shall mean any transaction that involves the transfer or dispensing of milk and milk products or the right to acquire milk and milk products through barter or contractual arrangement or in exchange for any other form of compensation including, but not limited to, the sale of shares or interest in a cow, goat, or other lactating animal or herd."

SECTION 11.3.(k) G.S. 130A-21(b) is repealed.

SECTION 11.3.(l) G.S. 106-143 reads as rewritten:

"**§ 106-143. Article construed supplementary.**

Nothing in this Article shall be construed as in any way amending, abridging, or otherwise affecting the validity of any law or ordinance relating to the Commission for Public Health or the Department of Environment and Natural Resources or any local health department in their sanitary work in connection with public and private water supplies, sewerage, meat, ~~milk,~~ milk products, shellfish, finfish, or other foods, or food products, or the production, handling, or processing of these items."

CONSOLIDATE SPAY/NEUTER PROGRAM INTO ANIMAL WELFARE PROGRAM AND PROVIDE ADDITIONAL FUNDING

SECTION 11.4.(a) All functions, powers, duties, and obligations previously vested in the Spay/Neuter Program within the Department of Health and Human Services are transferred to and vested in the Animal Welfare Section of the Animal Health Division of the Department of Agriculture and Consumer Services by a Type I transfer, as defined in G.S. 143A-6.

SECTION 11.4.(b) Of the funds appropriated in this act to the Department of Agriculture and Consumer Services for the 2010-2011 fiscal year, including those in special funds, the sum of one hundred thousand dollars ($100,000) shall be used to fund the Spay/Neuter Program under Article 5 of Chapter 19A of the General Statutes.

SECTION 11.4.(c) Article 9 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"**§ 105-269.7. Contribution by individual for spaying and neutering of dogs and cats.**

An individual entitled to a refund of income taxes under Part 2 of Article 4 of this Chapter may elect to contribute all or part of the refund to be used for the spaying and neutering of dogs and cats through the Spay/Neuter Account established in the Department of Agriculture and Consumer Services by G.S. 19A-62. The Secretary shall provide appropriate language and space on the individual income tax form in which to make the election. The Secretary shall include in the income tax instructions an explanation that the contributions will be used for the spaying and neutering of dogs and cats in order to reduce the population of unwanted animals in the State. The election becomes irrevocable upon filing the individual's income tax return for the taxable year. The Secretary shall transmit the contributions made pursuant to this section to the State Treasurer to be deposited in the Spay/Neuter Account established in G.S. 19A-62."

SECTION 11.4.(d) The General Assembly finds that the funds generated by subsection (c) of this section are intended to be additional funding for the spaying and neutering of dogs and cats through the Spay/Neuter Account established in G.S. 19A-62 and are not intended to replace current appropriations for the spaying and neutering of dogs and cats.

SECTION 11.4.(e) G.S. 90A-61 reads as rewritten:

"**§ 19A-61. Spay/Neuter Program established.**

There is established in the Department of ~~Health and Human Services~~Agriculture and Consumer Services a statewide program to foster the spaying and neutering of dogs and cats for the purpose of reducing the population of unwanted animals in the State. The program shall consist of the following components:

(1) Education Program. – The Department shall establish a statewide program to educate the public about the benefits of having cats and dogs spayed and neutered. The Department may work cooperatively on the program with the North Carolina School of Veterinary Medicine, other State agencies and departments, county and city health departments and animal control agencies, and statewide and local humane organizations. The Department may employ outside consultants to assist with the education program.

(2) Local Spay/Neuter Assistance Program. – The Department shall administer the Spay/Neuter Account established in G.S. 19A-62. Monies deposited in the account shall be available to reimburse eligible counties and cities for the direct costs of spay/neuter surgeries for cats and dogs made available to low-income persons."

SECTION 11.4.(f) G.S. 19A-62 reads as rewritten:

"**§ 19A-62. Spay/Neuter Account established.**

(a) Creation. – The Spay/Neuter Account is established as a nonreverting special revenue account in the Department of ~~Health and Human Services.~~Agriculture and Consumer Services. The Account consists of the following:

(1) The portion of the fee imposed under G.S. 130A-190(b)(4) for obtaining a rabies vaccination tag from the Department of ~~Health and Human Services.~~Agriculture and Consumer Services.

(2) Ten dollars ($10.00) of the additional fee imposed by G.S. 20-79.7 for an Animal Lovers special license plate.

(3) Any other funds available from appropriations by the General Assembly or from contributions and grants from public or private sources.

(b) Use. – The revenue in the Account shall be used by the Department of ~~Health and Human Services~~Agriculture and Consumer Services as follows:

(1) If the revenue generated by the portion of the fee imposed under G.S. 130A-190(b)(3) is less than forty-seven thousand five hundred dollars ($47,500) for the fiscal year, then funds up to the difference between forty-seven thousand five hundred dollars ($47,500) and the amount of revenue generated may be used from this Account to fund rabies education and prevention programs.

(2) Twenty percent (20%) shall be used to develop and implement the statewide education program component of the Spay/Neuter Program established in ~~G.S. 19A-61(a).~~G.S. 19A-61.

(3) Up to twenty percent (20%) of the money in the Account may be used to defray the costs of administering the Spay/Neuter Program established in this Article.

(4) Funds remaining after deductions for the education program and administrative expenses shall be distributed quarterly to eligible counties and cities seeking reimbursement for reduced-cost spay/neuter surgeries performed during the previous year. A county or city is ineligible to receive funds under this subdivision unless it requires the owner to show proof of rabies vaccination at the time of the procedure or, if none, require vaccination at the time of the procedure.

(c) Report. – ~~In February of each year~~By October 1 of each year, the Department must report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division. The report must contain information regarding all revenues and expenditures of the Spay/Neuter Account."

SECTION 11.4.(g) G.S. 19A-64(b) reads as rewritten:

"(b) Application. – A county or city eligible for reimbursement of spaying and neutering costs from the Spay/Neuter Account shall apply to the Department of ~~Health and Human Services~~Agriculture and Consumer Services by the last day of January, April, July, and October of each year to receive a distribution from the Account for that quarter. The application shall be submitted in the form required by the Department and shall include an itemized listing of the costs for which reimbursement is sought."

SECTION 11.4.(h) G.S. 19A-65 reads as rewritten:

"**§ 19A-65. Annual Report Required From Every Animal Shelter in Receipt of State or Local Funding.**

Every county or city animal shelter, or animal shelter operated under contract with a county or city or otherwise in receipt of State or local funding shall prepare an annual report setting forth the numbers, by species, of animals received into the shelter, the number adopted out, the number returned to owner, and the number destroyed. The report shall also contain the total operating expenses of the shelter and the cost per animal handled. The report shall be filed with the Department of ~~Health and Human Services~~Agriculture and Consumer Services by August 1 of each year."

SECTION 11.4.(i) Subsection (c) of this section is effective for taxable years beginning on or after January 1, 2010.

PART XII. DEPARTMENT OF LABOR

DEPARTMENT OF LABOR/APPRENTICESHIP PROGRAM

SECTION 12.1. G.S. 94-12 reads as rewritten:

"**§ 94-12. Fees.**

The following fees are imposed on each apprentice who is covered by a written apprenticeship agreement entered into under this Chapter: (i) a new registration fee of ~~fifty dollars ($50.00);~~ one hundred dollars ($100.00) and (ii) an annual fee of ~~fifty dollars ($50.00).~~one hundred dollars ($100.00). ~~Each fee authorized by this section is payable as thirty dollars ($30.00) by the sponsor and twenty dollars ($20.00) by the apprentice. The sponsor shall collect the fees authorized by this section from the apprentice and remit the total fees owed by the sponsor and the apprentice to the Department of Labor.~~The fees are departmental receipts and must be applied to the costs of administering the apprenticeship program. The Commissioner may adopt rules pursuant to Chapter 150B of the General Statutes to implement this section. ~~The provisions of this section shall not apply to the State, a department or agency of the State, or any political subdivision of the State or an apprentice of the State, a department or agency of the State, or any political subdivision of the State.~~"

PART XIII. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

CONSOLIDATE FOUR DENR SUBUNITS WITHIN THE NEW DIVISION OF ENVIRONMENTAL ASSISTANCE AND OUTREACH

SECTION 13.1.(a) The Division of Environmental Assistance and Outreach is established as a new division within the environmental area of the Department of Environment and Natural Resources. All functions, powers, duties, and obligations previously vested in the following subunits of the Department of Environment and Natural Resources are transferred to, vested in, and consolidated within the Division of Environmental Assistance and Outreach by a Type I transfer, as defined in G.S. 143A-6:

(1) The Office of Environmental Education.

(2) The Customer Service Center.

(3) The Division of Pollution Prevention and Environmental Assistance.

(4) The Small Business Ombudsman.

SECTION 13.1.(b) G.S. 18B-902(h) reads as rewritten:

"(h) Recycling Plan Required. – Each applicant for an on-premises malt beverage permit, on-premises unfortified wine permit, on-premises fortified wine permit, or a mixed beverages permit shall prepare and submit with the application a plan for the collection and recycling of all recyclable beverage containers of all beverages to be sold at retail on the premises. A permittee who is not able to find a recycler for its beverage containers may apply to the Alcoholic Beverage Control Commission for a one-year stay of the requirement to implement a recycling program in compliance with G.S. 18B-1006.1. The application shall be made in a form specified by the Commission, shall detail the efforts made by the permittee to provide for the collection and recycling of beverage containers, and shall specify the impediments to implementation of a recycling plan. The Commission shall submit all such applications to the Division of ~~Pollution Prevention and~~ Environmental Assistance and Outreach of the Department of Environment and Natural Resources for review and certification. The Division of ~~Pollution Prevention and~~ Environmental Assistance and Outreach shall investigate each application and prepare a summary of its investigation and shall submit the summary to the Commission along with a notation indicating certification or denial of the application. A permittee whose application for a stay is certified by the Division of ~~Pollution Prevention and~~ Environmental Assistance and Outreach shall not be required to comply with

the recycling requirement of the alcoholic beverage laws and regulations during the one-year stay period so certified."

SECTION 13.1.(c) G.S. 130A-309.12(a)(6) reads as rewritten:

"(6) Providing funding for the activities of the Division of ~~Pollution Prevention and~~ Environmental ~~Assistance.~~Assistance and Outreach."

SECTION 13.1.(d) G.S. 130A-309.63(b)(2) reads as rewritten:

"(2) The Department may use up to forty percent (40%) of the revenue in the Account to make grants to encourage the use of processed scrap tire materials. These grants may be made to encourage the use of tire-derived fuel, crumb rubber, carbon black, or other components of tires for use in products such as fuel, tires, mats, auto parts, gaskets, flooring material, or other applications of processed tire materials. These grants shall be made in consultation with the Department of Commerce, the Division of ~~Pollution Prevention and~~ Environmental Assistance and Outreach of the Department, and, where appropriate, the Department of Transportation. Grants to encourage the use of processed scrap tire materials shall not be used to process tires."

SECTION 13.1.(e) G.S. 136-28.8(g) reads as rewritten:

"(g) On or before October 1 of each year, the Department shall report to the Division of ~~Pollution Prevention and~~ Environmental Assistance and Outreach of the Department of Environment and Natural Resources as to the amounts and types of recycled materials that were specified or used in contracts that were entered into during the previous fiscal year. On or before December 1 of each year, the Division of ~~Pollution Prevention and~~ Environmental Assistance and Outreach shall prepare a summary of this report and submit the summary to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Transportation Oversight Committee. The summary of this report shall also be included in the report required by G.S. 130A-309.06(c)."

SECTION 13.1.(f) G. S. 143-58.2(d) reads as rewritten:

"(d) The Department of Administration, in cooperation with the Division of ~~Pollution Prevention and~~ Environmental Assistance and Outreach of the Department of Environment and Natural Resources, shall identify materials and supplies with recycled content that meet appropriate standards for use by State departments, institutions, agencies, community colleges, and local school administrative units."

SECTION 13.1.(g) The Revisor of Statutes shall make any other conforming statutory changes necessary to reflect the transfer under subsection (a) of this section that are not included in this section.

CONSOLIDATE CERTAIN ENVIRONMENTAL HEALTH PROGRAMS FROM DENR TO DHHS; AMEND ON-SITE WASTEWATER CERTIFICATION

SECTION 13.2.(a) The following sections of the Division of Environmental Health that support programs implemented through local health departments and programs primarily focused on food safety and other public health concerns are transferred from the Department of Environment and Natural Resources to the Division of Public Health of the Department of Health and Human Services with all the elements of a Type I transfer as defined by G.S. 143A-6.

(1) Environmental Health Services Section.
(2) Public Health Pest Management Section.
(3) On-Site Water Protection Section.
(4) Radiation Protection Section.
(5) Office of Education and Training.

SECTION 13.2.(b) G.S. 90A-51 reads as rewritten:

"**§ 90A-51. Definitions.**

The words and phrases defined below shall when used in this Article have the following meaning unless the context clearly indicates otherwise:

...

(2a) "Environmental health practice" means the provision of environmental health services, including administration, organization, management, education, enforcement, and consultation regarding environmental health services provided to or for the public. These services are offered to prevent environmental hazards and promote and protect the health of the public in the following areas: food, lodging, and institutional sanitation; on-site wastewater treatment and disposal; milk and dairy sanitation; shellfish sanitation; recreational water quality; public swimming pool sanitation; childhood lead poisoning prevention; well permitting and inspection; tattoo parlor sanitation; and all other areas of environmental health requiring the delegation of authority by the Division of ~~Environmental~~ Public Health of the Department of Health and Human Services to State and local environmental health professionals to enforce rules adopted by the Commission for Public ~~Health or the Environmental Management Commission.~~Health. The definition also includes local environmental health professionals enforcing rules of local boards of health for on-site wastewater systems and wells."

SECTION 13.2.(c) G.S. 90A-55(a) reads as rewritten:

"(a) Board Membership. – The Board shall consist of 12 members who shall serve staggered terms: the Secretary of ~~Environment and Natural Resources,~~Health and Human Services, or the Secretary's duly authorized representative, one public-spirited citizen, one environmental sanitation educator from an accredited college or university, one local health director, a representative of the Division of ~~Environmental Health~~Public Health of the Department of ~~Environment and Natural Resources,~~Health and Human Services, and seven practicing environmental health specialists who qualify by education and experience for registration under this Article, six of whom shall represent the Western, Piedmont, and Eastern Regions of the State as described more specifically in the rules adopted by the Board."

SECTION 13.2.(d) G.S. 90A-55(c) reads as rewritten:

"(c) The Environmental Health Section of the North Carolina Public Health Association, Inc., shall submit a recommended list of Board member candidates to the Governor for the Governor's consideration in appointments, except for the two representatives of the Department of ~~Environment and Natural Resources~~Health and Human Services recommended by the Secretary of ~~Environment and Natural Resources~~Health and Human Services and the local health director recommended by the North Carolina Local Health Directors Association."

SECTION 13.2.(e) G.S. 90A-71 reads as rewritten:

"**§ 90A-71. Definitions.**

The following definitions apply in this Article:

(1) "Board" means the North Carolina On-Site Wastewater Contractors and Inspectors Certification Board.

(2) "Contractor" means a person who constructs, installs, or repairs, or offers to construct, install, or repair an on-site wastewater system in the State.

(3) "Conventional wastewater system" has the same meaning as in G.S. 130A-343(a)(3).

(4) "Department" means the Department of ~~Environment and Natural Resources.~~Health and Human Services.

(5) "Inspector" means a person who conducts an inspection ~~of an on-site wastewater system at any time after the local health department has issued~~

~~an operation permit pursuant to G.S. 130A-337.~~in accordance with rules adopted by the Board.

(5a) "Inspection" means an examination of an on-site wastewater system permitted under the provisions of Article 11 of Chapter 130A of the General Statutes that satisfies all of the following criteria:

a. Is requested by a lending institution, realtor, prospective homebuyer, or other impacted party as a condition of sale, refinancing, or transfer of title.

b. Meets the minimum requirements established by the Board.

(6) "On-site wastewater system" means any wastewater system permitted under the provisions of Article 11 of Chapter 130A of the General Statutes that does not discharge to a treatment facility or the surface waters of the State.

(7) "Person" means all persons, including individuals, firms, partnerships, associations, public or private institutions, municipalities, or political subdivisions, governmental agencies, or private or public corporations organized and existing under the laws of this State or any other state or country.

(8) "Wastewater treatment facility" means a mechanical or chemical treatment facility serving a site with multiple wastewater sources."

SECTION 13.2.(f) G.S. 90A-72 reads as rewritten:

"**§ 90A-72. Certification required; applicability.**

(a) Certification Required. – No person shall construct, install, or repair or offer to construct, install, or repair an on-site wastewater system ~~in the State~~permitted under Article 11 of Chapter 130A of the General Statutes without being certified as a contractor at the required level of certification for the specified system. No person shall conduct an inspection or offer to conduct an inspection of an on-site wastewater system as permitted under Article 11 of Chapter 130A of the General Statutes without being certified ~~as an inspector at the required level of certification for the specified system.~~in accordance with the provisions of this Article.

(b) Applicability. – This Article does not apply to the following:

(1) A person who is employed ~~by, or performs labor and services for,~~by a certified contractor or inspector in connection with the construction, installation, repair, or inspection of an on-site wastewater system performed under the direct and personal supervision of the certified contractor or ~~inspector.~~inspector in charge.

(2) A person who constructs, installs, or repairs an on-site wastewater system described as a single septic tank with a gravity-fed ~~distribution system~~gravel trench dispersal media when located on land owned by that person and that is intended solely for use by that person and members of that person's immediate ~~family.~~family who reside in the same dwelling.

(3) A person licensed under Article 1 of Chapter 87 of the General Statutes who constructs or installs an on-site wastewater system ancillary to the building being ~~constructed.~~constructed or who provides corrective services and labor for an on-site wastewater system ancillary to the building being constructed.

(4) A person who is certified by the Water Pollution Control System Operators Certification Commission and contracted to provide necessary operation and maintenance on the permitted on-site wastewater system.

(5) A person permitted under Article 21 of Chapter 143 of the General Statutes who is constructing a water pollution control facility necessary to comply with the terms and conditions of a National Pollutant Discharge Elimination System (NPDES) permit.

(6) A person licensed under Article 1 of Chapter 87 of the General Statutes as a licensed public utilities contractor who is installing or expanding a wastewater treatment facility, including a collection system, designed by a registered professional engineer.

(7) A plumbing contractor licensed under Article 2 of Chapter 87 of the General Statutes, so long as the plumber is not performing plumbing work that includes the installation or repair of a septic tank or similar depository, or lines or appurtenances downstream from the point where the house or building sewer lines from the plumbing system meet the septic tank or similar depository.

(8) A person employed by the Department of Health and Human Services, a local health department, or a local health district, when conducting a regulatory inspection of an on-site wastewater system for purposes of determining compliance."

SECTION 13.2.(g) G.S. 90A-73(a)(2) reads as rewritten:

"(2) One member appointed by the Governor who, at the time of appointment, is a certified ~~water treatment facility operator pursuant to Article 2 of Chapter 90A of the General Statutes,~~water pollution control system operator pursuant to Article 3 of this Chapter, to a term that expires on 1 July of years evenly divisible by three."

SECTION 13.2.(h) G.S. 90A-73(c), 90A-73(d), and 90A-73(i) are repealed.

SECTION 13.2.(i) G.S. 90A-74 reads as rewritten:

"**§ 90A-74. Powers and duties of the Board.**

The Board shall have the following general powers and duties:

...

(4) To develop and administer examinations for ~~each grade level of certification.~~specific grade levels of certification as approved by the Board. The Board may approve applications by recognized associations for certification of its members after a review of the requirements of the association to ensure that they are equivalent to the requirements of the Board.

...

(10a) To employ staff necessary to carry out the provisions of this Article and to determine the compensation, duties, and other terms and conditions of employment of its staff.

(10b) To employ professional, clerical, investigative, or special personnel necessary to carry out the provisions of this Article.

(11) To conduct other services necessary to carry out the purposes of this Article."

SECTION 13.2.(j) G.S. 90A-75 is amended by adding a new subsection to read:

"(c1) Use of Fees. – All fees collected pursuant to this Article shall be held by the Board and used by the Board for the sole purpose of administering this Article."

SECTION 13.2.(k) G.S. 90A-76 is repealed.

SECTION 13.2.(l) G.S. 90A-77(a) reads as rewritten:

"(a) Certification. – The Board shall issue a certificate of the appropriate grade level to an applicant who satisfies all of the following conditions:

(1) Is at least 18 years of age.

(2) Submits a properly completed application to the Board.

(3) ~~If the applicant has prior experience providing on-site wastewater system services, submits affidavits of three persons not related to the applicant for whom the applicant provided on-site wastewater services.~~Completes the

basic on-site wastewater education program approved by the Board for the specific grade level.

~~(4) If the applicant has no prior experience, completes the basic on-site wastewater education program approved by the Board.~~

(5) Completes any additional training program designed by the Board specific to the grade level for which the applicant is applying.

(6) Pays the applicable fees set by the Board for the particular application and grade level.

(7) For the specific grade ~~levels greater than conventional systems,~~level, as determined by the Board, passes a written or oral examination that tests the applicant's proficiency in all of the following areas:

a. Principles of public and environmental health associated with on-site wastewater systems.

b. Principles of construction and safety.

c. Technical and practical knowledge of on-site wastewater systems typical to the specified grade level.

d. Laws and rules related to the installation, construction, repair, or inspection of the specified on-site wastewater system."

SECTION 13.2.(m) G.S. 90A-81(b) reads as rewritten:

"(b) Arbitration. – The Board may establish a voluntary arbitration procedure to resolve complaints concerning a certified contractor or inspector or any work performed by a certified contractor or inspector, or conflicts involving any certified contractor or inspector and the Division of ~~Environmental~~ Public Health of the Department or a local health department."

SECTION 13.2.(n) G.S. 90A-81(c) reads as rewritten:

"(c) Injunction. – The Board may ~~ask the Attorney General to~~in its own name seek an injunction to restrain any person, firm, partnership, or corporation from violating the provisions of this Article or rules adopted by the Board. The ~~Attorney General~~Board may bring an action for an injunction ~~in the name of the State~~ in the superior court of any county in which the violator resides or the violator's principal place of business is located. In any proceedings for an injunction, it shall not be necessary to allege or prove either that an adequate remedy at law does not exist, or that substantial or irreparable damage would result from the continued violation. Members of the Board shall not be personally or professionally liable for any act or omission pursuant to this subsection. The Board shall not be required to post a bond in connection with any action to obtain an injunction."

SECTION 13.2.(o) G.S. 104E-5 reads as rewritten:

"§ 104E-5. Definitions.

Unless a different meaning is required by the context, the following terms as used in this Chapter shall have the meanings hereinafter respectively ascribed to them:

...

(6) "Department" means the ~~State Department of Environment and Natural Resources.~~Department of Health and Human Services.

...."

SECTION 13.2.(p) G.S. 104E-8(c)(6) reads as rewritten:

"(c) The 10 ex officio members shall be appointed by the Governor, shall be members or employees of the following State agencies or their successors, and shall serve at the Governor's pleasure:

...

(6) The Division of ~~Environmental~~ Public Health of the Department."

SECTION 13.2.(q) G.S. 104E-9 reads as rewritten:

"§ 104E-9. Powers and functions of Department of ~~Environment and Natural Resources.~~ Health and Human Services.

(a) The Department of ~~Environment and Natural Resources~~ Health and Human Services is authorized:

...

(b) The Division of ~~Environmental~~ Public Health of the Department shall develop a training program for tanning equipment operators that meets the training rules adopted by the Commission. If the training program is provided by the Department, the Department may charge each person trained a reasonable fee to recover the actual cost of the training program."

SECTION 13.2.(r) G.S. 106-307.2(b) reads as rewritten:

"(b) The State Veterinarian shall notify the State Health Director and the Director of the Division of ~~Environmental~~ Public Health in the Department of ~~Environment and Natural Resources~~Health and Human Services when the State Veterinarian receives a report indicating an occurrence or potential outbreak of anthrax, arboviral infections, brucellosis, epidemic typhus, hantavirus infections, murine typhus, plague, psittacosis, Q fever, hemorrhagic fever, virus infections, and any other disease or condition transmissible to humans that the State Veterinarian determines may have been caused by a terrorist act."

SECTION 13.2.(s) G.S. 120-70.33(3) reads as rewritten:

"**§ 120-70.33. Powers and duties.**

The Joint Select Committee shall have the following powers and duties:

...

(3) To evaluate actions of the Radiation Protection Commission, the radiation protection programs administered by the Division of ~~Environmental~~ Public Health of the Department of ~~Environment and Natural Resources,~~Health and Human Services, and of any other board, commission, department, or agency of the State or local government as such actions relate to low-level radioactive waste management;"

SECTION 13.2.(t) The Revisor of Statutes shall make any other conforming statutory changes that are necessary to reflect the transfers under subsection (a) of this section.

SECTION 13.2.(u) Any funds remaining as of June 30, 2010, in the On-Site Wastewater Certification Fund created in G.S. 90A-76 as a nonreverting account within the Department of Environment and Natural Resources shall be credited to the North Carolina On-Site Wastewater Contractors and Inspectors Certification Board and shall be used in accordance with G.S. 90A-75, as amended by this section.

SECTION 13.2.(v) This transfer is effective July 1, 2010, and funds transferred shall be net of any changes enacted by this section.

CONSOLIDATE SHELLFISH SANITATION AND RECREATIONAL WATER QUALITY SECTION WITHIN THE DIVISION OF MARINE FISHERIES

SECTION 13.3.(a) The Shellfish Sanitation and Recreational Water Quality Section of the Division of Environmental Health of the Department of Environment and Natural Resources is transferred to, vested in, and consolidated within the Division of Marine Fisheries of the Department of Environment and Natural Resources by a Type I transfer, as defined in G.S. 143A-6.

SECTION 13.3.(b) G.S. 130A-231 is repealed.

SECTION 13.3.(c) The Revisor of the Statutes shall make any other conforming statutory changes necessary to reflect this transfer that are not included in this section.

CONSOLIDATE PUBLIC WATER SUPPLY SECTION WITHIN DIVISION OF WATER RESOURCES

SECTION 13.4.(a) The Public Water Supply Section of the Division of Environmental Health of the Department of Environment and Natural Resources is transferred

to, vested in, and consolidated within the Division of Water Resources of the Department of Environment and Natural Resources by a Type I transfer, as defined in G.S. 143A-6.

SECTION 13.4.(b) The Revisor of Statutes shall make any other conforming statutory changes necessary to reflect this transfer that are not included in this section.

SUSTAINABLE COMMUNITIES TASK FORCE

SECTION 13.5.(a) Article 7 of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 31. North Carolina Sustainable Communities Task Force.

"**§ 143B-344.34. North Carolina Sustainable Communities Task Force – findings.**

(a) The General Assembly finds that the rapid growth of the urban and suburban areas of North Carolina and the economic challenges facing many of the State's urban cores, rural areas, and smaller communities create a significant need for the strategic use of resources to plan and accommodate healthy and equitable development without compromising natural systems and the needs of future generations of North Carolinians.

(b) The General Assembly finds that the following principles describe sustainable development for North Carolina's communities:

(1) Better transportation choices. – Offering safe, reliable, and economical motorized and nonmotorized transportation options to decrease household transportation costs, reduce dependence on foreign oil, improve air quality, reduce greenhouse gas emissions, and promote public health.

(2) Equitable, affordable housing. – Encouraging the provision to North Carolina citizens of all ages, incomes, races, and ethnicities expanded location-, water-, and energy-efficient housing choices that increase mobility, decrease the impact on existing water and energy infrastructure, and lower the combined cost of housing and transportation.

(3) Enhanced economic competitiveness. – Expanding business access to markets and improving North Carolina's economic competitiveness through reliable and timely access to employment centers, educational opportunities, services, and other basic needs by workers.

(4) Support of existing communities. – Targeting public funds toward existing communities that are using strategies such as transit-oriented, mixed-use development, and land recycling to increase community revitalization, enhance the efficiency and cost-effectiveness of public works investments, and protect rural landscapes.

(5) Coordination and leverage of State policies and investment. – Aligning State and local government policies and funding to remove barriers to collaboration, leverage funding, and increase the accountability and effectiveness of government in planning for future growth.

(6) Recognize and support communities and neighborhoods. – Preserving and enhancing the unique characteristics of rural, urban, and suburban communities by investing in healthy, safe, and walkable neighborhoods.

"**§ 143B-344.35. North Carolina Sustainable Communities Task Force – creation; purpose; duties.**

There is created within the Department of Environment and Natural Resources the North Carolina Sustainable Communities Task Force to lead and support the State's sustainable communities initiatives. The duties of the Task Force shall be as follows:

(1) To apply for and receive, on behalf of the State, funding from federal, public, or private initiatives, grant programs, or donors that will foster sustainable development in North Carolina.

(2) To promote regional partnerships and to assist local governments and regional or interlocal organizations in North Carolina in seeking and managing funding from federal, public, or private initiatives, grant programs, or donors related to the planning, development, or redevelopment of the State's communities in a sustainable manner.

(3) To identify federal funding opportunities related to sustainable development.

(4) To provide technical assistance to eligible State agencies, local governments, nonprofits or regional collaborations, and partnerships in applying for federal and other funding opportunities. This technical assistance shall include the development of scenario planning tools, progress measurement metrics, and public participation strategies for use by all applicants.

(5) To recommend policies for the support, promotion, and encouragement of sustainable communities to the Secretaries of the Departments of Commerce, Environment and Natural Resources, and Transportation, the General Assembly, and the Governor.

(6) To recommend annually to the Governor appropriations for sustainable development programs.

(7) To develop a common local government sustainable practices scoring system incorporating the principles set forth in G.S. 143B-344.34(b).

(8) To pursue opportunities to combine the efforts of State agencies related to development and infrastructure; to study how existing regional and interlocal organizations could improve their organization and reduce unnecessary overlap and duplication of services; and to better integrate State efforts and investments with regional and local efforts. The Task Force shall include in its recommendations under subdivisions (5) and (6) of this section any recommendations for legislation necessary to implement any potential improvements identified under this subdivision.

"**§ 143B-344.36. North Carolina Sustainable Communities Task Force – membership; staffing; sunset.**

(a) Membership and Advice. – The Task Force shall consist of 11 members who reflect the diversity of the State. The Secretaries of Commerce, Environment and Natural Resources, and Transportation and the Director of the North Carolina Housing Finance Agency shall each designate a representative to the Task Force from their agencies. The Secretary of Administration shall designate a representative from that Department who is familiar with the management and development of State-owned lands and buildings. The Secretary of Health and Human Services shall designate a representative from the Division of Public Health of the Department of Health and Human Services who is familiar with the impact of the built environment on human health. The Governor shall appoint the remaining five members under a specified subdivision of this subsection as follows:

(1) One member who is a representative of a nonprofit organization involved in the planning, advocacy, or creation of sustainable development.

(2) One member who is a representative of a county government.

(3) One member who is a representative of city government.

(4) One member who is a representative of a council of government or other regional collaborative organization.

(5) One member with professional training in planning who is a representative of the North Carolina Chapter of the American Planning Association.

The Secretaries of Administration, Commerce, Environment and Natural Resources, Health and Human Services, and Transportation, or their designees, shall advise the Task Force on sustainable development activities within the responsibility of their respective departments and

shall cooperate with the Task Force in jointly seeking funds from federal, public, or private initiatives, grant programs, or donors.

(b) Terms, Vacancies. – The members of the Task Force appointed by the Governor shall have a term of office of four years and shall serve until their successors are appointed and qualified. An appointment to fill a vacancy shall be for the unexpired balance of the term. The remaining members of the Task Force shall serve at the pleasure of the appointing authority.

(c) Staff. – The Departments of Administration, Commerce, Environment and Natural Resources, Health and Human Services, and Transportation shall provide clerical and professional staff support to the Task Force.

(d) Compensation. – The public members of the Task Force shall receive per diem and necessary travel and subsistence expenses payable to members of State boards and agencies as set forth by G.S. 138-5 and G.S. 138-6, respectively.

(e) Sunset. – This Part expires June 30, 2021.

"**§ 143B-344.37. North Carolina Sustainable Communities Task Force – reports.**

(a) Beginning in 2011, the Task Force shall report to the Governor, the House and Senate Commerce Committees, and the Joint Legislative Commission on Governmental Operations no later than October 1 each year. The report shall include the following elements:

(1) Policy recommendations and suggested legislation.

(2) Funding applied for and received in the prior fiscal year.

(3) Population, employment, building permit, and related socioeconomic data for each metro region of the State, including 25-year projections of population and employment and any other demographic trends the Task Force finds relevant, with commentary on any changing trends in the data that might affect planning for sustainable development and infrastructure. Where possible, the Task Force shall use data already collected by the State Demographer, the United States Census Bureau, and any other state or federal agency.

(4) An inventory of State policies and programs that influence positively or negatively the ability to develop sustainable communities.

(5) An overview of all State funding initiatives (including State-allocated federal funding initiatives) used to support housing, infrastructure, water quality, and land preservation, including, at a minimum, the following:

a. The Clean Water Management Trust Fund.

b. The Parks and Recreation Trust Fund.

c. The Agriculture Development and Farmland Preservation Trust Fund.

d. The Natural Heritage Trust Fund.

e. The Highway Fund and the Highway Trust Fund.

f. The Congestion Relief and Intermodal Transportation 21st Century Fund.

g. The North Carolina Main Street Program and the Main Street Solutions Fund.

h. The Housing Trust Fund and the low-income housing tax credit funds administered by the Housing Finance Agency.

i. Funds from the Public School Building Capital Fund used by counties for the purchase of land for public school buildings.

j. The tax credits for renewable energy property, historic rehabilitation, and mill rehabilitation set forth in Chapter 105 of the General Statutes.

The overview should include the current funding level, changes in funding over the previous fiscal year, and how the funding initiative has contributed

to sustainable development, or, in the case of a tax credit, the number and geographical distribution of taxpayers taking the credit, the amount of credits claimed, and how the credit has contributed to sustainable development.

(b) For purposes of this section, "metro region of the State" includes the following Statistical Areas defined by the United States Census Bureau:

(1) The Research Triangle region (made up of the Durham-Chapel Hill and the Raleigh-Cary Metropolitan Statistical Areas).

(2) The North Carolina portion of the Charlotte-Gastonia-Concord Metropolitan Statistical Area.

(3) The Greensboro-Winston-Salem-High Point Combined Statistical Area.

(4) The Asheville Metropolitan Statistical Area.

(5) The Hickory-Lenoir-Morganton Metropolitan Statistical Area.

(6) The Fayetteville Metropolitan Statistical Area.

(7) The Wilmington Metropolitan Statistical Area.

(8) The Greenville Metropolitan Statistical Area.

(9) The Jacksonville Metropolitan Statistical Area.

(10) The Rocky Mount Metropolitan Statistical Area.

(11) The Goldsboro Metropolitan Statistical Area.

(12) Any other Metropolitan Statistical Area that includes counties of the State and that has a population of 100,000 or more within the State."

SECTION 13.5.(b) G.S. 120-123 is amended by adding a new subdivision to read:

"(79) The North Carolina Sustainable Communities Task Force, as established in Article 7 of Chapter 143B of the General Statutes."

SECTION 13.5.(c) Grant Funding for Regional Sustainable Development Partnerships. – The Task Force shall, from funds available, provide a grants program for regional bodies, cities, or counties within regions that comply with the following requirements:

(1) The regional body, city, or county is a part of a regional sustainable development partnership covering any of the metro regions identified in G.S. 143B-344.37(b), as enacted by subsection (a) of this section. This partnership may include any Metropolitan Planning Organizations, Regional Planning Organizations, and regional transit agencies in existence in the region, along with representatives of the Departments of Commerce, Transportation, and Environment and Natural Resources.

(2) The partnership has submitted a workplan to the North Carolina Sustainable Communities Task Force showing the activities to be funded and the public information process through which activities are selected and prioritized.

(3) All members of the partnership have adopted a jointly developed memorandum of agreement describing how coordinated planning activities will be undertaken.

In awarding any grant funding, the Task Force shall utilize the common local government sustainable practices scoring system set forth in G.S. 143B-344.35, as enacted by subsection (a) of this section. In its consideration of grant applications, the Task Force may also consider any offers by a partnership to provide matching funds.

SECTION 13.5.(d) Reports. – The Departments of Commerce, Transportation, and Environment and Natural Resources shall report by October 1 each year, beginning in 2010, to the House and Senate Commerce Committees and the Joint Legislative Commission on Governmental Operations. The report shall provide information regarding each Department's progress in implementing the sustainable development principles set forth in G.S. 143B-344.34 as enacted by subsection (a) of this section.

SECTION 13.5.(e) Staffing. – The Department of Environment and Natural Resources shall transfer the vacant District Planner position in the Division of Coastal Management to the Task Force and shall fill the position in a timely manner in order to provide support for the operations and activities of the Task Force. For administrative purposes, the Task Force shall be located in the Department's Division of Environmental Assistance and Outreach, and the Division will also provide appropriate administrative and clerical support for the activities of the Task Force.

DAM SAFETY FEE

SECTION 13.6.(a) A one-time Dam Evaluation Fee of one thousand one hundred dollars ($1,100) per equivalent dam unit shall be paid to the Department of Environment and Natural Resources by electric utility companies in a lump sum payment based on the number of dams owned by each company that fall under the jurisdiction of the Part 3 of Article 21 of Chapter 143 of the General Statutes. Fees collected pursuant to this section shall be used to support one time-limited engineering position and operating funds necessary to perform the evaluation and integration of regulated power plant dams into the Department's dam safety inventory program. These fees shall remain available to the Department and shall not revert until the evaluation and integration of regulated power plants is complete.

SECTION 13.6.(b) This section becomes effective October 1, 2010.

LITTER REDUCTION FROM DRIVE-THROUGH RESTAURANTS

SECTION 13.7.(a) G.S. 130A-309.06(a) is amended by adding a new subdivision to read:

"**§ 130A-309.06. Additional powers and duties of the Department.**

(a) In addition to other powers and duties set forth in this Part, the Department shall:

...

(15) Require that all restaurants selling food or beverages from a drive-through window provide receptacles for disposal of recyclable materials or solid waste that might otherwise end up as litter on and adjacent to roads and highways of the State. The receptacles shall be accessible to customers in vehicles who purchase food or beverages from the drive-through window. Nothing in this subdivision shall require any restaurant providing receptacles for solid waste and recyclable materials to accept quantities of those materials that are greater than the capacity of a reasonably provided and maintained receptacle.

...."

SECTION 13.7.(b) G.S. 130A-22(a) reads as rewritten:

"**§ 130A-22. Administrative penalties.**

(a) The Secretary of Environment and Natural Resources may impose an administrative penalty on a person who violates Article 9 of this Chapter, rules adopted by the Commission pursuant to Article 9, or any term or condition of a permit or order issued under Article 9. Each day of a continuing violation shall constitute a separate violation. The penalty shall not exceed fifteen thousand dollars ($15,000) per day in the case of a violation involving nonhazardous waste. The penalty shall not exceed thirty-two thousand five hundred dollars ($32,500) per day in the case of a first violation involving hazardous waste as defined in G.S. 130A-290 or involving the disposal of medical waste as defined in G.S. 130A-290 in or upon water in a manner that results in medical waste entering waters or lands of the State; and shall not exceed fifty thousand dollars ($50,000) per day for a second or further violation involving the disposal of medical waste as defined in G.S. 130A-290 in or upon water in a manner that results in medical waste entering waters or lands of the State. The penalty shall not exceed thirty-two thousand five hundred dollars ($32,500) per day for a violation involving a voluntary remedial

action implemented pursuant to G.S. 130A-310.9(c) or a violation of the rules adopted pursuant to G.S. 130A-310.12(b). The penalty shall not exceed one hundred dollars ($100.00) for a first violation; two hundred dollars ($200.00) for a second violation within any 12-month period; and five hundred dollars ($500.00) for each additional violation within any 12-month period for any violation of Part 2G of Article 9 of this Chapter or of any rule adopted pursuant to G.S. 130A-309.06(a)(15). If a person fails to pay a civil penalty within 60 days after the final agency decision or court order has been served on the violator, the Secretary of Environment and Natural Resources shall request the Attorney General to institute a civil action in the superior court of any county in which the violator resides or has his or its principal place of business to recover the amount of the assessment. Such civil actions must be filed within three years of the date the final agency decision or court order was served on the violator.

...."

INCREASE HAZARDOUS WASTE FEES

SECTION 13.8. G.S. 130A-294.1(f) reads as rewritten:

"(f) A person who generates 100 kilograms or more of hazardous waste in any calendar month during the year beginning 1 July and ending 30 June but less than 1000 kilograms of hazardous waste in each calendar month during that year shall pay an annual fee of one hundred ~~twenty-five dollars ($125.00).~~seventy dollars ($170.00)."

INCREASE ADMINISTRATIVE CAP FOR INACTIVE HAZARDOUS WASTE SITES PROGRAM

SECTION 13.9. G.S. 130A-295.9(1) reads as rewritten:

"**§ 130A-295.9. Solid waste disposal tax; use of proceeds.**

It is the intent that the proceeds of the solid waste disposal tax imposed by Article 5G of Chapter 105 of the General Statutes shall be used only for the following purposes:

(1) Funds credited pursuant to G.S. 105-187.63(1) to the Inactive Hazardous Sites Cleanup Fund shall be used by the Department of Environment and Natural Resources to fund the assessment and remediation of pre-1983 landfills, except up to ~~seven percent (7%)~~thirteen percent (13%) of the funds credited under this subdivision may be used to fund administrative expenses related to the assessment and remediation of pre-1983 landfills and other inactive hazardous waste sites."

STRENGTHEN PLASTIC BAG RECYCLING

SECTION 13.10.(a) G.S. 130A-309.121 reads as rewritten:

"**§ 130A-309.121. Definitions.**

As used in this Part, the following definitions apply:

(1) Plastic bag. – A carryout bag composed primarily of thermoplastic synthetic polymeric material, which is provided by a store to a customer at the point of sale and incidental to the purchase of other goods.

(2) Prepared foods retailer. – A retailer primarily engaged in the business of selling prepared foods, as that term is defined in G.S. 105-164.3, to consumers.

(2a) Recycled content. – Content that is either postconsumer, postindustrial, or a mix of postconsumer and postindustrial.

(3) Recycled paper bag. – A paper bag that meets all of the following requirements:

a. The bag is manufactured from one hundred percent (100%) recycled content.~~content, including postconsumer content, postindustrial content, or a mix of postconsumer and postindustrial content.~~

b. The bag displays the words "made from recycled material" and "recyclable."

~~(4) Retail Chain. – Five or more stores located within the State that are engaged in the same general field of business and (i) conduct business under the same business name or (ii) operate under common ownership or management or pursuant to a franchise agreement with the same franchisor.~~

(5) Retailer. – A person who offers goods for sale in this State to consumers and who provides a single-use plastic bag to the consumer to carry or transport the goods for free or for a nominal charge.~~goods and (i) has more than 5,000 square feet of retail or wholesale space or (ii) is one of a retail chain.~~

(6) Reusable bag. – ~~A durable plastic bag with handles that is~~ A bag with handles that is specifically designed and manufactured for multiple reuse and is made of one of the following materials: ~~at least 2.25 mils thick~~

a. Nonwoven polypropylene or other plastic material with a minimum weight of 80 grams per square meter. ~~and is specifically designed and manufactured for multiple reuse or a bag made of~~

b. ~~cloth~~ Cloth or other machine washable ~~fabric with handles.~~fabric."

SECTION 13.10.(b) From funds available to the Department of Environment and Natural Resources, the Division of Waste Management and the Division of Environmental Assistance and Outreach shall monitor plastic bag use reduction resulting from the implementation of Part 2G of Article 9 of Chapter 130A of the General Statutes and shall report to the Environmental Review Commission on or before January 15, 2012, on the impacts the ban enacted by that Part has had on plastic bag litter in coastal waterways adjacent to areas where that Part applies.

SECTION 13.10.(c) Subsection (a) of this section becomes effective January 1, 2011.

PARKS AND RECREATION TRUST FUND/AUTHORITY TO CONSIDER OPERATING EXPENSES

SECTION 13.11. G.S. 113-44.15 reads as rewritten:

"**§ 113-44.15. Parks and Recreation Trust Fund.**

(a) Fund Created. – There is established a Parks and Recreation Trust Fund in the State Treasurer's Office. The Trust Fund shall be a nonreverting special revenue fund consisting of gifts and grants to the Trust Fund, monies credited to the Trust Fund pursuant to G.S. 105-228.30(b), and other monies appropriated to the Trust Fund by the General Assembly. Investment earnings credited to the assets of the Fund shall become part of the Fund.

(b) Use. – Funds in the Trust Fund are annually appropriated to the North Carolina Parks and Recreation Authority and, unless otherwise specified by the General Assembly or the terms or conditions of a gift or grant, shall be allocated and used as follows:

(1) Sixty-five percent (65%) for the State Parks System for capital projects, repairs and renovations of park facilities, and land acquisition, and to retire debt incurred for these purposes under Article 9 of Chapter 142 of the General Statutes.

(2) Thirty percent (30%) to provide matching funds to local governmental units or public authorities as defined in G.S. 159-7 on a dollar-for-dollar basis for local park and recreation purposes. The appraised value of land that is donated to a local government unit or public authority may be applied to the matching requirement of this subdivision. These funds shall be allocated by the North Carolina Parks and Recreation Authority based on criteria patterned after the Open Project Selection Process established for the Land

and Water Conservation Fund administered by the National Park Service of the United States Department of the Interior.

(3) Five percent (5%) for the Coastal and Estuarine Water Beach Access Program.

(b1) Geographic Distribution. – In allocating funds in the Trust Fund under this section, the North Carolina Parks and Recreation Authority shall make geographic distribution across the State to the extent practicable.

(b2) Administrative Expenses. – Of the funds appropriated to the North Carolina Parks and Recreation Authority from the Trust Fund each year, no more than three percent (3%) may be used by the Department for operating expenses associated with managing capital improvements projects, acquiring land, and administration of local grants programs.

(b3) Operating Expenses for State Parks System Allocations. – In allocating funds in the Trust Fund under subdivision (1) of subsection (b) of this section, the North Carolina Parks and Recreation Authority shall consider the operating expenses associated with each capital project, repair and renovation project, and each land acquisition. In considering the operating expenses, the North Carolina Parks and Recreation Authority shall determine both:

(1) The minimal anticipated operating expenses, which are determined by the minimum staff and other operating expenses needed to maintain the project.

(2) The optimal anticipated operating budget, which is determined by the level of staff and other operating expenses required to achieve a more satisfactory level of operation under the project.

(c) Reports. – The North Carolina Parks and Recreation Authority shall report no later than October 1 of each year to the Joint Legislative Commission on Governmental Operations, the House and Senate Appropriations Subcommittees on Natural and Economic Resources, the Fiscal Research Division, and the Environmental Review Commission on allocations from the Trust Fund from the prior fiscal year. For funds allocated from the Trust Fund under subdivision (b1) of this section, this report shall include the operating expenses determined under subdivisions (1) and (2) of subsection (b3) of this section.

..."

RECLASSIFY SEVEN VACANT POSITIONS IN THE DIVISION OF PARKS AND RECREATION

SECTION 13.12. The Division of Parks and Recreation of the Department of Environment and Natural Resources shall reclassify seven vacant positions within the Division and shall fill these reclassified positions in a timely manner in order to provide support for new or expanding parks within the State Parks System, as defined in G.S. 113-44.9.

STATE PARKS SYSTEM PLAN

SECTION 13.13. G.S. 113-44.11 is amended by adding a new subsection to read:

"(d) No later than October 1 of each year, the Department shall submit electronically the State Parks System Plan to the Environmental Review Commission, the Senate and the House of Representatives Appropriations Subcommittees on Natural and Economic Resources, and the Fiscal Research Division. Concurrently, the Department shall submit a summary of each change to the Plan that was made during the previous fiscal year."

NO NEW FEES FOR PARKING IN STATE PARKS

SECTION 13.14. Notwithstanding any provision to the contrary, the funds appropriated to the Department of Environment and Natural Resources for State Parks for the 2010-2011 fiscal year shall not be reduced or replaced with fees for parking at State Parks, unless these fees were charged prior to the 2010-2011 fiscal year. No fees shall be charged and

no fees shall be collected for parking in a State Park during the 2010-2011 fiscal year, unless these fees were charged prior to the 2010-2011 fiscal year.

AUTHORITY FOR THE DEPARTMENT OF REVENUE TO SHARE INFORMATION WITH DENR

SECTION 13.15. G.S. 105-259(b) is amended by adding a new subdivision to read:

"(b) Disclosure Prohibited. – An officer, an employee, or an agent of the State who has access to tax information in the course of service to or employment by the State may not disclose the information to any other person except as provided in this subsection. Standards used or to be used for the selection of returns for examination and data used or to be used for determining the standards may not be disclosed for any purpose. All other tax information may be disclosed only if the disclosure is made for one of the following purposes:

...

(40) To furnish the Division of Forest Resources of the Department of Environment and Natural Resources pertinent contact and financial information concerning companies that are involved in the primary processing of timber products so that the Secretary of Environment and Natural Resources is able to comply with G.S. 113A-193 under the Primary Forest Product Assessment Act."

DIVISION OF MARINE FISHERIES AND DIVISION OF FOREST RESOURCES AIRCRAFT MAINTENANCE

SECTION 13.16.(a) The Division of Marine Fisheries of the Department of Environment and Natural Resources shall use mechanics employed by the Division of Forest Resources of the Department of Environment and Natural Resources for the purpose of performing aircraft maintenance for all aircraft of the Division of Marine Fisheries except for a particular instance when this would be impracticable.

SECTION 13.16.(b) The Division of Forest Resources of the Department of Environment and Natural Resources shall perform aircraft maintenance using its mechanics for all aircraft of the Division of Marine Fisheries, except for a particular instance when this would be impracticable. The Division of Forest Resources shall develop a process to establish priorities for the aviation maintenance needs of all the aircraft in both the Division of Forest Resources and the Division of Marine Fisheries.

PURCHASE OF COMPUTER SOFTWARE BY DENR FOR DENR AIRCRAFT FLIGHTS AND MAINTENANCE RECORDKEEPING

SECTION 13.17. The Department of Environment and Natural Resources shall purchase computer software to be used to establish and maintain a record of the flights and the maintenance of aircraft of the Department of Environment and Natural Resources. For the purchase under this section, the Department of Environment and Natural Resources shall use funds realized from the sale of aircraft by the divisions within the department that operate aircraft. The Department of Environment and Natural Resources shall work with the Division of Marine Fisheries, the Division of Forest Resources, and the Aviation Division of the Department of Transportation to develop the specifications for this software system and to evaluate the best product available to accomplish the purpose set forth in this section. The Department should evaluate all available options, including the purchase of a commercially available system and the purchase of a license to use a software system that is currently used by another State agency. The purchase under this section is subject to all State laws and rules regarding the procurement of distributed information technology assets, as defined in G.S. 147-33.81.

REPORT ON DENR AVIATION ACTIVITIES

SECTION 13.18.(a) No later than October 1, 2010, the Department of Environment and Natural Resources shall submit a report to the Joint Legislative Commission on Governmental Operations, the House of Representatives and Senate Appropriations Subcommittees on Natural and Economic Resources, and the Fiscal Research Division. The report shall:

(1) Describe the uses of the State aircraft fleet within the control of either the Division of Forest Resources of the Department of Environment and Natural Resources or the Division of Marine Fisheries of the Department of Environment and Natural Resources; and

(2) Describe the progress of the Department of Environment and Natural Resources in implementing the eight management practices that were recommended by the Program Evaluation Division of the General Assembly in its report entitled "Selling 25 Underutilized Aircraft May Yield Up to $8.1 Million and Save $1.5 Million Annually" (Report 2010-04), based upon its study of the State's aircraft fleets, as authorized by Section 14.6 of S.L. 2009-451.

SECTION 13.18.(b) The Department of Environment and Natural Resources shall include in its report under subsection (a) of this section a summary of the Conklin & de Decker report that is due to be submitted to the Division of Forest Resources in August 2010, including any recommendations included in the Conklin & de Decker report and a description of the Department's plan to implement the Conklin & de Decker report recommendations.

FISHERY RESOURCE GRANT FUNDS TO BE USED FOR AT-SEA OBSERVER PROGRAM

SECTION 13.19.(a) Of the funds appropriated to the Department of Environment and Natural Resources for the Fishery Resource Grant Program for the 2010-2011 fiscal year, the sum of three hundred thousand dollars ($300,000) shall be used by the Division of Marine Fisheries to develop and establish the At-Sea Observer Program. Establishing and funding the At-Sea Observer Program is necessary to meet federal requirements to monitor gill net fisheries statewide and record sea turtle and other endangered and threatened species interactions.

SECTION 13.19.(b) The funds allocated under subsection (a) of this section shall be used to establish and support three Marine Fisheries Technician II positions to provide at-sea-observer coverage. In establishing the positions under this section, it is the intent of the General Assembly to enable gill net fishing to continue in North Carolina and to enhance the ability of the Division of Marine Fisheries to collect and analyze data necessary to determine the health of fish stock, such as measures of spawning stock biomass, mortality, recruitment, and sustainable harvest levels. Actions recommended in Fishery Management Plans, which are developed in accordance with G.S. 113-182.1 to ensure the long-term viability of the State's commercially and recreationally significant species or fisheries, rely upon these data.

GRASSROOTS SCIENCE PROGRAM

SECTION 13.20. Section 13.7.(a) of S.L. 2009-451 reads as rewritten:

"**SECTION 13.7.(a)** Of the funds appropriated in this act to the Department of Environment and Natural Resources for the Grassroots Science Program, the sum of three million four hundred eleven thousand seven hundred thirteen dollars ($3,411,713) for the 2009-2010 fiscal year and the sum of ~~three million four hundred eleven thousand seven hundred thirteen dollars ($3,411,713)~~three million two hundred forty-one thousand one hundred twenty-seven dollars ($3,241,127) for the 2010-2011 fiscal year is allocated as grants-in-aid for each fiscal year as follows:

	2009-2010	2010-2011
Aurora Fossil Museum	$57,875	~~$57,875~~54,981
Cape Fear Museum	$157,787	~~$157,787~~149,898
Carolina Raptor Center	$109,931	~~$109,931~~104,434
Catawba Science Center	$143,429	~~$143,429~~136,258
Colburn Earth Science Museum, Inc.	$73,054	~~$73,054~~69,401
Core Sound Waterfowl Museum	$49,000	~~$49,000~~46,550
Discovery Place	$649,608	~~$649,608~~617,128
Eastern NC Regional Science Center	$49,000	~~$49,000~~46,550
Fascinate-U	$79,451	~~$79,451~~75,478
Granville County Museum Commission, Inc.–Harris Gallery	$55,294	~~$55,294~~ 52,529
Greensboro Children's Museum	$132,374	~~$132,374~~ 125,755
The Health Adventure Museum of Pack Place Education, Arts and Science Center, Inc.	$152,499	~~$152,499~~ 144,874
Highlands Nature Center	$77,683	~~$77,683~~ 73,799
Imagination Station	$84,313	~~$84,313~~ 80,097
The Iredell Museums, Inc.	$60,080	~~$60,080~~ 57,076
Kidsenses	$79,656	~~$79,656~~ 75,673
Museum of Coastal Carolina	$76,460	~~$76,460~~ 72,637
The Natural Science Center of Greensboro, Inc.	$182,627	~~$182,627~~ 173,496
North Carolina Museum of Life and Science	$372,229	~~$372,229~~ 353,618
Pisgah Astronomical Research Institute	$49,000	~~$49,000~~ 46,550
Port Discover: Northeastern North Carolina's Center for Hands-On Science, Inc.	$49,000	~~$49,000~~ 46,550
Rocky Mount Children's Museum	$70,809	~~$70,809~~ 67,269
Schiele Museum of Natural History and Planetarium, Inc.	$224,956	~~$224,956~~ 213,708
Sci Works Science Center and Environmental Park of Forsyth County	$143,569	~~$143,569~~ 136,390
Sylvan Heights Waterfowl Park and Eco-Center	$49,000	~~$49,000~~ 46,550
Western North Carolina Nature Center	$110,621	~~$110,621~~ 105,090
Wilmington Children's Museum	$72,408	~~$72,408~~ 68,788
Total	$3,411,713	~~$3,411,713~~ 3,241,127"

PART XIV. DEPARTMENT OF COMMERCE

ONE NORTH CAROLINA FUND

SECTION 14.1. Section 14.1 of S.L. 2009-451 reads as rewritten:

"**SECTION 14.1.** Of the funds appropriated in this act to the One North Carolina Fund for the ~~2009-2010~~2010-2011 fiscal year, the Department of Commerce may use up to three hundred thousand dollars ($300,000) to cover its expenses in administering the One North Carolina Fund and other economic development incentive grant programs during the ~~2009-2010~~2010-2011 fiscal year."

NER BLOCK GRANTS

SECTION 14.2.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2011, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT		
01. State Administration	$	1,000,000
02. Scattered Site Housing		16,500,000
03. Economic Development		7,210,000
04. Small Business/Entrepreneurship		3,000,000
05. NC Catalyst		8,240,000
06. State Technical Assistance		450,000
07. Infrastructure		8,000,000
08. Capacity Building		600,000
TOTAL COMMUNITY DEVELOPMENT BLOCK GRANT – 2010 Program Year	$	45,000,000

SECTION 14.2.(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 14.2.(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 14.2.(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; up to sixteen million five hundred thousand dollars ($16,500,000) may be used for Scattered Site Housing; up to seven million two hundred ten thousand dollars ($7,210,000) may be used for Economic Development; up to three million dollars ($3,000,000) may be used for Small Business/Entrepreneurship; not less than eight million two hundred forty thousand dollars ($8,240,000) shall be used for NC Catalyst; up to four hundred fifty thousand dollars ($450,000) may be used for State Technical Assistance; up to eight million dollars ($8,000,000) may be used for Infrastructure; six hundred thousand dollars ($600,000) may be used for Capacity Building. 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 14.2.(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 14.2.(f) The Department of Commerce shall consult with the Joint Legislative Commission on Governmental Operations prior to reallocating Community Development Block Grant Funds. Notwithstanding the provisions of this subsection, whenever the Director of the Budget finds that:

(1) A reallocation is required because of an emergency that poses an imminent threat to public health or public safety, the Director of the Budget may authorize the reallocation without consulting the Commission. The Department of Commerce shall report to the Commission on the reallocation no later than 30 days after it was authorized and shall identify in the report the emergency, the type of action taken, and how it was related to the emergency.

(2) The State will lose federal block grant funds or receive less federal block grant funds in the next fiscal year unless a reallocation is made. The Department of Commerce shall provide a written report to the Commission on the proposed reallocation and shall identify the reason that failure to take action will result in the loss of federal funds. If the Commission does not hear the issue within 30 days of receipt of the report, the Department may take the action without consulting the Commission.

SECTION 14.2.(g) By September 1, 2010, the Division of Community Assistance, Department of Commerce, shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the use of Community Development Block Grant Funds appropriated in the prior fiscal year.

STATE AGENCIES AND INSTITUTIONS/GREATER ENERGY EFFICIENCY REPORTING AND COMPLIANCE

SECTION 14.3. G.S. 143-64.12 reads as rewritten:

"**§ 143-64.12. Authority and duties of the Department; State agencies and State institutions of higher learning.**

(a) The Department of Commerce through the State Energy Office shall develop a comprehensive program to manage energy, water, and other utility use for State agencies and State institutions of higher learning and shall update this program annually. Each State agency and State institution of higher learning shall develop and implement a management plan that is consistent with the State's comprehensive program under this subsection to manage energy, water, and other utility ~~use.~~use, and that addresses any findings or recommendations resulting from the energy audit required by subsection (b1) of this section. The energy consumption per gross square foot for all State buildings in total shall be reduced by twenty percent (20%) by 2010 and thirty percent (30%) by 2015 based on energy consumption for the 2002-2003 fiscal year. Each State agency and State institution of higher learning shall update its management plan annually and include strategies for supporting the energy consumption reduction requirements under this subsection. Each community college shall submit to the State Energy Office an annual written report of utility consumption and costs.

...

(b2) The Department of Administration shall submit a report of the energy audit required by subsection (b1) of this section to the affected State agency or State institution of higher learning and to the State Energy Office. The State Energy Office shall review each audit and, in consultation with the affected State agency or State institution of higher learning, incorporate

the audit findings and recommendations into the management plan required by subsection (a) of this section.

...

(j) The State Energy Office shall submit a report by September 1 of each year to the Joint Legislative Commission on Governmental Operations describing the comprehensive program to manage energy, water, and other utility use for State agencies and State institutions of higher learning required by subsection (a) of this section. The report shall also contain the following:

(1) A comprehensive overview of how State agencies and State institutions of higher learning are managing energy, water, and other utility use and achieving efficiency gains.

(2) Any new measures that could be taken by State agencies and State institutions of higher learning to achieve greater efficiency gains, including any changes in general law that might be needed.

(3) A summary of the State agency and State institutions of higher learning management plans required by subsection (a) of this section and the energy audits required by subsection (b1) of this section.

(4) A list of the State agencies and institutions of higher learning that did and did not submit management plans required by subsection (a) of this section and a list of the State agencies and State institutions of higher learning that received an energy audit.

(5) Any recommendations on how management plans can be better managed and implemented."

LOCAL WORKFORCE DEVELOPMENT BOARDS/CONSUMER CHOICE REQUIREMENTS

SECTION 14.4. G.S. 143B-438.11(a) is amended by adding the following new subdivision to read:

"**§ 143B-438.11. Local Workforce Development Boards.**

(a) Duties. – Local Workforce Development Boards shall have the following powers and duties:

...

(8) To provide training services in a manner that maximizes consumer choice in the selection of an eligible provider of training services. Each local workforce development board shall ensure that consumer choice is properly maintained in the one-stop centers and shall not discriminate against any eligible provider. Each local workforce development board, through the one-stop centers, shall make available: (i) the State list of eligible providers of training services with a description of the programs through which the providers may offer the training services and the information identifying eligible providers of on-the-job training and customized training; and (ii) the performance information and performance cost information relating to eligible providers of training services and eligible providers of on-the-job training and customized training."

WANCHESE SEAFOOD INDUSTRIAL PARK/OREGON INLET FUNDS

SECTION 14.5. Section 14.4 of S.L. 2009-451 reads as rewritten:

"**SECTION 14.4.(a)** Funds appropriated to the Department of Commerce for the ~~2009-2010~~2010-2011 fiscal year for the Wanchese Seafood Industrial Park that are unexpended and unencumbered as of ~~June 30, 2009,~~June 30, 2010, shall not revert to the General Fund on ~~June 30, 2009,~~June 30, 2010, but shall remain available to the Department to be expended by

the Wanchese Seafood Industrial Park for operations, maintenance, repair, and capital improvements in accordance with Article 23C of Chapter 113 of the General Statutes. These funds shall be in addition to funds available to the North Carolina Seafood Industrial Park Authority for operations, maintenance, repair, and capital improvements under Article 23C of Chapter 113 of the General Statutes.

~~"SECTION 14.4.(b) Funds appropriated to the Department of Commerce for the 2009-2010 fiscal year for the Oregon Inlet Project that are unexpended and unencumbered as of June 30, 2009, shall not revert to the General Fund on June 30, 2009, but shall remain available to the Department to be expended by the Wanchese Seafood Industrial Park for securing adequate channel maintenance of the Oregon Inlet and for operations, maintenance, repair, and capital improvements in accordance with Article 23C of Chapter 113 of the General Statutes. These funds shall be in addition to funds available to the North Carolina Seafood Industrial Park Authority for operations, maintenance, repair, and capital improvements under Article 23C of Chapter 113 of the General Statutes.~~

"**SECTION 14.4.(c)** This section becomes effective ~~June 30, 2009.~~June 30, 2010."

CONSOLIDATE PASSENGER AIRCRAFT

SECTION 14.6.(a) The Executive Aircraft Division of the Department of Commerce is transferred to the Division of Aviation of the Department of Transportation. This transfer shall have all the elements of a Type I transfer, as defined by G.S. 143A-6.

SECTION 14.6.(b) G.S. 143B-437.011 is repealed.

SECTION 14.6.(c) Article 7 of Chapter 136 of the General Statutes is amended by adding a new section to read:

"**§ 136-102.20. Use of aircraft managed by the Department of Transportation.**

The use of aircraft for economic development purposes shall take precedence over all other uses of the aircraft managed by the Department of Transportation. The Department of Transportation shall annually review the rates charged for the use of aircraft and shall adjust the rates, as necessary, to account for upgraded aircraft and inflationary increases in operating costs, including jet fuel prices. If an aircraft is not being used for economic development purposes, the aircraft may be used by the Governor or a State official who is employed by an agency that does not have its own aircraft and is traveling on State business. If an aircraft is used to attend athletic events or for any other purpose related to collegiate athletics, the rate charged shall be equal to the direct cost of operating the aircraft as established by the aircraft's manufacturer, adjusted for inflation."

FEE TO ADVERTISE IN WELCOME CENTERS

SECTION 14.7.(a) G.S. 143B-421.3 reads as rewritten:

"**§ 143B-421.3. Consultation required for welcome and visitor ~~centers.~~centers; advertising fees.**

(a) Consultation. – The Department of Commerce and the Department of Transportation shall consult with the Joint Legislative Commission on Governmental Operations and the House and Senate Appropriations Subcommittees on Natural and Economic Resources before beginning the design or construction of any new welcome center or visitor center buildings.

(b) Advertising. – An annual fee is imposed on a person who places or displays advertising materials in a welcome center building. The fee imposed by this subsection does not apply to governmental or public sector entities or to advertising materials for an event or amusement that will be held 30 or fewer calendar days from the date the advertising material is placed or displayed in the welcome center building. The annual fee shall be as follows:

(1) For advertising materials where the width is not more than four inches and the length is not more than nine inches: one hundred dollars ($100.00) per year per welcome center building.

(2) For advertising materials where the width is more than four inches or the length is more than nine inches: two hundred dollars ($200.00) per year per welcome center building."

SECTION 14.7.(b) This section becomes effective the later of July 1, 2010, or the date upon which this act becomes law, and applies to advertising materials placed or displayed in welcome center buildings on or after that date.

AMEND JDIG REPORTING REQUIREMENTS

SECTION 14.8. G.S. 143B-437.55 reads as rewritten:

"**§ 143B-437.55. Applications; fees; reports; study.**

...

(c) Annual Reports. – The Committee shall publish a report on the Job Development Investment Grant Program on or before April 30 of each year. The Committee shall submit the report electronically to the House of Representatives Finance Committee, the Senate Finance Committee, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, the Senate Appropriations Committee on Natural and Economic Resources, and the Fiscal Research Division. The report shall include the following:

...

(d) Quarterly Reports. – The Committee shall publish a report on the Job Development Investment Grant Program within two months of the end of each quarter. This report shall include a listing of each grant awarded 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 grant expected to be made under the agreement during the current fiscal year. The Committee shall submit the report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

(e) Study. – The Committee shall conduct a study to determine the minimum funding level required to implement the Job Development Investment Grant Program successfully. The Committee shall report the results of this study to the House of Representatives Finance Committee, the Senate Finance Committee, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, the Senate Appropriations Committee on Natural and Economic Resources, and the Fiscal Research Division no later than ~~March 1~~April 1 of each year."

INDUSTRIAL DEVELOPMENT FUND/REPORTING REQUIREMENTS

SECTION 14.9. G.S. 143B-437.01 reads as rewritten:

"**§ 143B-437.01. Industrial Development Fund.**

...

(c) Reports. – The Department of Commerce shall report ~~annually to the General Assembly~~ to the Joint Legislative Commission on Governmental Operations on September 1 of each year concerning the applications made to the fund and the payments made from the fund and the impact of the payments on job creation in the State. The Department of Commerce shall also report quarterly to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the use of the moneys in the fund, including information regarding to whom payments were made, in what amounts, and for what purposes.

(c1) In addition to the reporting requirements of subsection (c) of this section, the Department of Commerce shall report ~~annually to the General Assembly~~to the Joint Legislative Commission on Governmental Operations on September 1 of each year concerning the payments made from the Utility Account and the impact of the payments on job creation in the

State. The Department of Commerce shall also report quarterly to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the use of the moneys in the Utility Account including information regarding to whom payments were made, in what amounts, and for what purposes.

...."

WINE AND GRAPE GROWERS COUNCIL/REPORTING REQUIREMENT

SECTION 14.10. G.S. 143B-437.90 is amended by adding a new subdivision to read:

"**§ 143B-437.90. North Carolina Wine and Grape Growers Council – Creation; powers and duties.**

There is created the North Carolina Wine and Grape Growers Council of the Department of Commerce. The North Carolina Wine and Grape Growers Council shall have the following powers and duties:

...

(14) By September 1 of each year, to report to the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, the Senate Appropriations Committee on Natural and Economic Resources, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division on the activities of the Council, the status of the wine and grape industry in North Carolina and the United States, progress on the development and implementation of the State Viticulture Plan, and any contracts or agreements entered into by the Council for research, education, or marketing."

LAB-TO-MARKET FUNDS/COMMERCIALIZATION

SECTION 14.11. Of the funds appropriated to the Department of Commerce Lab-to-Market/Commercialization, the sum of ten million dollars ($10,000,000) shall be used to support the Armed Forces Institute for Regenerative Medicine.

PROMOTE NORTH CAROLINA DISTILLED SPIRITS

SECTION 14.12.(a) G.S. 18B-800 is amended by adding a new subsection to read:

"(e) Each ABC store shall display spirits which are distilled in North Carolina in an area dedicated solely to North Carolina products."

SECTION 14.12.(b) Article 11 of Chapter 18B of the General Statutes is amended by adding a new section to read:

"**§ 18B-1105.2. Spirituous liquor tasting at distilleries.**

The holder of any distillery permit authorized by G.S. 18B-1105 may conduct a consumer tasting event at the distillery subject to the following conditions:

(1) Any person pouring wine at a wine tasting shall be an employee of the distillery and at least 21 years of age.

(2) The person pouring the spirituous liquor shall be responsible for checking the identification of patrons being served at the tasting.

(3) Each consumer is limited to tasting samples which total no more than 1.5 ounces of spirituous liquor in any calendar day.

(4) The consumer shall not be charged for any spirituous liquor tasting sample.

(5) The spirituous liquor used in the consumer tasting event shall be distilled at the distillery where the event is being held by the permit holder conducting the event.

(6) A consumer tasting event shall not be allowed when the sale of spirituous liquor is otherwise prohibited.

(7) Tasting samples are not to be offered to, or allowed to be consumed by, any person under the legal age for consuming spirituous liquor.

(8) A consumer tasting event may not be advertised by the permit holder in any type of media, including, but not limited to, print, radio, television, Internet, and signage.

The distillery permit holder shall be solely liable for any violations of this Chapter occurring in connection with the tasting. The Commission shall adopt rules to assure that the tastings are limited to samplings and not a subterfuge for the unlawful sale or distribution of spirituous liquor and that the tastings are not used by industry members for unlawful inducements to retail permit holders."

SECTION 14.12.(c) This section becomes effective October 1, 2010.

EMPLOYMENT SECURITY COMMISSION FUNDS

SECTION 14.13. Section 14.17 of S.L. 2009-451 reads as rewritten:

"**SECTION 14.17.(a)** Funds from the Employment Security Commission Reserve Fund shall be available to the Employment Security Commission of North Carolina to use as collateral to secure federal funds and to pay the administrative costs associated with the collection of the Employment Security Commission Reserve Fund surcharge. The total administrative costs paid with funds from the Reserve in the ~~2009-2010~~2010-2011 fiscal year shall not exceed two million five hundred thousand dollars ($2,500,000).

"**SECTION 14.17.(b)** There is appropriated from the Employment Security Commission Reserve Fund to the Employment Security Commission of North Carolina the sum of twenty million dollars ($20,000,000) for the ~~2009-2010~~2010-2011 fiscal year to be used for the following purposes:

(1) Nineteen million five hundred thousand dollars ($19,500,000) for the operation and support of local Employment Security Commission offices.

(2) Two hundred thousand dollars ($200,000) ~~for the State Occupational Information Coordinating Committee to develop and operate an interagency~~to operate the system ~~to track~~that tracks former participants in State education and training programs.

(3) Three hundred thousand dollars ($300,000) 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.

"**SECTION 14.17.(c)** There is appropriated from the Employment Security Commission Reserve Fund to the Employment Security Commission of North Carolina an amount not to exceed ~~one million dollars ($1,000,000)~~five hundred thousand dollars ($500,000) for the ~~2009-2010~~2010-2011 fiscal year to fund State initiatives not currently funded through federal grants.

"**SECTION 14.17.(d)** There is appropriated from the Employment Security Commission Reserve Fund to the Employment Security Commission of North Carolina an amount not to exceed ~~one million five hundred thousand dollars ($1,500,000)~~one million two hundred thousand dollars ($1,200,000) for the ~~2009-2010~~2010-2011 fiscal year to fund a system upgrade to the Common Follow-Up Management Information System.

~~"SECTION 14.17.(e) The Employment Security Commission of North Carolina may use funds in the Employment Security Commission Reserve Fund to contract with nonprofit organizations to provide dislocated workers with assistance in obtaining health care benefits, receiving vocational training, and securing employment.~~

"**SECTION 14.17.(f)** There is appropriated from the Worker Training Trust Fund to the Employment Security Commission of North Carolina the sum of one million dollars ($1,000,000) for the 2010-2011 fiscal year to fund the 'Tar Heel Works Program' which

provides enhanced skills training opportunities to recipients of unemployment insurance benefits.

"**SECTION 14.17.(g)** Of the funds credited to and held in the State of North Carolina's account in the Unemployment Trust Fund by the Secretary of the Treasury of the United States pursuant to and in accordance with section 903 of the Social Security Act and pursuant to Title II of P.L. 111-5, the Assistance for Unemployed Workers and Struggling Families Act, the Employment Security Commission of North Carolina may expend the sum of two hundred five million sixty-three thousand five hundred fifty-two dollars ($205,063,552) as follows: (i) one hundred fifty million dollars ($150,000,000) shall be used to design and build the integrated unemployment insurance benefit and tax accounting system; and (ii) the remaining funds shall be used for the operation of the unemployment insurance program."

SET REGULATORY FEE FOR UTILITIES COMMISSION

SECTION 14.14. Section 14.26 of S.L. 2009-451 reads as rewritten:

"**SECTION 14.26.(a)** The percentage rate to be used in calculating the public utility regulatory fee under G.S. 62-302(b)(2) is twelve one-hundredths of one percent (0.12%) for each public utility's North Carolina jurisdictional revenues earned during each quarter that begins on or after ~~July 1, 2009.~~July 1, 2010.

SECTION 14.26.(b) The electric membership corporation regulatory fee imposed under G.S. 62-302(b1) for the ~~2009-2010~~2010-2011 fiscal year is two hundred thousand dollars ($200,000).

SECTION 14.26.(c) This section becomes effective ~~July 1, 2009.~~July 1, 2010."

REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS ALLOCATIONS

SECTION 14.15.(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 Partnership, Southeastern North Carolina Regional Economic Development Commission, Piedmont Triad Partnership, Northeastern North Carolina Regional Economic Development Commission, North Carolina's Eastern Region Economic Development Partnership, and Carolinas Partnership, Inc.

SECTION 14.15.(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 development factor by the sum of the development factors for eligible counties and multiplying the resulting percentage by the amount of the appropriation. As used in this subdivision, the term "development factor" means a county's development factor as calculated under G.S. 143B-437.08; and

(2) Next, the Department shall subtract from funds allocated to the North Carolina's Eastern Region Economic Development Partnership the sum of two hundred thirty thousand three hundred twenty-five dollars and thirty-three cents ($230,325.33) in the 2010-2011 fiscal year, which sum represents: (i) the total interest earnings in the prior fiscal year on the estimated balance of the 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 (ii) the total interest earnings in the prior fiscal year on loans made from the 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 two hundred thirty thousand three hundred twenty-five dollars and thirty-three cents ($230,325.33) in the 2010-2011 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 development 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.

SECTION 14.15.(c) No more than one hundred twenty thousand dollars ($120,000) in State funds shall be used for the annual salary of any one employee of a regional economic development commission.

SECTION 14.15.(d) The General Assembly finds that successful economic development requires the collaboration of the State, regions of the State, counties, and municipalities. Therefore, the regional economic development commissions are encouraged to seek supplemental funding from their county and municipal partners to continue and enhance their efforts to attract and retain business in the State.

E-NC AUTHORITY/REPORTING REQUIREMENT

SECTION 14.16. G.S. 143B-437.47 reads as rewritten:

"**§ 143B-437.47. (This part has a delayed repeal date. See notes.) Powers, duties, and goals of the Authority.**

...

(e) Reports. – ~~The~~ By September 1 of each year, the Authority shall submit ~~quarterly reports~~a report to the Governor, the Joint Legislative Oversight Committee on Information Technology, and the Joint Legislative Commission on Governmental Operations. The ~~reports~~ report shall summarize the Authority's activities during the ~~quarter~~ prior State fiscal year and contain any information about the Authority's activities that is requested by the Governor, the Committee, or the Commission."

DEFENSE AND SECURITY TECHNOLOGY ACCELERATOR/REPORTING REQUIREMENT

SECTION 14.17. By September 1, 2010, and September 1, 2011, the Defense and Security Technology Accelerator shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.

COUNCIL OF GOVERNMENT FUNDS

SECTION 14.18. Section 14.21.(a) of S.L. 2009-451 reads as rewritten:

"**SECTION 14.21.(a)** Of the funds appropriated in this act to the Department of Commerce, the sum of four hundred twenty-five thousand dollars ($425,000) for the 2009-2010 fiscal year and the sum of ~~four hundred twenty-five thousand dollars ($425,000)~~four hundred three thousand seven hundred fifty dollars ($403,750) for the 2010-2011 fiscal year shall only be used as provided by this section. Each regional council of government or lead regional organization is allocated up to twenty-five thousand dollars ($25,000) for the 2009-2010 and the 2010-2011 fiscal years."

RURAL ECONOMIC DEVELOPMENT CENTER

SECTION 14.19. Section 14.27.(a) of S.L. 2009-451 reads as rewritten:

"**SECTION 14.27.(a)** Of the funds appropriated in this act to the North Carolina Rural Economic Development Center, Inc. (Rural Center), the sum of four million six hundred two thousand four hundred thirty-six dollars ($4,602,436) for the 2009-2010 fiscal year and the sum of ~~four million five hundred twenty-seven thousand four hundred thirty-six dollars ($4,527,436)~~ three million nine hundred eighty-one thousand eight hundred sixty-four dollars ($3,981,864) for the 2010-2011 fiscal year shall be allocated as follows:

	2009-2010	2010-2011
Center Administration, Technical Assistance, & Oversight	$1,555,000	~~$1,523,000~~ $1,446,850
Research and Demonstration Grants	$351,000	~~$344,000~~ $326,800
Institute for Rural Entrepreneurship	$136,000	~~$134,000~~ $127,300
Community Development Grants	$987,436	~~$987,436~~ $938,064
Microenterprise Loan Program	$185,000	~~$182,000~~ $172,900
Water/Sewer/Business Development Matching Grants	$840,000	~~$821,000~~ $779,950
Statewide Water/Sewer Database	$ 95,000	~~$93,000~~ $88,350
Agricultural Advancement Consortium	$110,000	~~$107,000~~ $101,650"

RURAL ECONOMIC DEVELOPMENT CENTER/INFRASTRUCTURE PROGRAM

SECTION 14.20. Section 14.28 of S.L. 2009-451 reads as rewritten:

"**SECTION 14.28.(a)** Of the funds appropriated in this act to the North Carolina Rural Economic Development Center, Inc. (Rural Center), the sum of nineteen million three hundred five thousand dollars ($19,305,000) for the 2009-2010 fiscal year and the sum of ~~nineteen million three hundred five thousand dollars ($19,305,000)~~eighteen million three hundred thirty-nine thousand seven hundred fifty dollars ($18,339,750) for the 2010-2011 fiscal year shall be allocated as follows:

(1) To continue the North Carolina Infrastructure Program. The purpose of the Program is to provide grants to local governments to construct critical water and wastewater facilities and to provide other infrastructure needs, including technology needs, to sites where these facilities will generate private job-creating investment. At least ~~fifteen million dollars ($15,000,000)~~fourteen million two hundred fifty thousand dollars ($14,250,000) of the funds appropriated in this act for ~~each year of the biennium~~ the 2010-2011 fiscal year must be used to provide grants under this Program.

(2) To provide matching grants to local governments in distressed areas and equity investments in public-private ventures that will productively reuse vacant buildings and properties, with priority given to towns or communities with populations of less than 5,000.

(3) To provide economic development research and demonstration grants.

"**SECTION 14.28.(b)** The Rural Center may contract with other State agencies, constituent institutions of The University of North Carolina, and colleges within the North Carolina Community College System for certain aspects of the North Carolina Infrastructure Program, including design of Program guidelines and evaluation of Program results.

"**SECTION 14.28.(c)** ~~During each year of the 2009-2011 biennium,~~For the 2010-2011 fiscal year, the Rural Center may use up to ~~three hundred eighty-five thousand dollars ($385,000)~~ three hundred sixty-five thousand seven hundred fifty dollars ($365,750) of the funds appropriated in this act to cover its expenses in administering the North Carolina Economic Infrastructure Program.

"**SECTION 14.28.(d)** Of the funds appropriated in subsection (a) of this section to the Rural Center for the 2009-2010 fiscal year, the sum of one million five hundred forty-four thousand four hundred dollars ($1,544,400) shall be transferred to the Department of Environment and Natural Resources to be used to provide the State match to draw down maximum federal funds for the Clean Water State Revolving Loan Fund.

"**SECTION 14.28.(e)** By September 1 of each year, and more frequently as requested, the Rural Center shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division concerning the progress of the North Carolina Economic Infrastructure Program in the prior State fiscal year."

OPPORTUNITIES INDUSTRIALIZATION CENTERS FUNDS

SECTION 14.21. Section 14.30.(a) of S.L. 2009-451 reads as rewritten:

"**SECTION 14.30.(a)** Of the funds appropriated in this act to the North Carolina Rural Economic Development Center, Inc. (Rural Center), the sum of three hundred forty-three thousand dollars ($343,000) for the 2009-2010 fiscal year and the sum of ~~three hundred thirty-six thousand dollars ($336,000)~~ three hundred nineteen thousand two hundred dollars ($319,200) for the 2010-2011 fiscal year shall be equally distributed among the certified Opportunities Industrialization Centers (OI Centers)."

PART XV. JUDICIAL DEPARTMENT

COLLECTION OF WORTHLESS CHECK FUNDS

SECTION 15.1. Notwithstanding the provisions of G.S. 7A-308(c), the Judicial Department may use any balance remaining in the Collection of Worthless Check Fund on June 30, 2010, for the purchase or repair of office or information technology equipment during the 2010-2011 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 House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety on the equipment to be purchased or repaired and the reasons for the purchases.

DIRECT THE OFFICE OF STATE BUDGET AND MANAGEMENT TO RELEASE FUNDS

SECTION 15.2. In the event that the Office of Indigent Defense Services has more than the sum of one million dollars ($1,000,000) in unpaid fee applications received but unpaid at the end of the 2010-2011 fiscal year, the Office of State Budget and Management shall release sufficient funds from the Office of Indigent Defense Services' 2011-2012 fiscal year appropriation in the first month's allotment to allow the Office to pay outstanding obligations at the beginning of the new fiscal year.

OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION FUNDS

SECTION 15.3. Section 15.12 of S.L. 2009-451 reads as rewritten:

"**SECTION 15.12.** The Judicial Department, Office of Indigent Defense Services, may use up to the sum of two million five hundred one thousand one hundred fifty dollars ($2,501,150) in appropriated funds during the 2009-2010 fiscal year and up to the sum of two million four hundred thirty-three thousand seven hundred dollars ($2,433,700) in appropriated funds during the 2010-2011 fiscal year for the expansion of existing public defender offices currently providing legal services to the indigent population under the oversight of the Office of Indigent Defense Services, or for the creation of new public defender offices within existing public defender districts currently providing those services, by creating up to 20 new attorney positions and 10 new support staff ~~positions.~~positions during the 2009-2010 fiscal year. In addition, the Office of Indigent Defense Services may use up to the sum of one million dollars

($1,000,000) in appropriated funds to create up to 12 new attorney positions and six new support positions during the 2010-2011 fiscal year. These funds may be used for salaries, benefits, equipment, and related expenses. Prior to using funds for this purpose, the Office of Indigent Defense Services shall report to the Chairs of the House of Representatives and the Senate Appropriations Subcommittees on Justice and Public Safety on the proposed expansion."

CORRECT DEATH PENALTY LITIGATION FUNDING AMOUNT

SECTION 15.4. Section 15.3 of S.L. 2009-451 reads as rewritten:

"**SECTION 15.3.** Of the funds appropriated in this act to the Office of Indigent Defense Services for the 2009-2011 fiscal biennium, the Office may use up to the sum of three hundred seventy-six thousand one hundred twenty-five dollars ($376,125) for the 2009-2010 fiscal year and up to the sum of ~~three hundred seventy-six thousand one hundred twenty-five dollars ($376,125)~~ four hundred fifty-two thousand six hundred four dollars ($452,604) for the 2010-2011 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. The Office of Indigent Defense Services shall report by February 1 of each year in the biennium to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety on the activities funded by this section."

INCREASE CERTAIN COURT FEES

SECTION 15.5.(a) G.S. 7A-304(a) reads as rewritten:

"**§ 7A-304. Costs in criminal actions.**

(a) In every criminal case in the superior or district court, wherein the defendant is convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the prosecuting witness, the following costs shall be assessed and collected, except that when the judgment imposes an active prison sentence, costs shall be assessed and collected only when the judgment specifically so provides, and that no costs may be assessed when a case is dismissed.

...

(4) For support of the General Court of Justice, the sum of ~~ninety-five dollars and fifty cents ($95.50)~~one hundred dollars and fifty cents ($100.50) in the district court, including cases before a magistrate, and the sum of one hundred two dollars and fifty cents ($102.50) in the superior court, to be remitted to the State Treasurer. For a person convicted of a felony in superior court who has made a first appearance in district court, both the district court and superior court fees shall be assessed. The State Treasurer shall remit the sum of two dollars and five cents ($2.05) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4, and ninety-five cents ($.95) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.19.

...

(6) For support of the General Court of Justice, the sum of two hundred dollars ($200.00) is payable by a defendant who fails to appear to answer the charge as scheduled, unless within 20 days after the scheduled appearance, the person either appears in court to answer the charge or disposes of the charge pursuant to G.S. 7A-146, and the sum of ~~twenty-five dollars ($25.00)~~fifty dollars ($50.00) is payable by a defendant who fails to pay a fine, penalty, or costs within 20 days of the date specified in the court's judgment. Upon a showing to the court that the defendant failed to appear because of an error

or omission of a judicial official, a prosecutor, or a law-enforcement officer, the court shall waive the fee for failure to appear. These fees shall be remitted to the State Treasurer.

...."

SECTION 15.5.(b) G.S. 7A-305 reads as rewritten:

"**§ 7A-305. Costs in civil actions.**

(a) In every civil action in the superior or district court, except for actions brought under Chapter 50B of the General Statutes, shall be assessed:

...

(2) For support of the General Court of Justice, the sum of ~~ninety-three dollars ($93.00)~~one hundred fifty dollars ($150.00) in the superior court, except that if a case is assigned to a special superior court judge as a complex business case under G.S. 7A-45.3, an additional one thousand dollars ($1,000) shall be paid upon its assignment, and the sum of ~~seventy-three dollars ($73.00)~~one hundred dollars ($100.00) in the district court except that if the case is assigned to a magistrate the sum shall be fifty-five dollars ($55.00). Sums collected under this subdivision shall be remitted to the State Treasurer. The State Treasurer shall remit the sum of two dollars and five cents ($2.05) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4, and ninety-five cents ($.95) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.19.

...

(a5) For the support of the General Court of Justice, a fee of forty dollars ($40.00) shall be assessed against a party filing a motion for summary judgment pursuant to G.S. 1A-1, Rule 56. Sums collected under this subsection shall be remitted to the State Treasurer.

...."

SECTION 15.5.(c) G.S. 7A-307(b1) reads as rewritten:

"(b1) The clerk shall assess the following miscellaneous fees:

(1)	Filing and indexing a will with no probate	
	– first page	$ 1.00
	– each additional page or fraction thereof	.25
(2)	Issuing letters to fiduciaries, per letter over five letters issued	1.00
(3)	Inventory of safe deposits of a decedent, per box, per day	15.00
(4)	Taking a deposition	10.00
(5)	Docketing and indexing a will probated in another county in the State	
	- first page	6.00
	- each additional page or fraction thereof	.25
(6)	Hearing petition for year's allowance to surviving spouse or child, in cases not assigned to a magistrate, and allotting the same	8.00
(7)	Assignment of title	10.00"

CHILD SUPPORT FEE MODIFICATION

SECTION 15.6. G.S. 110-134 reads as rewritten:

"**§ 110-134. Filing of affidavits, agreements, and orders; fees.**

All affidavits, agreements, and resulting orders entered into under the provisions of G.S. 110-132 and G.S. 110-133 shall be filed by the clerk of superior court in the county in which they are entered. The filing fee for the institution of an action through the entry of an

order under either of these provisions shall be ~~four dollars ($4.00).~~in an amount equal to that provided in G.S. 7A-308(a)(18)."

EXPERT FEES

SECTION 15.7. G.S. 7A-314(d) reads as rewritten:

"(d) An expert witness, other than a salaried State, county, or municipal law-enforcement officer, shall receive such compensation and allowances as the court, or the Judicial Standards Commission, in its discretion, may authorize. A law-enforcement officer who appears as an expert witness shall receive reimbursement for travel expenses only, as provided in subsection (b) of this section. Compensation of experts acting on behalf of the court or prosecutorial offices shall be paid in accordance with the rules established by the Administrative Office of the Courts. Compensation of experts provided under G.S. 7A-454 shall be in accordance with rules established by the Office of Indigent Defense Services."

PROVIDE CERTAIN COUNTERCLAIM FEES IN DOMESTIC VIOLENCE ACTIONS

SECTION 15.8. G.S. 7A-305(a1) reads as rewritten:

"(a1) Costs apply to any and all additional and subsequent actions filed by amendment or counterclaim to the original action brought under Chapter 50B of the General Statutes, unless such additional and subsequent amendment or counterclaim to the action is ~~also brought under~~limited to requests for relief authorized by Chapter 50B of the General Statutes."

MODIFY FEES FOR RESUMPTION OF MAIDEN OR FORMER NAME

SECTION 15.9.(a) G.S. 50-12 reads as rewritten:

"**§ 50-12. Resumption of maiden or premarriage surname.**

(a) Any woman whose marriage is dissolved by a decree of absolute divorce may, upon application to the clerk of court of the county in which she resides or where the divorce was granted setting forth her intention to do so, change her name to any of the following:

(1) Her maiden name; or

(2) The surname of a prior deceased husband; or

(3) The surname of a prior living husband if she has children who have that husband's surname.

(a1) A man whose marriage is dissolved by decree of absolute divorce may, upon application to the clerk of court of the county in which he resides or where the divorce was granted setting forth his intention to do so, change the surname he took upon marriage to his premarriage surname.

(b) The application and fee required by subsection (e) of this section shall be ~~addressed~~ presented to the clerk of the court of the county in which such divorced person resides or where the divorce was granted, and shall set forth the full name of the former spouse of the applicant, the name of the county and state in which the divorce was granted, and the term or session of court at which such divorce was granted, and shall be signed by the woman in her full maiden name, or by the man in his full premarriage surname. The clerks of court of the several counties of the State shall record and index such applications in such manner as shall be required by the Administrative Office of the Courts.

(c) If an applicant, since the divorce, has adopted one of the surnames listed in subsection (a) or (a1) of this section, the applicant's use and adoption of that name is validated.

(d) In the complaint, or counterclaim for divorce filed by any person in this State, the person may petition the court to adopt any surname as provided by this section, and the court is authorized to incorporate in the divorce decree an order authorizing the person to adopt that surname.

(e) For support of the General Court of Justice, a fee in the amount of ten dollars ($10.00) shall be assessed against each person requesting the resumption of maiden or

premarriage surname in accordance with this section. Sums collected under this section shall be remitted to the State Treasurer."

INCREASE FEE FOR CERTAIN CASES ASSIGNED TO A MAGISTRATE

SECTION 15.10. G.S. 7A-305(a)(2) reads as rewritten:

"(a) In every civil action in the superior or district court, except for actions brought under Chapter 50B of the General Statutes, shall be assessed:

...

(2) For support of the General Court of Justice, the sum of ninety-three dollars ($93.00) in the superior court, except that if a case is assigned to a special superior court judge as a complex business case under G.S. 7A-45.3, an additional one thousand dollars ($1,000) shall be paid upon its assignment, and the sum of seventy-three dollars ($73.00) in the district court except that if the case is assigned to a magistrate the sum shall be sixty-five dollars ($65.00) for cases initiated under Article 3 of Chapter 42 of the General Statutes or fifty-five dollars ~~($55.00).~~($55.00) for all other cases assigned to a magistrate. Sums collected under this subdivision shall be remitted to the State Treasurer. The State Treasurer shall remit the sum of two dollars and five cents ($2.05) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4, and ninety-five cents ($.95) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.19."

INCREASE ATTORNEY APPOINTMENT FEE

SECTION 15.11. G.S. 7A-455.1 reads as rewritten:

"**§ 7A-455.1. Appointment fee in criminal cases.**

(a) In every criminal case in which counsel is appointed at the trial level, the judge shall order the defendant to pay to the clerk of court an appointment fee of ~~fifty dollars ($50.00).~~ sixty dollars ($60.00). No fee shall be due unless the person is convicted.

(b) The mandatory ~~fifty-dollar ($50.00)~~ sixty-dollar ($60.00) fee may not be remitted or revoked by the court and shall be added to any amounts the court determines to be owed for the value of legal services rendered to the defendant and shall be collected in the same manner as attorneys' fees are collected for such representation.

(c) Repealed by Session Laws 2005-250 s. 3, effective August 4, 2005.

(d) Inability, failure, or refusal to pay the appointment fee shall not be grounds for denying appointment of counsel, for withdrawal of counsel, or for contempt.

(e) The appointment fee required by this section shall be assessed only once for each attorney appointment, regardless of the number of cases to which the attorney was assigned. An additional appointment fee shall not be assessed if the charges for which an attorney was appointed were reassigned to a different attorney.

(f) Of each appointment fee collected under this section, the sum of ~~forty-five dollars ($45.00)~~ fifty-five dollars ($55.00) shall be credited to the Indigent Persons' Attorney Fee Fund and the sum of five dollars ($5.00) shall be credited to the Court Information Technology Fund under G.S. 7A-343.2. These fees shall not revert.

(g) The Office of Indigent Defense Services shall adopt rules and develop forms to govern implementation of this section."

PART XVI. DEPARTMENT OF JUSTICE

REPORTING BY MEDICAID FRAUD CRIMINAL INVESTIGATION TEAM

SECTION 16.1. Article 1 of Chapter 114 of the General Statutes is amended by adding a new section to read:

"**§ 114-2.5A. Report by the Medicaid Fraud Criminal Investigation Team required annually.**

By September 1 of each year, the Medicaid Fraud Criminal Investigation Team of the Department of Justice shall file a written report about its activities with the Chairs of the Appropriations Subcommittees on Justice and Public Safety and Health and Human Services of the Senate and House of Representatives and with the Fiscal Research Division of the Legislative Services Office. This report shall include the following information about the Team's activities during the previous fiscal year:

(1) The number of cases of potential Medicaid fraud reported.

(2) The number of cases of potential Medicaid fraud investigated.

(3) The number of cases in which Medicaid fraud is actually found.

(4) The total amount of funds recovered in each case in which funds were recovered.

(5) An explanation of how recovered funds were allocated, including information about any amounts allocated to (i) the federal government; (ii) the State Medical Assistance Program; (iii) the Civil Penalty and Forfeiture Fund; (iv) the Department of Justice."

PART XVII. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY

PROVIDE FEE SCHEDULE REQUIREMENTS FOR LAW ENFORCEMENT SUPPORT SERVICES

SECTION 17.1.(a) The General Assembly finds that a centralized evidence and DNA storage facility will provide local law enforcement agencies and clerks of court with a lower cost storage alternative, reducing or eliminating the need for local entities to provide their own storage and streamlining the evidence storage process.

SECTION 17.1.(b) G.S. 143B-475.2 is repealed.

SECTION 17.1.(c) Part 7 of Article 11 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-508.1. Fees for services provided by the Division.**

Fees shall be established and collected by the Department for all program services provided by the Law Enforcement Support Services Division, except for Department of Defense property being transferred pursuant to the National Defense Authorization Act of 1997. The fees collected are departmental receipts and are applied to the Division's costs in providing services to these entities. The fees apply to the following:

(1) A law enforcement agency that receives any services from the Division.

(2) An agency for which the Department stores evidence."

SECTION 17.1.(d) The Department of Crime Control and Public Safety, Law Enforcement Support Services Division (LESS), shall, in consultation with the Fiscal Research Division of the General Assembly, develop a fee schedule for the services provided by LESS. In developing this fee schedule, the Department shall consider the following:

(1) Fees charged in other states for similar services.

(2) Utilization rates for each of the three main program areas of LESS for the last five years.

(3) Actual workload requirements for each of the three main program areas of LESS, including the average time to complete a single transaction for each of the programs. For example, the Division shall determine, on average, how many person hours it takes to log in a piece of evidence for storage.

(4) Projected evidence storage needs for the next five years.

(5) Projected space costs and the feasibility of purchasing a permanent storage facility rather than continuing to lease space.

SECTION 17.1.(e) The fee schedule required to be developed pursuant to this section shall be reported to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and the Fiscal Research Division of the General Assembly not later than October 1, 2010.

SECTION 17.1.(f) The fees required by this section shall become effective July 1, 2011, and apply to program services provided on or after that date.

PART XVIII. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION

STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS

SECTION 18.1. Funds appropriated in this act to the Department of Juvenile Justice and Delinquency Prevention for the 2010-2011 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 2010-2011 fiscal year, the amount of funds anticipated for the 2010-2011 fiscal year, and the allocation of funds by program and purpose.

REPEAL TREATMENT STAFFING MODEL AT YOUTH DEVELOPMENT CENTERS

SECTION 18.2. Section 18.4 of S.L. 2009-451 is repealed.

PART XIX. DEPARTMENT OF CORRECTION

FEDERAL GRANT MATCHING FUNDS

SECTION 19.1. Section 19.9 of S.L. 2009-451 reads as rewritten:

"**SECTION 19.9.** Notwithstanding the provisions of G.S. 143C-6-9, the Department of Correction may use up to the sum of one million two hundred thousand dollars ($1,200,000) during the 2009-2010 fiscal year and up to the sum of one million two hundred thousand dollars ($1,200,000) during the 2010-2011 fiscal year 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 House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds."

PLAN FOR A PILOT PROGRAM ON PRIVATIZATION OF PROBATION SERVICES

SECTION 19.2. The Department of Correction, Division of Community Corrections, shall develop a plan for implementing a pilot program on the privatization of probation services. The plan shall include a determination of what resources and policy changes are necessary to conduct a pilot program for fee-based supervision of low-risk or community-level offenders by private entities.

No pilot program shall be implemented without the prior approval of the General Assembly. The Division shall report its plan to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and the Fiscal Research Division by March 1, 2011.

INCREASE FEES FOR PROBATION, PAROLE, AND POST-RELEASE SUPERVISION

SECTION 19.3.(a) G.S. 15A-1343(c1) reads as rewritten:

"(c1) Supervision Fee. – Any person placed on supervised probation pursuant to subsection (a) of this section shall pay a supervision fee of ~~thirty dollars ($30.00)~~forty dollars ($40.00) per month, unless exempted by the court. The court may exempt a person from paying the fee only for good cause and upon motion of the person placed on supervised probation. No person shall be required to pay more than one supervision fee per month. The court may require that the fee be paid in advance or in a lump sum or sums, and a probation officer may require payment by such methods if he is authorized by subsection (g) to determine the payment schedule. Supervision fees must be paid to the clerk of court for the county in which the judgment was entered or the deferred prosecution agreement was filed. Fees collected under this subsection shall be transmitted to the State for deposit into the State's General Fund."

SECTION 19.3.(b) G.S. 15A-1368.4(f) reads as rewritten:

"(f) Required Supervision Fee. – The Commission shall require as a condition of post-release supervision that the supervisee pay a supervision fee of ~~thirty dollars ($30.00)~~forty dollars ($40.00) per month. The Commission may exempt a supervisee from this condition only if it finds that requiring payment of the fee is an undue economic burden. The fee shall be paid to the clerk of superior court of the county in which the supervisee was convicted. The clerk shall transmit any money collected pursuant to this subsection to the State to be deposited in the State's General Fund. In no event shall a supervisee be required to pay more than one supervision fee per month."

SECTION 19.3.(c) G.S. 15A-1374(c) reads as rewritten:

"(c) Supervision Fee. – The Commission must require as a condition of parole that the parolee pay a supervision fee of ~~thirty dollars ($30.00)~~forty dollars ($40.00) per month. The Commission may exempt a parolee from this condition of parole only if it finds that requiring him to pay the fee will constitute an undue economic burden. The fee must be paid to the clerk of superior court of the county in which the parolee was convicted. The clerk must transmit any money collected pursuant to this subsection to the State to be deposited in the general fund of the State. In no event shall a person released on parole be required to pay more than one supervision fee per month."

SECTION 19.3.(d) This section becomes effective July 1, 2010, and applies to persons placed on supervised probation, parole, or post-release prior to that date and to all persons placed on supervised probation, parole, or post-release on or after that date.

INCREASE FEE FOR COMMUNITY SERVICE PROGRAM

SECTION 19.4. G.S. 143B-262.4(b) reads as rewritten:

"(b) A fee of ~~two hundred twenty-five dollars ($225.00)~~three hundred dollars ($300.00) shall be paid by all persons who participate in the program or receive services from the program staff. Only one fee may be assessed for each sentencing transaction, even if the person is assigned to the program on more than one occasion, or while on deferred prosecution, or while serving a sentence for the offense. A sentencing transaction shall include all offenses considered and adjudicated during the same term of court. Fees collected pursuant to this subsection shall be deposited in the General Fund. If the person is convicted in a court in this State, the fee shall be paid to the clerk of court in the county in which the person is convicted, regardless of whether the person is participating in the program as a condition of probation

imposed by the court or pursuant to the exercise of authority delegated to the probation officer pursuant to G.S. 15A-1343.2(e) or (f). If the person is participating in the program as a result of a deferred prosecution or similar program, the fee shall be paid to the clerk of court in the county in which the agreement is filed. If the person is participating in the program as a condition of parole, the fee shall be paid to the clerk of the county in which the person is released on parole. Persons participating in the program for any other reason shall pay the fee to the clerk of court in the county in which the services are provided by the program staff. The fee shall be paid in full before the person may participate in the community service program, except that:

(1) A person convicted in a court in this State may be given an extension of time or allowed to begin the community service before the person pays the fee by the court in which the person is convicted; or

(2) A person performing community service pursuant to a deferred prosecution or similar agreement may be given an extension of time or allowed to begin community service before the fee is paid by the official or agency representing the State in the agreement.

(3) A person performing community service as a condition of parole may be given an extension of time to pay the fee by the Post-Release Supervision and Parole Commission. No person shall be required to pay the fee before beginning the community service unless the Commission orders the person to do so in writing.

(4) A person performing community service as ordered by a probation officer pursuant to authority delegated by G.S. 15A-1343.2 may be given an extension of time to pay the fee by the probation officer exercising the delegated authority."

PART XX. DEPARTMENT OF ADMINISTRATION

FREEZE STATE MOTOR FLEET VEHICLE ACQUISITION PROGRAM

SECTION 20.1. The Department of Administration, Motor Fleet Management, shall not acquire any vehicles during the 2010-2011 fiscal year and shall minimize any impact on Motor Fleet operations through enhanced operational efficiencies. By July 1, 2011, Motor Fleet Management shall develop and implement a plan to ensure that thirty-three percent (33%) of new vehicles purchased in subsequent fiscal years have a fuel economy for the new vehicle's model year that is in the top fifteen percent (15%) of its class of comparable automobiles.

PART XXI. OFFICE OF THE STATE AUDITOR

BATTLESHIP COMMISSION PAY FOR AUDIT

SECTION 21.1. G.S. 143B-74.1 reads as rewritten:

"**§ 143B-74.1. U.S.S. North Carolina Battleship Commission – funds.**

The Commission shall establish and maintain a "Battleship Fund" composed of the moneys which may come into its hands from admission or inspection fees, gifts, donations, grants, or bequests, which funds will be used by the Commission to pay all costs of maintaining and operating the ship for the purposes herein set forth. The Commission shall maintain books of accounting records concerning revenue derived and all expenses incurred in maintaining and operating the ship as a public memorial. The operations of the Commission shall be subject to the oversight of the State Auditor pursuant to Article 5A of Chapter 147 of the General Statutes. The Commission shall reimburse the State Auditor the cost of any audit. The Commission shall establish a reserve fund in an amount to be determined by the Secretary of Cultural Resources to be maintained and used for contingencies and emergencies beyond those

occurring in the course of routine maintenance and operation, and may authorize the deposit of this reserve fund in a depository to be selected by the Treasurer of North Carolina."

STATE PORTS AUTHORITY PAY FOR AUDIT

SECTION 21.2. G.S. 143B-464 reads as rewritten:

"**§ 143B-464. Audit.**

The operations of the State Ports Authority shall be subject to the oversight of the State Auditor pursuant to Article 5A of Chapter 147 of the General Statutes. The State Ports Authority shall reimburse the State Auditor the cost of any audit."

PART XXII. DEPARTMENT OF CULTURAL RESOURCES

MODIFY TERMS OF THE 2007-2008 GRANT-IN-AID FOR FREEDOM MONUMENT

SECTION 22.1. Funds appropriated by the 2007 General Assembly as a grant-in-aid for North Carolina Freedom Monument Project, Inc., to fabricate and construct a monument that have not been used for this purpose may be used by North Carolina Freedom Monument Project, Inc., for planning and development of preconstruction stages of the monument.

PART XXIII. HOUSING FINANCE AGENCY

ALLOW CREATION OF HOUSING FINANCE CORPORATIONS TO RECEIVE FEDERAL "HARDEST HIT HOUSING MARKETS" FUNDING

SECTION 23.1.(a) Chapter 55 of the General Statutes is amended by adding a new Article to read:

"Article 18.

"Housing Finance Corporations.

"**§ 55-18-01. General provisions.**

A corporation may be formed under this Article for the purpose of (i) applying for and receiving federal funding from the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets, or similar fund, administered under the Emergency Economic Stabilization Act of 2008, P.L. 110-343, as amended, and (ii) administering the federal funding in a manner consistent with the program. A corporation formed under this Article shall be subject to the provisions of this Chapter that are not in conflict with the provisions of this Article.

"**§ 55-18-02. Incorporation.**

A corporation may be incorporated under this Article only by a minimum of 13 incorporators, a majority of whom must also be members of the board of directors of the North Carolina Housing Finance Agency. The articles of incorporation may provide that only the State may own the capital stack of the corporation.

"**§ 55-18-03. Powers.**

A corporation formed under this Article shall have the following corporate powers in addition to those generally provided under this Chapter:

(1) Apply for and receive funds from the federal government from the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets, or similar fund.

(2) Contract with the North Carolina Housing Finance Agency to carry out the program requirements of the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets, or similar fund.

"**§ 55-18-04. Name.**

A corporation formed under this Article shall include in its name the words "Housing Finance Corporation" but shall not use language that would confuse the corporation with the State instrumentality known as the North Carolina Housing Finance Agency. The Secretary of State shall have the power to determine whether a corporation's name causes confusion.

"**§ 55-18-05. Relationship to State.**

A corporation formed under this Article is not an agency of the State.

"**§ 55-18-06. Other requirements.**

A corporation formed under this Article shall structure and conduct itself in such a way as to meet the definition of "financial institution" under the Emergency Economic Stabilization Act of 2008, P.L. 110-343, as amended."

SECTION 23.1.(b) Chapter 55A of the General Statutes is amended by adding a new Article to read:

"Article 18.

"Housing Finance Corporations.

"**§ 55A-18-01. General provisions.**

A corporation may be formed under this Article for the purpose of (i) applying for and receiving federal funding from the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets, or similar fund, administered under the Emergency Economic Stabilization Act of 2008, P.L. 110-343, as amended, and (ii) administering the federal funding in a manner consistent with the program. A corporation formed under this Article shall be subject to the provisions of this Chapter that are not in conflict with the provisions of this Article.

"**§ 55A-18-02. Incorporation.**

A corporation may be incorporated under this Article only by a minimum of 13 incorporators, a majority of whom must also be members of the board of directors of the North Carolina Housing Finance Agency.

"**§ 55A-18-03. Powers.**

A corporation formed under this Article shall have the following corporate powers in addition to those generally provided under this Chapter:

(1) Apply for and receive funds from the federal government from the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets, or similar fund.

(2) Contract with the North Carolina Housing Finance Agency to carry out the program requirements of the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets, or similar fund.

"**§ 55A-18-04. Name.**

A corporation formed under this Article shall include in its name the words "Housing Finance Corporation" but shall not use language that would confuse the corporation with the state instrumentality known as the North Carolina Housing Finance Agency. The Secretary of State shall have the power to determine whether a corporation's name causes confusion.

"**§ 55A-18-05. Relationship to State.**

A corporation formed under this Article is not an agency of the State.

"**§ 55A-18-06. Other requirements.**

A corporation formed under this article shall structure and conduct itself in such a way as to meet the definition of "financial institution" under the Emergency Economic Stabilization Act of 2008, P.L. 110-343, as amended."

SECTION 23.1.(c) G.S. 122A-5 is amended by adding a new subdivision to read:

"**§ 122A-5. General powers.**

The Agency shall have all of the powers necessary or convenient to carry out and effectuate the purposes and provisions of this Chapter, including, but without limiting the generality of the foregoing, the power:

...

(28) To contract with housing finance corporations organized under Article 18 of Chapter 55 or under Article 18 of Chapter 55A of the General Statutes to carry out programs related to the funding awarded to the housing finance corporations from the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets, or similar fund, administered under the Emergency Economic Stabilization Act of 2008, P.L. 110-343, as amended."

PART XXIV. DEPARTMENT OF INSURANCE

REFORM INSURANCE RATE-MAKING IN NORTH CAROLINA

SECTION 24.1.(a) Effective April 1, 2011, the North Carolina Rate Bureau and the ratemaking authority of the Commissioner of Insurance are abolished. Article 36 of Chapter 58 of the General Statutes and G.S. 58-2-52, 58-36-35, 58-37-65, 58-45-50, 58-46-30, 58-48-40(c)(7), 58-48-42, and 58-62-51(c) are repealed.

SECTION 24.1.(b) Task Force Established; Purpose. – There is established the North Carolina Blue Ribbon Task Force on Insurance Rate-Making Reform. The Task Force shall develop for presentation to the 2011 General Assembly a comprehensive plan to overhaul the manner by which insurance rates are established in North Carolina to ensure greater transparency, accountability, public participation, and fairness in the insurance rate-setting process. The Rate Bureau and the Department of Insurance shall assist the Task Force, at its direction, in the development of the plan. The Task Force may also request assistance from any other source or authority it deems necessary in the development of the plan.

SECTION 24.1.(c) Task Force Membership. – Appointments to the Task Force shall be as follows:

(1) Three members of the House of Representatives appointed by the Speaker of the House of Representatives.

(2) Three members of the Senate appointed by the President Pro Tempore of the Senate.

Appointments to the Task Force shall be made no later than August 1, 2010.

SECTION 24.1.(d) Duties of the Task Force. –

(1) To replace the Rate Bureau and the Commissioner of Insurance's rate-making powers set forth in Chapter 58 of the General Statutes with a new insurance rate-making system modeled on the statutory scheme for setting of public utility rates set forth in Chapter 62 of the General Statutes, specifically including the following components:

a. An Insurance Rate Commission made up of seven Commissioners appointed by the Governor and confirmed by the General Assembly, and subject to the same standards of judicial conduct as that provided for judges in Article 30 of Chapter 7A of the General Statutes. The Commission shall be empowered to ensure that rates for insurance are just, reasonable, and are not excessive, inadequate, or unfairly discriminatory.

b. A Public Staff independent of the Commission and charged with representing the interests of insurance policyholders in rate-making proceedings before the Commission.

(2) To recommend all changes to the General Statutes necessary to effectuate the duties set out in this subsection and accomplish the purposes set forth in subsection (a) of this section.

(3) To provide estimates of the costs of implementation of its proposals under this subsection and a plan for effecting the necessary economies from the

dissolution of the Rate Bureau and the removal of rate-making hearing functions from the Department of Insurance in order to minimize the expense of the reforms proposed by the Task Force.

SECTION 24.1.(e) Chair; Meetings. – The Speaker of the House of Representatives and the President Pro Tempore of the Senate shall each designate one member to serve as cochair of the Task Force.

The cochairs shall call the initial meeting of the Task Force on or before September 15, 2010. The Task Force shall subsequently meet upon such notice and in such manner as its members determine. A majority of the members of the Task Force shall constitute a quorum.

SECTION 24.1.(f) Expenses of Members. – Members of the Task Force shall receive per diem, subsistence, and travel allowances in accordance with G.S. 120-3.1, 138-5, or 138-6, as appropriate.

SECTION 24.1.(g) Cooperation by Government Agencies. – The Task Force may call upon any department, agency, institution, or officer of the State or of any political subdivision of the State for facilities, data, or other assistance.

SECTION 24.1.(h) Report. – The Task Force shall report its findings and recommendations for implementation of rate-making reform, including all necessary recommended legislation, by February 1, 2011, to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Subcommittee on General Government, the Senate Appropriations Committee on General Government and Information Technology, the House of Representatives Committee on Insurance, the Senate Committee on Commerce, and the Legislative Drafting Division. The Task Force shall terminate upon filing its final report.

SECTION 24.1.(i) Funding. – The Legislative Services Officer shall allocate funds to carry out the duties of the Task Force.

DEPARTMENT OF INSURANCE HEALTH REFORM AUTHORITY AND POSITIONS

SECTION 24.2.(a) G.S. 58-2-40 is amended by adding a new subdivision to read:

"(10) Administer and enforce the provisions of the federal Patient Protection and Affordable Care Act (Public Law 111-148) and the provisions of the Health Care and Education Reconciliation Act of 2010 (Public Law 111-152) to the extent that the provisions apply to persons subject to the Commissioner's jurisdiction and to the extent that the provisions are not under the exclusive jurisdiction of any federal agency."

SECTION 24.2.(b) The Department shall apply for federal funds that are available through the Patient Protection and Affordable Insurance Care Act, Public Law 111-148, or the Health Care and Education Reconciliation Act of 2010, Public Law 111-152, to support the following 13 positions within the Department to implement this section:

(1) Attorney III.
(2) Health Actuary.
(3) Examiner III.
(4) Insurance Regulatory Analysts I, II (two positions), and III.
(5) Office Assistant, and Program Assistant.
(6) Insurance Investigator.
(7) Insurance Complaint Analyst (two positions).
(8) Complaint Analyst Supervisor.

In the event that federal funds cannot be obtained by the Department for the purposes of this section, the Department shall, in consultation with the Joint Legislative Commission on Governmental Operations, utilize funds from the Insurance Regulatory Fund to support these positions.

PART XXV. OFFICE OF ADMINISTRATIVE HEARINGS

INCREASE FEES FOR FILING A CONTESTED CASE

SECTION 25.1. G.S. 150B-23.2 reads as rewritten:

"**§ 150B-23.2. Fee for filing a contested case hearing.**

(a) Filing Fee. – In every contested case where the value of the amount in controversy equals or exceeds fifty thousand dollars ($50,000) commenced in the Office of Administrative Hearings by a person ~~aggrieved,~~aggrieved or heard in the Office of Administrative Hearings pursuant to agency application under G.S. 150B-40(e), the petitioner shall pay a filing fee, and the administrative law judge shall have the authority to assess that filing fee against the losing party, in the amount of ~~one hundred twenty-five dollars ($125.00),~~five hundred dollars ($500.00) unless the Office of Administrative Hearings establishes a lesser filing fee by rule. The value of the amount in controversy, for purposes of determining the filing fee, shall be determined solely by the Office of Administrative Hearings.

(b) Time of Collection. – All fees that are required to be assessed, collected, and remitted under subsection (a) of this section shall be collected by the Office of Administrative Hearings at the time of commencement of the contested case (except in suits in forma pauperis).

(c) Forms of Payment. – The Office of Administrative Hearings may by rule provide for the acceptable forms for payment and transmission of the filing fee.

(d) ~~Wavier~~ Waiver or Refund. – The Office of Administrative Hearings shall by rule provide for the fee to be waived in a contested case in which the petition is filed in forma pauperis and supported by such proofs as are required in G.S. 1-110 and in a contested case involving a mandated federal cause of action. The Office of Administrative Hearings shall by rule provide for the fee to be refunded in a contested case in which the losing party is the State."

CONTINUE TRANSFER FROM DHHS TO OAH FOR MEDICAID APPEALS

SECTION 25.2. From funds available to the Department of Health and Human Services for the 2010-2011 fiscal year, the sum of two million dollars ($2,000,000) shall be transferred by the Department of Health and Human Services to the Office of Administrative Hearings. These funds shall be allocated by the Office of Administrative Hearings for mediation services provided for Medicaid applicant and recipient appeals and to contract for other services necessary to conduct the appeals process.

PART XXVI. DEPARTMENT OF REVENUE

MODIFICATION OF METHOD BY WHICH LOCAL GOVERNMENTS REIMBURSE THE STATE FOR PROGRAMS THAT SUPPORT LOCAL GOVERNMENTS

SECTION 26.1.(a) G.S. 105-501(b) reads as rewritten:

"(b) Deductions. – ~~In determining the net proceeds of the tax to be distributed, the Secretary must deduct from the collections to be allocated an amount equal to one twelfth of the costs during the preceding fiscal year of:~~

~~(1) The Department of Revenue in performing the duties imposed by G.S. 105-275.2 and by Article 15 of this Chapter.~~

~~(1a) Seventy percent (70%) of the expenses of the Department of Revenue in performing the duties imposed by Article 2D of this Chapter.~~

~~(2) The Property Tax Commission.~~

~~(3) The School of Government at the University of North Carolina at Chapel Hill in operating a training program in property tax appraisal and assessment.~~

~~(4) The personnel and operations provided by the Department of State Treasurer for the Local Government Commission.~~

The costs incurred by the State to provide the functions listed in this subsection that support local governments are deductible from the collections to be allocated each month for distribution.

(1) The Department's cost of the following for the preceding month must be deducted and credited to the Department:

a. Performing the duties imposed by Article 15 of this Chapter.

b. The Property Tax Commission.

(2) One-twelfth of the costs of the following for the preceding fiscal year must be deducted and credited to the General Fund:

a. The School of Government at the University of North Carolina at Chapel Hill in operating a training program in property tax appraisal and assessment.

b. The personnel and operations provided by the Department of State Treasurer for the Local Government Commission.

c. Seventy percent (70%) of the expenses of the Department of Revenue in performing the duties imposed by Article 2D of this Chapter."

SECTION 26.1.(b) For fiscal year 2010-2011, the amount deducted under G.S. 105-501 from the net proceeds of the one-half percent (1/2%) sales and use tax levied under Article 42 of Chapter 105 of the General Statutes is increased by an amount equal to the 2009-2010 costs of the Department of Revenue and the Property Tax Commission in performing the duties imposed on the Department and the Commission under Article 15 of Chapter 105 of the General Statutes. The deduction required under this subsection may be made on a quarterly or other periodic basis, as determined by the Secretary of Revenue. The amount deducted under this section must be credited to the General Fund.

SECTION 26.1.(c) This section becomes effective July 1, 2010.

PART XXVII. STATE BOARD OF ELECTIONS

RAISE CANDIDATE FILING FEES

SECTION 27.1.(a) G.S. 163-107(a) reads as rewritten:

"(a) Fee Schedule. – At the time of filing a notice of candidacy, each candidate shall pay to the board of elections with which he files under the provisions of G.S. 163-106 a filing fee for the office he seeks in the amount specified in the following tabulation:

Office Sought	**Amount of Filing Fee**
Governor	~~One percent (1%)~~ One and one-half percent (1.5%) of the annual salary of the office sought
Lieutenant Governor	~~One percent (1%)~~ One and one-half percent (1.5%) of the annual salary of the office sought
All State executive offices	~~One percent (1%)~~ One and one-half percent (1.5%) of the annual salary of the office sought

All District Attorneys of the General Court of Justice	~~One percent (1%)~~ One and one-half percent (1.5%) of the annual salary of the office sought
United States Senator	~~One percent (1%)~~ One and one-half percent (1.5%) of the annual salary of the office sought
Members of the United States House of Representatives	~~One percent (1%)~~ One and one-half percent (1.5%) of the annual salary of the office sought
State Senator	~~One percent (1%)~~ One and one-half percent (1.5%) of the annual salary of the office sought
Member of the State House of Representatives	~~One percent (1%)~~ One and one-half percent (1.5%) of the annual salary of the office sought
All county offices not compensated by fees	~~One percent (1%)~~ One and one-half percent (1.5%) of the annual salary of the office sought
All county offices compensated partly by salary and partly by fees	~~One percent (1%)~~ One and one-half percent (1.5%)of the first annual salary to be received (exclusive of fees)

The salary of any office that is the basis for calculating the filing fee is the starting salary for the office, rather than the salary received by the incumbent, if different. If no starting salary can be determined for the office, then the salary used for calculation is the salary of the incumbent, as of January 1 of the election year."

SECTION 27.1.(b) G.S. 163-324(a) reads as rewritten:

"(a) Fee Schedule. – At the time of filing a notice of candidacy under this Article, each candidate shall pay to the State Board of Elections a filing fee for the office he seeks in the amount of ~~one percent (1%)~~ one and one-half percent (1.5%) of the annual salary of the office sought."

SECTION 27.1.(c) G.S. 163-291(3) reads as rewritten:

"(3) The filing fee for municipal and district primaries shall be fixed by the governing board not later than the day before candidates are permitted to begin filing notices of candidacy. There shall be a minimum filing fee of five dollars ($5.00). The governing board shall have the authority to set the filing fee at not less than five dollars ($5.00) nor more than ~~one percent (1%)~~ one and one-half percent (1.5%) of the annual salary of the office sought unless ~~one percent (1%)~~ one and one-half percent (1.5%) of the annual salary of the office sought is less than five dollars ($5.00), in which case the minimum filing fee of five dollars ($5.00) will be charged. The fee shall be paid to the board of elections at the time notice of candidacy is filed."

SECTION 27.1.(d) G.S. 163-294.2(e) reads as rewritten:

"(e) The filing fee for the primary or election shall be fixed by the governing board not later than the day before candidates are permitted to begin filing notices of candidacy. There shall be a minimum filing fee of five dollars ($5.00). The governing board shall have the authority to set the filing fee at not less than five dollars ($5.00) nor more than ~~one percent (1%)~~ one and one-half percent (1.5%) of the annual salary of the office sought unless ~~one percent (1%)~~ one and one-half percent (1.5%) of the annual salary of the office sought is less

than five dollars ($5.00), in which case the minimum filing fee of five dollars ($5.00) will be charged. The fee shall be paid to the board of elections at the time notice of candidacy is filed."

SECTION 27.1.(e) This section is effective with respect to elections held on or after January 1, 2011.

PART XXVIII. DEPARTMENT OF TRANSPORTATION

CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 28.1.(a) Section 25.1 of S.L. 2009-451 is repealed.

SECTION 28.1.(b) The General Assembly authorizes and certifies anticipated revenues of the Highway Fund as follows:

For Fiscal Year 2011-2012	$ 1,793.1 million
For Fiscal Year 2012-2013	$ 1,880.6 million
For Fiscal Year 2013-2014	$ 1,920.5 million
For Fiscal Year 2014-2015	$ 1,958.9 million

SECTION 28.1.(c) The General Assembly authorizes and certifies anticipated revenues of the Highway Trust Fund as follows:

For Fiscal Year 2011-2012	$ 989.2 million
For Fiscal Year 2012-2013	$ 1,046.4 million
For Fiscal Year 2013-2014	$ 1,078.3 million
For Fiscal Year 2014-2015	$ 1,120.4 million

DRIVER EDUCATION PROGRAM FUND REVERSION

SECTION 28.2. G.S. 20-88.1 reads as rewritten:

"**§ 20-88.1. Driver education.**

...

(a1) For each fiscal year, the State Superintendent of Public Instruction shall calculate a per student allocation for the driver education program by dividing the total funds allocated for the program by the estimated number of qualified students throughout the State, as described in subsection (a) of this section. The Superintendent shall distribute funds to local school administrative units by giving each local school administrative unit an amount equal to the per student allocation multiplied by the estimated number of qualified students within that local school administrative unit's district, including students enrolled in both public and private schools. If, at the end of the fiscal year, fewer than the expected number of students have participated in the driver education program in a local school administrative unit, then the local school administrative unit shall revert the per student allocation for each student that was estimated to be eligible to participate but did not actually participate in the driver education program.

...

(c) All expenses incurred by the State in carrying out the provisions of this section shall be paid out of the Highway Fund. At the end of each fiscal year, the Department of Public Instruction shall collect and revert any unused funds allocated for this program back to the Highway Fund.

..."

PART XXIX. SALARIES AND BENEFITS

FURLOUGHS AUTHORIZED/PUBLIC SCHOOLS

SECTION 29.1.(a) The General Assembly finds that:

(1) North Carolina's citizens and businesses are suffering from the effects of a significant State financial crisis.

(2) The financial crisis has resulted in large reductions in revenues projected to be available to fund the State's budget for the 2010-2011 fiscal year.

(3) Each local school administrative unit is required to reduce its budget and should attempt to protect employees when possible.

(4) The implementation of furloughs may be necessary to balance local school administrative unit budgets for the 2010-2011 fiscal year.

SECTION 29.1.(b) In accordance with Section 7.13 of this act, local boards of education may implement furloughs of State-funded public school employees to offset the LEA funding flexibility adjustment.

SECTION 29.1.(c) The following definitions apply in this section:

(1) Furlough. – A temporary period of leave from employment without pay that (i) is ordered by a local board of education and (ii) is not in connection with a demotion or other disciplinary action.

(2) Public school employee. – Any person employed by a local school administrative unit. The term includes public officers.

SECTION 29.1.(d) The provisions of Section 26.14E.(b) and (c) of S.L. 2009-451 apply to public school employees furloughed pursuant to the section.

SECTION 29.1.(e) Local school administrative units shall cooperate with the Department of Public Instruction in the implementation of a furlough, if required.

SECTION 29.1.(f) As soon as practicable, and no more than 30 calendar days from the effective date of this section, the State Board of Education shall adopt rules for the implementation of this section in accordance with G.S. 150B-21.1A, except that notwithstanding G.S. 150B-21.1A(d), those emergency rules may remain in effect until the expiration of this section. These rules shall be applied by local boards of education in designating the times public school employees may be subject to furlough. These rules shall provide, at a minimum, that:

(1) Employees who work only on instructional days shall not be subject to furlough.

(2) Employees who earn an annual base rate of thirty thousand dollars ($30,000) or less shall not be subject to furlough.

(3) A furlough for other employees shall be for the same number of days for all such employees and shall be for a maximum of two days;

(4) No teacher shall be subject to a furlough on an instructional day or a protected work day.

(5) A local board of education shall have a public hearing and shall disclose the local school administrative unit's finances before the local board implements a furlough.

(6) The local school administrative unit shall cut all bonus pay before it imposes a furlough.

(7) A local school administrative unit may spread the salary or wage reduction for furloughed employees over the contract period in order to lessen the impact on the employees.

(8) All savings realized as a result of a furlough shall be used to offset the LEA funding flexibility adjustment.

(9) A county in which a local school administrative unit implements a furlough pursuant to this section shall not supplant existing local current expense funds for schools.

(10) Each local board of education shall report to the State Board of Education on the details of any furlough implemented by the local school administrative unit and certify that the furlough complied with the provisions of this section and the rules adopted by the State Board.

SECTION 29.1.(g) The provisions of Section 26.14E.(e) of S.L. 2009-451 apply to furloughs under this section.

SECTION 29.1.(h) A furlough as implemented by this section does not constitute a demotion pursuant to Part 3 of Article 22 of Chapter 115C of the General Statutes or under any other personnel law or policy.

SECTION 29.1.(i) Notwithstanding G.S. 115C-273, 115C-285(b), 115C-302.1(h), and 115C-316(b), or any other provision of law, public school employees who are not paid out of State funds shall receive the same reduction in pay applicable to State-paid employees in the event a furlough is enacted by a local school administrative unit.

SECTION 29.1.(j) This section is effective when it becomes law and expires June 30, 2011.

TEACHER SALARY SCHEDULES

SECTION 29.2.(a) The following monthly salary schedules shall apply for the 2010-2011 fiscal year to certified personnel of the public schools who are classified as teachers. The schedule contains 34 steps, with each step corresponding to one year of teaching experience. Public school employees paid according to this salary schedule and receiving NBPTS certification or obtaining a master's degree shall not be prohibited from receiving the appropriate increase in salary. Provided, however, teachers employed during the 2009-2010 school year who did not work the required number of months to acquire an additional year of experience shall not receive a decrease in salary as otherwise would be required by the salary schedule below.

2010-2011 Monthly Salary Schedule

Years of Experience	"A" Teachers	NBPTS Certification
0	$3,043	N/A
1	$3,043	N/A
2	$3,043	N/A
3	$3,085	$3,455
4	$3,129	$3,504
5	$3,264	$3,656
6	$3,404	$3,812
7	$3,538	$3,963
8	$3,667	$4,107
9	$3,771	$4,224
10	$3,819	$4,277
11	$3,868	$4,332
12	$3,918	$4,388
13	$3,967	$4,443
14	$4,018	$4,500
15	$4,069	$4,557
16	$4,122	$4,617
17	$4,176	$4,677
18	$4,231	$4,739
19	$4,286	$4,800
20	$4,345	$4,866
21	$4,403	$4,931
22	$4,461	$4,996
23	$4,523	$5,066
24	$4,584	$5,134

25	$4,650	$5,208
26	$4,714	$5,280
27	$4,779	$5,352
28	$4,845	$5,426
29	$4,913	$5,503
30	$4,984	$5,582
31	$5,055	$5,662
32	$5,153	$5,771
33+	$5,255	$5,886

2010-2011 Monthly Salary Schedule
"M" Teachers

Years of Experience	"M" Teachers	NBPTS Certification
0	$3,347	N/A
1	$3,347	N/A
2	$3,347	N/A
3	$3,394	$3,801
4	$3,442	$3,855
5	$3,590	$4,021
6	$3,744	$4,193
7	$3,892	$4,359
8	$4,034	$4,518
9	$4,148	$4,646
10	$4,201	$4,705
11	$4,255	$4,766
12	$4,310	$4,827
13	$4,364	$4,888
14	$4,420	$4,950
15	$4,476	$5,013
16	$4,534	$5,078
17	$4,594	$5,145
18	$4,654	$5,212
19	$4,715	$5,281
20	$4,780	$5,354
21	$4,843	$5,424
22	$4,907	$5,496
23	$4,975	$5,572
24	$5,042	$5,647
25	$5,115	$5,729
26	$5,185	$5,807
27	$5,257	$5,888
28	$5,330	$5,970
29	$5,404	$6,052
30	$5,482	$6,140
31	$5,561	$6,228
32	$5,668	$6,348
33+	$5,781	$6,475

SECTION 29.2.(b) Annual longevity payments for teachers shall be at the rate of 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. The longevity payment shall be paid in a lump sum once a year.

SECTION 29.2.(c) Certified public schoolteachers 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 schoolteachers 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 29.2.(d) 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 29.2.(e) Speech pathologists who are certified as speech pathologists at the master's degree level and audiologists who are certified as audiologists at the master's 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 29.2.(f) Certified school nurses who are employed in the public schools as nurses shall be paid on the "M" salary schedule.

SECTION 29.2.(g) As used in this section, the term "teacher" shall also include instructional support personnel.

SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 29.3.(a) The following base salary schedule for school-based administrators shall apply only to principals and assistant principals. This base salary schedule shall apply for the 2010-2011 fiscal year, commencing July 1, 2010. Provided, however, school-based administrators (i) employed during the 2009-2010 school year who did not work the required number of months to acquire an additional year of experience and (ii) employed during the 2010-2011 school year in the same classification shall not receive a decrease in salary as otherwise would be required by the salary schedule below.

2010-2011 Principal and Assistant Principal Salary Schedules

	Classification				
Years of Exp	Assistant Principal	Prin I (0-10)	Prin II (11-21)	Prin III (22-32)	Prin IV (33-43)

0-6	$3,781	-	-	-	-
7	$3,931	-	-	-	-
8	$4,074	-	-	-	-
9	$4,189	-	-	-	-
10	$4,243	$4,243	-	-	-
11	$4,298	$4,298	-	-	-
12	$4,353	$4,353	$4,408	-	-
13	$4,408	$4,408	$4,464	-	-
14	$4,464	$4,464	$4,521	$4,579	-
15	$4,521	$4,521	$4,579	$4,640	$4,701
16	$4,579	$4,579	$4,640	$4,701	$4,762
17	$4,640	$4,640	$4,701	$4,762	$4,828
18	$4,701	$4,701	$4,762	$4,828	$4,891
19	$4,762	$4,762	$4,828	$4,891	$4,956
20	$4,828	$4,828	$4,891	$4,956	$5,025
21	$4,891	$4,891	$4,956	$5,025	$5,092
22	$4,956	$4,956	$5,025	$5,092	$5,166
23	$5,025	$5,025	$5,092	$5,166	$5,237
24	$5,092	$5,092	$5,166	$5,237	$5,310
25	$5,166	$5,166	$5,237	$5,310	$5,383
26	$5,237	$5,237	$5,310	$5,383	$5,458
27	$5,310	$5,310	$5,383	$5,458	$5,537
28	$5,383	$5,383	$5,458	$5,537	$5,617
29	$5,458	$5,458	$5,537	$5,617	$5,725
30	$5,537	$5,537	$5,617	$5,725	$5,839
31	$5,617	$5,617	$5,725	$5,839	$5,956
32	$5,725	$5,725	$5,839	$5,956	$6,075
33	$5,839	$5,839	$5,956	$6,075	$6,197
34	-	$5,956	$6,075	$6,197	$6,321
35	-	-	$6,197	$6,321	$6,447
36	-	-	$6,321	$6,447	$6,576
37	-	-	-	$6,576	$6,708
38	-	-	-	$6,708	$6,842
39	-	-	-	-	$6,979

2010-2011 Principal and Assistant Principal Salary Schedules

	Classification			
Years of Exp	Prin V (44-54)	Prin VI (55-65)	Prin VII (66-100)	Prin VIII (101+)
0-16	$4,828	-	-	-
17	$4,891	-	-	-
18	$4,956	$5,025	-	-
19	$5,025	$5,092	$5,237	-
20	$5,092	$5,166	$5,310	$5,383
21	$5,166	$5,237	$5,383	$5,458
22	$5,237	$5,310	$5,458	$5,537
23	$5,310	$5,383	$5,537	$5,617
24	$5,383	$5,458	$5,617	$5,725
25	$5,458	$5,537	$5,725	$5,839
26	$5,537	$5,617	$5,839	$5,956
27	$5,617	$5,725	$5,956	$6,075

28	$5,725	$5,839	$6,075	$6,197
29	$5,839	$5,956	$6,197	$6,321
30	$5,956	$6,075	$6,321	$6,447
31	$6,075	$6,197	$6,447	$6,576
32	$6,197	$6,321	$6,576	$6,708
33	$6,321	$6,447	$6,708	$6,842
34	$6,447	$6,576	$6,842	$6,979
35	$6,576	$6,708	$6,979	$7,119
36	$6,708	$6,842	$7,119	$7,261
37	$6,842	$6,979	$7,261	$7,406
38	$6,979	$7,119	$7,406	$7,554
39	$7,119	$7,261	$7,554	$7,705
40	$7,261	$7,406	$7,705	$7,859
41	-	$7,554	$7,859	$8,016
42	-	$7,705	$8,016	$8,176
43	-	-	$8,176	$8,340

SECTION 29.3.(b) The appropriate classification for placement of principals and assistant principals on the salary schedule, except for principals in alternative schools and in cooperative innovative high 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 and in cooperative innovative high school programs 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 29.3.(c) 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. Provided, however, a principal who acquires an additional step for the 2009-2010 or 2010-2011 fiscal years shall not receive a corresponding increase in salary during the 2009-2011 fiscal biennium. A principal or assistant principal shall also continue to receive any additional State-funded percentage increases earned for the 1997-1998, 1998-1999, and 1999-2000 school years for improvement in student performance or maintaining a safe and orderly school.

SECTION 29.3.(d) Principals and assistant principals with certification based on academic preparation at the six-year degree level 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 29.3.(e) Longevity pay for principals and assistant principals shall be as provided for State employees under the State Personnel Act.

SECTION 29.3.(f) 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.

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 29.3.(g) Participants in an approved full-time master's 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 master's program. For the 2006-2007 fiscal year and subsequent fiscal years, the stipend shall not exceed the difference between the beginning salary of an assistant principal plus the cost of tuition, fees, and books 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 master's in school administration program shall supply the Department of Public Instruction with certification of eligible full-time interns.

SECTION 29.3.(h) During the 2010-2011 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.

FURLOUGHS AUTHORIZED/UNC

SECTION 29.4.(a) Findings. – The General Assembly finds that:

(1) North Carolina's citizens and businesses are suffering from the effects of a significant State financial crisis.

(2) The financial crisis has resulted in large reductions in revenues projected to be available to fund the State's budget for the 2010-2011 fiscal year.

(3) The University of North Carolina and its constituent institutions are required to reduce their budgets and should attempt to protect university employees when possible.

(4) The implementation of furloughs may be necessary to balance The University of North Carolina's and its constituent institutions' budgets for the 2010-2011 fiscal year.

SECTION 29.4.(b) The President of The University of North Carolina may implement furloughs of university employees or delegate furlough authority to a chancellor of a constituent institution to offset the UNC Management Flexibility Reduction.

SECTION 29.4.(c) Definitions. – The following definitions apply in this section:

(1) Furlough. – A temporary period of leave from employment without pay that (i) is ordered by the President of The University of North Carolina or a chancellor when delegated and (ii) is not in connection with a demotion or other disciplinary action.

(2) University employee. – Any permanent full-time, permanent part-time, or time-limited employee of The University of North Carolina, including employees exempt from the State Personnel Act under G.S. 126-5(c), 126-5(c1), 126-5(c7), and 126-5(c8). The term includes public officers.

SECTION 29.4.(d) Compensation and Benefits. – The provisions of Section 26.14E.(b) and (c) of S.L. 2009-451 apply to university employees furloughed pursuant to the section.

SECTION 29.4.(e) Cooperation with The University of North Carolina – General Administration. – Constituent institutions shall cooperate with UNC General Administration in the implementation of furloughs, if required.

SECTION 29.4.(f) As soon as practicable, and no more than 30 calendar days from the effective date of this section, the Board of Governors of The University of North Carolina shall adopt policies for the implementation of this section to remain in effect until the expiration of this section. These policies shall be applied by the President and the constituent institutions in implementing a furlough of university employees. These policies shall provide, at a minimum, that:

(1) The President may establish a salary threshold below which university employees shall not be subject to furlough. In no event may any full-time university employee, prorated for any part-time employee, earning an annual base rate of thirty thousand dollars ($30,000) or less be subject to furlough.

(2) The scheduling of any furlough period shall be at the discretion of the President or the chancellor of the constituent institution when delegated.

(3) Paid leave shall not be used to offset all or any portion of a furlough.

(4) If a holiday falls during the mandatory furlough period, the university employee must be paid for the holiday.

(5) All savings realized as a result of a furlough shall be used to offset the Management Flexibility Reduction for The University of North Carolina..

SECTION 29.4.(g) Reporting Requirements. – The provisions of Section 26.14E.(e) of S.L. 2009-451 apply to furloughs under this section.

SECTION 29.4.(h) Upon delegation of furlough authority to a chancellor, the constituent institution shall develop a furlough plan to be approved by the President consistent with the policies adopted by the UNC Board of Governors. Access to approved furlough plans shall be provided to all affected employees.

SECTION 29.4.(i) Effective Date. – This section is effective when it becomes law and expires June 30, 2011.

MONITOR COMPLIANCE WITH FREEZE ON MOST SALARY INCREASES

SECTION 29.5.(a) The Office of State Budget and Management and the Office of State Personnel shall monitor jointly the compliance of the following units of government with the provisions of Section 26.1A of S.L. 2009-451, and beginning September 1, 2010, shall submit quarterly reports of their monitoring activities to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Fiscal Research Division: (i) State agencies, departments, and institutions, including authorities, boards, and commissions; (ii) the judicial branch; and (iii) The University of North Carolina and its constituent institutions.

The quarterly reports required by this section shall include the following information:

(1) For agencies reporting through the BEACON HR/Payroll system, (i) a breakdown by action type (including promotion, reallocation, career progression, salary adjustment, and any similar actions increasing employee pay) of the number and annual amount of those increases and (ii) a breakdown by action reason (including in-range higher level, acting pay,

trainee adjustment, and other similar action reasons) of the number and annual amount of those action types coded as salary adjustment.

(2) For The University of North Carolina and its constituent institutions, a breakdown of the number and annual amount of those increases categorized by the university as promotions, changes in job duties or responsibilities, Distinguished Professorships, retention pay, career progression, and any similar actions increasing employee pay.

(3) A summary of actions taken by the Office of State Budget and Management and the Office of State Personnel with respect to unauthorized salary increases.

SECTION 29.5.(b) Beginning September 1, 2010, and quarterly thereafter, the Legislative Services Officer shall report to the President Pro Tempore of the Senate and the Speaker of the House of Representatives on compliance with Section 26.1A of S.L. 2009-451.

SALARY-RELATED CONTRIBUTIONS/EMPLOYER

SECTION 29.6. Section 6(c) of S.L. 2009-16, as amended by Section 26.20(b) of S.L. 2009-451, reads as rewritten:

"**SECTION 6.(c)** Effective July 1, 2010, the State's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for the 2010-2011 fiscal year are: (i) ~~ten and fifty-one hundredths percent (10.51%)~~ ten and seventy-one hundredths percent (10.71%) – Teachers and State Employees; (ii) ~~fifteen and fifty-one hundredths percent (15.51%)~~ fifteen and seventy-one hundredths percent (15.71%) – State Law Enforcement Officers; (iii) twelve and twenty-six hundredths percent (12.26%) – University Employees' Optional Retirement System; (iv) twelve and twenty-six hundredths percent (12.26%) – Community College Optional Retirement Program; (v) twenty and one hundredths percent (20.01%) – Consolidated Judicial Retirement System; and (vi) four and ninety hundredths percent (4.90%) – Legislative Retirement System. Each of the foregoing contribution rates includes four and ninety hundredths percent (4.90%) for hospital and medical benefits. The rate for Teachers and State Employees, State Law Enforcement Officers, Community College Optional Retirement Program, and for 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."

PART XXX. CAPITAL APPROPRIATIONS

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 30.1. There is appropriated from the General Fund for the 2010-2011 fiscal year the following amounts for capital improvements:

Capital Improvements – General Fund	**2010-2011**
Department of Environment and Natural Resources	
Water Resources Development Projects	$9,130,000
University of North Carolina System	
Appalachian State University	
College of Nursing and Health Sciences Building Advance Planning	2,400,000
East Carolina University	

Life Sciences Building Advance Planning	6,100,000
Elizabeth City State University	
Aviation Complex Planning	533,778
University of North Carolina at Charlotte	
Science Building Advance Planning	4,800,000
University of North Carolina at Wilmington	
Allied Health and Human Sciences Building Advance Planning	1,900,000
Western Carolina University	
Mountain Area Health Education Center Advance Planning	1,300,000
Winston-Salem State University	
Science Building Advance Planning	1,400,000
TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	**$27,563,778**

WATER RESOURCES DEVELOPMENT PROJECT FUNDS

SECTION 30.2.(a) The Department of Environment and Natural Resources shall allocate the funds appropriated in this act for water resources development projects in accordance with the schedule that follows. These funds will provide a State match for an estimated twenty-seven million four hundred four thousand dollars ($27,404,000) in federal funds.

	Name of Project	**2009-2010**
(1)	Wilmington Harbor Deepening	$900,000
(2)	Wilmington Harbor Maintenance	2,000,000
(3)	Morehead City Harbor Maintenance	100,000
(4)	Dredging Contingency Fund	1,250,000
(5)	AIWW Dredging	1,000,000
(6)	Bogue Banks Shore Protection Study	5,000
(7)	John H. Kerr Dam and Reservoir Sec. 216	50,000
(8)	Neuse River Basin PED	–
(9)	Princeville Flood Damage Reduction	200,000
(10)	Currituck Sound Environmental Restoration Study	50,000
(11)	Belhaven Harbor – Cap – Sec 1135	350,000
(12)	Surf City/North Topsail Beach Protection Study PED	–
(13)	West Onslow Beach (Topsail Beach) PED	50,000
(14)	Silver Lake Harbor Disposal Area Maintenance	800,000
(15)	Manteo Old House Channel – CAP – Sec. 204	25,000
(16)	Concord Streams Restoration – CAP – Sec. 206	–
(17)	North Carolina International Terminal	–
(18)	Planning Assistance to Communities	–
(19)	State-Local Projects	2,000,000
(20)	Aquatic Plant Control, Statewide and Lake Gaston	350,000
TOTALS		**$9,130,000**

SECTION 30.2.(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 2010-2011 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) U.S. Army Corps of Engineers project feasibility studies.

(2) U.S. Army Corps of Engineers projects whose schedules have advanced and require State-matching funds in fiscal year 2010-2011.

(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 2011-2012 fiscal year.

SECTION 30.2.(c) The Department shall make semiannual reports on the use of these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Office of State Budget and Management. 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 semiannual 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.

NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS

SECTION 30.3.(a) The General Assembly authorizes the following capital projects to be funded with receipts or from other non-General Fund sources available to the appropriate department:

Name of Project	**Amount of Non-General Fund Funding Authorized for FY 2010-2011**
Department of Agriculture and Consumer Services	
Upgrade Steam Generation Capability at Food and Drug Facility	$ 18,000
Western NC Agricultural Center – Storage Shed	23,000
Western NC Agricultural Center – Entertainment Stage	35,000
Western NC Agricultural Center – Youth Building Roof Replacement	3,000
Western NC Agricultural Center – RV Site Improvements	20,000
Western NC Agricultural Center – C&D Barn Access Road	125,000
Western NC Agricultural Center – Handicap Platform	8,000
Western NC Agricultural Center – Exhibits/Cashier Office	70,000
Western NC Agricultural Center – Retention Pond Parking	225,000
Constable Lab Standby Generator/Rollins Lab Security	363,245
Southeastern Agricultural Center – Multipurpose Pavilion	1,290,000
Southeastern Agricultural Center – Horse Stalls	700,000
Research Stations Irrigation Renovations	200,000
Piedmont Research Station – Grain Storage Renovation	400,000
Department of Correction	

Southern Medium Programs Building	600,000
Caledonia Programs Building	600,000
Caswell Programs Building	600,000
Southern Minimum Programs Building	600,000
Randolph Programs Building	600,000
Department of Cultural Resources	
USS NC Battleship Repairs, Dredging, Construction	
Commission Battleship Fund	1,700,000
Department of Environment and Natural Resources	
Forest Resources – Bladen Lakes Ranger Residence	399,000
Department of Justice	
NC Justice Academy Live Fire Shoot House	282,000
Wildlife Resources Commission	
Pisgah Education Center Repairs & Renovation	60,000
Outer Banks Education Center Repairs and Renovation	26,000
Mt. Holly Depot Acquisition	150,000
Statewide Boating Access Areas (BAA) Renovations	3,610,000
Table Rock Hatchery Residence Renovation	150,000
McKinney Lake Equipment Shed	70,000
Fishing Access Areas Construction	180,000
TOTAL AMOUNT OF NON-GENERAL FUND CAPITAL PROJECTS AUTHORIZED	**$13,107,245**

SECTION 30.3.(b) From funds deposited with the State Treasurer in a capital improvement account to the credit of the Department of Agriculture and Consumer Services pursuant to G.S. 146-30, the sum of thirty thousand dollars ($30,000) for the 2010-2011 fiscal year shall be transferred to the Department of Agriculture and Consumer Services to be used, notwithstanding G.S. 146-30, by the Department for its plant conservation program under Article 19B of Chapter 106 of the General Statutes for costs incidental to the acquisition of land, such as land appraisals, land surveys, title searches, environmental studies, and for the management of the plant conservation program preserves owned by the Department.

REPAIRS AND RENOVATIONS RESERVE ALLOCATION

SECTION 30.4.(a) Of the funds in the Reserve for Repairs and Renovations for the 2010-2011 fiscal year, fifty-four percent (54%) shall be allocated to the Board of Governors of The University of North Carolina for repairs and renovations pursuant to G.S. 143C-4-3, in accordance with guidelines developed in The University of North Carolina Funding Allocation Model for Reserve for Repairs and Renovations, as approved by the Board of Governors of The University of North Carolina, and forty-six percent (46%) shall be allocated to the Office of State Budget and Management for repairs and renovations pursuant to G.S. 143C-4-3.

Notwithstanding G.S. 143C-4-3, the Board of Governors may allocate funds for the repair and renovation of facilities not supported from the General Fund if the Board determines that sufficient funds are not available from other sources and that conditions warrant General Fund assistance. Any such finding shall be included in the Board's submission to the Joint Legislative Commission on Governmental Operations on the proposed allocation of funds.

The Board of Governors and the Office of State Budget and Management shall consult with the Joint Legislative Commission on Governmental Operations prior to the allocation or reallocation of these funds.

SECTION 30.4.(b) Of the funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, a portion shall be used by the Board of Governors for the installation of fire sprinklers in university residence halls. This portion shall be in addition to funds otherwise appropriated in this act for the same purpose. Such funds shall be allocated among the university's constituent institutions by the President of The University of North Carolina, who shall consider the following factors when allocating those funds:

(1) The safety and well-being of the residents of campus housing programs.

(2) The current level of housing rents charged to students and how that compares to an institution's public peers and other UNC institutions.

(3) The level of previous authorizations to constituent institutions for the construction or renovation of residence halls funded from the General Fund, or from bonds or certificates of participation supported by the General Fund, since 1996.

(4) The financial status of each constituent institution's housing system, including debt capacity, debt coverage ratios, credit rankings, required reserves, the planned use of cash balances for other housing system improvements, and the constituent institution's ability to pay for the installation of fire sprinklers in all residence halls.

(5) The total cost of each proposed project, including the cost of installing fire sprinklers and the cost of other construction, such as asbestos removal and additional water supply needs.

The Board of Governors shall submit progress reports to the Joint Legislative Commission on Governmental Operations. Reports shall include the status of completed, current, and planned projects. Reports also shall include information on the financial status of each constituent institution's housing system, the constituent institution's ability to pay for fire protection in residence halls, and the timing of installation of fire sprinklers. Reports shall be submitted on January 1 and July 1 until all residence halls have fire sprinklers.

SECTION 30.4.(c) Of the funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, a portion shall be used by the Board of Governors for campus public safety improvements allowable under G.S. 143C-4-3(b).

AMEND 2009 WILDLIFE RESOURCES COMMISSION NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS

SECTION 30.5.(a) Subsection 27.4.(a) of S.L. 2009-451 reads as rewritten:

"**SECTION 27.4.(a)** The General Assembly authorizes the following capital projects to be funded with receipts or from other non-General Fund sources available to the appropriate department:

Name of Project	**Amount of Non-General Fund Funding Authorized for FY 2009-2010**
Department of Crime Control and Public Safety	
Additions and Renovations to Armories	$ 9,303,442
Camp Butner Cantonment – Phase 1 Design	1,367,000
Family Assistance Centers	2,000,000
Gastonia Armory Renovation and Expansion	1,100,000
Tactical Unmanned Aerial Systems Facility	6,746,000

Department of Cultural Resources	
Aycock Birthplace Picnic Shelter	86,100
Maritime Museum – Floating Dock	130,000
Museum of History Chronology Exhibit – Phase 2B (1900-1960)	1,200,000
Department of Environment and Natural Resources	
Zoo – Elephant Exhibit New Restrooms	300,000
Wildlife Resources Commission	
Armstrong Hatchery Lower Raceway Replacement	1,725,000
Centennial Campus Education Center Exhibit Completion	180,000
Chinquapin Equipment Storage Pole Shed	60,000
Chowan Bridge Fishing Pier and Edenton Boating Access	450,000
Emerald Isle New Boating Access Area	600,000
Falls Lake Office Building	550,000
Hampstead Land Acquisition	10,000,000
Land Acquisitions – State Gamelands	~~59,135,000~~20,000,000
Lewelyn Branch New Boating Access Area	150,000
Manns Harbor Bridge Marina Acquisition	5,750,000
Marion Depot Drainage Repairs	200,000
Marion Hatchery and Depot Renovation	4,000,000
McKinney Lake Hatchery Kettles Replacement	1,700,000
Minor Boating Access Area Renovations – Various Locations	150,000
~~New Coldwater Fish Hatchery Construction~~	~~7,900,000~~
Ocean Isle Boating Access Area Renovations	150,000
Outer Banks Education Center Teaching Facility Repairs	245,000
Pechmann Fishing Education Center Pond Restoration	160,000
Pechmann Fishing Education Center Storage Building	220,000
Pisgah Education Center Gift Shop Renovation and Expansion	200,000
Pisgah Education Center Outdoor Exhibit Renovation	450,000
Pisgah Education Center Repairs	155,000
Pisgah Hatchery Water System Renovation	100,000
Rhodes Pond Dam Repairs	500,000
Sneads Ferry Land Acquisition	6,500,000
Statewide Emergency Repair & Renovation	3,500,000
Sunset Harbor Land Acquisition	925,000
Swan Quarter Land Acquisition	1,700,000
Sykes Depot Pond, Office, Storage Construction	350,000
Table Rock Hatchery Office and Workshop Replacement	345,000
TOTAL AMOUNT OF NON-GENERAL FUND CAPITAL PROJECTS AUTHORIZED	**~~$122,782,542~~83,247,542"**

SECTION 30.5.(b) Section 27.4 of S.L. 2009-451 is amended by adding a new subsection to read:

"**SECTION 27.4.(a1)** The Wildlife Resources Commission shall not expend any of the funds authorized to be spent on Statewide Emergency Repair & Renovation by subsection (a) of this section without first obtaining approval from the Office of State Budget and Management."

AMEND COPS AUTHORIZATION LANGUAGE/UNCG

SECTION 30.6.(a) Subdivision (13) of Section 27.8(a) of S.L. 2008-107 reads as rewritten:

"(13) In the maximum aggregate principal amount of thirty-eight million six hundred seventy thousand dollars ($38,670,000) to finance the capital facility costs of completing an academic classroom and office building at the University of North Carolina at Greensboro. Up to a total of four million five hundred thousand dollars ($4,500,000) may be used to acquire real property for an academic building, a University Police building, and a student recreation facility and for the development and construction of a new railroad underpass to connect the current central campus to West Lee Street. No more than a maximum aggregate amount of twenty-one million dollars ($21,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009."

SECTION 30.6.(b) Section 27.8(a) of S.L. 2008-107 is amended by adding a new subdivision to read:

"(11a) In the maximum aggregate principal amount of four million dollars ($4,000,000) to finance the capital facility costs of completing infrastructure at the Innovation Center at The Carolina North Campus of The University of North Carolina at Chapel Hill."

PART XXXI. TAX CHANGES

IRC UPDATE

SECTION 31.1.(a) G.S. 105-228.90(b)(1b) reads as rewritten:

"(b) Definitions. – The following definitions apply in this Article:

...

(1b) Code. – The Internal Revenue Code as enacted as of ~~May 1, 2009,~~ May 1, 2010, including any provisions enacted as of that date which become effective either before or after that date."

SECTION 31.1.(b) G.S. 105-134.6(d) reads as rewritten:

"(d) Other Adjustments. – The following adjustments to taxable income shall be made in calculating North Carolina taxable income:

...

(7) An addition is required to taxable years 2003, 2004, 2005, and 2006 for the amount of any 2008 or 2009 net operating loss deduction claimed on a federal return under section 172(b)(1)(H) or section 810(b)(4) of the Code.

(8) For taxable years 2011 through 2013, a taxpayer may deduct one-third of the taxpayer's net operating loss absorbed on the taxpayer's 2003, 2004, 2005, and 2006 federal returns under section 172(b)(1)(H) or section 810(b)(4) of the Code."

SECTION 31.1.(c) This section is effective when it becomes law.

CAP TAX RATE ON INCOME FROM FAMILY-OWNED AND OTHER SMALL BUSINESS

SECTION 31.2.(a) G.S. 105-134.2 reads as rewritten:

"**§ 105-134.2. Individual income tax imposed.**

(a) Tax Rate. – A tax is imposed upon the North Carolina taxable income of every individual. The tax shall be levied, collected, and paid ~~annually and shall~~ annually. Except as otherwise provided in this section, the tax shall be computed at the following percentages of the taxpayer's North Carolina taxable income.

(1) For married individuals who file a joint return under G.S. 105-152 and for surviving spouses, as defined in section 2(a) of the Code:

Over	Up To	Rate
0	$21,250	6%
$21,250	$100,000	7%
$100,000	NA	7.75%

(2) For heads of households, as defined in section 2(b) of the Code:

Over	Up To	Rate
0	$17,000	6%
$17,000	$80,000	7%
$80,000	NA	7.75%

(3) For unmarried individuals other than surviving spouses and heads of households:

Over	Up To	Rate
0	$12,750	6%
$12,750	$60,000	7%
$60,000	NA	7.75%

(4) For married individuals who do not file a joint return under G.S. 105-152:

Over	Up To	Rate
0	$10,625	6%
$10,625	$50,000	7%
$50,000	NA	7.75%

(b) Tax Tables. – In lieu of the tax imposed by subsection (a) of this section, there is imposed for each taxable year upon the North Carolina taxable income of every individual a tax determined under tables, applicable to the taxable year, which may be prescribed by the Secretary. The amounts of the tax determined under the tables shall be computed on the basis of the rates prescribed by subsection (a) of this section. This subsection does not apply to an individual making a return under section 443(a)(1) of the Code for a period of less than 12 months on account of a change in the individual's annual accounting period, or to an estate or trust. The tax imposed by this subsection shall be treated as the tax imposed by subsection (a) of this section.

(c) Small Business Income. – The tax rate imposed on the net business income of a taxpayer who receives income from a small business for a taxable year may not exceed the rate imposed on a corporation under G.S. 105-130.3. A small business is a business whose cumulative gross receipts from all business activity in a taxable year does not exceed one million dollars ($1,000,000). For purposes of this subsection, the term business income does not include income that is considered passive income under the Code."

SECTION 31.2.(b) This section becomes effective for taxable years beginning on or after January 1, 2010.

LOWER SALES TAX COMPLIANCE BURDEN ON SMALL RETAILERS

SECTION 31.3.(a) G.S. 105-164.16(b1) reads as rewritten:

"(b1) Monthly. – A taxpayer who is consistently liable for at least one hundred dollars ($100.00) but less than ~~ten thousand dollars ($10,000)~~ fifteen thousand dollars ($15,000) a month in State and local sales and use taxes must file a return and pay the taxes due on a monthly basis. A monthly return is due by the 20th day of the month following the calendar month covered by the return."

SECTION 31.3.(b) G.S. 105-164.16(b2) reads as rewritten:

"(b2) Prepayment. – A taxpayer who is consistently liable for at least ~~ten thousand dollars ($10,000)~~ fifteen thousand dollars ($15,000) a month in State and local sales and use taxes must make a monthly prepayment of the next month's tax liability. The prepayment is due on the date a monthly return is due. The prepayment must equal at least sixty-five percent (65%) of any of the following:

(1) The amount of tax due for the current month.

(2) The amount of tax due for the same month in the preceding year.

(3) The average monthly amount of tax due in the preceding calendar year."

SECTION 31.3.(c) G.S. 105-164.16(b1), as rewritten by subsection (a) of this section, reads as rewritten:

"(b1) Monthly. – A taxpayer who is consistently liable for at least one hundred dollars ($100.00) but less than ~~fifteen thousand dollars ($15,000)~~ twenty thousand dollars ($20,000) a month in State and local sales and use taxes must file a return and pay the taxes due on a monthly basis. A monthly return is due by the 20th day of the month following the calendar month covered by the return."

SECTION 31.3.(d) G.S. 105-164.16(b2), as rewritten by subsection (b) of this section, reads as rewritten:

"(b2) Prepayment. – A taxpayer who is consistently liable for at least ~~fifteen thousand dollars ($15,000)~~ twenty thousand dollars ($20,000) a month in State and local sales and use taxes must make a monthly prepayment of the next month's tax liability. The prepayment is due on the date a monthly return is due. The prepayment must equal at least sixty-five percent (65%) of any of the following:

(1) The amount of tax due for the current month.

(2) The amount of tax due for the same month in the preceding year.

(3) The average monthly amount of tax due in the preceding calendar year."

SECTION 31.3.(e) When the Secretary of Revenue conducts a review of a taxpayer's sales and use tax payment schedule requirements under G.S. 105-164.16(b3), the Secretary must identify the taxpayers who are no longer required to make a monthly prepayment of the next month's sales and use tax liability because of the reduction of the sales tax payment threshold under this section and must notify those taxpayers of the change in the taxpayer's payment requirement.

SECTION 31.3.(f) Subsections (a) and (b) of this section become effective October 1, 2010. Subsections (c) and (d) of this section become effective July 1, 2011. The remainder of this section is effective when it becomes law.

RELIEVE ANNUAL REPORT COMPLIANCE BURDEN ON SMALL BUSINESS

SECTION 31.4.(a) G.S. 55-16-22(c) reads as rewritten:

"(c) Due Date. – An annual report eligible to be delivered to the Secretary of Revenue is due by the due date for filing the corporation's income and franchise tax returns. An extension of time to file a return is an extension of time to file an annual report. At the option of the filer, an annual report may be filed directly with the Secretary of State in electronic form. An annual report required to be delivered to the Secretary of State is due by the fifteenth day of the ~~third~~ fourth month following the close of the corporation's fiscal year."

SECTION 31.4.(b) G.S. 57C-2-23 reads as rewritten:

"§ 57C-2-23. Annual report for Secretary of State.

(a) Requirement and Content. – Each domestic limited liability company other than a professional limited liability company governed by G.S. 57C-2-01(c) and each foreign limited liability company authorized to transact business in this ~~State, shall deliver to the Secretary of State for filing an annual report, in~~ State must file an annual report with the Secretary of State on a form prescribed by the Secretary ~~of State, that sets forth all of the following:~~and in the manner required by the Secretary. The annual report must specify the year to which the report applies and must set out the information listed in this subsection. The information must be current as of the date the company completes the report. If the information in the company's most recent annual report has not changed, the company may certify on its annual report that the information has not changed in lieu of restating the information.

The following information must be included on an annual report of a limited liability company:

(1) The name of the limited liability or foreign limited liability company and the state or country under whose law it is formed.

(2) The street address, and the mailing address if different from the street address, of the registered office, the county in which the registered office is located, and the name of its registered agent at that office in this State, and a statement of any change of the registered office or registered agent, or both.

(3) The address and telephone number of its principal office.

(4) The names and business addresses of its managers or, if the limited liability company has never had members, its organizers.

(5) A brief description of the nature of its business.

~~If the information contained in the most recently filed annual report has not changed, a certification to that effect may be made instead of setting forth the information required by subdivisions (2) through (5) of this subsection. The Secretary of State shall make available the form required to file an annual report.~~

~~(b) Information in the annual report must be current as of the date the annual report is executed on behalf of the limited liability company or the foreign limited liability company.~~

(c) Notice and Due Date. – The Secretary of State must notify limited liability companies of the annual report filing requirement. The first annual report ~~shall be delivered to the Secretary of State~~ of a limited liability company is due by April 15th of ~~each year.~~the year following the calendar year in which the company files its articles of organization with the Secretary of State. Each subsequent annual report is due on April 15.

(d) Incomplete Report. – If an annual report does not contain the information required by this section, the Secretary of State shall promptly notify the reporting domestic or foreign limited liability company in writing and return the report to it for correction. If the report is corrected to contain the information required by this section and delivered to the Secretary of State within 30 days after the effective date of notice, it is deemed to be timely filed.

(e) Amendments. – Amendments to any previously filed annual report may be filed with the Secretary of State at any time for the purpose of correcting, updating, or augmenting the information contained in the annual report."

SECTION 31.4.(c) This section is effective when it becomes law. A limited liability company whose articles of organization were filed on or after January 1, 2010, but before April 15, 2010, is not required to file an annual report until April 15, 2011. A limited liability company that was formed during this period and that has filed an annual report that is not required is considered to have filed the annual report due April 15, 2011. A limited liability company that was formed before January 1, 2009, and has filed an annual report in each year after the calendar year in which its articles of organization were filed is considered to have met its annual report filing requirements.

EXTEND SUNSET ON EXPIRING TAX INCENTIVE INCOME TAX CREDITS AND SALES TAX REFUNDS ONE YEAR

SECTION 31.5.(a) G.S. 105-129.75 reads as rewritten:

"**§ 105-129.75. Sunset.**

This Article expires ~~January 1, 2011,~~ January 1, 2012, for rehabilitation projects for which an application for an eligibility certification is submitted on or after that date."

SECTION 31.5.(b) G.S. 105-163.015 reads as rewritten:

"**§ 105-163.015. Sunset.**

This Part is repealed effective for investments made on or after ~~January 1, 2011.~~January 1, 2012."

SECTION 31.5.(c) G.S. 105-164.14(a1) reads as rewritten:

"(a1) Passenger Plane Maximum. – An interstate passenger air carrier is allowed a refund of the net amount of sales and use tax paid by it in this State on fuel during a calendar year in excess of two million five hundred thousand dollars ($2,500,000). The "net amount of sales and use tax paid" is the amount paid less the refund allowed under subsection (a) of this section. A request for a refund must be in writing and must include any information and documentation the Secretary requires. A request for a refund is due within six months after the end of the calendar year for which the refund is claimed. The refund allowed by this subsection is in addition to the refund allowed in subsection (a) of this section. This subsection is repealed for purchases made on or after ~~January 1, 2011.~~January 1, 2012."

SECTION 31.5.(d) G.S. 105-164.14(l) reads as rewritten:

"(l) Aviation Fuel for Motorsports Events. – A professional motorsports racing team or a motorsports sanctioning body is allowed a refund of the sales and use tax paid by it in this State on aviation fuel that is used to travel to or from a motorsports event in this State, to travel to a motorsports event in another state from a location in this State, or to travel to this State from a motorsports event in another state. For the purposes of this subsection, a "motorsports event" includes a motorsports race, a motorsports sponsor event, and motor sports testing. A request for a refund must be in writing and must include any information and documentation the Secretary requires. 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. This subsection is repealed for purchases made on or after ~~January 1, 2011.~~January 1, 2012."

SECTION 31.5.(e) This section is effective when it becomes law.

MODERNIZE SALES TAX ON ACCOMMODATIONS

SECTION 31.6.(a) G.S. 105-164.4(a)(3) reads as rewritten:

"**§ 105-164.4. Tax imposed on retailers.**

(a) A privilege tax is imposed on a retailer at the following percentage rates of the retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is five and three-quarters percent (5.75%).

...

(3) ~~Operators of hotels, motels, tourist homes, tourist camps, and similar type businesses and persons who rent private residences and cottages to transients are considered retailers under this Article. A tax at the general rate of tax is levied on the gross receipts derived by these retailers from the rental of any rooms, lodgings, or accommodations furnished to transients for a consideration. This tax does not apply to any private residence or cottage that is rented for less than 15 days in a calendar year or to any room, lodging, or accommodation supplied to the same person for a period of 90 or more continuous days.~~

~~As used in this subdivision, the term "persons who rent to transients" means (i) owners of private residences and cottages who rent to transients~~

~~and (ii) rental agents, including "real estate brokers" as defined in G.S. 93A-2, who rent private residences and cottages to transients on behalf of the owners. If a rental agent is liable for the tax imposed by this subdivision, the owner is not liable.~~ A tax at the general rate applies to the sales price of the rental of an accommodation to a transient and to other gross receipts derived from the rental of an accommodation to a transient. The sales price of the rental of an accommodation to a transient is determined as if the rental were a service. An "accommodation" is a hotel room, a motel room, a residence, a cottage, or a similar space for occupancy by an individual. The tax does not apply to a residence or a cottage that is rented for less than 15 days in a calendar year or to an accommodation provided to the same person for a period of 90 or more continuous days.

A person who provides an accommodation to a transient is considered a retailer under this Article. A person who, by written contract, agrees to be the rental agent for the provider of an accommodation is considered a retailer under this Article and is liable for the tax imposed by this subdivision. The liability of a rental agent for the tax imposed by this subdivision relieves the provider of the accommodation from liability. A rental agent includes a real estate broker, as defined in G.S. 93A-2.

A person who, by written contract, is not the rental agent of the provider of an accommodation but is authorized by the provider to facilitate the rental of the accommodation and to charge a transient for the rental is considered a retailer under this Article for the purpose of determining the sales price of the accommodation. Accordingly, charges designated as facilitation fees or similar fees are considered charges necessary to complete the rental of the accommodation and are included in the sales price. A person who enters into a contract with the provider of an accommodation to a transient to facilitate the rental of an accommodation must report the sales price to the provider of the accommodation and must send the provider the tax due on the sales price. A facilitator that does not send a provider the tax due on the sales price of an accommodation is liable for the amount of tax the provider fails to send. A facilitator is not liable for tax sent to a provider but not remitted by the provider to the Secretary. Tax payments received by a provider from a facilitator are held in trust by the provider for remittance to the Secretary. A provider that receives a tax payment from a facilitator must remit the amount received to the Secretary. A provider is not liable for tax due but not received from a facilitator. The requirements imposed by this subdivision on a provider and a facilitator are considered terms of the contract between the provider and the facilitator."

SECTION 31.6.(b) G.S. 105-164.4B is amended by adding a new subsection to read:

"(e) Accommodations. – The rental of a transient accommodation is sourced to the location of the accommodation."

SECTION 31.6.(c) G.S. 153A-155(c) reads as rewritten:

"(c) Collection. – ~~Every operator of a business subject to a room occupancy tax shall, on and after the effective date of the levy of the tax, collect the tax. The tax shall be collected as part of the charge for furnishing a taxable accommodation.~~ A person who is required to remit to the Department of Revenue the State sales tax on accommodations imposed by G.S. 105-164.4(a)(3) is required to remit a room occupancy tax to the taxing county on and after the effective date of the levy of the room occupancy tax. The room occupancy tax applies to the same gross receipts as the State sales tax on accommodations and is calculated in the

same manner as that tax. A rental agent or a person who facilitates the rental of an accommodation has the same responsibility and liability under the room occupancy tax as the rental agent or facilitator has under the State sales tax on accommodations.

If a taxable accommodation is furnished as part of a package, the bundled transaction provisions in G.S. 105-164.4D apply in determining the sales price of the taxable accommodation. If those provisions do not address the type of package offered, the ~~operator~~ person offering the package may determine an allocated price for each item in the package based on a reasonable allocation of revenue that is supported by the ~~operator's~~person's business records kept in the ordinary course of business and ~~collect~~ calculate tax on the allocated price of the taxable accommodation.

~~The tax shall be stated and charged separately from the sales records and shall be paid by the purchaser to the operator of the business.~~ The provider of an accommodation must separately state the room occupancy tax. Room occupancy taxes paid to a provider of an accommodation are paid to the provider as trustee for and on account of the taxing county. ~~The tax shall be added to the sales price and shall be passed on to the purchaser instead of being borne by the operator of the business.~~

The taxing county shall ~~design, print,~~ design and furnish to all appropriate businesses and persons in the county the necessary forms for filing returns and instructions to ensure the full collection of the tax. ~~An operator of a business~~ A provider of accommodations who collects a room occupancy tax may deduct from the amount remitted to the taxing county a discount equal to the discount the State allows the ~~operator~~ provider for State sales and use tax."

SECTION 31.6.(d) G.S. 153A-155(g) reads as rewritten:

"(g) Applicability. – Subsection (c) of this section applies to all counties that levy an occupancy tax. To the extent subsection (c) conflicts with any provision of a local act, subsection (c) supersedes that provision. The remainder of this ~~This~~ section applies only to Alleghany, Anson, Brunswick, Buncombe, Burke, Cabarrus, Camden, Carteret, Caswell, Chatham, Cherokee, Chowan, Clay, Craven, Cumberland, Currituck, Dare, Davie, Duplin, Durham, Forsyth, Franklin, Granville, Halifax, Haywood, Madison, Martin, McDowell, Montgomery, Nash, New Hanover, New Hanover County District U, Northampton, Pasquotank, Pender, Perquimans, Person, Randolph, Richmond, Rockingham, Rowan, Sampson, Scotland, Stanly, Swain, Transylvania, Tyrrell, Vance, Washington, and Wilson Counties, to Surry County District S, to Watauga County District U, to Yadkin County District Y, and to the Township of Averasboro in Harnett County and the Ocracoke Township Taxing District."

SECTION 31.6.(e) G.S. 160A-215(c) reads as rewritten:

"(c) Collection. – ~~Every operator of a business subject to a room occupancy tax shall, on and after the effective date of the levy of the tax, collect the tax. The tax shall be collected as part of the charge for furnishing a taxable accommodation.~~ A person who is required to remit to the Department of Revenue the State sales tax on accommodations imposed by G.S. 105-164.4(a)(3) is required to remit a room occupancy tax to the taxing city on and after the effective date of the levy of the room occupancy tax. The room occupancy tax applies to the same gross receipts as the State sales tax on accommodations and is calculated in the same manner as that tax. A rental agent or a person who facilitates the rental of an accommodation has the same responsibility and liability under the room occupancy tax as the rental agent or facilitator has under the State sales tax on accommodations.

If a taxable accommodation is furnished as part of a package, the bundled transaction provisions in G.S. 105-164.4D apply in determining the sales price of the taxable accommodation. If those provisions do not address the type of package offered, the ~~operator~~ person offering the package may determine an allocated price for each item in the package based on a reasonable allocation of revenue that is supported by the ~~operator's~~person's business

records kept in the ordinary course of business and ~~collect~~ calculate tax on the allocated price of the taxable accommodation.

~~The tax shall be stated and charged separately from the sales records and shall be paid by the purchaser to the operator of the business.~~ The provider of an accommodation must separately state the room occupancy tax. Room occupancy taxes paid to a provider of an accommodation are paid to the provider as trustee for and on account of the taxing city. ~~The tax shall be added to the sales price and shall be passed on to the purchaser instead of being borne by the operator of the business.~~

The taxing city shall ~~design, print,~~ design and furnish to all appropriate businesses and persons in the city the necessary forms for filing returns and instructions to ensure the full collection of the tax. An operator of a business who collects a room occupancy tax may deduct from the amount remitted to the taxing city a discount equal to the discount the State allows the ~~operator~~ provider for State sales and use tax."

SECTION 31.6.(f) G.S. 160A-215(g) reads as rewritten:

"(g) Applicability. – Subsection (c) of this section applies to all cities that levy an occupancy tax. To the extent subsection (c) conflicts with any provision of a local act, subsection (c) supersedes that provision. The remainder of this ~~This~~ section applies only to Beech Mountain District W, to the Cities of Belmont, Conover, Eden, Elizabeth City, Gastonia, Goldsboro, Greensboro, Hickory, High Point, Jacksonville, Kings Mountain, Lenoir, Lexington, Lincolnton, Lowell, Lumberton, Monroe, Mount Airy, Mount Holly, Reidsville, Roanoke Rapids, Salisbury, Shelby, Statesville, Washington, and Wilmington, to the Towns of Ahoskie, Beech Mountain, Benson, Blowing Rock, Boiling Springs, Boone, Burgaw, Carolina Beach, Carrboro, Cramerton, Dallas, Dobson, Elkin, Franklin, Jonesville, Kenly, Kure Beach, Leland, McAdenville, Mooresville, Murfreesboro, North Topsail Beach, Pilot Mountain, Ranlo, Selma, Smithfield, St. Pauls, Troutman, Tryon, West Jefferson, Wilkesboro, Wrightsville Beach, Yadkinville, and Yanceyville, and to the municipalities in Avery and Brunswick Counties."

SECTION 31.6.(g) This section becomes effective January 1, 2011, and applies to gross receipts derived from accommodations provided on or after that date.

MODERNIZE ADMISSIONS TAX AND RESTORE AMENITIES EXCLUSION

SECTION 31.7.(a) G.S. 105-37.1 reads as rewritten:

"**§ 105-37.1. ~~Dances, athletic events, shows, exhibitions, and other entertainments.~~Live entertainment and ticket resales.**

(a) Scope. – A privilege tax is imposed on the ~~gross receipts of a person who is engaged in any of the~~ following:

(1) ~~Giving, offering, or managing a dance or an athletic contest for which an admission fee in excess of fifty cents (50¢) is charged.~~The gross admissions receipts of a person who is engaged in providing admission to live entertainment of any kind. Gross admissions receipts under this subdivision do not include charges for amenities. If charges for amenities are not separately stated on the face of an admission ticket, then the charge for admission is considered to be equal to the admission charge for a ticket to the same event that does not include amenities and is for a seat located directly in front of or closest to a seat that includes amenities.

(2) ~~Giving, offering, or managing a form of amusement or entertainment that is not taxed by another provision of this Article and for which an admission fee is charged.~~The gross admissions receipts of a person who is engaged in the business of reselling on the Internet under G.S. 14-344.1 an admission ticket that is taxable under subdivision (1) of this subsection. If the price of an admission ticket is printed on the face of the ticket, gross receipts under this

subdivision exclude the face price. If the price of an admission ticket is not printed on the face of the ticket, the tax under this subdivision applies to the difference between the amount the reseller paid for the ticket and the amount the reseller charges for the ticket.

~~(3) Exhibiting a performance, show, or exhibition, such as a circus or dog show, that is not taxed by another provision of this Article.~~

(b) Rate and Payment. – The rate of the privilege tax imposed by this section is three percent ~~(3%) of the gross receipts from the activities described in subsection (a) of this section.~~(3%). The tax is due when a return is due. A return is due by the 10th day after the end of each month and covers the gross receipts received during the previous month.

(c) Advance Report. – A person who owns or controls a ~~performance, show, or exhibition~~ live entertainment performance subject to the tax imposed by this section and who plans to bring the performance to this State from outside the State must file a statement with the Secretary that lists the dates, times, and places of the ~~performance, show, or exhibition.~~ performance. The statement must be filed no less than five days before the first ~~performance, show, or exhibition~~ performance in this State.

(d) Local Taxes. – Cities may levy a license tax on a person taxed under subdivision (a)(1) ~~or (a)(2)~~ of this section; however, the tax may not exceed twenty-five dollars ~~($25.00). Cities may levy a license tax on a person taxed under subdivision (a)(3) of this section; however, the tax may not exceed twenty-five dollars~~ ($25.00) for each day or part of a day the ~~performance, show, or exhibition~~ live entertainment is ~~given~~ performed at each location. Cities may not levy a license tax on a person taxed under subdivision (a)(2) of this section.

Counties may not levy a license tax on a person taxed under ~~subdivision (a)(1) or (a)(2) of~~ this section. ~~Counties may levy a license tax on a person taxed under subdivision (a)(3) to the same extent as a city.~~"

SECTION 31.7.(b) G.S. 14-344.1(e) is repealed.

SECTION 31.7.(c) If any provision of this act is declared by a court to violate the Internet Tax Freedom Act, Pub. L. 105-277, §§ 1100-1104, as amended, or is otherwise found to be invalid, then G.S. 14-344.1 is repealed.

SECTION 31.7.(d) G.S. 105-264(c) reads as rewritten:

"(c) Revised Interpretations. – This section does not prevent the Secretary from changing an ~~interpretation~~ interpretation, and it does not prevent a change in an interpretation from applying on and after the effective date of the change. An interpretation that revises a prior interpretation by expanding the scope of a tax or otherwise increasing the amount of tax due may not become effective sooner than the following:

(1) For a tax that is payable on a monthly or quarterly basis, the first day of a month that is at least 90 days after the date the revised interpretation is issued.

(2) For a tax that is payable on an annual basis, the first day of a tax year that begins after the date the revised interpretation is issued."

SECTION 31.7.(e) G.S. 105-37.1(a)(2), as amended by subsection (a) of this section, becomes effective January 1, 2011, and applies to admission tickets sold on or after that date. The remainder of subsection (a) of this section and subsection (b) of this section become effective August 1, 2010. G.S. 105-37.1(a)(1), as amended by subsection (a) of this section, applies to charges for admission received on or after August 1, 2010. The remainder of this section is effective when it becomes law.

IMPROVE TAX AND DEBT COLLECTION PROCESS

SECTION 31.8.(a) G.S. 147-86.20(1) reads as rewritten:

"**§ 147-86.20. Definitions.**

The following definitions apply in this Article:

(1) Account ~~Receivable.~~receivable. – An asset of the State reflecting a debt that is owed to the State and has not been received by the State agency servicing the debt. The term includes claims, damages, fees, fines, forfeitures, loans, overpayments, taxes, and tuition as well as penalties, interest, and other costs authorized by law. The term does not include court costs or fees assessed in actions before the General Court of Justice or counsel fees and other expenses of representing indigents under Article 36 of Chapter 7A of the General Statutes.

...."

SECTION 31.8.(b) G.S. 147-86.22 reads as rewritten:

"**§ 147-86.22. Statewide accounts receivable program.**

(a) Program. – The State Controller shall implement a statewide accounts receivable program. As part of this program, the State Controller shall do all of the following:

(1) Monitor the State's accounts receivable collection efforts.

(2) Coordinate information, systems, and procedures between State agencies to maximize the collection of past-due accounts receivable.

(3) Adopt policies and procedures for the management and collection of accounts receivable by State agencies.

(4) Establish procedures for writing off accounts ~~receivable and for determining when to end efforts to collect accounts receivable after they have been written off.~~receivable.

(b) Electronic Payment. – Notwithstanding the provisions of G.S. 147-86.20 and G.S. 147-86.21, this subsection applies to debts owed a community college, a local school administrative unit, an area mental health, developmental disabilities, and substance abuse authority, and the Administrative Office of the Courts, and to debts payable to or through the office of a clerk of superior court or a magistrate, as well as to debts owed to other State agencies as defined in G.S. 147-86.20.

The State Controller shall establish policies that allow accounts receivable to be payable under certain conditions by electronic payment. These policies shall be established with the concurrence of the State Treasurer. In addition, any policies that apply to debts payable to or through the office of a clerk of superior court or a magistrate shall be established with the concurrence of the Administrative Officer of the Courts. The Administrative Officer of the Courts may also establish policies otherwise authorized by law that apply to these debts as long as those policies are not inconsistent with the Controller's policies.

A condition of payment by electronic payment is receipt by the appropriate State agency of the full amount of the account receivable owed to the State agency. A debtor who pays by electronic payment may be required to pay any fee or charge associated with the use of electronic payment. Fees associated with processing electronic payments may be paid out of the General Fund and Highway Fund if the payment of the fee by the State is economically beneficial to the State and the payment of the fee by the State has been approved by the State Controller and State Treasurer.

The State Controller and State Treasurer shall consult with the Joint Legislative Commission on Governmental Operations before establishing policies that allow accounts receivable to be payable by electronic payment and before authorizing fees associated with electronic payment to be paid out of the General Fund and Highway Fund. A State agency must also consult with the Joint Legislative Commission on Governmental Operations before implementing any program to accept payment under the policies established pursuant to this subsection.

A payment of an account receivable that is made by electronic payment and is not honored by the issuer of the card or the financial institution offering electronic funds transfer does not relieve the debtor of the obligation to pay the account receivable.

(c) Collection Techniques. – The State Controller, in conjunction with the Office of the Attorney General, shall establish policies and procedures to govern techniques for collection of accounts receivable. These techniques may include use of credit reporting bureaus, judicial remedies authorized by law, and administrative setoff by a reduction of ~~an individual's~~a tax refund pursuant to the Setoff Debt Collection Act, Chapter 105A of the General Statutes, or a reduction of another payment, other than payroll, due from the State to a person to reduce or eliminate an account receivable that the person owes the State.

~~No later than January 1, 1999, the~~The State Controller shall negotiate a contract with a third party to perform an audit and collection process 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. The third party shall be compensated only from funds recovered as a result of the audit. Savings realized in excess of costs shall be transferred from the agency to the Office of State Budget and Management and placed in a special reserve account for future direction by the General Assembly. Any disputed savings shall be settled by the State Controller. This paragraph does not apply to the purchase of medical services by State agencies or payments used to reimburse or otherwise pay for health care services."

SECTION 31.8.(c) G.S. 147-86.25 reads as rewritten:

"**§ 147-86.25. Setoff debt collection.**

The State Controller shall implement a statewide setoff debt collection program to provide for collection of ~~accounts receivable that have been written off. The statewide program shall supplement the Setoff Debt Collection Act, Chapter 105A of the General Statutes, and shall provide for written off~~the following accounts receivable ~~to be set off~~by setoff against payments the State owes to debtors, other than payments of ~~individual income~~ tax refunds and ~~payroll.~~payroll:

(1) Accounts receivable submitted to the Department of Revenue by a claimant agency under the Setoff Debt Collection Act, Chapter 105A of the General Statutes.

(2) An overdue tax debt, as defined in G.S. 105-243.1.

~~A program shall provide that, before final setoff can occur, the State agency servicing the debt must notify the debtor of the proposed setoff and of the debtor's right to contest the setoff through an administrative hearing and judicial review. A proposed setoff by a State agency that is a "claimant agency" under Chapter 105A of the General Statutes shall be conducted in accordance with the procedures the State agency must follow under that Chapter. A proposed setoff by a State agency that is not a "claimant agency" under Chapter 105A of the General Statutes shall be conducted under Articles 3 and 4 of Chapter 150B of the General Statutes.~~"

SECTION 31.8.(d) G.S. 105A-2 reads as rewritten:

"**§ 105A-2. Definitions.**

The following definitions apply in this Chapter:

...

(3) Debtor. – ~~An individual~~ A person who owes a debt.

...

(8) Refund. – ~~An individual's North Carolina income~~ A debtor's North Carolina tax refund.

(9) State agency. – Any of the following:

a. A unit of the executive, legislative, or judicial branch of State government.

b. A local agency, to the extent it administers a program supervised by the Department of Health and Human Services or it operates a Child Support Enforcement Program, enabled by Chapter 110, Article 9, and Title IV, Part D of the Social Security Act.

c. A community college."

SECTION 31.8.(e) G.S. 105A-3(c) reads as rewritten:

"(c) Identifying Information. – All claimant agencies shall whenever possible obtain the full name, social security ~~number,~~number or federal identification number, address, and any other identifying information required by the Department from any person for whom the agencies provide any service or transact any business and who the claimant agencies can foresee may become a debtor under this Chapter."

SECTION 31.8.(f) G.S. 105A-14(a) reads as rewritten:

"(a) Simultaneously with the transmittal of the net proceeds collected to a claimant agency, the Department must provide the agency with an accounting of the setoffs for which payment is being made. The accounting must whenever ~~possible,~~possible include the full names of the debtors, the debtors' social security ~~numbers,~~numbers or federal identification numbers, the gross proceeds collected per setoff, the net proceeds collected per setoff, and the collection assistance fee added to the debt and collected per setoff."

SECTION 31.8.(g) G.S. 105-259(b)(18) reads as rewritten:

"(b) Disclosure Prohibited. – An officer, an employee, or an agent of the State who has access to tax information in the course of service to or employment by the State may not disclose the information to any other person except as provided in this subsection. Standards used or to be used for the selection of returns for examination and data used or to be used for determining the standards may not be disclosed for any purpose. All other tax information may be disclosed only if the disclosure is made for one of the following purposes:

...

(18) To furnish to the Office of the State Controller ~~the name, address, and account and identification numbers of a taxpayer upon request to enable~~information needed by the State Controller to implement the setoff debt collection program established under G.S. 147-86.25, verify statewide vendor ~~files~~ files, or track debtors of the State.

...."

SECTION 31.8.(h) G.S. 105-242(b) reads as rewritten:

"(b) ~~Garnishment and Attachment.~~Attachment and Garnishment. – Intangible property that belongs to a taxpayer, is owed to a taxpayer, or has been transferred by a taxpayer under circumstances that would permit it to be levied upon if it were tangible property is subject to attachment and garnishment in payment of a tax that is due from the taxpayer and is collectible under G.S. 105-241.22. Intangible personal property includes bank deposits, rent, salaries, wages, property held in the Escheat Fund, and any other property incapable of manual levy or delivery. ~~A~~G.S. 105-242.1 sets out the procedure for attachment and garnishment of intangible property.

A person who is in possession of intangible property that is subject to attachment and garnishment is the garnishee and is liable for the amount the taxpayer owes. The liability applies only to the amount of the taxpayer's property in the garnishee's possession, reduced by any amount the taxpayer owes the garnishee. ~~G.S. 105-242.1 sets out the procedure for attachment and garnishment of intangible property.~~

The Secretary may submit to a financial institution, as defined in G.S. 53B-2, information that identifies a taxpayer who owes a tax debt that is collectible under G.S. 105-241.22 and the amount of the debt. The Secretary may submit the information on a quarterly basis or, with the agreement of the financial institution, on a more frequent basis. A financial institution that receives the information must determine the amount, if any, of intangible property it holds that belongs to the taxpayer and is subject to attachment and garnishment and must inform the Secretary of its determination. The Secretary must reimburse a financial institution for its costs in providing the information, not to exceed the amount payable to the financial institution under G.S. 110-139 for providing information for use in locating a noncustodial parent.

No more than ten percent (10%) of a taxpayer's wages or salary is subject to attachment and garnishment. The wages or salary of an employee of the United States, the State, or a political subdivision of the State are subject to attachment and garnishment."

SECTION 31.8.(i) G.S. 105-242.1 reads as rewritten:

"§ 105-242.1. Procedure for attachment and garnishment.

(a) Notice. – G.S. 105-242 specifies when intangible property is subject to attachment and garnishment. Before the Department attaches and garnishes intangible property in payment of a tax, the Department must send the garnishee a notice of garnishment. The notice must be sent in accordance with the methods authorized in G.S. 105-241.20 ~~or by registered or certified mail.~~or, with the agreement of the garnishee, by electronic means. The notice must contain all of the following ~~information:~~information, unless the notice is an electronic notice subject to subsection (a1) of this section:

(1) The taxpayer's ~~name, address, and social security number or federal identification number.~~name.

(2) The ~~type of tax the taxpayer owes and the tax periods for which the tax is owed.~~taxpayer's social security number or federal identification number.

(3) The amount of tax, interest, and penalties the taxpayer owes.

(4) An explanation of the liability of a garnishee for tax owed by a taxpayer.

(5) An explanation of the garnishee's responsibility concerning the notice.

(a1) Electronic Notice. – Before the Department sends an electronic notice of garnishment to a garnishee, the Department and the garnishee must have an agreement that establishes the protocol for transmitting the notice and provides the information required under subdivisions (4) and (5) of subsection (a) of this section. An electronic notice must contain the information required under subdivisions (1), (2), and (3) of subsection (a) of this section.

(b) Action. – ~~Within 30 days after receiving a notice of garnishment, a~~A garnishee must comply with ~~the~~ a notice of garnishment or file a written response to the ~~notice.~~notice within the time set in this subsection. A garnishee that is a financial institution must comply or file a response within 20 days after receiving a notice of garnishment. All other garnishees must comply or file a response within 30 days after receiving a notice of garnishment. A written response must explain why the garnishee is not subject to garnishment and attachment. ~~Upon~~

Upon receipt of ~~the~~ a written response, the Department must contact the garnishee and schedule a conference to discuss the response or inform the garnishee of the Department's position concerning the response. If the Department does not agree with the garnishee on the garnishee's liability, the Department may proceed to enforce the garnishee's liability for the tax by sending the garnishee a notice of proposed assessment in accordance with G.S. 105-241.9.

(c) Release. – ~~When the Department releases a garnishee from liability, the Department must send the garnishee a letter of release. The letter must identify the taxpayer to whom the release applies and contain the identifying information about the taxpayer that is required under subsection (a) on a notice of garnishment.~~A notice of garnishment sent to a financial institution is released when the financial institution complies with the notice. A notice of garnishment sent to all other garnishees is released when the Department sends the garnishee a notice of release. A notice of release must state the name and social security number or federal identification number of the taxpayer to whom the release applies.

(d) Financial Institution. – As used in this section, the term 'financial institution' has the same meaning as in G.S. 53B-2."

SECTION 31.8.(j) G.S. 53B-4(2) reads as rewritten:

"§ 53B-4. Access to financial records.

Notwithstanding any other provision of law, no government authority may have access to a customer's financial record held by a financial institution unless the financial record is described with reasonable specificity and access is sought pursuant to any of the following:

...

(2) Authorization under ~~G.S. 105-251~~G.S. 105-242 or G.S. 105-258."

SECTION 31.8.(k) Subsection (h) of this section becomes effective January 1, 2011. The remainder of this section is effective when it becomes law.

REDUCE FRANCHISE TAX BURDEN ON CONSTRUCTION COMPANIES

SECTION 31.9.(a) Section 2 of S.L. 2009-422 reads as rewritten:

"**SECTION 2.** This act is effective retroactively for taxable years beginning on or after ~~January 1, 2010.~~January 1, 2007."

SECTION 31.9.(b) A taxpayer that paid franchise tax in taxable years 2007, 2008, or 2009 and that included billings in excess of costs in its capital base may apply to the Department of Revenue for a refund of any excess tax paid to the extent the refund is the result of the change in the law enacted by this section. A request for a refund must be made on or before January 1, 2011. A request for refund received after that date is barred.

SECTION 31.9.(c) This section is effective when it becomes law.

FAIR TAX PENALTIES

SECTION 31.10.(a) G.S. 105-236(a)(4) reads as rewritten:

"(4) Failure to Pay Tax When Due. – In the case of failure to pay any tax when due, without intent to evade the tax, the Secretary shall assess a penalty equal to ten percent (10%) of the tax, subject to a minimum of five dollars ($5.00). This penalty does not apply in any of the following circumstances:

a. When the amount of tax shown as due on an amended return is paid when the return is filed.

b. When the Secretary proposes an assessment for tax due but not shown on a return and the tax due is paid within 45 days after the later of the following:

1. The date of the notice of proposed assessment of the ~~tax.~~tax, if the taxpayer does not file a timely request for a Departmental review of the proposed assessment.

2. The date the proposed assessment becomes collectible under G.S. 105-241.22, if the taxpayer files a timely request for a Departmental review of the proposed assessment.

c. When a taxpayer files a consolidated return under G.S. 105-130.6 at the request of the Secretary and the tax due is paid within 45 days after the later of the following:

1. The date the consolidated return is filed, if the taxpayer does not file a timely request for a Departmental review of the tax.

2. The date the Departmental review of the tax ends as a result of the occurrence of one of the actions listed in G.S. 105-241.22(3) through (6), if the taxpayer files a timely request for a Departmental review."

SECTION 31.10.(b) G.S. 105-236(a)(5) is amended by adding a new sub-subdivision to read:

"(5) Negligence. –

...

f. Consolidated return. – The amount of tax shown as due on a consolidated return requested by the Secretary under G.S. 105-130.6 is not considered a deficiency and is not subject to this subdivision."

SECTION 31.10.(c) This section is effective when it becomes law and applies to penalties that are assessed and unpaid as of the effective date, penalties that are paid as of the

effective date but are based on a tax that is the subject of an administrative or judicial action that is pending on the effective date, and penalties and taxes assessed on or after that date.

PART XXXII. MISCELLANEOUS PROVISIONS

STATE BUDGET ACT APPLIES

SECTION 32.1. The provisions of the State Budget Act, Chapter 143C of the General Statutes, are reenacted and shall remain in full force and effect and are incorporated in this act by reference.

COMMITTEE REPORT

SECTION 32.2.(a) The Senate Appropriations Committee Report On The Continuation, Expansion and Capital Budgets for Senate Bill 897, dated May 16, 2010, which was distributed in the Senate and 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 the State Budget Act, Chapter 143C of the General Statutes, as appropriate, 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 is for the maintenance of the various departments, institutions, and other spending agencies of the State for the 2010-2011 budget as provided in G.S. 143C-3-5. This budget includes the appropriations of State funds as defined in G.S. 143C-1-1(d)(25).

The Director of the Budget submitted recommended adjustments to the budget to the General Assembly in April 2010 in the documents "The North Carolina State Budget, Recommended Operating Budget with Performance Management Information 2010-2011" for the 2010-2011 fiscal year for the various departments, institutions, and other spending agencies of the State. The adjustments to these documents made by the General Assembly are set out in the Committee Report.,

SECTION 32.2.(c) The budget enacted by the General Assembly shall also be interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and 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.

MOST TEXT APPLIES ONLY TO THE 2010-2011 FISCAL YEAR

SECTION 32.3. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2010-2011 fiscal year, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 2010-2011 fiscal year.

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.

APPROPRIATIONS LIMITATIONS AND DIRECTIONS APPLY

SECTION 32.5.(a) Except where expressly repealed or amended by this act, the provisions of S.L. 2009-451 and S.L. 2009-575 remain in effect.

SECTION 32.5.(b) Notwithstanding any modifications by this act in the amounts appropriated, except where expressly repealed or amended, the limitations and directions for the 2010-2011 fiscal year in S.L. 2009-451 and S.L. 2009-575 that applied to appropriations to

particular agencies or for particular purposes apply to the newly enacted appropriations and budget reductions of this act for those same particular purposes.

SEVERABILITY CLAUSE

SECTION 32.6. 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.

EFFECTIVE DATE

SECTION 32.7. Except as otherwise provided, this act becomes effective July 1, 2010.

SENATE APPROPRIATIONS COMMITTEE
Minutes, May 18 2010
Room 643, Legislative Office Building

The Senate Appropriations Committee met on May 18, 2010n Room 643 of the Legislative Office Building. There were 35 members present.

Chairing was Senate Co-Chair Linda Garrou. An agenda is included with these minutes. The only item on the agenda was Senate Bill 897, entitled "Appropriation Acts of 2010."

Senator Garrou began the meeting by introducing the pages. Senator Garrou then called that all amendments be offered by 2 p.m.

After making introductory remarks, Senator Garrou recognized Senator A.B. Swindell, co-chair. Senator Swindell made a series of remarks related to the education portion of the Budget.

Senator Garrou then recognized Senator Charlie Albertson, co-chair, to make his opening statements.

Senator Swindell made a motion that the PCS for Senate Bill 897 be adopted for discussion purposes. The motion carried.

Following the motion, the Chairs of the Appropriations Education Subcommittee were recognized to discuss the Education portion of the budget. Senator Tony Foriest spoke first, focusing on the K-12 part of the education budget. Senator Richard Stevens then explained the Community College and university section of the Education Budget.

Senator Swindell took over the chairmanship of the meeting. He recognized the Subcommittee Chairs of the HHS Appropriations Subcommittee. Senator William Purcell explained the HHS section of the Budget. Senator Doug Berger then took over to explain the remaining portion of the HHS Budget.

Senator Charlie Albertson presided over the next portion of the meeting. The Chair recognized Senators Floyd McKissick & Joe Sam Queen, Chairs of the Appropriations Subcommittee for NER, to explain their portion of the budget.

Senators John Snow and Ellie Kinnaird, chairs of the Appropriations JPS Subcommittee, then explained their portion of the budget.

The Chair then recognized Senators Bob Atwater and Katie Dorsett to explain the General Government section of the budget.

The Chair then recognized Senator Steve Goss to detail the Transportation budget. He was joined by Senator Malcolm Graham.

Marshall Barnes, Fiscal Research, was then recognized to explain Salaries and Benefits.

Next presented was a summary of statewide reserves given by Evan Rodewald of Fiscal Research.

Mark Bondo, Fiscal Research, was then recognized to present the Capitol portion of the budget.

Senator Garrou took over as presiding chair. She opened the floor for questions. Senator Phil Berger was recognized first for a question. His question was answered by Senator Tony Foriest, and given a further response by Kris Nordstrom of Fiscal Research.

Senator Brown was recognized by the Chair for a question. Senator Joe Sam Queen answered the question. Senator Brown asked a follow-up, which again was responded to by Senator Queen.

Following that exchange, a recess was taken until 2:55 p.m.

Once the Committee came back into session, the Chair called for Amendments. Senator Bob Rucho was recognized first to present his amendment. His comments were followed up by Fiscal Research to further explain the amendment.

Senator Hoyle asked a question related to the amendment. Kris Nordstrom of Fiscal Research answered the question.

Senator Blue also asked a question related to the amendment. Kris Nordstrom once again responded.

Chair Garrou then asked Kris Nordstrom a question. Andrea Poole, Fiscal Research, offered the response.

Senator Nesbitt then made a comment on the amendment. Senator Foriest was also recognized to make a comment. Senator Swindell then made a motion in favor of the amendment. Motion carried.

Senator Swindell was recognized to explain his amendment. Following a lengthy presentation, a motion for the amendment carried.

Senator Garrou then made a motion unfavorable as original to bill, favorable to Proposed Committee Substitute as amended. Motion carried.

Having no further business, the Appropriations Committee adjourned.

Respectfully submitted,

Senator Linda Garrou, Co-Chair

Senator A.B. Swindell, Co-Chair

Senator Charlie Albertson, Co-Chair

Andrew Dugan, Committee Assistant

Senate Appropriations Committee

Rules for Considering Amendments

If amendments are offered, then the following rules must be met in order to make the amendment eligible for consideration:

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

2. Amendments where money is being transferred among items within a subcommittee must clearly identify the items/programs that are being increased and decreased.

3. Nonrecurring reductions cannot be made to fund recurring additions.

4. Amendments that spend reversions are not allowed.

5. Amendments that increase spending in the subcommittee budgets are not allowed.

6. Amendments are not allowed where funding for an item comes from statewide reserves.

7. Amendments must be in writing, the original signed, with 75 copies available for distribution

8. To be considered, a proposed amendment must have been logged in by the committee clerk by 2:00 p.m.

Amendments as logging in:

AMENDMENT LOG SB 897

SENATE APPROPRIATIONS BASE BUDGET COMMITTEE May 18, 2010

LOG IN #	DRAFT NUMBER	SPONSOR	ACTION		VOTE
1	S897-ALL-57 [v.4]	SNOW	NONE		
2	S897-ALL-58 [v.2]	KINNAIRD	None		
3	S897-AME-31 [v.3]	ATWATER	None		
4	S897-ALE-66 [v.1]	RUCHO	Adopted		VV
5	S897-ALD-41 [v.2]	QUEEN	none		
6	S897-ALH-44 [v.4]	DICKSON	none		
7	S897-ALH-43 [v.5]	DICKSON	none		
8	S897-AMA-33 [v.1]	DORSETT	none		
9	S897-ALH-46 [v.4]	JONES	none		
10	S897-AMH-13 [v.6]	SWINDELL	Amended to new draft # S897-AMH-13 [v.7]		
11	S897-AMA-34 [v.1]	CLODFELTER	none		
12	S897-ARB-53 [v.2]	HARTSELL	none		
13	S897-AMH-13 [v.7]	SWINDELL	Adopted		VV

VV-VOICE VOTE HC -HAND COUNT D-DIVISION

ADOPTED

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 897

AMENDMENT NO. 4
(to be filled in by Principal Clerk)

S897-ALE-66 [v.1]

Comm. Sub. [YES]
Amends Title [NO]
PCS

Date 5/18/10 ,2010

Senator Rucho

moves to amend the bill on page 27, line 8,
by adding a new section after the line to read:

LEARN AND EARN ONLINE

SECTION 71.15. Section 7.10(j) of S.L. 2009-451 reads as rewritten:

"**SECTION 7.10.(j)** For the 2009-2011 biennium, high school students attending a nonpublic school may enroll in any Learn and Earn Online ~~course with space available that has been offered to but not filled by any eligible public school student.~~ course. Notwithstanding subsection (h) of this section, nonpublic school students shall be responsible for supplying their own textbooks and other instructional materials."

SIGNED Robert G Rucho
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

ADOPTED

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 897

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

S897-AMH-13 [v.7]

Comm. Sub. [YES]
Amends Title [NO]
S897-CSLExf-47

Date _____,2010

Senator Swindell

moves to amend the proposed committee substitute on page 13, line 38, by inserting after that line the following: "(10) The State Controller.";

and on page 13, line 36 by deleting the word "and" at the end of that line;

and on page 13, line 37 by adding the word "and" at the end of that line.; and

moves to amend the proposed committee substitute on page 35, line 7 by rewriting that line to read "The Roanoke Island Commission may use these funds to purchase equipment and to contract with any of the constitutent"; and

moves to amend the proposed committee substitute on page 73, line 25, by inserting on the line the following new section to read:

"**DSHR ADULT CARE HOME ADMINISTRATOR/MEDICATION AIDE FEES**

SECTION 10.36A.(a) Part 2 of Article 1 of Chapter 131D is amended by adding the following new section to read:

'**§ 131D-4.5A. Fees for medication aides.**

The Medical Care Commission may impose a fee, not to exceed twenty-five dollars ($25.00), on an applicant seeking certification as an adult care home medication aide to cover the costs of testing and materials in administering a certification examination.'

SECTION 10.36A.(b) Article 20A of Chapter 90 of the General Statutes is amended by adding the following new section to read:

'**§ 90-288.15A. Fees.**

The Department may impose fees not to exceed the following amounts:

(1)	Adult Care Home Administrator Examination Fee	$50.00
(2)	Adult Care Home Administrator Certificate Renewal Fee	$30.00 every two years.'";

and

also moves to amend the proposed committee substitute on page 42, line 43, by deleting the words "twenty million" and substituting "~~twenty million~~"; and

also moves to amend the proposed committee substitute on page 42, line 44, by rewriting the line to read: "~~one hundred twenty-one thousand six hundred forty-four dollars ($20,121,644)~~ thirty-two million one hundred twenty-one thousand six hundred forty-four dollars ($32,121,644) for the"; and

also moves to amend the proposed committee substitute on page 44, line 48, by deleting the word "itemized"; and

also moves to amend the proposed committee substitute on page 55, line 34, by deleting the phrase "Medical Assistance shall," and substituting "Medical Assistance, shall"; and

also moves to moves to amend the proposed committee substitute on page 45, line 32 by deleting "**SECTION 10.12.**" and substituting "**SECTION 10.12.(a)**"; and

further moves to amend the proposed committee substitute on page 45, line 46, by deleting the reference to "Division of Public Health" and substituting "Department of Health and Human Services"; and

further moves to amend the proposed committee substitute on page 45, line 47, by inserting the following:

"**SECTION 10.12.(b)** The Health and Wellness Trust Fund Commission shall not reduce allocations for the 2010-2011 fiscal year for any of the programs or initiatives currently funded through the Health and Wellness Trust Fund."; and

also moves to amend the proposed committee substitute on page 64, lines 18, by deleting the reference "Section #.(a)." and substituting "Section 10.30.(a)."; and

also moves to amend the proposed committee substitute on page 64, line 23, by deleting the reference "Section #.(a) of this act." and substituting "Section 10.30.(a).", and

also moves to amend the proposed committee substitute on page 73, line 37, by deleting the amount "$41,435,452", and substituting the amount "$41,235,452"; and

further moves to amend the proposed committee substitute on page 74, line 12, by inserting on the line a new item to read:

"12A. Children's Home Society 200,000";

and

also moves to amend the committee report on page F-2, Item 8, by deleting the language "7.x" and substituting "7.5"; and

also moves to amend the proposed committee substitute on page 41, line 14, by deleting the language "and the Board of Governors,"; and

also moves to amend the proposed committee substitute on page 21, line 18, by deleting the sentence that begins on line 18.

also moves to amend the committee report on page H-8, Item 29, by deleting "CAMA receipts." and substituting "express permit receipts.";

and on page H-12, Item 54, by deleting that Item and substituting the following Item to read:

"**54 Turnbull Creek Educational State Forest** ($110,073) **R**
Closes the Turnbull Creek Educational State Forest in Bladen County and eliminates two associated ranger positions. -2.00";

And on page H-12, Item 53, by deleting the amount "($1,104,118), and replacing it with the amount "($1,260,686)";

and on page H-13, Item 55, by deleting that Item;

and on page H-19, Item 86, by deleting the position number "-2.00" and substituting the position number "-6.00"; and

moves to amend the proposed committee substitute on page 117, line 50, by deleting the phrase "June 30, 2010," and substituting the phrase "June 30, 2011,"; and

moves to amend the proposed committee substitute on page 117, line 51, by deleting the phrase "June 30, 2010," and substituting the phrase "June 30, 2011,".

also moves to amend the proposed committee substitute on page 136, lines 11 through 51, and on page 137, lines 1 through 25, by deleting those lines; and

also moves to amend the proposed committee substitute on page 95, lines 10 through 27, and on page 96, lines 50 and 51, by deleting those lines; and

also moves to amend the proposed committee substitute on page 151, line 27 by deleting "2009-2010" and substituting "2010-2011"; and

also moves to amend the proposed committee substitute on page 170, line 3, by adding the following section to read:

"**CREDIT FOR CONSTRUCTING A RENEWABLE ENERGY PROPERTY FACILITY**

SECTION #.(a) Article 3B of Chapter 105 of the General Statutes is amended by adding a new section to read:

'**§ 105-129.16I. Credit for constructing a renewable energy property facility.**

(a) Credit. – A taxpayer that constructs and places in service in this State a commercial facility for the manufacture of renewable energy property is allowed a credit equal to

twenty-five percent (25%) of the cost to the taxpayer of constructing and equipping the facility. The entire credit may not be taken for the taxable year in which the facility is placed in service but must be taken in seven equal annual installments beginning with the taxable year in which the facility is placed in service. If, in one of the years in which the installment of a credit accrues, the facility with respect to which the credit was claimed is disposed of or taken out of service, the credit expires and the taxpayer may not take any remaining installment of the credit. The taxpayer may, however, take the portion of an installment that accrued in a previous year and was carried forward to the extent permitted under G.S. 105-129.17. A taxpayer that claims any other credit allowed under this Chapter with respect to construction of a facility may not take the credit allowed in this section with respect to the same facility.

(b) Sunset. – This section is repealed effective for a renewable energy property facility placed in service on or after January 1, 2014.'

SECTION #.(b) This section becomes effective for taxable years beginning on or after January 1, 2011."; and

also moves to amend the proposed committee substitute on page 156, lines 34 through 40, by rewriting the lines to read:

"(7) An addition is required to taxable years 2003, 2004, 2005, and 2006 for the amount of any 2008 or 2009 net operating loss deduction claimed on a federal return under section 172(b)(1)(H) or section 810(b)(4) of the Code. This addition does not apply to a net operating loss deduction of an eligible small business as defined under section 172(b)(1)(H) of the Code.

(8) For taxable years 2011 through 2013, a taxpayer who made an addition under subdivision (7) of this subsection may deduct one-third of the taxpayer's net operating loss absorbed on the taxpayer's 2003, 2004, 2005, and 2006 federal returns under section 172(b)(1)(H) or section 810(b)(4) of the Code. "; and

also moves to amend the proposed committee substitute on page 157, lines 43 and 44, by deleting the phrase "one million dollars ($1,000,000)." and substituting the phrase "eight hundred fifty thousand dollars ($850,000).".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NOT TAKEN OR BY CHAIR

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 897

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

S897-ALL-57 [v.4]

Comm. Sub. [YES]
Amends Title [NO]
S897-CSLExf-47

Date _____, 2010

Senator Snow

moves to amend the Committee Report on page I-5, Items 18 and 19, by deleting those items;

and on page I-6, Item 23, by deleting that item;

and on page I-5, by inserting a new item to read:

"19A	**Establish Management Flexibility Reserve** Establish a management flexibility reserve to provide the Department of Justice with the flexibility to achieve General Fund appropriations savings.";	($1,812,000) ($1,200,000)	**R** **NR**

and by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NOT TAKEN UP BY CHAIR

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 897

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

S897-ALL-58 [v.2]

Comm. Sub. [YES]
Amends Title [NO]
S897-CSLExf-47

Date _____ ,2010

Senator Kinnaird

moves to amend the Committee Report on page I-1, Item 5, by rewriting the title and description of the item to read:

"**5 Eliminate Vacant Field Positions**
Eliminates vacant field positions statewide"

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NOT TAKEN UP BY CHAIRS

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 897

AMENDMENT NO. 3
(to be filled in by Principal Clerk)

S897-AME-31 [v.3]

Comm. Sub. [YES]
Amends Title [NO]
S897-CSLExf-47

Date May 18, ,2010

Senator Atwater

moves to amend the money report on page J-40 by deleting the item numbered 102 and substituting the following:

"**1410 Retirement System**

102 Continue Service Audit Team
Continue 100% receipt-supported funding for fifth year of 25 contract employees on 5-year project to audit ORBIT system, a project of the Retirement System Division. The receipt-supported cost for this Service Audit Team is $1,192,164 for fiscal year 2010-2011.".

SIGNED Bob Atwater
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NOT TAKEN
OR BY CHAIRS

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 897

AMENDMENT NO. 5
(to be filled in by
Principal Clerk)

S897-ALD-41 [v.2]

Comm. Sub. [YES]
Amends Title [NO]
S897-CSLExf-47

Date _____,2010

Senator Queen

moves to amend the Senate Appropriations Committee "Report on the Continuation, Expansion and Capital Budgets" (May 18, 2010), on page H-9, Item 36, by deleting that Item;

and on page H-13, by adding a new Item between Item 58 and Item 59 to read:

"**58A Fishery Resource Grant Program** ($131,088) **R**
Reduces funds available for the Fishery Resource Grant Program operated by the North Carolina Sea Grant Program at NCSU."

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

Not taken up by Chair

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 897

AMENDMENT NO. 6
(to be filled in by Principal Clerk)

S897-ALH-44 [v.4]

Comm. Sub. [YES]
Amends Title [NO]
PCS S897-LE-CSLExf-47

Date _____,2010

Senator Dickson

moves to amend the Committee Report dated May 18, 2010 on page I-10, Item 40, by increasing the reduction in that item by $104,025R; and

on page I-11, Item 46, by increasing the reduction in that item by $442,496R; and

on page I-7, Item 28, by deleting that item;

And by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NOT TAKEN
2 BY CHAIRD

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 897

AMENDMENT NO. 7
(to be filled in by
Principal Clerk)

S897-ALH-43 [v.5]

Comm. Sub. [YES]
Amends Title [NO]
PCS S897-CSLExf-47

Date _____,2010

Senator Dickson

moves to amend the Committee Report dated May 18, 2010 on page I-1, Item 2, by increasing the reduction for that item by $654,073 R; and

on page I-7, Items 24 and 25, by deleting both of those items; and

on page I-7, Item 29, by decreasing the reduction for that item by $167,085R;

And by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NOT TAKEN
OR BY CHAIR

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 897

AMENDMENT NO. 8
(to be filled in by
Principal Clerk)

S897-AMA-33 [v.1]

Comm. Sub. [YES]
Amends Title [NO]
S897-CSLExf-47

Date _____,2010

Senator Dorsett

moves to amend the proposed committee substitute on page 136, line 11, through page 137, line 25, by deleting those lines.

SIGNED Katie G. Dorsett
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NOT TAKEN UP BY CHAIR

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 897

AMENDMENT NO. 9
(to be filled in by Principal Clerk)

S897-ALH-46 [v.4]

Comm. Sub. [YES]
Amends Title [NO]
PCS S897-CSLExf-47

Date _____,2010

Senator Jones

moves to amend the Committee Report dated May 18, 2010, on page I-7, by adding the following new items to read:

"**28A**	**Reduce Contract Budget**	**($3,221,050)R"**
"**29A**	**Restore Samarkand Youth Development Facility** Restores funding for Samarkand Youth Development Facility. Provides the Department with needed bed capacity to accommodate system fluctuations and allows youth to remain close to their home communities.";	**$3,221,050 R**

And by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

Other Amendments rolled into this bill to Draft number: S897-AMH-13 [v.7]

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 897

AMENDMENT NO. 10
(to be filled in by Principal Clerk)

S897-AMH-13 [v.6]

Comm. Sub. [YES]
Amends Title [NO]
S897-CSLExf-47

Date _____, 2010

Senator Swindell

moves to amend the proposed committee substitute on page 13, line 38, by inserting after that line the following: "(10) The State Controller.";

and on page 13, line 36 by deleting the word "and" at the end of that line;

and on page 13, line 37 by adding the word "and" at the end of that line.; and

moves to amend the proposed committee substitute on page 35, line 7 by rewriting that line to read "The Roanoke Island Commission may use these funds to purchase equipment and to contract with any of the constitutent"; and

moves to amend the proposed committee substitute on page 73, line 25, by inserting on the line the following new section to read:

"**DSHR ADULT CARE HOME ADMINISTRATOR/MEDICATION AIDE FEES**

SECTION 10.36A.(a) Part 2 of Article 1 of Chapter 131D is amended by adding the following new section to read:

'**§ 131D-4.5A. Fees for medication aides.**

The Medical Care Commission may impose a fee, not to exceed twenty-five dollars ($25.00), on an applicant seeking certification as an adult care home medication aide to cover the costs of testing and materials in administering a certification examination.'

SECTION 10.36A.(b) Article 20A of Chapter 90 of the General Statutes is amended by adding the following new section to read:

'**§ 90-288.15A. Fees.**

The Department may impose fees not to exceed the following amounts:

(1)	Adult Care Home Administrator Examination Fee	$50.00
(2)	Adult Care Home Administrator Certificate Renewal Fee	$30.00 every two years.'";

and

also moves to amend the proposed committee substitute on page 42, line 43, by deleting the words "twenty million" and substituting "~~twenty million~~"; and

also moves to amend the proposed committee substitute on page 42, line 44, by rewriting the line to read: "~~one hundred twenty-one thousand six hundred forty-four dollars ($20,121,644)~~ thirty-two million one hundred twenty-one thousand six hundred forty-four dollars ($32,121,644) for the"; and

also moves to amend the proposed committee substitute on page 44, line 48, by deleting the word "itemized"; and

also moves to amend the proposed committee substitute on page 55, line 34, by deleting the phrase "Medical Assistance shall," and substituting "Medical Assistance, shall"; and

also moves to moves to amend the proposed committee substitute on page 45, line 32 by deleting "**SECTION 10.12.**" and substituting "**SECTION 10.12.(a)**"; and

further moves to amend the proposed committee substitute on page 45, line 46, by deleting the reference to "Division of Public Health" and substituting "Department of Health and Human Services"; and

further moves to amend the proposed committee substitute on page 45, line 47, by inserting the following:

"**SECTION 10.12.(b)** The Health and Wellness Trust Fund Commission shall not reduce allocations for the 2010-2011 fiscal year for any of the programs or initiatives currently funded through the Health and Wellness Trust Fund."; and

also moves to amend the proposed committee substitute on page 64, lines 18, by deleting the reference "Section #.(a)." and substituting "Section 10.30.(a)."; and

also moves to amend the proposed committee substitute on page 64, line 23, by deleting the reference "Section #.(a) of this act." and substituting "Section 10.30.(a)."; and

also moves to amend the proposed committee substitute on page 73, line 37, by deleting the amount "$41,435,452", and substituting the amount "$41,235,452"; and

further moves to amend the proposed committee substitute on page 74, line 12, by inserting on the line a new item to read:

"12A. Children's Home Society 200,000";

and

also moves to amend the committee report on page F-2, Item 8, by deleting the language "7.x" and substituting "7.5"; and

also moves to amend the proposed committee substitute on page 41, line 14, by deleting the language "and the Board of Governors."; and

also moves to amend the proposed committee substitute on page 21, line 18, by deleting the sentence that begins on line 18.

also moves to amend the committee report on page H-8, Item 29, by deleting "CAMA receipts." and substituting "express permit receipts.";

and on page H-12, Item 54, by deleting that Item and substituting the following Item to read:

"**54 Turnbull Creek Educational State Forest** ($110,073) **R**
Closes the Turnbull Creek Educational State Forest in Bladen County and eliminates two associated ranger positions. -2.00";

and on page H-13, Item 55, by deleting that Item and substituting the following Item to read:

"**55 Rendezvous Educational State Forest** ($156,568) **R**
Closes the Rendezvous Educational State Forest in Wilkes County and eliminates two associated ranger positions. -2.00"

and on page H-19, Item 86, by deleting the position number "-2.00" and substituting the position number "-6.00"; and

moves to amend the proposed committee substitute on page 117, line 50, by deleting the phrase "June 30, 2010," and substituting the phrase "June 30, 2011,"; and

moves to amend the proposed committee substitute on page 117, line 51, by deleting the phrase "June 30, 2010," and substituting the phrase "June 30, 2011,".

also moves to amend the proposed committee substitute on page 136, lines 11 through 51, and on page 137, lines 1 through 25, by deleting those lines; and

also moves to amend the proposed committee substitute on page 95, lines 10 through 27, and on page 96, lines 50 and 51, by deleting those lines; and

also moves to amend the proposed committee substitute on page 151, line 27 by deleting "2009-2010" and substituting "2010-2011"; and

also moves to amend the proposed committee substitute on page 170, line 3, by adding the following section to read:

"**CREDIT FOR CONSTRUCTING A RENEWABLE ENERGY PROPERTY FACILITY**

SECTION #.(a) Article 3B of Chapter 105 of the General Statutes is amended by adding a new section to read:

'**§ 105-129.16I. Credit for constructing a renewable energy property facility.**

(a) Credit. – A taxpayer that constructs and places in service in this State a commercial facility for the manufacture of renewable energy property is allowed a credit equal to

twenty-five percent (25%) of the cost to the taxpayer of constructing and equipping the facility. The entire credit may not be taken for the taxable year in which the facility is placed in service but must be taken in seven equal annual installments beginning with the taxable year in which the facility is placed in service. If, in one of the years in which the installment of a credit accrues, the facility with respect to which the credit was claimed is disposed of or taken out of service, the credit expires and the taxpayer may not take any remaining installment of the credit. The taxpayer may, however, take the portion of an installment that accrued in a previous year and was carried forward to the extent permitted under G.S. 105-129.17. A taxpayer that claims any other credit allowed under this Chapter with respect to construction of a facility may not take the credit allowed in this section with respect to the same facility.

(b) Sunset. – This section is repealed effective for a renewable energy property facility placed in service on or after January 1, 2014.'

SECTION #.(b) This section becomes effective for taxable years beginning on or after January 1, 2011."; and

also moves to amend the proposed committee substitute on page 156, lines 34 through 40, by rewriting the lines to read:

"(7) An addition is required to taxable years 2003, 2004, 2005, and 2006 for the amount of any 2008 or 2009 net operating loss deduction claimed on a federal return under section 172(b)(1)(H) or section 810(b)(4) of the Code. This addition does not apply to a net operating loss deduction of an eligible small business as defined under section 172(b)(1)(H) of the Code.

(8) For taxable years 2011 through 2013, a taxpayer who made an addition under subdivision (7) of this subsection may deduct one-third of the taxpayer's net operating loss absorbed on the taxpayer's 2003, 2004, 2005, and 2006 federal returns under section 172(b)(1)(H) or section 810(b)(4) of the Code. "; and

also moves to amend the proposed committee substitute on page 157, lines 43 and 44, by deleting the phrase "one million dollars ($1,000,000)." and substituting the phrase "eight hundred fifty thousand dollars ($850,000).".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 897

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

S897-AMA-34 [v.1]

Comm. Sub. [YES]
Amends Title [NO]
S897-CSLExf-47

Date _____,2010

Senator Clodfelter

moves to amend the proposed committee substitute on page 136, line 11, through page 137, line 25, by deleting those lines.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 897

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

S897-ARB-53 [v.2]

Comm. Sub. [YES]
Amends Title [NO]
S897-CSLExf-47

Date 18 May ,2010

Senator Hartsell

moves to amend the bill on page 123, line 19, by adding a new section to read:

"TEST FOR HAZARDOUS SUBSTANCES/YADKIN PROJECT

SECTION 14.22. The Department of Environment and Natural Resources is directed to test for hazardous substances associated with the Yadkin Project No. 2197 as described in a license issued by the Federal Energy Regulatory Commission as of May 1, 1958, and as thereafter amended and otherwise subject to the regulation of the Federal Energy Regulatory Commission. In addition to the authority under G.S. 143-215.104C(d) for the Department to use funds from the Dry Cleaning Solvent Cleanup Fund to investigate inactive hazardous substance disposal sites, the Department may use funds from the Fund to test for hazardous substances associated with the Yadkin Project No. 2197. The Department must report the results of the testing to the Environmental Review Commission no later than December 1, 2010.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

VISITOR REGISTRATION SHEET

Meeting of App. Chairs and Subchairs — 4/06/2010

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Margaret Stacy	Covenant w/ NC's Children
Kel Thompson	Covenant w/ NC's Children
Meg Gray	NC BTC
Annaliese Ralph	DRNC
Tammy Smith	AOC
Thomas C. Caves, Jr.	NC Dept. of Crime Control & Public Safety
Kevin G. Leonard	NCAcc
Rebecca Troutman	NCAcc
Gary Robertson	AP
David Johnsen	NCACC
Jennifer Willis	NCCCS

VISITOR REGISTRATION SHEET

Meeting of App. Chairs and Subchairs — 4/06/2010

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Doug Lassiter	NCSTA
John Bowdish	AstraZeneca
Barbara Carsley	BBCGR
John Goodman	NC Chamber
Amy Whited	NCMS
Chip Baggett	NCMS
Anna Gamess	Capstrat
[illegible]	NCRPA
Dick Barnes	OSA
W. Gardner Culpepper	Personal Interest
Sherry Pickerington	Dept of Correction

VISITOR REGISTRATION SHEET

Meeting of App. Chairs and Subchairs — 4/06/2010

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Kenny Briggs	NCCCS
Mildred Spearman	NCDOC
[signature]	NCDHHS
Emily Wilbanks	TPL
Chris Fitzsimon	NC Policy Watch
[signature]	[signature]

VISITOR REGISTRATION SHEET

Meeting of App. Chairs and Subchairs — 4/06/2010

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Sarah Preston	ACLU-NC
Ginger Burkes	UNC-GA
Emily Murphy	UNC-GA
Julia Leggett	The Arc of NC
Annette Newkirk	Governor's Office
Johanna Reese	DOT
Joy Hicks	NCDA&CS
Joy Ann Morris	Public School Forum
[illegible]	Bode & Assoc.
[illegible]	NCICU
SWilson	DHHS