2011-2012

SENATE APPROPRIATIONS – BASE BUDGET

MINUTES

Senate Appropriations/Base Budget Standing Committee
North Carolina General Assembly
2011-2012 Biennium

SENATOR	LEGISLATIVE ASSISTANT	ROOM	PHONE
	Chairs		
Peter S. Brunstetter	Genie Clark, Sarah Hardin	2022 LB	3-7850
K. Neal Hunt	Kathy Davis	308 LOB	3-5850
Richard Stevens	Mary Marchman	309 LOB	3-5653
	Vice Chairs		
Tom Apodaca	Nicole McGuiness, Carolyn Gooden	2010 LB	3-5745
Linda Garrou	Gail Bishop, Cornelius Graves	620 LOB	3-5620
	Members		
Harris Blake	Anna Kidd	408 LOB	3-4809
Dan T. Blue	Bonnie McNeil	1117 LB	3-5752
Andrew Brock	Janet Black	623 LOB	5-0690
Harry Brown	Susanne Gunter	300A LOB	5-3034
Charlie S. Dannelly	Dee Hodge	1127 LB	3-5955
Don East	Steven Webb	522 LOB	3-5743
Malcolm Graham	Amber Harris	622 LOB	3-5650
Kathy Harrington	Christopher Dean	2113 LB	3-5734
Fletcher L. Hartsell	Gerry Johnson	300B LOB	3-7223
Brent Jackson	Cindy Davis	525 LOB	3-5705
Edward Jones	Irma Avent-Hurst	518 LOB	5-3032
Eleanor Kinnaird	Kathie Young	628 LOB	3-5804
Martin Nesbitt, Jr.	Evelyn Costello, Jan Lee	1129 LB	5-3001
Louis M. Pate, Jr.	Edna Pearce	406 LOB	3-5621
David Rouzer	Judy Edwards	523 LOB	3-5748
Robert A. Rucho	Helen Long	300C LOB	3-5655
Jerry Tillman	Yvonne Hall	627 LOB	3-5870
Tommy Tucker	Joey Stansbury	311 LOB	3-7659
Michael Walters	Vickie Spears	1118 LB	3-5651

Senate Appropriations/Base Budget Standing Committee
North Carolina General Assembly
2011-2012 Biennium

Co-Chairman:

Sen. Peter Brunstetter
District 31 (Forsyth)

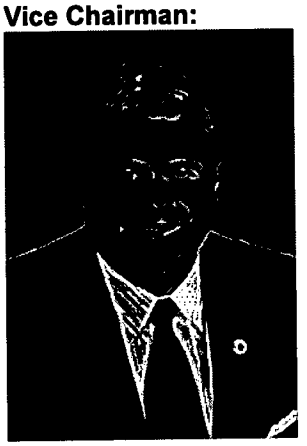
Co-Chairman:

Sen. Neal Hunt
District 15 (Wake)

Co-Chairman:

Sen. Richard Stevens
District 17 (Wake)

Vice Chairman:



Sen. Tom Apodaca
District 48 (Buncombe, Henderson, Polk)

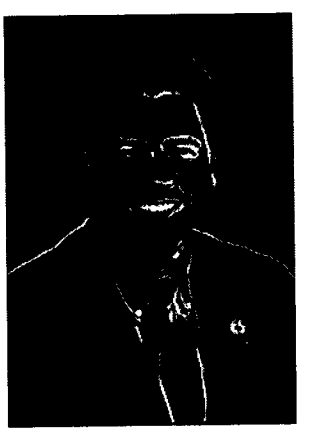
Vice Chairman:

Sen. Linda Garrou
District 32 (Forsyth)

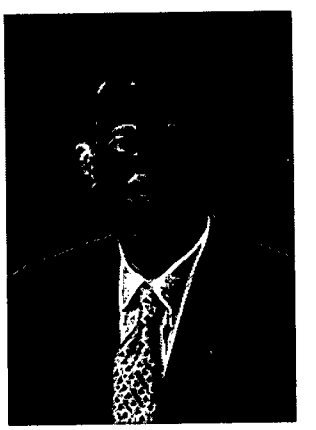
Members:

Sen. Harris Blake
District 22 (Harnett, Moore)

Sen. Dan Blue
District 14 (Wake)



Sen. Andrew Brock
District 34 (Davie, Rowan)

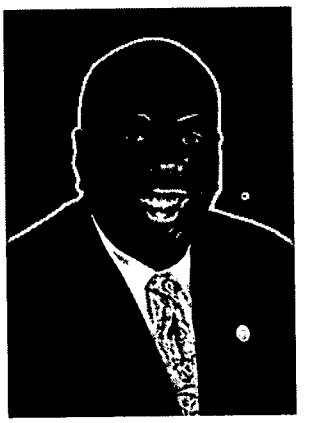


Sen. Harry Brown
District 6 (Jones, Onslow)

Senate Appropriations/Base Budget Standing Committee
North Carolina General Assembly
2011-2012 Biennium

Sen. Charlie Dannelly
District 38 (Mecklenberg)

Sen. Don East
District 30 (Alleghany,
...Stokes, Surry, Yadkin)



Sen. Malcolm Graham
District 40 (Mecklenberg)

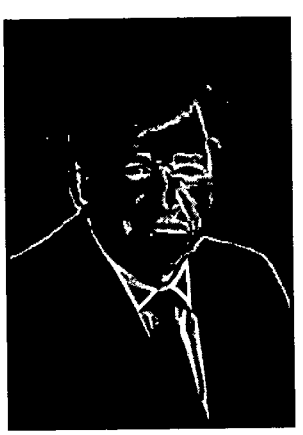
Sen. Kathy Harrington
District 43 (Gaston)

Sen. Fletcher Hartsell
District 36 (Cabarrus, Iredell)

Sen. Brent Jackson
District 10 (Duplin,
...Lenoir, Sampson)

Sen. Edward Jones
District 4 (Bertie, Chowan,
...Gates, Halifax, Hertford,
...Northampton, Perquimans)

Sen. Eleanor Kinnaird
District 23 (Orange, Person)



Sen. Martin Nesbitt, Jr.
District 49 (Buncombe)

Sen. Louis Pate
District 5 (Greene, Pitt,
...Wayne)

Sen. David Rouzer
District 12 (Johnston, Wayne)

Sen. Bob Rucho
District 39 (Mecklenburg)

Senate Appropriations/Base Budget Standing Committee
North Carolina General Assembly
2011-2012 Biennium

Sen. Jerry Tillman
District 29 (Montgomery, Randolph)

Sen. Tommy Tucker
District 35 (Mecklenburg, Union)

Sen. Michael Walters
District 13 (Hoke, Robeson)

2011-2012 Biennium

Bill	Introducer	Short Title		Latest Action	In Date	Out Date
^ "^014	**Cleveland**	**VIETNAM VETERANS AND BEIRUT MEMORIAL SIGNS.**	***S**	**Ref To Com On Appropriations/ Base Budget**	**06-10-11**	
H0022	Crawford	2011 BUDGET TECHNICAL CORRECTIONS.	*S	Pres. To Gov. 6/ 20/2011	03-29-11	06-16-11
$ H0200	**Brubaker**	**APPROPRIATIONS ACT OF 2011.**	***SR**	**Ch. SL 2011-145**	**05-05-11**	**05-24-11**
$ H0200	**Brubaker**	**APPROPRIATIONS ACT OF 2011.**	***SR**	**Ch. SL 2011-145**	**05-25-11**	**05-25-11**
$ H0200	**Brubaker**	**APPROPRIATIONS ACT OF 2011.**	***SR**	**Ch. SL 2011-145**	**05-31-11**	**05-31-11**
H0306=	Ross	TRANSFER GSC/REVISOR OF STATUTES TO GA.	*SR	Ch. SL 2011-97	05-18-11	05-18-11
H0344	Stam	TAX CREDITS FOR CHILDREN WITH DISABILITIES.	*S	Pres. To Gov. 6/ 20/2011	06-14-11	06-14-11
H0344	Stam	TAX CREDITS FOR CHILDREN WITH DISABILITIES.	*S	Pres. To Gov. 6/ 20/2011	06-14-11	06-15-11
H0351=	Lewis	RESTORE CONFIDENCE IN GOVERNMENT.	*S	Vetoed 6/23/2011	06-14-11	06-15-11
H0383=	Brubaker	EXTEND UI BENEFITS/ CONTINUING RESOLUTION.	*S	Vetoed 4/16/2011	04-12-11	04-13-11
H0642	Guice	JUSTICE REINVESTMENT ACT.	*SR	Ch. SL 2011-192	06-13-11	06-14-11
H0659	Stevens	CAPITAL PROCEDURE/ SEVERE MENTAL DISABILITY.	*S	Re-ref Com On Appropriations/ Base Budget	06-14-11	
S0006	Doug Berger	STATE HEALTH PLAN/ REFUNDS FOR NO COVERAGE.	*S	Re-ref Com On Appropriations/ Base Budget	05-05-11	
)10=	**Eric Mansfield**	**CHILDREN'S ADVOCACY CENTERS FUNDS.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**02-01-11**	
$ S0011=	**Eric Mansfield**	**NC MILITARY BUSINESS CENTER FUNDS.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**02-01-11**	
$ S0012=	**Eric Mansfield**	**TEXFI CLEANUP FUNDS.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**02-01-11**	
$ S0013	**Richard Stevens**	**BALANCED BUDGET ACT OF 2011.**	***S**	**Read**	**02-01-11**	**02-02-11**
$ S0028=	**Stan Bingham**	**FUNDS TO PREVENT INFANT MORTALITY.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**02-03-11**	
$ S0030	**Eric Mansfield**	**DEFENSE & SECURITY TECHN. ACCELERATOR FUNDS.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**02-03-11**	
S0032=	Peter S. Brunste	HOSPITAL MEDICAID ASSESSMENT/PAYMENT PROGRAM.	*SR	Ch. SL 2011-11	02-22-11	02-23-11
S0058	Peter S. Brunste	MODIFY FMAP CUTS.	*SR	Ch. SL 2011-23	02-10-11	02-23-11
S0074	Rick Gunn	COMM. COLLEGES/OPT OUT OF FED'L LOAN PROGRAM.	*S	Re-ref Com On Rules and Operations of the Senate	03-01-11	03-08-11

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2011-2012 Biennium

	Bill	Introducer	Short Title		Latest Action	In Date	Out Date
^	^^100	**Bob Atwater**	**INJURY PREVENTION FUNDS.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**02-23-11**	
	S0101	Bob Atwater	PERINATAL QUALITY CARE FUNDS.	S	Ref To Com On Appropriations/ Base Budget	02-23-11	
$	**S0102=**	**Bob Atwater**	**CHILD DEATH RESEARCH FUNDS.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**02-23-11**	
$	**S0104**	**Charlie S. Danne**	**FUNDS FOR ARTHRITIS SERVICES OF CHARLOTTE.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**02-23-11**	
	S0109	Richard Stevens	SPENDING CUTS FOR THE CURRENT FISCAL YEAR.	*SR	Ch. SL 2011-15	02-23-11	03-01-11
$	**S0116=**	**William R. Purce**	**FUNDS/NC SPECIAL OLYMPICS.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**02-24-11**	
$	**S0147**	**Fletcher L. Hart**	**PREVENT NEURAL TUBE BIRTH DEFECTS/FUNDS.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**03-01-11**	
$	**S0169**	**Fletcher L. Hart**	**STUDY INNOVATIONS/ INCENTIVES IN EDUCATION.**	**S**	**Re-ref Com On Appropriations/ Base Budget**	**04-27-11**	
$	**S0188=**	**Gladys A. Robins**	**HIGH POINT FURNITURE MARKET FUNDS.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**03-03-11**	
$	**S0196**	**Richard Stevens**	**APPROPRIATIONS ACT OF 2011.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**03-03-11**	
	!39=	**William R. Purce**	**FOOD BANK FUNDS.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**03-08-11**	
$	**S0240**	**William R. Purce**	**FUNDS/JUSTUS-WARREN TASK FORCE RECS.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**03-08-11**	
$	**S0259**	**Peter S. Brunste**	**APPROPRIATIONS ACT OF 2011.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**03-09-11**	
	S0265	Tom Apodaca	STATE HEALTH PLAN/ APPROPRIATIONS AND TRANSFER.	*S	Read	03-22-11	03-23-11
	S0296	Bob Atwater	DROPOUT RECOVERY PROGRAMS.	*S	Re-ref Com On Appropriations/ Base Budget	03-31-11	
	S0309	Brent Jackson	CONSERVATION EASEMENTS STEWARDSHIP FUNDS.	SR	Ch. SL 2011-209	03-10-11	06-02-11
	S0328=	Martin L. Nesbit	REPORT ON TRANSFER OF CAP-MR/DD UR TO LMES.	S	Re-ref Com On Appropriations/ Base Budget	04-27-11	
$	**S0334=**	**Martin L. Nesbit**	**EXPAND INPATIENT PSYCHIATRIC BEDS/ FUNDS.**	**S**	**Re-ref Com On Appropriations/ Base Budget**	**04-27-11**	
	S0335=	Martin L. Nesbit	APPLY FOR TBI MEDICAID WAIVER.	S	Re-ref Com On Appropriations/ Base Budget	04-27-11	

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2011-2012 Biennium

Bill	Introducer	Short Title		Latest Action	In Date	Out Date
^ ^^341=	**Floyd B. McKissi**	**AFRICAN-AMERICAN HERITAGE COMN FUNDS.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**03-15-11**	
$ S0342	**Neal Hunt**	**APPROPRIATIONS ACT OF 2011.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**03-15-11**	
S0363	Daniel G. Clodfe	REPEAL PRISON MAINTENANCE RESTRICTION.	S	Ref To Com On Appropriations/ Base Budget	03-17-11	
$ S0383=	**Tom Apodaca**	**TANF BLOCK GRANT FUNDS/BOYS & GIRLS CLUB.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**03-22-11**	
$ S0390	**Don Vaughan**	**UNCG/A & T/ NANOSCIENCE/ NANOENGINEERING FUNDS.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**03-23-11**	
$ S0396	**Rick Gunn**	**REPAY CIVIL PENALTY FUNDS TO SCHOOLS.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**03-23-11**	
$ S0403=	**Clark Jenkins**	**ECU DENTAL SCHOOL FUNDS.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**03-24-11**	
S0409=	Fletcher L. Hart	GLOBAL TRANSPARK GOV. REFORM & LOAN REPAYMENT.	*S	Pres. To Gov. 6/ 20/2011	06-07-11	06-08-11
S0415	William R. Purce	ELIMINATE COST/ REDUCED-PRICE SCH BREAKFAST.	*S	Pres. To Gov. 6/ 20/2011	03-24-11	06-01-11
$ S0417	**William R. Purce**	**FUNDS FOR PREVENT BLINDNESS NC.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**03-28-11**	
!48=	**Eric Mansfield**	**FUNDS/CUMBERLAND INTERN'L EARLY COLLEGE.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**03-30-11**	
S0460=	Andrew C. Brock	NONPROFITS/CRITERIA TO RECEIVE STATE FUNDS.	S	Ref To Com On Appropriations/ Base Budget	03-30-11	
S0464	Neal Hunt	DEBT REDUCTION ACT OF 2011.	SR	Ch. SL 2011-66	04-12-11	04-13-11
S0479	Jerry W. Tillman	TESTING IN THE PUBLIC SCHOOLS.	*SR	Ch. SL 2011-280	04-14-11	04-26-11
$ S0500=	**Peter S. Brunste**	**GOVERNOR'S BUDGET.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**04-05-11**	
S0542	Bob Rucho	COMMUNITY COLLEGES/E-PROCUREMENT EXEMPTION.	S	Re-ref Com On Appropriations/ Base Budget	06-07-11	
$ S0543	**Bob Rucho**	**GOOSE CREEK IBT MORATORIUM.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**04-12-11**	
S0553	Fletcher L. Hart	REESTABLISH PROGRESS BOARD.	S	Re-ref Com On Appropriations/ Base Budget	05-05-11	
S0569	Bob Rucho	COMMUNITY COLLEGE EFFICIENCY INITIATIVES.	S	Re-ref Com On Appropriations/ Base Budget	04-27-11	
S0597=	William R. Purce	BEHAVIORAL HEALTH	*SR	Ch. SL 2011-185	04-14-11	06-08-11

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2011-2012 Biennium

Bill	Introducer	Short Title		Latest Action	In Date	Out Date
		SERVICES FOR MILITARY.				
672=	**William R. Purce**	**STUDY/RADIOLOGIST ASSISTANT LICENSURE.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**04-20-11**	
S0696	Josh Stein	ADDRESS PRIMARY CARE SHORTAGE.	*S	Ref To Com On Rules, Calendar, and Operations of the House	04-20-11	06-06-11
$ S0703	**Wesley Meredith**	**NC RURAL ELECTRIFICATION AUTHORITY/FUNDS.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**04-20-11**	
S0707	Tommy Tucker	SCHOOL VIOLENCE PREVENTION ACT.	*S	Ref To Com On Judiciary Subcommittee B	06-08-11	06-13-11
S0736	Warren Daniel	NO STATE FUNDS FOR ABORTIONS.	S	Ref To Com On Appropriations/ Base Budget	04-20-11	
S0758=	Malcolm Graham	DOMESTIC VIOLENCE/ FUNDING AMENDMENTS.	S	Ref To Com On Appropriations/ Base Budget	04-20-11	
$ S0760	**Malcolm Graham**	**GANG PREVENTION/ REPORTING FUNDS.**	**S**	**Ref To Com On Appropriations/ Base Budget**	**04-20-11**	

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SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
Wednesday, February 2, 2011 at 2:30 PM
Room 643, Legislative Office Building

MINUTES

The Senate Appropriations/Base Budget Committee met at 2:30 PM on February 2, 2011, in Room 643 of the Legislative Office Building. Twenty members of the committee were present. Senator Hunt presided.

Senate Bill 13 – Balanced Budget Act of 2011.

Senator Stevens was recognized to explain the bill and moved to adopt the proposed committee substitute (PCS) for discussion. The motion carried. The PCS will provide the Governor with the power necessary to generate savings during the remaining months of this fiscal year by reducing expenditures, with a goal of four hundred million dollars. It also provides for direct transfer or withholdings from certain accounts to ensure a cash balance remains unexpended at the end of the fiscal year. Senator Brunstetter moved for a favorable report and Senator Rucho seconded it. The motion carried.

Attachment 1	Committee Membership
Attachment 2	Committee Notice
Attachment 3	Agenda
Attachment 4	Senate Bill 13
Attachment 5	PCS for S 13
Attachment 6	Summary
Attachment 7	Detailed Fiscal Impact (PCS for S 13)
Attachment 8	Visitors Log
Attachment 9	Committee Report

The meeting adjourned at 3:30 PM.

Senator Neal Hunt, Presiding

Kathy Davis, Committee Clerk

Senate Appropriations/Base Budget Standing Committee
North Carolina General Assembly
2011-2012 Biennium

Meets Tuesdays, Wednesdays, Thursdays at 8:30 AM in 643 LOB LB

MEMBERSHIP

Senator Peter Brunstetter, Co-Chairman
Room 2022-LB
733-7850

Senator Neal Hunt, Co-Chairman
Room 308-LOB
733-5850

Senator Richard Stevens, Co-Chairman
Room 309-LOB
733-5653

Senator Tom Apodaca, Vice Chairman
Room 2010-LB
733-5745

Senator Linda Garrou, Vice Chairman
Room 620-LOB
733-5620

Senator Harris Blake
Room 408-LOB
733-4809

Senator Dan Blue
Room 1117-B
733-5752

Senator Andrew Brock
Room 623-LOB
715-0690

Senator Harry Brown
Room 300A-LOB
715-3034

Senator Charlie Dannelly
Room 1127-LB
733-5955

Senator Don East
Room 522-LOB
733-5743

Senator Malcolm Graham
Room 622-LOB
733-5650

Senator Kathy Harrington
Room 2113-LB
733-5734

Senator Fletcher Hartsell
Room 300-B LOB
733-7223

Senator Brent Jackson
Room 525-LOB
733-5705

Senator Edward Jones
Room 518-LOB
715-3032

Senator Martin Nesbitt, Jr.
Room 1129-LB
715-3001

Senator Louis Pate
Room 406-LOB
733-5621

Senator Bob Rucho
Room 300C-LOB
733-5655

Senator Tommy Tucker
Room 311-LOB
733-7659

Senator Michael Walters
Room 1118-LB
733-5651

Committee Assistant:

Kathy Davis
Mary Marchman

Research Staff:

Cody Hand, Counsel/Appropriations
Susan Morgan
Evan Rodewald

ATTACHMENT 2

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	February 2, 2011	2:30 PM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
SB 13	Balanced Budget Act of 2011.	Senator Hunt Senator Brunstetter Senator Stevens

Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

ATTACHMENT 3

Senate Appropriations/Base Budget Committee
Wednesday, February 2, 2011, 2:30 PM
643 LOB

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

SB 13	Balanced Budget Act of 2011.	Senator Hunt Senator Brunstetter Senator Stevens

Presentations

Other Business

Adjournment

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

S 1

SENATE BILL 13

Short Title:	Balanced Budget Act of 2011.	(Public)
Sponsors:	Senators Stevens, Brunstetter, Hunt; Blake, Brown, Goolsby, Hise, Jackson, Preston, and Tucker.	
Referred to:	Appropriations/Base Budget.	

February 1, 2011

A BILL TO BE ENTITLED

AN ACT TO ENACT THE BALANCED BUDGET ACT OF 2011.

The General Assembly of North Carolina enacts:

TITLE OF ACT

SECTION 1. This act shall be known as the "Balanced Budget Act of 2011."

AUTHORITY FOR THE GOVERNOR TO REDUCE EXPENDITURES

SECTION 2. Notwithstanding the State Budget Act or any other provision of law, the Director of the Budget is authorized to take all actions necessary to reduce General Fund expenditures for the remainder of fiscal year 2010-2011. This grant of authority includes all powers to balance the budget granted the Governor under Article III, Section 5 of the Constitution. For the remainder of the 2010-2011 fiscal year, the Director of the Budget shall exercise these powers with a goal of reducing expenditures by at least four hundred million dollars ($400,000,000).

EFFECTIVE DATE

SECTION 3. This act is effective when it becomes law and applies to fiscal year 2010-2011 only.

- Original -

ATTACHMENT 5

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

S D

SENATE BILL 13
PROPOSED COMMITTEE SUBSTITUTE S13-CSMA-1 [v.1]

Short Title: Balanced Budget Act of 2011. (Public)

Sponsors:

Referred to:

February 1, 2011

A BILL TO BE ENTITLED

AN ACT TO ENACT THE BALANCED BUDGET ACT OF 2011.

The General Assembly of North Carolina enacts:

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CHANGES TO THE 2010-2011 AVAILABILITY STATEMENT

SECTION 3. Section 2.2(a) of S.L. 2010-31 reads as rewritten:

"**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 FY 2009-2010 Beginning Unreserved Fund 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~~Availability	
Internal Revenue Code Conformity	(7,700,000)
Unemployment Insurance Refundable Tax Credit	(34,100,000)
Increase Sales Tax Prepayment Threshold	(7,000,000)
Relieve Annual Report Compliance Burden on Small Businesses	(400,000)
Fair Tax Penalties	0
Extend Sunsets on Various Tax Incentives	(3,500,000)
Improve Tax and Debt Collection Process	3,000,000
Modernize Sales Tax on Accommodations	1,700,000
Modernize Admissions Tax and Restore Amenities Exclusion	(700,000)
Reserve for Pending Finance Legislation	(9,800,000)
Reduce Franchise Tax Burden on Construction Companies	(1,500,000)
Department of Revenue Settlement Initiative	110,000,000
Disproportionate Share	35,000,000
Loss of Estate Tax Revenues for FY 2010-2011	(85,000,000)
Increase Justice and Public Safety Fees	13,930,670
Transfer from the Health and Wellness Trust Fund	~~5,397,000~~
	17,045,800
Transfer Aviation from Department of Commerce to Department of Transportation	(500,000)
Transfer from Wildlife Resources Commission	~~3,000,000~~
	8,000,000
Divert Funds from Scrap Tire Disposal Account	2,500,000
Divert Funds from White Goods Fund	1,200,000
Transfer from Mercury Pollution Prevention Fund	2,250,000
Transfer from Bladen Lakes Special Fund	150,000
Transfer from DACS – N.C. State Fair	1,000,000
Transfer from ECU Magnetic Resonance Imaging Lease and Equipment Fund	1,000,000
Adjust Transfer from Insurance Regulatory Fund	(2,176,454)
Transfer from Motorfleet Internal Services Fund	14,000,000
Transfer from Golden LEAF Funds	67,563,760
Transfer from Tobacco Trust Fund	2,800,000

Various Budget Fund Transfers to General Fund

Budget Code	Fund Code	Description	
24667		Information Technology Fund	1,000,000
74660		Information Technology Internal Service Fund	7,586,800
24669		ITS Wireless Fund	5,000,000
66012		Cap University Cancer Research Fund at $50M	4,700,000
74500	7100	Correction Enterprise Fund	3,000,000
24609	2560	One North Carolina Fund	5,208,333
		Department of Agriculture & Consumer Services (various	

		special funds)	1,500,000
23700	2108	Farmland Preservation Trust Fund	1,800,000
54600	5881	Alcoholic Beverage Control Commission Fund	950,000
24609	2567	Industrial Development Utility	2,500,000
19013		Job Development Investment Grants (JDIG)	3,000,000
24300	2911	SWC CREP/Expansion	500,000
24300	2865	Aquariums Special Fund	1,500,000
24309	2235	Parks and Recreation Trust Fund	8,500,000
14600	1831	Industrial Commission (over-realized receipts)	1,000,000
24100	2514	E-Commerce Reserve	4,630,891
		General Assembly Reserve	1,901,522
13085	1900	Department of Insurance Reserve	1,150,693
		Subtotal Adjustments to ~~Availability: Senate Bill 897~~Availability	**~~41,751,216~~184,192,015**
		Revised General Fund Availability	**~~18,981,762,494~~19,124,203,293**
		Less General Fund Appropriations	**18,958,293,337**
		Balance Remaining	**~~23,469,157~~165,209,081**".

TRANSFER GOLDEN LEAF FUNDS

SECTION 4.(a) Pursuant to Section 2(b) of S.L. 1999-2, the fifty percent (50%) of the 2011 annual installment payment to the North Carolina State Specific Account that would have been transferred to The Golden L.E.A.F. (Long-Term Economic Advancement Foundation), Inc., is transferred to a General Fund account within the Settlement Reserve Fund to be used to support General Fund appropriations for the 2010-2011 fiscal year. The Attorney General shall take all necessary actions to notify the court in the action entitled State of North Carolina v. Philip Morris Incorporated, et al., 98 CVS 14377, in the General Court of Justice, Superior Court Division, Wake County, North Carolina, and the administrators of the State Specific Account established under the Master Settlement Agreement of this action by the General Assembly redirecting the payment set forth in this section.

SECTION 4.(b) A General Fund Account is established in the Settlement Reserve Fund. In 2011, the portion of the Master Settlement Agreement payment identified in Section 6(1) of S.L. 1999-2 shall be credited to the General Fund Account. The State Controller shall transfer all funds in the General Fund Account to the General Fund.

SECTION 4.(c) Funds allocated from the General Fund Account to the General Fund shall be deposited in Nontax Budget Code 19978 (Intrastate Transfers) to support General Fund appropriations for the 2010-2011 fiscal year.

TRANSFER HEALTH AND WELLNESS TRUST FUNDS

SECTION 5. Section 2.2(i) of S.L. 2009-451, as rewritten by Section 2.2(f) of S.L. 2010-31, reads as rewritten:

"**SECTION 2.2.(i)** Notwithstanding G.S. 143C-9-3, of the funds credited to the Health Trust Account, the sum of ~~ten million three hundred ninety-seven thousand dollars ($10,397,000)~~twenty-two million forty-five thousand eight hundred dollars ($22,045,800) that would otherwise be deposited in the Fund Reserve shall be transferred from the Department of State Treasurer, Budget Code 23460 (Health and Wellness Trust Fund), to the State Controller to be deposited in Nontax Budget Code 19978 (Intrastate Transfers) to support General Fund appropriations for the ~~2009-2010 and~~ 2010-2011 fiscal ~~years.~~year. These funds shall be transferred on or after April 30, 2010."

TRANSFER TOBACCO TRUST FUNDS

SECTION 6. Section 2.2(h) of S.L. 2009-451, as rewritten by Section 2.2(i) of S.L. 2010-31, 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)~~seven million eight hundred thousand dollars ($7,800,000) shall be transferred from the Department of Agriculture and Consumer Services, Budget Code 23703 (Tobacco Trust Fund), to the State Controller to be deposited in Nontax Budget Code 19978 (Intrastate Transfers) to support General Fund appropriations for the 2010-2011 fiscal year. These funds shall be transferred on or after April 30, 2011."

EFFECTIVE DATE

SECTION 7. This act is effective when it becomes law and applies to fiscal year 2010-2011 only.

SENATE BILL 13:
Balanced Budget Act of 2011

2011-2012 General Assembly

Committee:	Senate Appropriations/Base Budget	**Date:**	February 2, 2011
Introduced by:	Sens. Stevens, Brunstetter, Hunt	**Prepared by:**	Mikael Gross Committee Counsel
Analysis of:	First Edition		

SUMMARY: ***This proposed committee substitute will provide the Governor with the power necessary to generate saving during the remaining months of this fiscal year by reducing expenditures, with a goal of four hundred million dollars ($400,000,000). The proposed committee substitute also provides for direct transfers or withholdings from certain accounts to ensure a cash balance remains unexpended at the end of the fiscal year.***

CURRENT LAW: The Governor can effect economies in the State's budget when a fiscal emergency arises during the current fiscal year. The Governor has used this authority to order 2.5% hold back on all state agencies to ensure the current year's budget will be balanced

BILL ANALYSIS: This bill will provide the necessary power and direction to the Governor to effect certain economies in the State's budget for this fiscal year and will create a cash balance in availability as a carry forward for the 2011-12 fiscal year.

Section 1 of the proposed committee substitute provides the Governor with the necessary authority to hold back unexpended funds and sets a goal of cutting four hundred million dollars ($400,000,000) in recurring expenditures.

Section 2 of the proposed committee substitute transfers sixty million four hundred thousand ($60,400,000) in cash balances and eighty-two million ($82,000,000) in transfers of unexpended revenues from dedicated trust funds (Golden LEAF, Health and Wellness Trust Fund and Tobacco Trust Fund) to the General Fund.

Section 3 of the proposed committee substitute provides the technical language required for the transfer of the Golden LEAF funds as required by the Consent Order in *State of North Carolina v. Phillip Morris Incorporated, et al.*, 98 CVS 14377, in the General Court of Justice, Wake County, North Carolina.

Section 4 of the proposed committee substitute provides the technical language required for the transfer of the Health and Wellness Trust Fund funds.

Section 5 of the proposed committee substitute provides the technical language required for the transfer of the Tobacco Trust Fund funds.

EFFECTIVE DATE: The effective date of this act is when it becomes law. It will apply only to the current 2010-2011 fiscal year budget.

S13-SMMA-2(e1) v1

Senate Appropriations Committee
February 2nd, 2011

1	**Balanced Budget Act of 2011 - Proposed Committee Substitute S13**		
2			
3	**Changes to the 2010-11 Availability Statement**		
4	Information Technology Fund	1,000,000	
5	Information Technology Fund (Internal Service Fund)	7,586,800	
6	Information Technology Services -Wireless Fund	5,000,000	
7	Cap Cancer Research Fund (Maintains $50 million in the Fund)	4,700,000	
8	Correction Enterprises	3,000,000	
9	One North Carolina	5,208,333	
10	Agriculture and Consumer Services Special Funds	1,500,000	
11	Farmland Preservation Trust Fund	1,800,000	
12	Alcoholic Beverage Control (ABC) Commission	950,000	
13	Industrial Development Utility	2,500,000	
14	Job Development Investment Grants (JDIG)	3,000,000	
15	Soil and Water Conservation Special Funds-(Conservation Reserve Enhancement Program)	500,000	
16	Aquariums Special Fund	1,500,000	
17	Parks and Recreational Trust Fund	8,500,000	
18	Industrial Commission (over realized receipts)	1,000,000	
19	E-Commerce Reserve	4,630,891	
20	General Assembly Reserve	1,901,522	
21	Department of Insurance Reserve	1,150,693	
	Wildlife Resources Commission (Increase Transfer)	5,000,000	
	Subtotal Cash Balance Transfers To the General Fund	**$ 60,428,239**	
24			
25	Golden Leaf Funds (Section 4)	67,563,760	
26	Health and Wellness Trust Funds (Section 5)	11,648,800	
27	Tobacco Trust Funds (Section 6)	2,800,000	
28	**Subtotal**	**$ 82,012,560**	
29			
30	**Total 2010-11 Availability Adjustments (Senate Bill 13)**		**$ 142,440,799**
31	**Session Law 2010-123 (2010 Budget Bill) Unappropriated Balance**		**$ 22,768,282**
32	**Revised Balance Remaining**		**$ 165,209,081**
33			
34			
35	**Other Items (No Impact to the 2009-10 Availability Statement)**		
36			
37	FY 2009-10 Reversions (Senate Bill 13 - Section 2)		**$ 400,000,000**
38	Year-End Credit Balance FY 2009-10*		**$ 236,902,393**
39	**Total Other Items**		**$ 636,902,393**
40			
41	**Total From All Sources**		**$ 802,111,474**
42			
43	*The size of the credit balance is a result of the early receipt of federal funds, and may be impacted by potential repayment of those funds.		

ATTACHMENT 8

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — February 2, 2011
Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Fawn Pattison	Toxic Free NC, Raleigh NC
Carl Howell	DEPT of State Treasurer
JOHN PEERSON	NCEDA
Sarah Ovaska	NC Policy Watch
Tommy Clark	NCWRC
Jonah Garson	Sen. Kinnaird
John Martin	NWC
Katherine Joyce	NCASA
ALAN BRIGGS	NC Food Banks
Jon Carr	Jordan Price Law Firm
Cody Thomas	NCAR

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — February 2, 2011

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Kristi Horton	DHHS
[signature]	FRA
Will Marsh	Sierra Club
Beau Memory	DOT
DON HUBBARD	Governor
[signature]	NCED
Christie Barbee	CAPA
Andrea Bean	City of Wilmington
	/

[redacted] VISITOR REGISTRATION SHEET

Name of Committee: BUDGET

Date: ~~January 18, 2011~~

02.02.11

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Doug Miskew	PSG
Gene Causby	NCSCA
Emilyn Hawthorne	DOR
Ballard Everett	BEA
Carrie Hardy	Executive Office of the Governor
Lesley Cates	NCLM
Rita Harris	Commerce.
[illegible]	Misc
Joni Allen	BEGINNINGS

VISITOR REGISTRATION SHEET

Name of Committee:

Date:
January 18, 2011

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Tim Crowley	Commerce
Christy Agner	DOA
Monica Yelverton	Governmental Affairs
Thomas C. Caves, Jr.	NC Dept. of Crime Control & Public Safety
Carl Dean	OSP
James Dean	visitor
Virginia Annuñez	Harrell & Assoc.
Crosby McMillan	NC conservation network.
Colleen Healy	NC Conservation Network

VISITOR REGISTRATION SHEET

Name of Committee: BUDGET

Date:
~~January 18, 2011~~

02.02-11

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Peggie Hollowy	Longmire Group
Yolanda Stith	Longmire Group
L E Rogers	CLWMTF
[illegible]	TFC
Anita Watkins	UNC GA
Eric Schultpeter	UNC-CH
Jennifer Wills	NCCCS
TRACY COLVARD	AHHC
[illegible]	NCALHD
Harry Lyles	MWC

VISITOR REGISTRATION SHEET

Name of Committee: App/Base Budget

Date: ~~January 18, 2011~~ 2-2-11

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Dallas Woodhouse	Taxpayer
Kellie Sloggy	JLF
Joey Stansbury	Sen. Tucker
Chuck [illegible]	SEANC
Sam Taylor	Gov's Office
Chrissy Pearson	Gov's OFFICE
Ben Niolet	Gov's Office
Kevin Arkell	DOC
C Penne	OSBM

VISITOR REGISTRATION SHEET

Name of Committee: App/Base

Date: ~~January 18, 2011~~ 2-2-11

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Peter Rabe	American Rivers
Mark Lanier	UNCW
Chloe Grossman	NCACC
Lavisa Warren	NCJC
Kevin FitzGerald	UNC
Mark Johnson	Gov's office

VISITOR REGISTRATION SHEET

Name of Committee:

Date:
January 18, 2011

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Ray Starling	NCDA+CS
Joy Hicks	NCDA&CS
TOM CONS	TNC
SUSAN BROOKS	IDS / SENTENCING SERVICES
KATHY JOHNSON	SENTENCING SERVICES
Abigail Hammond	NCIC
Kari Barsness	NCDENR
Cathy Hardy	NCDENR
Shivaugn Rayl	Sustainable Food NC PO Box 445 Pittsboro NC 27312

ATTACHMENT 9

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

Wednesday, February 02, 2011

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

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO COMMITTEE SUBSTITUTE BILL

S.B. **13** Balanced Budget Act of 2011.

Draft Number:	35037
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	No

TOTAL REPORTED: 1

Committee Clerk Comments:

Senator Stevens will speak on the bill

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
Wednesday, February 23, 2011 at 1:00 PM
Room 1027, Legislative Building

MINUTES

The Senate Appropriations/Base Budget Committee met at 1:00 PM on February 23, 2011, in Room 1027 of the Legislative Building. 13 members of the committee were present. Senator Hunt presided. Senator Hunt called the meeting to order and recognized the Sergeant at Arms' staff and Pages.

Senator Hunt introduced Senator Brunstetter to explain **Senate Bill 32: Modify FMAP Cuts/Auth. Use of Credit Balance**

An act to provide for hospital assessments to be used to obtain matching federal Medicaid funds to reduce the losses hospitals sustain when treating Medicaid and uninsured patients, to reduce the inequity in Medicaid payments between public and nonpublic hospitals, and to provide forty-three million dollars in additional funding for the State of North Carolina.

Senator Tillman moved for a favorable report. The motion carried.

Senator Hunt again introduced Senator Brunstetter to explain **Senate Bill 58: Hospital Medicaid Assessment/Payment Program**

An act modifying the FMAP cuts in the 2010-2011 state budget and authorizing the Governor to address Medicaid Liabilities incurred in the 2009-2010 fiscal year.

Senator Brown moved for a favorable report. The motion carried.

Attachments:

1. Committee Notice
2. Agenda
3. SB 32
4. SB 58
5. Visitor's Log
6. Committee Report

The meeting adjourned at 1:13.

Senator Neal Hunt, Presiding

Kathy Davis, Committee Clerk

ATTACHMENT 1

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	February 23, 2011	1:00 PM	1027 LB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
SB 58	Modify FMAP Cuts/Auth. Use of Credit Balance.	Senator Hunt Senator Brunstetter Senator Stevens

Please note time and location change

Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

ATTACHMENT 2

Senate Appropriations/Base Budget Committee
Wednesday, February 23, 2011, 1:00 PM
1027 LB

AGENDA

Welcome and Opening Remarks

Introduction of Pages and Sergeant. at Arms

Bills

SB 32	Hospital Medicaid Assessment/Payment Program.	Senator Clodfelter Senator Brunstetter
SB 58	Modify FMAP Cuts/Auth. Use of Credit Balance.	Senator Hunt Senator Brunstetter Senator Stevens

Presentations

Other Business

Adjournment

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

SENATE BILL 32
Finance Committee Substitute Adopted 2/22/11

Short Title: Hospital Medicaid Assessment/Payment Program. (Public)

Sponsors:

Referred to:

February 3, 2011

A BILL TO BE ENTITLED

AN ACT TO PROVIDE FOR HOSPITAL ASSESSMENTS TO BE USED TO OBTAIN MATCHING FEDERAL MEDICAID FUNDS TO REDUCE THE LOSSES HOSPITALS SUSTAIN WHEN TREATING MEDICAID AND UNINSURED PATIENTS, TO REDUCE THE INEQUITY IN MEDICAID PAYMENTS BETWEEN PUBLIC AND NONPUBLIC HOSPITALS, AND TO PROVIDE FORTY-THREE MILLION DOLLARS IN ADDITIONAL FUNDING FOR THE STATE OF NORTH CAROLINA.

The General Assembly of North Carolina enacts:

SECTION 1. Chapter 108A of the General Statutes is amended by adding a new Article to read:

"Article 7.
"Hospital Provider Assessment Act.

"**§ 108A-120. Short title and purpose.**

This Article shall be known as the 'Hospital Provider Assessment Act.' The assessments imposed by this Article are to provide revenue to improve funding for payments for hospital services provided to Medicaid and uninsured patients. All assessment proceeds and corresponding matching federal funds must be used to make the payments required under G.S. 108A-124. This Article does not authorize a political subdivision of the State to license a hospital for revenue or impose a tax or assessment on a hospital.

"**§ 108A-121. Definitions.**

The following definitions apply in this Article:

(1) CMS. – Centers for Medicare and Medicaid Services.
(2) Critical access hospital. – Defined in 42 C.F.R. § 400.202.
(3) Department. – The Department of Health and Human Services.
(4) Equity assessment. – The assessment payable under G.S. 108A-123.
(5) Medicaid equity payment. – The amount required to be paid under G.S. 108A-124.
(6) Public hospital. – A hospital that certifies its public expenditures to the Department pursuant to 42 C.F.R. § 433.51(b) during the fiscal year for which the assessment applies.
(7) Secretary. – The Secretary of Health and Human Services.
(8) State's annual Medicaid payment. – Forty-three million dollars ($43,000,000).
(9) Total hospital costs. – The costs as calculated using the most recent available Hospital Cost Report Information Systems cost report data, available through CMS, or other comparable data.

(10) Upper pay limit (UPL). – The maximum ceiling imposed by federal regulation on hospital Medicaid payments under 42 C.F.R. § 447.272 for inpatient services.
(11) UPL assessment. – The assessment payable under G.S. 108A-123.
(12) UPL gap. – The difference between the UPL attributable to hospital inpatient services and the reasonable costs of inpatient hospital services as defined in Section (f)(2)(A) on page 11 of Attachment 4.19-A of the State Medicaid Plan as approved on December 15, 2005.
(13) UPL payment. – The amount required to be paid under G.S. 108A-124.

"**§ 108A-122. Assessment.**

(a) Assessment Imposed. – Except as provided in this section, the assessments authorized under this Article are imposed as a percentage of total hospital costs on all licensed North Carolina hospitals. The assessments are due quarterly in the time and manner prescribed by the Secretary. Payment of an assessment is considered delinquent if not paid within seven days of the due date. With respect to any past-due assessment, the Department may withhold the unpaid amount from Medicaid payments otherwise due or impose a late-payment penalty. The Secretary may waive a penalty for good cause shown.

(b) Allowable Cost. – An assessment paid under this Article may be included as allowable costs of a hospital for purposes of any applicable Medicaid reimbursement formula. An assessment imposed under this Article may not be added as a surtax or assessment on a patient's bill.

(c) Full Exemption. – The following hospitals are exempt from both the equity assessment and the UPL assessment:
(1) State-owned and State-operated hospitals.
(2) The primary affiliated teaching hospital for each University of North Carolina medical school.
(3) Critical access hospitals.
(4) Long-term care hospitals.
(5) Freestanding psychiatric hospitals.
(6) Freestanding rehabilitation hospitals.

(d) Partial Exemption. – A public hospital is exempt from the equity assessment.

"**§ 108A-123. Assessment amount.**

(a) Annual Calculation. – The Secretary must annually calculate the equity assessment amount and the UPL assessment amount for each hospital subject to the respective assessment. Each assessment must comply with applicable federal regulations and may be prorated for any partial year. The Secretary must notify each hospital that is assessed the amount of its UPL assessment and, if applicable, its equity assessment. The notice must include all of the following:
(1) The applicable assessment rates.
(2) The hospital costs on which the hospital's assessments are based.
(3) The elements of the calculation of the hospital's UPL.

(b) Equity Assessment. – The equity assessment consists of both inpatient and outpatient components. The equity assessment percentage rate must be calculated to produce an aggregate annual amount equal to the following:
(1) The amount needed to make the Medicaid equity payments under G.S. 108-124.
(2) The applicable portion of the State's annual Medicaid payment, as provided in subsection (d) of this section.

(c) UPL Assessment. – The UPL assessment consists of both inpatient and outpatient components. The UPL assessment percentage rate must be calculated to produce an aggregate annual amount equal to the following:

(1) The amount needed to make the UPL payments under G.S. 108A-124.
(2) The applicable portion of the State's annual Medicaid payment, as provided in subsection (d) of this section.

(d) State's Annual Medicaid Payment. – The State's annual Medicaid payment must be allocated between the equity assessment and the UPL assessment based on the amount of gross payments received by hospitals under G.S. 108A-124.

(e) Appeal. – A hospital may appeal an assessment determination through a reconsideration review. The pendency of an appeal does not relieve a hospital from its obligation to pay an assessment amount when due.

"**§ 108A-124. Use of assessment proceeds.**

(a) Use. – The proceeds of the assessments imposed under this Article and all corresponding matching federal funds must be used to make the State annual Medicaid payment to the State and the Medicaid equity payments and UPL payments to hospitals.

(b) Quarterly Payments. – Within seven days of the due date for each quarterly assessment imposed under G.S. 108A-123, the Secretary must do the following:

(1) Transfer to the State Controller twenty-five percent (25%) of the State's annual Medicaid payment amount.
(2) Pay to each hospital that has paid its equity assessment for the respective quarter twenty-five percent (25%) of its Medicaid equity payment amount. A hospital's Medicaid equity payment amount is the sum of the hospital's Medicaid inpatient and outpatient deficits after calculating all other Medicaid payments, excluding disproportionate share hospital payments and the UPL payment remitted to the hospital under subdivision (3) of this subsection.
(3) Pay to the primary affiliated teaching hospital for the East Carolina University Brody School of Medicine, to the critical access hospitals, and to each hospital that has paid its UPL assessment for the respective quarter twenty-five percent (25%) of its UPL payment amount, as determined under subsection (c) of this section.

(c) UPL Payment Amount. – The aggregate UPL payments made to eligible hospitals that are public hospitals is the sum of the UPL gaps for all public hospitals. The aggregate UPL payments made to eligible hospitals that are not public hospitals is the sum of the UPL gaps for these hospitals. UPL payments are payable to the individual hospitals in the ratio of each hospital's Medicaid inpatient costs to the total Medicaid inpatient costs for the respective group.

(d) Refund of Assessment. – If all or any part of a payment required to be made under this section is not made to one or more hospitals when due, the Secretary must promptly refund to each such hospital the corresponding assessment proceeds collected in proportion to the amount of assessment paid by that hospital.

"**§ 108A-125. Deferral of assessment due date.**

In the event the data necessary to calculate the assessments required under G.S. 108A-123 or the payments required under G.S. 108A-124 is not available to the Secretary in time to impose the quarterly assessments for a payment year, the Secretary may defer the due date for the assessments and payments to a subsequent quarter.

"**§ 108A-126. Approval of assessment program.**

The Department must file a State plan amendment with the CMS that incorporates the assessment payments and distributions consistent with the provisions of this Article. Upon CMS approval, the Secretary may impose the initial assessment retroactive to the first day of the quarter in which the State Plan amended was filed, provided the Secretary remits the corresponding payments to hospitals required under G.S. 108A-124 for that quarter. If CMS approves only one component of the equity assessment, the Secretary may adjust the percentage rate on the approved component to produce the required aggregate Medicaid equity

payment amounts under G.S. 108A-124. If CMS approves only one component of the UPL assessment, the Secretary may adjust the percentage rate on the approved component to produce the required aggregate UPL payment amounts under G.S. 108A-124. The Secretary may adopt rules as necessary to implement the assessment program under this Article.

"**§ 108A-127. Repeal.**

The authority to impose an assessment under this Article is repealed in the event that CMS determines that the assessment or payment methodologies described in this Article are impermissible or CMS revokes approval of any portion of the State Plan amendment authorizing the payments required under G.S. 108A-124."

SECTION 2. The Department of Health and Human Services must file with the Centers for Medicare and Medicaid Services a State Plan amendment as required under Article 7 of Chapter 108A of the General Statutes, as enacted by this act, by March 31, 2011.

SECTION 3. This act is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

S 1

SENATE BILL 58

Short Title:	Modify FMAP Cuts/Auth. Use of Credit Balance.	(Public)
Sponsors:	Senators Brunstetter, Hunt, and Stevens.	
Referred to:	Appropriations/Base Budget.	

February 10, 2011

A BILL TO BE ENTITLED

AN ACT MODIFYING THE FMAP CUTS IN THE 2010-2011 STATE BUDGET AND AUTHORIZING THE GOVERNOR TO ADDRESS MEDICAID LIABILITIES INCURRED IN THE 2009-2010 FISCAL YEAR.

The General Assembly of North Carolina enacts:

NO REDUCTION IN MEDICAID PROVIDER RATES TO BACKFILL FMAP FUNDS

SECTION 1. Notwithstanding Section 2.3 of S.L. 2010-31, as amended by Section 1.3 of S.L. 2010-123, neither the Director of the Budget nor the Department of Health and Human Services shall reduce reimbursement rates paid to service providers in the Medicaid program to backfill FMAP funds for the 2010-2011 fiscal year.

NO REDUCTION IN RETIREMENT SYSTEM CONTRIBUTIONS TO BACKFILL FMAP FUNDS

SECTION 2. Effective July 1, 2010, Section 6(c) of S.L. 2009-16, as amended by Section 26.20(b) of S.L. 2009-451 and Section 2.3(h) of S.L. 2010-31, reads as rewritten:

"**SECTION 6.(c)** Effective July 1, 2010, the State's employer contribution rates budgeted for reserves, retirement and related benefits as percentage of covered salaries for the 2010-2011 fiscal year are: (i) ~~nine and fifteen hundredths percent (9.15%)~~ ten and fifty-one hundredths percent (10.51%) – Teachers and State Employees; ~~plus one and thirty six hundredths percent (1.36%) to a reserve in the Office of State Budget and Management to be transferred to the Retirement System only if not needed as an adjustment as required by Section 2.3(b)(7) of Senate Bill 897, 2009 Regular Session;~~ (ii) ~~fourteen and fifteen hundredths percent (14.15%)~~ fifteen and fifty-one hundredths percent (15.51%) – State Law Enforcement Officers; ~~plus one and thirty six hundredths percent (1.36%) to a reserve in the Office of State Budget and Management to be transferred to the Retirement System only if not needed as an adjustment as required by Section 2.3(b)(7) of Senate Bill 897, 2009 Regular Session;~~ (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."

AUTHORIZATION TO ADDRESS MEDICAID LIABILITIES INCURRED IN THE 2009-2010 FISCAL YEAR

SECTION 3. Notwithstanding Chapter 143C of the General Statutes, of the funds in the unreserved credit balance on June 30, 2010, up to the sum of one hundred twenty-five million dollars ($125,000,000) may be used to address Medicaid liabilities incurred in the 2009-2010 fiscal year, and funds are hereby appropriated for this purpose. The Director of the Budget shall report on the implementation of this section to the chairs of the Senate and House of Representatives Appropriations Committees and the Fiscal Research Division by October 1, 2011.

EFFECTIVE DATE

SECTION 4. This act is effective when it becomes law.

ATTACHMENT 5

VISITOR REGISTRATION SHEET

Joint Appropriations/Base Budget
Name of Committee

February 23, 2011
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
John Metcalf	Policy Group
Emily Grimm	MWC
[signature]	NCANPHA
[signature]	NCANPHA
[signature]	J Warren + Assoc.
Steve Owen	DMA
C. Gray	DMA
[signature]	Bore + Assoc.
Barbara A. Carsley	BSBC
John Bowdish	Astra Zeneca
BJ Miller	Moses Cone

VISITOR REGISTRATION SHEET

Joint Appropriations/Base Budget
Name of Committee

February 23, 2011
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Heather Barnett	Williams Mullen
Amy Whited	NC medical Society
Erin Schweppe	UNC-CH
Kay Paksoy	NASW-NC

ATTACHMENT 6

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

Wednesday, February 23, 2011

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

FAVORABLE

S.B.(CS #1) **32** Hospital Medicaid Assessment/Payment Program.
Sequential Referral: Appropriations/Base Budget
Recommended Referral: None

S.B. **58** Modify FMAP Cuts/Auth. Use of Credit Balance.
Sequential Referral: None
Recommended Referral: None

TOTAL REPORTED: 2

Committee Clerk Comments:

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
Tuesday, March 1, 2011 at 12:00 PM
Room 1124, Legislative Building

MINUTES

The Senate Appropriations/Base Budget Committee met at 12:00 PM on March 1, 2011, in Room 1124 of the Legislative Building. Fourteen members of the Committee were present. Senator Richard Stevens presided. Senator Stevens called the meeting to order and recognized the Sergeant-at-Arms and the Pages.

Senator Stevens introduced Senator Neal Hunt to explain **Senate Bill 109**: AN ACT TO REQUIRE THE GOVERNOR TO CUT SPENDING FOR THE CURRENT FISCAL YEAR. Senator Apodaca moved for a favorable report. The motion carried.

Attachments:
1. Committee Notice
2. Agenda
3. SB 109
4. Visitor's Log
5. Committee Report

The meeting adjourned at 12:11.

Richard J. Stevens
Senator Richard Stevens ,Presiding

Mary Marchman
Mary Marchman, Committee Clerk

ATTACHMENT 1

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 1, 2011	12:00 PM	1124 LB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
SB 109	Spending Cuts for the Current Fiscal Year.	Senator Hunt Senator Brunstetter Senator Stevens

Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

ATTACHMENT 2

Senate Appropriations/Base Budget Committee
Tuesday, March 1, 2011, 12:00 PM
1124 LB

AGENDA

Welcome and Opening Remarks

Introduction of Pages and Sergeant-at Arms

Bills

SB 109	Spending Cuts for the Current Fiscal Year.	Senator Hunt Senator Brunstetter Senator Stevens

Presentations

Other Business

Adjournment

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

S 1

SENATE BILL 109

Short Title:	Spending Cuts for the Current Fiscal Year.	(Public)
Sponsors:	Senators Stevens, Brunstetter, Hunt; Allran, Bingham, Blake, Brock, Brown, Clary, Daniel, Davis, East, Forrester, Goolsby, Gunn, Harrington, Hartsell, Hise, Jackson, Meredith, Newton, Pate, Rabon, Rouzer, and Soucek.	
Referred to:	Appropriations/Base Budget.	

February 23, 2011

A BILL TO BE ENTITLED

AN ACT TO REQUIRE THE GOVERNOR TO CUT SPENDING FOR THE CURRENT FISCAL YEAR.

The General Assembly of North Carolina enacts:

DIRECTION TO THE GOVERNOR TO REDUCE EXPENDITURES

SECTION 1.(a) Except as provided in subsection (b) of this section and notwithstanding the State Budget Act or any other provision of law, the Director of the Budget shall increase General Fund availability for the 2011-2012 fiscal year by the sum of five hundred thirty-seven million seven hundred forty thousand seven hundred ninety-nine dollars ($537,740,799) by:

(1) Taking all actions necessary to reduce General Fund expenditures for the remainder of the 2010-2011 fiscal year. This grant of authority includes all powers to balance the budget granted the Governor under Article III, Section 5 of the North Carolina Constitution.

(2) Identifying funds in non-General Fund accounts for transfer to the General Fund on June 30, 2011.

SECTION 1.(b) This section does not apply to funds available to the Judicial Branch or the Legislative Branch.

EFFECTIVE DATE

SECTION 2. This act is effective when it becomes law and applies to the 2010-2011 fiscal year only.

ATTACHMENT 4

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget
Name of Committee

March 1, 2011
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
JOEL MAYNARD	GPM + ASSOC
DENNIS PATTERSON	DOA
Suzanne Beasley	SEANC
Adrian Jimenez	SEANC
Paul Sherman	NCFB

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — March 1, 2011

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS

ATTACHMENT 5

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

Tuesday, March 01, 2011

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

FAVORABLE

S.B. **109** Spending Cuts for the Current Fiscal Year.
Sequential Referral: None
Recommended Referral: None

TOTAL REPORTED: 1

Committee Clerk Comments:

Senator Neal Hunt will handle the bill on the floor.

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
Tuesday, March 8, 2011 at 8:30 AM
Room 643, Legislative Office Building

MINUTES

The Senate Appropriations/Base Budget Committee met at 8:30 AM on March 8, 2011, in Room 643 of the Legislative Office Building. 14 members of the committee were present. Senator Brunstetter presided. Senator Brunstetter called the meeting to order and recognized the Pages and the Sergeant at Arms' staff.

Senator Brunstetter recognized Senator Gunn for an amendment to his bill: **Senate Bill 74: Comm. Colleges/Opt Out of Fed'l Loan Program.**

An act to provide that constituent institutions of the North Carolina Community College System may opt out of participation in the William D. Ford Federal Direct Loan Program.

Senator Gunn was recognized to explain his amendment. Senator Brown moved to approve the amendment. The motion carried.

Senator Brown moved the original bill as amended be given a favorable report. The motion carried.

Attachments:

1. Committee Notice
2. Agenda
3. SB 74
4. Amendment 1
5. Visitor's Log
6. Committee Report

The meeting adjourned at 8:35AM.

Senator Brunstetter, Presiding

Kathy Davis, Committee Clerk

ATTACHMENT 1

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
Tuesday	March 8, 2011	8:30 AM	1124 LB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
SB 74	Comm. Colleges/Opt Out of Fed'l Loan Program.	Senator Gunn

***Note Room Change**

Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

ATTACHMENT 2

Senate Appropriations/Base Budget Committee
Tuesday, March 8, 2011, 8:30 AM
1124 LB

AGENDA

Welcome and Opening Remarks

Introduction of Pages and Sergeant At Arms

Bills

SB 74	Comm. Colleges/Opt Out of Fed'l Loan Program.	Senator Gunn

Presentations

Other Business

Adjournment

ATTACHMENT 3

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

S 3

SENATE BILL 74*
Education/Higher Education Committee Substitute Adopted 2/23/11
Third Edition Engrossed 3/1/11

Short Title: Comm. Colleges/Opt Out of Fed'l Loan Program. (Public)

Sponsors:

Referred to:

February 16, 2011

A BILL TO BE ENTITLED

AN ACT TO PROVIDE THAT CONSTITUENT INSTITUTIONS OF THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM MAY OPT OUT OF PARTICIPATION IN THE WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 115D-40.1(d) reads as rewritten:

"**§ 115D-40.1. Financial Assistance for Community College Students.**

...

(d) Participation in Federal Loan Programs. – All community colleges shall participate in the William D. Ford Federal Direct Loan ~~Program.~~Program, unless the board of trustees of an institution adopts a resolution declining to participate in the 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~~and, for participating colleges, the William D. Ford Federal Direct Loan Program, and to actively encourage students to utilize these federal programs and funds. The board of trustees of any institution that has declined to participate in the William D. Ford Federal Direct Loan Program through the adoption of a resolution may rescind the resolution and participate in the Program but shall not have the authority to again decline participation in the Program.

Any community college that participates in the William D. Ford Federal Direct Loan Program shall have the authority to transfer up to three percent (3%) of the State funds allocated to it for faculty salaries for purposes that directly affect student services."

SECTION 2. The State Board of Community Colleges shall realign its funding formula by increasing the amount allocated in the funding formula for curriculum and continuing education instruction by eighteen million dollars ($18,000,000) and by reducing the amount in the funding formula for students' services by a commensurate amount.

SECTION 3. This act becomes effective July 1, 2011.

ATTACHMENT 4

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 74*

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

S74-ARJ-13 [v.1]

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

Date 3/8, 2011

Senator Gunn

moves to amend the bill on page 1, lines 21-27, by deleting the lines; and

renumbering the remaining section accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

ATTACHMENT 5

VISITOR REGISTRATION SHEET

Appropriations/Base Budget
Name of Committee

March 8, 2011
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Kevin Briggs	NCCCS
Jennifer Willis	"

ATTACHMENT 6

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS-BASE BUDGET COMMITTEE REPORT
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

Tuesday, March 08, 2011

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

FAVORABLE, AS AMENDED

S.B.(CS #1) **74** Comm. Colleges/Opt Out of Fed'l Loan Program.

Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	No

TOTAL REPORTED: 1

Committee Clerk Comments: Senator Brunstetter

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
Wednesday, March 23, 2011 at 8:00 AM
Room 643, Legislative Office Building

MINUTES

The Senate Appropriations/Base Budget Committee met at 8:09 AM on March 23, 2011, in Room 643 of the Legislative Office Building. 20 members of the committee were present. Senator Pete Brunstetter presided. Senator Brunstetter called the meeting to order and recognized the Sergeant-at-Arms and the Pages.

Senator Brunstetter introduced Senator Apodaca to explain **Senate Bill 265:** Proposed Committee Substitute:
AN ACT TO MAKE APPROPRIATIONS AND ADJUSTMENTS FOR THE 2011-2013 FISCAL BIENNIUM TO THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES; AND TO TRANSFER THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES TO THE OFFICE OF STATE TREASURER.

Senator Apodaca was recognized to explain amendment 1. Questions were raised and answered. Senator Hunt moved to adopt the amendment and the motion carried.

Senator Garrou was recognized to explain Amendment 2. Questions were raised and answered and the amendment failed.

Senator Rucho moved for a favorable report as amended and the motion carried. Note: The amendment was engrossed into the bill as a committee substitute and sent to the floor.

Attachments:
1. Committee Notice
2. Agenda
3. SB 265
4. Actuarial Report
5. Bill summary
6. Amendment 1
7. Amendment 2
6. Visitor's Log
7. Committee Report 1
8. Committee Report 2

The meeting adjourned at 9:09 AM.

Senator Pete Brunstetter, Presiding

Mary Marchman, Committee Clerk

ATTACHMENT 1

Principal Clerk ____
Reading Clerk ____

Corrected: SB 265 Added

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 23, 2011	8:00 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
SB 265	State Health Plan/Appropriations and Transfer	Senator Hartsell Senator Brunstetter Senator Apodaca

Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

ATTACHMENT 2

Senate Appropriations/Base Budget Committee
Wednesday, March 23, 2011, 8:00 AM
643 LOB

AGENDA

Welcome and Opening Remarks

Introduction of Pages/Sergeant-at Arms

Bills

SB 265	**State Health Plan/Appropriations and Transfer**	**Senator Hartsell** **Senator Brunstetter** **Senator Apodaca**

Presentations

Other Business

Adjournment

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

S 2

SENATE BILL 265
Insurance Committee Substitute Adopted 3/22/11

Short Title: State Health Plan/Appropriations and Transfer. (Public)

Sponsors:

Referred to:

March 9, 2011

A BILL TO BE ENTITLED

AN ACT TO MAKE APPROPRIATIONS AND ADJUSTMENTS FOR THE 2011-2013 FISCAL BIENNIUM TO THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES; AND TO TRANSFER THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES TO THE OFFICE OF STATE TREASURER.

The General Assembly of North Carolina enacts:

PART I. APPROPRIATIONS AND CONTRIBUTIONS FOR 2011-2013 FISCAL BIENNIUM

APPROPRIATIONS FROM GENERAL FUND AND HIGHWAY FUND

SECTION 1.1.(a) General Fund Appropriation. – 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 eight million sixty-one thousand seven hundred ninety-eight dollars ($8,061,798) for the 2011-2012 fiscal year and the sum of one hundred one million seven hundred eighty-two thousand six hundred seventy dollars ($101,782,670) for the 2012-2013 fiscal year. These funds shall be used to cover health care and administrative costs to the Plan in the 2011-2013 fiscal biennium.

SECTION 1.1.(b) Highway Fund Appropriation. – 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 three hundred seventy-six thousand two hundred seventeen dollars ($376,217) for the 2011-2012 fiscal year and the sum of four million seven hundred forty-nine thousand eight hundred fifty-eight dollars ($4,749,858) for the 2012-2013 fiscal year. These funds shall be used to cover health care and administrative costs to the Plan in the 2011-2013 fiscal biennium.

SECTION 1.1.(c) All other agency funds required to fund the premium increase enacted in this act, other than funds appropriated in subsections (a) and (b) of this section, are appropriated for the 2011-2013 fiscal biennium.

PREMIUM ADJUSTMENTS

SECTION 1.2.(a) Partially Contributory Coverage. – Employee and retiree monthly premium rates for partially contributory coverage under G.S. 135-45.2(a1), as enacted by Section 1.6 of this act, and established in accordance with G.S. 135-44.6, as enacted by this act, shall be as follows for the 2011-2012 and 2012-2013 fiscal years:

	FY 2011-2012		FY 2012-2013	
	Basic	Standard	Basic	Standard

Employee Contribution	$10.86	$21.72	$11.43	$22.85
Retiree Contribution				
Non-Medicare Eligible	$0.00	$21.72	$0.00	$22.85
Medicare Eligible	$0.00	$16.72	$0.00	$17.59

SECTION 1.2.(b) Contributory Coverage. – Premium rates for contributory coverage established in accordance with G.S. 135-44.6 shall be increased by five and two-tenths percent (5.2%) for contributory coverage for the 2011-2012 fiscal year and shall be increased by an additional five and two-tenths percent (5.2%) over the premium rate for contributory coverage for the 2012-2013 fiscal year.

DEDUCTIBLE, COINSURANCE, AND CO-PAYMENT ADJUSTMENTS

SECTION 1.3.(a) Effective July 1, 2011, 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 nine hundred thirty-three dollars ($933.00) for member-only coverage and to one thousand eight hundred sixty-six dollars ($1,866) 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 seven hundred ninety-three dollars ($3,793) for member-only coverage and to seven thousand five hundred eighty-six dollars ($7,586) 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 eighty-seven dollars ($87.00) per covered individual.

d. Increase the in-network primary care co-payment to thirty-five dollars ($35.00) per covered individual.

e. Increase the in-network specialist co-payment to eighty-one dollars ($81.00) per covered individual, except that for mental health and substance abuse services, chiropractic services, and physical therapy, occupational therapy, and speech therapy services, the in-network specialist co-payment shall be sixty-four dollars ($64.00) per covered individual.

f. Increase the in-network and out-of-network inpatient co-payment to two hundred ninety-one dollars ($291.00) per covered individual.

g. Increase the in-network and out-of-network emergency room co-payment to two hundred ninety-one dollars ($291.00) per covered individual.

h. Increase prescription drug co-payments as required under G.S. 135-45.6(b)(1) as amended by this section.

i. 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 2010-2011 benefit year.

(2) Standard Plan (80/20):

a. Increase the in-network annual deductible to seven hundred dollars ($700.00) for member-only coverage and to one thousand four hundred dollars ($1,400) 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 three thousand two hundred ten dollars ($3,210) for member-only coverage and to six thousand four hundred twenty dollars ($6,420) 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 eighty-seven dollars ($87.00) per covered individual.

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

e. Increase the in-network specialist co-payment to seventy dollars ($70.00) per covered individual, except that for mental health and substance abuse services, chiropractic services, and physical therapy, occupational therapy, and speech therapy services, the in-network specialist co-payment shall be fifty-two dollars ($52.00) per covered individual.

f. Increase the in-network and out-of-network inpatient co-payment to two hundred thirty-three dollars ($233.00) per covered individual.

g. Increase the in-network and out-of-network emergency room co-payment to two hundred thirty-three dollars ($233.00) per covered individual.

h. Increase prescription drug co-pays as required under G.S. 135-45.6(b)(1) as amended by this act.

i. 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 2010-2011 benefit year.

SECTION 1.3.(b) G.S. 135-45.6(b)(1) reads as rewritten:

"(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-five dollars ($35.00)~~ forty dollars ($40.00) for each preferred branded prescription without a generic equivalent, and ~~fifty-five dollars ($55.00)~~ sixty-four dollars ($64.00) for each nonpreferred branded 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."

LIMITATION ON AUTHORITY TO CHANGE BENEFITS

SECTION 1.4. 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, 2009,~~ July 1, 2011, that would result in a net increased cost to the Plan or in a reduction in benefits to Plan members unless and until the proposed changes are directed to be made in an act of the General Assembly."

REPEAL COMPREHENSIVE WELLNESS INITIATIVE

SECTION 1.5. Section 2(b) of S.L. 2009-16, as amended by S.L. 2009-571, is repealed.

IMPLEMENT MONTHLY CONTRIBUTION BY EMPLOYEES AND CERTAIN RETIREES

SECTION 1.6.(a) G.S. 135-45(b) reads as rewritten:

"(b) Individuals eligible for coverage under G.S. 135-45.2 on a ~~fully or partially~~ partially, one-half, or fully contributory basis are eligible to participate in any plan authorized under this section."

SECTION 1.6.(b) G.S. 135-45.2 reads as rewritten:

"**§ 135-45.2. Eligibility.**

(a) Noncontributory Coverage. – The following persons are eligible for coverage under the Plan, on a noncontributory basis, subject to the provisions of G.S. 135-45.4:

~~(1) All permanent full-time employees of an employing unit who meet the following conditions:~~

~~a. Paid from general or special State funds, or~~

~~b. Paid from non-State funds and in a group for which his or her employing unit has agreed to provide coverage.~~

~~Employees of State agencies, departments, institutions, boards, and commissions not otherwise covered by the Plan who are employed in permanent job positions on a recurring basis and who work 30 or more hours per week for nine or more months per calendar year are covered by the provisions of this subdivision.~~

~~(2) Permanent hourly employees as defined in G.S. 126-5(c4) who work at least one-half of the workdays of each pay period.~~

(3) Retired teachers, State employees, members of the General Assembly, and retired State law enforcement officers who retired under the Law Enforcement Officers' Retirement System prior to January 1, 1985. Except as otherwise provided in this subdivision, on and after January 1, 1988, a retiring employee or retiree must have completed at least five years of contributory retirement service with an employing unit prior to retirement from any State-supported retirement system in order to be eligible for group benefits under this Part as a retired employee or retiree. For employees first hired on and after October 1, 2006, and members of the General Assembly first taking office on and after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to a requirement that the future retiree have 20 or more years of retirement service credit in order to be covered by the provisions of this subdivision.

(4) Surviving spouses of:

a. Deceased retired employees, provided the death of the former plan member occurred prior to October 1, 1986; and

b. Deceased teachers, State employees, and members of the General Assembly who are receiving a survivor's alternate benefit under any

of the State-supported retirement programs, provided the death of the former plan member occurred prior to October 1, 1986.

~~(5) Employees of the General Assembly, not otherwise covered by this section, as determined by the Legislative Services Commission, except for legislative interns and pages.~~

~~(6) Members of the General Assembly.~~

~~(7) Notwithstanding the provisions of subsection (e) of this section, employees on official leave of absence while completing a full-time program in school administration in an approved program as a Principal Fellow in accordance with Article 5C of Chapter 116 of the General Statutes.~~

~~(8) Notwithstanding the provisions of G.S. 135-45.12 employees formerly covered by the provisions of this section, other than retired employees, who have been employed for 12 or more months by an employing unit, or who have completed a contract term of employment of 10 or 11 months and whose employing unit is a local school administrative unit, and whose jobs are eliminated because of a reduction, in total or in part, in the funds used to support the job or its responsibilities, provided the employees were covered by the Plan at the time of separation from service resulting from a job elimination. Employees covered by this subsection shall be covered for a period of up to 12 months following a separation from service because of a job elimination. An employee formerly covered by the provisions of this section shall not be eligible for coverage under this subdivision if the employee is provided health benefit coverage on a non-contributory basis by a subsequent employer.~~

~~(9) Any member enrolled pursuant to subdivision (1) or (2) of this subsection who is on approved leave of absence with pay or receiving workers' compensation.~~

~~(10) Employees on approved Family and Medical Leave.~~

(a1) Partially Contributory Coverage. – The following persons are eligible for coverage under the Plan, on a partially contributory basis, subject to the provisions of G.S. 135-45.4:

(1) All permanent full-time employees of an employing unit who meet either of the following conditions:

a. Paid from general or special State funds.

b. Paid from non-State funds and in a group for which his or her employing unit has agreed to provide coverage.

Employees of State agencies, departments, institutions, boards, and commissions not otherwise covered by the Plan who are employed in permanent job positions on a recurring basis and who work 30 or more hours per week for nine or more months per calendar year are covered by the provisions of this subdivision.

(2) Permanent hourly employees who work at least one-half of the workdays of each pay period.

(3) Retired teachers, State employees, members of the General Assembly, and retired State law enforcement officers who retired under the Law Enforcement Officers' Retirement System prior to January 1, 1985. Except as otherwise provided in this subdivision, on and after January 1, 1988, a retiring employee or retiree must have completed at least five years of contributory retirement service with an employing unit prior to retirement from any State-supported retirement system in order to be eligible for group benefits under this Part as a retired employee or retiree. For employees first hired on and after October 1, 2006, and members of the General Assembly

first taking office on and after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to a requirement that the future retiree have 20 or more years of retirement service credit in order to be covered by the provisions of this subdivision.

(4) Employees of the General Assembly, not otherwise covered by this section, as determined by the Legislative Services Commission, except for legislative interns and pages.

(5) Members of the General Assembly.

(6) Notwithstanding the provisions of subsection (e) of this section, employees on official leave of absence while completing a full-time program in school administration in an approved program as a Principal Fellow in accordance with Article 5C of Chapter 116 of the General Statutes.

(7) Notwithstanding the provisions of G.S. 135-45.12, employees formerly covered by the provisions of this subsection, other than retired employees, who have been employed for 12 or more months by an employing unit, or who have completed a contract term of employment of 10 or 11 months and whose employing unit is a local school administrative unit, and whose jobs are eliminated because of a reduction, in total or in part, in the funds used to support the job or its responsibilities, provided the employees were covered by the Plan at the time of separation from service resulting from a job elimination. Employees covered by this subsection shall be covered for a period of up to 12 months following a separation from service because of a job elimination. An employee formerly covered by the provisions of this subsection shall not be eligible for coverage under this subdivision if the employee is provided health benefit coverage on a noncontributory basis by a subsequent employer.

(8) Any member enrolled pursuant to subdivision (1) or (2) of this subsection who is on approved leave of absence with pay or receiving workers' compensation.

(9) Employees on approved Family and Medical Leave.

(b) ~~Partially Contributory.~~ One-Half Contributory Coverage. – The following persons are eligible for coverage under the ~~Plan~~ Plan, on a ~~partially~~ one-half contributory ~~basis~~ basis, subject to the provisions of G.S. 135-45.4:

(1) A school employee in a job-sharing position as ~~defined in G.S. 135-45.4.~~ described in G.S. 115C-326.5. If these employees elect to participate in the Plan, the employing unit shall pay fifty percent (50%) of the Plan's total ~~noncontributory~~ employer premiums. Individual employees shall pay the balance of the total ~~noncontributory~~ premiums not paid by the employing unit.

(2) ~~Subject to the provisions of G.S. 135-45.4, employees~~ Employees and members of the General Assembly with 10 but less than 20 years of retirement service credit provided the employees were first hired on or after October 1, 2006, and the members first took office on or after February 1, 2007. For such future retirees, the State shall pay fifty percent (50%) of the Plan's total ~~noncontributory~~ employer premiums. Individual retirees shall pay the balance of the total ~~noncontributory~~ premiums not paid by the State.

(c) Fully ~~Contributory.~~ Contributory Coverage. – The following ~~person~~ persons shall be eligible for coverage under the Plan, on a fully contributory basis, subject to the provisions of G.S. 135-45.4:

(1) Former members of the General Assembly who enroll before October 1, 1986.

(2) For enrollments after September 30, 1986, former members of the General Assembly if covered under the Plan at termination of membership in the General Assembly. To be eligible for coverage as a former member of the General Assembly, application must be made within 30 days of the end of the term of office. Only members of the General Assembly covered by the Plan at the end of the term of office are eligible. If application is not made within the specified time period, the member forfeits eligibility.

(3) Surviving spouses of deceased former members of the General Assembly who enroll before October 1, 1986.

(4) Employees of the General Assembly, not otherwise covered by this section, as determined by the Legislative Services Commission, except for legislative interns and pages.

(5) For enrollments after September 30, 1986, surviving spouses of deceased former members of the General Assembly, if covered under the Plan at the time of death of the former member of the General Assembly.

(6) All permanent part-time employees (designated as half-time or more) of an employing unit who ~~meets~~ meet the conditions outlined in ~~subdivision (a)(1)a. above,~~ sub-subdivision (a1)(1)a. of this section and who are not covered by the provisions of ~~G.S. 135-45.2(a)(1).~~ subdivision (a1)(1) of this section.

(7) The spouses and eligible dependent children of enrolled teachers, State employees, retirees, former members of the General Assembly, former employees covered by the provisions of ~~G.S. 135-45.2(a)(8),~~ former subdivision (a)(8) or subdivision (a1)(7) of this section, Disability Income Plan beneficiaries, enrolled continuation members, and members of the General Assembly. Spouses of surviving dependents are not eligible, nor are dependent children if they were not covered at the time of the member's death. Surviving spouses may cover their dependent children provided the children were enrolled at the time of the member's death or enroll within 90 days of the member's death.

(8) Blind persons licensed by the State to operate vending facilities under contract with the Department of Health and Human Services, Division of Services for the Blind and its successors, who are:

a. Operating such a vending facility;

b. Former operators of such a vending facility whose service as an operator would have made these operators eligible for an early or service retirement allowance under Article 1 of this Chapter had they been members of the Retirement System; and

c. Former operators of such a vending facility who attain five or more years of service as operators and who become eligible for and receive a disability benefit under the Social Security Act upon cessation of service as an operator.

Spouses, dependent children, surviving spouses, and surviving dependent children of such members are not eligible for coverage.

(9) Surviving spouses of deceased retirees and surviving spouses of deceased teachers, State employees, and members of the General Assembly provided the death of the former Plan member occurred after September 30, 1986, and the surviving spouse was covered under the Plan at the time of death.

(10) Any eligible dependent child of the deceased retiree, teacher, State employee, member of the General Assembly, former member of the General Assembly, or Disability Income Plan beneficiary, provided the child was

covered at the time of death of the retiree, teacher, State employee, member of the General Assembly, former member of the General Assembly, or Disability Income Plan beneficiary, (or was in posse at the time and is covered at birth under this Part), or was covered under the Plan on September 30, 1986. An eligible surviving dependent child can remain covered until ~~age 19, or~~ age 26 ~~if a full-time student,~~ or indefinitely if certified as incapacitated under ~~G.S. 135-45.1(5)b.~~ G.S. 135-45.2(d).

(11) Retired teachers, State employees, and members of the General Assembly with less than 10 years of retirement service credit, provided the teachers and State employees were first hired on or after October 1, 2006, and the members first took office on or after February 1, 2007.

(12) Notwithstanding the provisions of G.S. 135-45.12 former employees covered by the provisions of ~~G.S. 135-45.2~~ this section and their spouses and eligible dependent children who were covered by the Plan at the time of the former employees' separation from service pursuant to ~~G.S. 135-45.2,~~ this section, following expiration of the former employees' coverage provided by ~~G.S. 135-45.2.~~ this section. Election of coverage under this subdivision shall be made within 90 days after the termination of coverage provided under ~~G.S. 135-45.2.~~ this section.

(13) Firefighters, rescue squad workers, and members of the National Guard, their eligible spouses, and eligible dependent children.

...."

ALLOW COVERAGE FOR CHILDREN UP TO 26 YEARS OLD, IN COMPLIANCE WITH FEDERAL AFFORDABLE CARE ACT

SECTION 1.7.(a) G.S. 135-45.1(10) reads as rewritten:

"(10) Dependent child. – Subject to the eligibility requirements of G.S. 135-45.2(d), any of the following:

a. A ~~natural,~~ natural or legally ~~adopted, or foster~~ adopted child or children of the employee ~~and or spouse, unmarried,~~ up to the first of the month following ~~his or her 19th~~ the child's 26th 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.~~ employee.

b. A foster child or children of the employee up to the first month following the child's 19th birthday, whether or not the child is living with the employee, as long as the employee is legally responsible for the child's maintenance and support.

c. ~~Dependent child also includes a~~ A child for which an employee is a court-appointed guardian, as long as the employee is legally responsible for the child's maintenance and support.

d. ~~Dependent child also includes a~~ A stepchild ~~of the member~~ who primarily resides with a 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.~~

e. ~~Dependent child shall also include any~~ Any child under age 19 who has reached his or her 18th birthday, provided the employee was legally responsible for ~~such~~ the child's maintenance and support on his or her 18th birthday. ~~Dependent~~

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 1.7.(b) 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~~ 26th birthday ~~under the following conditions:~~

~~(1) If the dependent is a full-time student, through the end of the month following the student's 26th 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 or injury 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 or injury.~~

~~(2)~~ ~~The~~ if 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.~~ G.S. 135-45.2(c)(7)."

SALARY-RELATED CONTRIBUTIONS

SECTION 1.8.(a) Effective for the 2011-2013 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, as defined in G.S. 135-45.1 or in G.S. 135-48.1 as enacted by this act, 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 1.8.(b) Effective July 1, 2011, the State's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for the 2011-2012 fiscal year are: (i) ten and sixty-one hundredths percent (10.61%) – Teachers and State Employees; (ii) fifteen and sixty-one hundredths percent (15.61%) – State Law Enforcement Officers; (iii) twelve and thirty-six hundredths percent (12.36%) – University Employees' Optional Retirement System; (iv) twelve and thirty-six hundredths percent (12.36%) – Community College Optional Retirement Program; (v) twenty and eleven hundredths percent (20.11%) – Consolidated Judicial Retirement System; and (vi) five and zero hundredths percent (5.00%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and zero hundredths percent (5.00%) 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 1.8.(c) Effective July 1, 2012, the State's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for the 2012-2013 fiscal year are: (i) ten and ninety-one hundredths percent (10.91%) – Teachers and State Employees; (ii) fifteen and ninety-one hundredths percent (15.91%) – State Law Enforcement Officers; (iii) twelve and sixty-six hundredths percent (12.66%) – University Employees' Optional Retirement System; (iv) twelve and sixty-six hundredths percent (12.66%) – Community College Optional Retirement Program; (v) twenty and forty-one hundredths percent (20.41%) – Consolidated Judicial Retirement System; and (vi) five and thirty hundredths percent (5.30%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and thirty hundredths percent (5.30%) 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 1.8.(d) Effective July 1, 2011, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2011-2012 fiscal year to the State Health Plan for Teachers and State Employees are: (i) Medicare-eligible employees and retirees – three thousand seven hundred sixty-eight dollars ($3,768) and (ii) non-Medicare-eligible employees and retirees – four thousand nine hundred fifty-two dollars ($4,952).

SECTION 1.8.(e) Effective July 1, 2012, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2012-2013 fiscal year to the State Health Plan for Teachers and State Employees are: (i) Medicare-eligible employees and retirees – three thousand nine hundred sixty-five dollars ($3,965) and (ii) non-Medicare-eligible employees and retirees – five thousand two hundred eleven dollars ($5,211).

REMOVE SPECIAL EXEMPTION FROM PUBLIC RECORDS LAW FOR STATE HEALTH PLAN CONTRACTS

SECTION 1.9.(a) G.S. 135-43(b) reads as rewritten:

"(b) Notwithstanding the provisions of this Article, the Executive Administrator and Board of Trustees of the State Health Plan for Teachers and State Employees may contract with providers of institutional and professional medical care and services to establish preferred provider networks.

The terms of a contract between the Plan and its third party administrator or between the Plan and its pharmacy benefit manager are a public record ~~except that the terms in those contracts that contain trade secrets or proprietary or competitive information are not a public record~~ under Chapter 132 of the General ~~Statutes, and any such proprietary or competitive information and trade secrets contained in the contract shall be redacted by the Plan prior to making it available to the public. This subsection~~ Statutes. No provision of law, however, shall ~~not~~ be construed to prevent or restrict the release of any information ~~made not a public record under this subsection~~ in a Plan contract to the State Auditor, the Attorney General, the Director of the State Budget, the Plan's Executive Administrator, and the Committee on Employee Hospital and Medical Benefits solely and exclusively for their use in the furtherance of their duties and responsibilities, and to the Department of Health and Human Services solely for the purpose of implementing the transition of NC Health Choice from the Plan to the Department of Health and Human Services. The design, adoption, and implementation of the preferred provider contracts, networks, and optional alternative comprehensive health benefit plans, and programs available under the optional alternative plans, as authorized under G.S. 135-45 are not subject to the requirements of Article 3 of Chapter 143 of the General Statutes. However, the Executive Administrator and Board of Trustees shall: (i) submit all proposed statewide and agency term contracts for supplies, materials, printing, equipment, and contractual services that exceed one million dollars ($1,000,000) authorized by this subsection to the Attorney General or the Attorney General's designee for review as provided in G.S. 114-8.3; and (ii) include in all proposed contracts to be awarded by the Executive Administrator and Board of Trustees under this section a standard clause which provides that the State Auditor and internal auditors of the Plan may audit the records of the contractor during the term of the contract to verify accounts and data affecting fees and performance. The Executive Administrator and Board of Trustees shall not award a cost plus percentage of cost agreement or contract for any purpose. The Executive Administrator and Board of Trustees shall make reports as requested to the President of the Senate, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Committee on Employee Hospital and Medical Benefits."

SECTION 1.9.(b) Contracts with the State Health Plan retain the trade secret protections provided under G.S. 132-1.2.

SECTION 1.9.(c) This section is effective when it becomes law.

EFFECTIVE DATE FOR PART I

SECTION 1.10. Except as otherwise provided, Part I of this act becomes effective July 1, 2011.

PART II. TRANSFER STATE HEALTH PLAN TO DEPARTMENT OF STATE TREASURER

GRANT STATE TREASURER IMMEDIATE AUTHORITY TO APPOINT EXECUTIVE ADMINISTRATOR

SECTION 2.1.(a) G.S. 135-44.2(b) reads as rewritten:

"(b) The Executive Administrator shall be appointed by the ~~State Health Plan Administrative Commission.~~ State Treasurer. The term of employment and salary of the Executive Administrator shall be set by the ~~State Health Plan Administrative Commission upon the advice of an executive committee of the Committee on Employee Hospital and Medical Benefits.~~ State Treasurer after consultation with the Board of Trustees.

The Executive Administrator may be removed from office by the ~~State Health Plan Administrative Commission, upon the advice of an executive committee of the Committee on Employee Hospital and Medical Benefits,~~ State Treasurer after consultation with the Board of Trustees, and any vacancy in the office of Executive Administrator may be filled by the ~~State Health Plan Administrative Commission with the term of employment and salary set upon the advice of an executive committee of the Committee on Employee Hospital and Medical Benefits.~~ State Treasurer."

SECTION 2.1.(b) The State Treasurer shall have the power to designate an interim Executive Administrator prior to appointing an Executive Administrator under this section.

SECTION 2.1.(c) This section is effective when it becomes law.

TRANSFER OF STATE HEALTH PLAN WITHIN STATE GOVERNMENT

SECTION 2.2. The North Carolina State Health Plan for Teachers and State Employees is transferred to the Department of State Treasurer. This transfer shall have all the elements of a Type II transfer, as defined by G.S. 143A-6.

STATUTORY FRAMEWORK FOR AMENDED STATE HEALTH PLAN STATUTE

SECTION 2.3.(a) The title of Chapter 135 of the General Statutes reads as rewritten:

"**Chapter 135.**

Retirement System for Teachers and State Employees; Social Security; ~~Health Insurance Program for Children.~~ State Health Plan for Teachers and State Employees."

SECTION 2.3.(b) Chapter 135 of the General Statutes is amended by adding a new Article 3B to be entitled "State Health Plan for Teachers and State Employees; Long-Term Care Benefits." That new Article shall be divided into six parts, as follows:

(1) "Part 1. General Provisions."
(2) "Part 2. Administrative Structure."
(3) "Part 3. Plan Operation."
(4) "Part 4. Eligibility and Enrollment."
(5) "Part 5. Coverage Mandates and Exclusions; Other Mandates."
(6) "Part 6. Long-Term Care Benefits."

RECODIFY PORTIONS OF PART 1 OF EXISTING STATE HEALTH PLAN ARTICLE

SECTION 2.4.(a) Subsections (a) and (b) of G.S. 135-43, as amended by Section 1.9 of this act, [confidentiality] are recodified as G.S. 135-48.10 under Part 1 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act. Subsection (c) of G.S. 135-43 is recodified as G.S. 135-48.57, to be entitled "Payments for county or city ambulance service.", under Part 5 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act.

SECTION 2.4.(b) G.S. 135-43.4 [Committee on Actuarial Valuation] is recodified as G.S. 135-48.12 under Part 1 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act.

SECTION 2.4.(c) G.S. 135-43.5 [auditing the Plan] is recodified as G.S. 135-48.28 under Part 2 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act.

SECTION 2.4.(d) G.S. 135-43.6 [reports to General Assembly] is recodified as G.S. 135-48.27 under Part 2 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act.

SECTION 2.4.(e) G.S. 135-43.7 [contract disputes] is recodified as G.S. 135-48.35 under Part 3 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act.

RECODIFY PORTIONS OF PART 2 OF EXISTING STATE HEALTH PLAN ARTICLE

SECTION 2.5.(a) G.S. 135-44 [Board of Trustees] is recodified as G.S. 135-48.20 under Part 2 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act.

SECTION 2.5.(b) G.S. 135-44.1 [officers, quorum, meetings] is recodified as G.S. 135-48.21 under Part 2 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act.

SECTION 2.5.(c) G.S. 135-44.2, as amended by Section 2.1 of this act, [Executive Administrator] is recodified as G.S. 135-48.22 under Part 2 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act.

SECTION 2.5.(d) Subdivision (26) of G.S. 135-44.4 [member education] is recodified as G.S. 135-48.56, to be entitled "Education of covered active and retired employees.", under Part 2 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act.

SECTION 2.5.(e) G.S. 135-44.5 [trust funds] is recodified as G.S. 135-48.5 under Part 1 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act.

SECTION 2.5.(f) G.S. 135-44.6(d) [firefighter premiums] is recodified as G.S. 135-48.58, to be entitled "Premiums for firefighters, rescue squad workers, and members of National Guard.", under Part 5 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act. G.S. 135-44.6(e) [interest on late payments] is recodified as G.S. 135-48.55, to be entitled "Interest charged to charter schools on late premiums.", under Part 5 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act.

SECTION 2.5.(g) G.S. 135-44.7 [administrative review] is recodified as G.S. 135-48.24 under Part 2 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act.

SECTION 2.5.(h) G.S. 135-44.8 [rules] is recodified as G.S. 135-48.25 under Part 2 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act.

RECODIFY PORTIONS OF PART 3 OF EXISTING STATE HEALTH PLAN ARTICLE

SECTION 2.6.(a) Subsections (a) and (e) of G.S. 135-45 [undertaking] are recodified as subsections (a) and (b) of G.S. 135-48.2 under Part 1 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act. G.S. 135-45(c) [firefighter coverage in public interest] is recodified as G.S. 135-48.8, to be entitled "Statements of public interest.", under Part 1 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act. Subsection (d) of G.S. 135-45 [contracts with claim processors] is recodified as G.S. 135-48.32, to be entitled "Contracts to provide benefits.", under Part 3 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act. Subsection (d1) of G.S. 135-45 [contracting provisions] is recodified as G.S. 135-48.33, to be entitled "Contracting provisions; large contract review by Attorney General, auditing, no cost plus contracts.", under Part 3 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act.

SECTION 2.6.(b) G.S. 135-45.1 [definitions] is recodified as G.S. 135-48.1 under Part 1 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act.

SECTION 2.6.(c) Subsections (a), (a1), (b), and (c) of G.S. 135-45.2 [eligibility categories] are recodified as subsections (a), (b), (c), and (d) in G.S. 135-48.40, to be entitled "Categories of eligibility.", under Part 4 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act. Subsections (d), (e), (f), (g), (h), (i), (j), and (k) of G.S. 135-45.2 [other eligibility rules] are recodified as subsections (a), (c), (d), (e), (f), (g), (h), and (i) of G.S. 135-48.41, to be entitled "Additional eligibility provisions.", under Part 4 of Article 3B of Chapter 135 of the General Statues, as created by Section 2.3 of this act.

SECTION 2.6.(d) G.S. 135-45.3 [enrollment] is recodified as G.S. 135-48.42 under Part 4 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act.

SECTION 2.6.(e) G.S. 135-45.4 [effective dates of coverage] is recodified as G.S. 135-48.43 under Part 4 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act.

SECTION 2.6.(f) G.S. 135-45.5 [charter schools' participation] is recodified as G.S. 135-48.54 under Part 5 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act.

SECTION 2.6.(g) G.S. 135-45.10 [Medicare] is recodified as G.S. 135-48.38 under Part 3 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act.

SECTION 2.6.(h) G.S. 135-45.12 [cessation of coverage] is recodified as G.S. 135-48.44 under Part 4 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act.

SECTION 2.6.(i) G.S. 135-45.13 [conversion] is recodified as G.S. 135-48.45 under Part 4 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act.

SECTION 2.6.(j) G.S. 135-45.15 [subrogation] is recodified as G.S. 135-48.37 under Part 3 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act.

SECTION 2.6.(k) G.S. 135-45.16 [right to amend] is recodified as G.S. 135-48.3 under Part 1 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act.

RECODIFY PART 4 OF EXISTING STATE HEALTH PLAN ARTICLE

SECTION 2.7. G.S. 135-46 through G.S. 135-46.2 [long-term care] are recodified as G.S. 135-48.60 through G.S. 135-48.62 under Part 5 of Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act.

PLACE CHILD HEALTH INSURANCE FUND ESTABLISHMENT IN CHILD HEALTH INSURANCE PROGRAM STATUTES

SECTION 2.8. G.S. 135-47.2 [child health insurance fund] is recodified as G.S. 108A-70.20A.

REPEAL STATE HEALTH PLAN SECTIONS NOT RECODIFIED BY THIS PART

SECTION 2.9. Article 3A of Chapter 135 of the General Statutes is repealed.

REWRITE STATE HEALTH PLAN STATUTE

SECTION 2.10. Article 3B of Chapter 135 of the General Statutes, as created by Section 2.3 of this act and as amended by Sections 1.6, 1.7, 2.1, 2.4, 2.5, 2.6, and 2.7 of this act, reads as rewritten:

"Article 3B.

"State Health Plan for Teachers and State Employees; Long-term Care Benefits.

"Part 1. General Provisions.

"**§ 135-48.1. General definitions.**

As used in this Article unless the context clearly requires otherwise, the following definitions apply:

~~(1) Allowed amount. – The charge that the Plan or its claims processors determines is reasonable for covered services provided to a Plan member. This amount may be established in accordance with an agreement between the provider and the Plan or its claims processor. In the case of providers that have not entered into an agreement with the Plan or its claims processor, the allowed amount will be the lesser of the provider's actual charge or a reasonable charge established by the Plan or its claims processor using a methodology that is applied to comparable providers for similar services under a similar health benefit plan.~~

~~(2)~~(1) Benefit period. – The period of time during which charges for covered services provided to a Plan member must be incurred in order to be eligible for payment by the Plan.

~~(3)~~(2) Chemical dependency. – The pathological use or abuse of alcohol or other drugs in a manner or to a degree that produces an impairment in personal, social, or occupational functioning and which may, but need not, include a pattern of tolerance and withdrawal.

~~(4)~~(3) Claims Processor. – One or more administrators, third-party administrators, or other parties contracting with the Plan to administer Plan benefits.

~~(5) Clinical trials. – Patient research studies designed to evaluate new treatments, including prescription drugs. Coverage for clinical trials shall be as provided in G.S. 135-45.8.~~

~~(6)~~(4) Comprehensive health benefit plan. – Health care coverage that consists of inpatient and outpatient hospital and medical benefits, as well as other outpatient medical services, prescription drugs, medical supplies, and equipment that are generally available in the health insurance market.

(5) Comprehensive group health benefit plan. – A comprehensive health benefit plan offered to an individual because of an employment, organizational, or other group affiliation.

~~(7)~~(6) Covered service; benefit; allowable expense. – Any medically necessary, reasonable, and customary items of service, including prescription drugs, and medical supplies included in the Plan.

~~(8)~~(7) Deductible. – The dollar amount that must be incurred for certain covered services in a benefit period before benefits are payable by the Plan.

~~The deductible applies separately to each covered individual in each fiscal year, subject to an aggregate maximum per employee and child, employee and spouse, or employee and family coverage contract in any fiscal year.~~

~~If two or more family members are injured in the same accident, only one deductible is required for charges related to that accident during the benefit period.~~

~~(9)~~(8) Dependent. – An eligible Plan member other than the subscriber.

~~(10)~~(9) Dependent child. – Subject to the eligibility requirements of ~~G.S. 135-45.2(d),~~ subsections (a) and (b) of G.S. 135-48.41, any of the following:

a. A natural or legally adopted child or children of the employee up to the first of the month following the child's 26th birthday, whether or not the child is living with the employee.

b. A foster child or children of the employee up to the first month following the child's 19th birthday, whether or not the child is living with the employee, as long as the employee is legally responsible for the child's maintenance and support.

c. A child for which an employee is a court-appointed guardian, as long as the employee is legally responsible for the child's maintenance and support.

d. A stepchild who primarily resides with a member who is married to the stepchild's natural parent.

e. Any child under age 19 who has reached his or her 18th birthday, provided the subscriber was legally responsible for the 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.~~

~~(11)~~(10) Employee or State employee. – Any permanent full-time or permanent part-time regular employee (designated as half-time or more) of an employing unit.

~~(12)~~(11) Employing Unit. – A North Carolina School System; Community College; State Department, Agency, or Institution; Administrative Office of the Courts; or Association or Examining Board whose employees are eligible for membership in a State-Supported Retirement System. An employing unit also shall mean a charter school in accordance with Part 6A of Chapter 115C of the General Statutes whose board of directors elects to become a participating employer in the Plan under ~~G.S. 135-45.5.~~ G.S. 135-48.54. Bona fide fire departments, rescue or emergency medical service squads, and National Guard units are deemed to be employing units for the purpose of providing benefits under this Article.

~~(13) Experimental/Investigational. Experimental/Investigational Medical Procedures. The use of a service, supply, drug, or device not recognized as standard medical care for the condition, disease, illness, or injury being treated as determined by the Executive Administrator and Board of Trustees upon the advice of the Claims Processor.~~

~~(14)~~(12) Firefighter. – ~~Eligible firefighters as defined by G.S. 58-86-25 who belong to a bona fide fire department as defined by G.S. 58-86-25 and who are not eligible for any type of comprehensive group health insurance or other comprehensive group health benefit coverage and who have been without any form of group health insurance or other comprehensive group health benefit coverage for at least six months. Firefighter shall also include members of the North Carolina Firemen and Rescue Squad Workers' Pension Fund who are in receipt of a monthly pension, who are not eligible for any type of comprehensive group health insurance or other comprehensive group health benefit coverage, and who have been without any form of group health insurance or other comprehensive group health benefit coverage for at least six months. Comprehensive group health~~

~~insurance and other benefit coverage consists of inpatient and outpatient hospital and medical benefits, as well as other outpatient medical services, prescription drugs, medical supplies, and equipment that are generally available in the health insurance market. For purposes of this subdivision, comprehensive group health insurance and other benefit coverage includes Medicare benefits, CHAMPUS benefits, and other Uniformed Services benefits. North Carolina fire departments or their respective governing bodies shall certify the eligibility of their firefighters to the Plan for their participation in its benefits prior to enrollment.~~ A member of the group "eligible firemen" as defined in G.S. 58-86-25.

~~(15)~~(13) Health Benefits ~~Representative.~~ Representative or HBR. – The employee designated by the employing unit to administer the Plan for the unit and its employees. The HBR is responsible for enrolling new employees, reporting changes, explaining benefits, reconciling group statements, and remitting group fees. The State Retirement System is the Health Benefits Representative for retired State employees.

~~(16) Medical necessity or medically necessary. Covered services or supplies that are:~~

~~a. Provided for the diagnosis, treatment, cure, or relief of a health condition, illness, injury, or disease; and, except for clinical trials covered under the Plan, not for experimental, investigational, or cosmetic purposes.~~

~~b. Necessary for and appropriate to the diagnosis, treatment, cure, or relief of a health condition, illness, injury, disease, or its symptoms.~~

~~c. Within generally accepted standards of medical care in the community.~~

~~d. Not solely for the convenience of the Plan member, the Plan member's family, or the provider.~~

~~For medically necessary services, the Plan or its representative may compare the cost-effectiveness of alternative services or supplies when determining which of the services or supplies will be covered and in what setting medically necessary services are eligible for coverage.~~

~~(17) National Guard members. Members of the North Carolina Army and Air National Guard who are not eligible for any type of comprehensive group health insurance or other comprehensive group health benefit coverage and who have been without any form of group health insurance or other comprehensive group health benefit coverage for at least six months. Members of the North Carolina Army and Air National Guard include those who are actively serving in the National Guard as well as former members of the National Guard who have completed 20 or more years of service in the National Guard but have not attained the minimum age to begin receipt of a uniformed service military retirement benefit. Comprehensive group health insurance and other benefit coverage consists of inpatient and outpatient hospital and medical benefits, as well as other outpatient medical services, prescription drugs, medical supplies, and equipment that are generally available in the health insurance market. Comprehensive group health insurance and other benefit coverage includes Medicare benefits, Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) benefits, and other Uniformed Services benefits. North Carolina National Guard units shall certify the eligibility of their members to the Plan for their participation in its benefits prior to enrollment.~~

~~(18) Optional alternative comprehensive benefit plans. – Comprehensive benefit plans administered by the Plan that differ in coverage, deductibles, coinsurance from the Standard Plan providing for 80/20 coinsurance, and that are alternative choices for coverage at the option of the Plan member.~~

~~(19)~~(14) Plan or State Health Plan. – The North Carolina State Health Plan for Teachers and State Employees. ~~Unless otherwise expressly provided,~~ Depending on the context, the term may refer to the entity created in G.S. 153-48.2 or to the health benefit plans offered by the entity, in which case "Plan" includes all comprehensive health benefit plans offered under the Plan.

~~(20)~~(15) Plan member. – A subscriber or dependent who is eligible and currently enrolled in the Plan and for whom a premium is paid.

~~(21) Plan year. – The period beginning July 1 and ending on June 30 of the succeeding calendar year.~~

~~(22)~~(16) Predecessor plan. – The Hospital and Medical Benefits for the Teachers' and State Employees' Retirement System of the State of North Carolina and the North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan.

~~(23)~~(17) Rescue squad ~~workers.~~ worker. – ~~Eligible rescue squad workers as defined by the provisions of G.S. 58-86-30 who belong to a rescue or emergency medical services squad as defined by the same statute and who are not eligible for any type of comprehensive group health insurance or other comprehensive group health benefit coverage and who have been without any form of group health insurance or other comprehensive group health benefit coverage for at least six months. Rescue squad workers shall also include members of the North Carolina Firemen and Rescue Squad Workers' Pension Fund who are in receipt of a monthly pension, who are not eligible for any type of comprehensive group health insurance or other comprehensive group health benefit coverage, and who have been without any form of group health insurance or other comprehensive group health benefit coverage for at least six months. Comprehensive group health insurance and other benefit coverage consists of inpatient and outpatient hospital and medical benefits, as well as other outpatient medical services, prescription drugs, medical supplies, and equipment that are generally available in the health insurance market. For purposes of this subdivision, comprehensive group health insurance and other benefit coverage includes Medicare benefits, CHAMPUS benefits, and other Uniformed Services benefits. North Carolina rescue or emergency medical services squads or their respective governing bodies shall certify the eligibility of their rescue squad workers to the Plan for their participation in its benefits prior to enrollment.~~ An "eligible rescue squad worker" as defined in G.S. 58-86-30.

~~(24)~~(18) Retired employee (retiree). – Retired teachers, State employees, and members of the General Assembly who are receiving monthly retirement benefits from any retirement system supported in whole or in part by contributions of the State of North Carolina, so long as the retiree is enrolled.

~~(25)~~(19) Subscriber. – ~~A Plan member who is not a dependent.~~ A person who qualifies for coverage under the Plan under G.S. 135-48.40 as the primary insured.

~~(26)~~(20) Surviving spouse. – The spouse of a deceased ~~Plan member~~ subscriber who is eligible for Plan enrollment.

"**§ 135-48.2. Undertaking.**

(a) The State of North Carolina undertakes to make available a State Health Plan (hereinafter called the "Plan") exclusively for the benefit of eligible employees, eligible retired employees, and certain of their eligible dependents, which will pay benefits in accordance with the terms of this Article. The Plan shall have all the powers and privileges of a corporation and shall be known as the State Health Plan for Teachers and State Employees. The State Treasurer and the Executive Administrator ~~and Board of Trustees~~ shall carry out their duties and responsibilities as fiduciaries for the Plan. The Plan shall administer one or more group health plans that are comprehensive in ~~coverage and shall provide eligible employees and retired employees coverage on a noncontributory basis under at least one of the group plans with benefits equal to that specified in subsection (g) of this section.~~ coverage. The ~~Executive Administrator and Board of Trustees~~ State Treasurer may operate group plans as a preferred provider option, or health maintenance, point-of-service, or other organizational ~~arrangement and may offer the plans to employees and retirees on a noncontributory or partially contributory basis. Plans offered on a partially contributory basis must provide benefits that are additional to that specified in subsection (g) of this section and may not be offered unless approved in an act of the General Assembly.~~ arrangement.

(b) Payroll deduction shall be available for coverage under ~~this Part~~ the Plan for subscribers able to meet the Plan's requirements for payroll deduction.

"**§ 135-48.3. Right to amend.**

The General Assembly reserves the right to alter, amend, or repeal this Article.

"**§ 135-48.4: Reserved for future codification purposes.**

"**§ 135-48.5. Health benefit trust funds created.**

(a) There are hereby established two health benefit trust funds, to be known as the Public Employee Health Benefit Fund and the Health Benefit Reserve Fund for the payment of hospital and medical benefits. As used in this section, the term "health benefit trust funds" refers to the fund type described under G.S. 143C-1-3(a)(10).

All premiums, fees, charges, rebates, refunds or any other receipts including, but not limited to, earnings on investments, occurring or arising in connection with health benefits programs established by this Article, shall be deposited into the Public Employee Health Benefit Fund. Disbursements from the Fund shall include any and all amounts required to pay the benefits and administrative costs of such programs as may be determined by the Executive Administrator and Board of Trustees.

Any unencumbered balance in excess of prepaid premiums or charges in the Public Employee Health Benefit Fund at the end of each fiscal year shall be used first, to provide an actuarially determined Health Benefit Reserve Fund for incurred but unpresented claims, second, to reduce the premiums required in providing the benefits of the health benefits programs, and third to improve the plan, as may be provided by the General Assembly. The balance in the Health Benefits Reserve Fund may be transferred from time to time to the Public Employee Health Benefit Fund to provide for any deficiency occurring therein.

The Public Employee Health Benefit Fund and the Health Benefit Reserve Fund shall be deposited with the State Treasurer and invested as provided in G.S. 147-69.2 and 147-69.3.

(b) Disbursement from the Public Employee Health Benefit Fund may be made by warrant drawn on the State Treasurer by the Executive Administrator, or the Executive Administrator and Board of Trustees may by contract authorize the Claims Processors to draw the warrant.

(c) Separate and apart from the health benefit trust funds authorized by subsections (a) and (b) of this section, there shall be a Public Employee Long-Term Care Benefit Fund if the long-term care benefits provided by ~~Part 4~~ Part 5 of this Article are administered on a self-insured basis.

"**§§ 135-48.6 through 135-48.7: Reserved for future codification purposes.**

"§ 135-48.8. Statements of public interest.

The State of North Carolina deems it to be in the public interest for North Carolina firefighters, rescue squad workers, and members of the National Guard, and certain of their dependents, who are not eligible for any other type of comprehensive group health insurance or other comprehensive group health benefits, and who have been without any form of group health insurance or other comprehensive group health benefit coverage for at least six consecutive months, to be given the opportunity to participate in the benefits provided by the State Health Plan for Teachers and State Employees. Coverage under the Plan shall be voluntary for eligible firefighters, rescue squad workers, and members of the National Guard who elect participation in the Plan for themselves and their eligible dependents.

"§ 135-48.9: Reserved for future codification purposes.

"§ 135-48.10. Confidentiality of information and medical records; provider contracts.

(a) Any information ~~as herein~~ described in this section ~~which~~ that is in the possession of ~~the Executive Administrator and the Board of Trustees of~~ the State Health Plan for Teachers and State Employees or its Claims Processor under the Plan or the Predecessor Plan shall be confidential and shall be exempt from the provisions of Chapter 132 of the General Statutes or any other provision requiring information and records held by State agencies to be made public or accessible to the public. This section shall apply to all information concerning individuals, including the fact of coverage or noncoverage, whether or not a claim has been filed, medical information, whether or not a claim has been paid, and any other information or materials concerning a plan participant. ~~Provided, however, such~~ This information ~~may~~ may, however, be released to the State Auditor, or to the Attorney General, ~~or to the persons designated under G.S. 135-43.3 in furtherance of their statutory duties and responsibilities,~~ or to such persons or organizations as may be designated and approved by the ~~Executive Administrator and Board of Trustees of the Plan, but any~~ State Treasurer. Any information so released shall remain confidential as stated above and any party obtaining such information shall assume the same level of responsibility for maintaining such confidentiality as that of ~~the Executive Administrator and Board of Trustees of~~ the State Health Plan for Teachers and State Employees.

(b) ~~Notwithstanding the provisions of this Article, the Executive Administrator and Board of Trustees of the State Health Plan for Teachers and State Employees may contract with providers of institutional and professional medical care and services to establish preferred provider networks. The~~ The terms of a contract between the Plan and its third party administrator or between the Plan and its pharmacy benefit manager are a public record under Chapter 132 of the General Statutes. No provision of law, however, shall be construed to prevent or restrict the release of any information in a Plan contract to the State Treasurer, the State Auditor, the Attorney General, the Director of the State Budget, the Plan's Board of Trustees, and the Plan's Executive ~~Administrator, and the Committee on Employee Hospital and Medical Benefits~~ Administrator solely and exclusively for their use in the furtherance of their duties and ~~responsibilities, and to the Department of Health and Human Services solely for the purpose of implementing the transition of NC Health Choice from the Plan to the Department of Health and Human Services. The design, adoption, and implementation of the preferred provider contracts, networks, and optional alternative comprehensive health benefit plans, and programs available under the optional alternative plans, as authorized under G.S. 135-45 are not subject to the requirements of Article 3 of Chapter 143 of the General Statutes. However, the Executive Administrator and Board of Trustees shall: (i) submit all proposed statewide and agency term contracts for supplies, materials, printing, equipment, and contractual services that exceed one million dollars ($1,000,000) authorized by this subsection to the Attorney General or the Attorney General's designee for review as provided in G.S. 114-8.3; and (ii) include in all proposed contracts to be awarded by the Executive Administrator and Board of Trustees under this section a standard clause which provides that~~

~~the State Auditor and internal auditors of the Plan may audit the records of the contractor during the term of the contract to verify accounts and data affecting fees and performance. The Executive Administrator and Board of Trustees shall not award a cost plus percentage of cost agreement or contract for any purpose. The Executive Administrator and Board of Trustees shall make reports as requested to the President of the Senate, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Committee on Employee Hospital and Medical Benefits.~~ responsibilities.

"§ 135-48.11: **Reserved for future codification purposes.**

"§ 135-48.12. Committee on Actuarial Valuation of Retired Employees' Health Benefits.

(a) There is established the Committee on Actuarial Valuation of Retired Employees' Health Benefits. The Committee shall be responsible for collecting data and reviewing assumptions for the sole purpose of conducting required actuarial valuations of State supported retired employees' health benefits under other post-employment benefit accounting standards set forth by the Governmental Accounting Standards Board of the Financial Accounting Foundation.

(b) The Committee on Actuarial Valuation of Retired Employees' Health Benefits shall consist of five members serving ex officio, as follows:

(1) The State Budget Officer, who shall serve as the Chair;

(2) The State Auditor;

(3) The State Controller;

(4) The State Treasurer; and

(5) The Executive Administrator for the ~~Teachers' and the State Employees' Comprehensive Major Medical Plan [State Health Plan for Teachers and State Employees].~~ State Health Plan for Teachers and State Employees.

(c) A majority of the members of the Committee then serving shall constitute a quorum.

(d) Each member shall be entitled to one vote on the Committee. Three affirmative votes shall be necessary for a decision by the members at any meeting of the Committee.

(e) The Committee shall keep in convenient form such data as is necessary for actuarial valuation of retired employees' health benefits under accounting standards set forth by the Governmental Accounting Standards Board of the Financial Accounting Foundation. The Department of State Treasurer, Retirement Systems Division, the State Health Plan for Teachers and State Employees, and any other State agency, department, or university institution, local public school agency, or local community college institution shall provide any necessary data upon request of the Committee for the purpose of conducting its responsibilities.

(f) The Committee shall designate either the actuary under contract with the Department of State Treasurer, Retirement Systems Division, or the actuary under contract with the State Health Plan for Teachers and State Employees as the technical adviser to the Committee on matters regarding the actuarial valuation of retired employees' health benefits created by the provisions of this Chapter. The technical advisor shall perform such actuarial valuation and other duties as are required under this Chapter.

(g) The Committee shall secure an annual calendar-year actuarial valuation of retired employees' health benefits under accounting standards set forth by the Governmental Accounting Standards Board of the Financial Accounting Foundation.

(h) The Committee shall keep a record of all of its proceedings which shall be open to public inspection.

"Part 2. Administrative Structure.

"§ 135-48.20. Board of Trustees established.

(a) There is established the Board of Trustees of the State Health Plan for Teachers and State Employees.

(b) The Board of Trustees of the State Health Plan for Teachers and State Employees shall consist of ~~nine~~ 10 members.

(c) The State Treasurer shall be an ex officio member of the Board of Trustees and shall serve as its Chair.

~~(c)~~(d) Three members shall be appointed by the Governor. Terms shall be for two years. Vacancies shall be filled by the Governor. Of the members appointed by the Governor, one shall be either:

(1) An employee of a State department, agency, or institution;
(2) A teacher employed by a North Carolina public school system;
(3) A retired employee of a State department, agency, or institution; or
(4) A retired teacher from a North Carolina public school system.

~~(d)~~(e) Three members shall be appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121. Terms shall be for two years. Vacancies shall be filled in accordance with G.S. 120-122.

~~(e)~~(f) Three members shall be appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121. Terms shall be for two years. Vacancies shall be filled in accordance with G.S. 120-122.

~~(f)~~(g) Each appointing authority may remove any member appointed by that appointing authority.

~~(g)~~(h) The members of the Board of Trustees shall receive one hundred dollars ($100.00) per day, except employees eligible to enroll in the Plan, whenever the full Board of Trustees holds a public session, and travel allowances under G.S. 138-6 when traveling to and from meetings of the Board of Trustees or hearings under ~~G.S. 135-44.7,~~ G.S. 135-48.24, but shall not receive any subsistence allowance or per diem under G.S. 138-5, except when holding a meeting or hearing where this section does not provide for payment of one hundred dollars ($100.00) per day.

~~(h)~~(i) No member of the Board of Trustees may serve more than three consecutive two-year terms.

~~(i)~~(j) Meetings of the Board of Trustees may be called by the Executive Administrator, the Chair, or by any three members.

"**§ 135-48.21. Officers, quorum, meetings.**

(a) ~~The~~ Besides the Chair, the Board of Trustees shall elect from its own membership such officers as it sees fit.

(b) 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.

(c) Meetings may be called by the Chair, or at the written request of three members.

"**§ 135-48.22. Executive Administrator.**

(a) The Plan shall have an Executive Administrator and a Deputy Executive Administrator. The Executive Administrator and the Deputy Executive Administrator positions are exempt from the provisions of Chapter 126 of the General Statutes as provided in G.S. 126-5(c1).

(b) The Executive Administrator shall be appointed by the State Treasurer. The term of employment and salary of the Executive Administrator shall be set by the State Treasurer after consultation with the Board of Trustees.

The Executive Administrator may be removed from office by the State Treasurer after consultation with the Board of Trustees, and any vacancy in the office of Executive Administrator may be filled by the State Treasurer.

(c) The Executive Administrator shall appoint the Deputy Executive Administrator and may employ such clerical and professional staff, and such other assistance as may be necessary to assist the Executive ~~Administrator and~~ Administrator, the Board of ~~Trustees~~ Trustees, and the State Treasurer in carrying out their duties and responsibilities under this Article. The

Executive Administrator may designate managerial, professional, or policy-making positions as exempt from the State Personnel Act. The Executive Administrator may also negotiate, renegotiate and execute contracts with third parties in the performance of the Executive Administrator's duties and responsibilities under this Article; provided any contract negotiations, renegotiations and execution with a Claims Processor, with an optional alternative comprehensive health benefit plan, or program thereunder, authorized under ~~G.S. 135-45,~~ G.S. 135-48.2, with a preferred provider of institutional or professional hospital and medical care, or with a pharmacy benefit manager shall be done only after consultation with the ~~Committee on Employee Hospital and Medical Benefits.~~ State Treasurer.

~~(d) The Executive Administrator shall be responsible for:~~

~~(1) Cost management programs;~~

~~(2) Education and illness prevention programs;~~

~~(3) Training programs for Health Benefit Representatives;~~

~~(4) Membership functions;~~

~~(5) Long-range planning;~~

~~(6) Provider and participant relations; and~~

~~(7) Communications.~~

~~Managed care practices used by the Executive Administrator in cost management programs are subject to the requirements of G.S. 58-3-191, 58-3-221, 58-3-223, 58-3-235, 58-3-240, 58-3-245, 58-3-250, 58-3-265, 58-67-88, and 58-50-30.~~

~~(e)~~(d) The Executive Administrator shall quarterly make reports and recommendations on the Plan to the President Pro Tempore of the ~~Senate,~~ Senate and the Speaker of the House of ~~Representatives and the Committee on Employee Hospital and Medical Benefits.~~ Representatives."

"**§ 135-48.23: Reserved for future codification purposes.**

"**§ 135-48.24. Administrative review.**

(a) If, after exhaustion of internal appeal handling as outlined in the contract with the Claims Processor any person is aggrieved, the Claims Processor shall bring the matter to the attention of the Executive Administrator and Board of Trustees, which shall promptly decide whether the subject matter of the appeal is a determination subject to external review under Part 4 of Article 50 of Chapter 58 of the General Statutes. The Executive Administrator and Board of Trustees shall inform the aggrieved person and the aggrieved person's provider of the decision and shall provide the aggrieved person notice of the aggrieved person's right to appeal that decision as provided in this subsection. If the Executive Administrator and Board of Trustees decide that the subject matter of the appeal is not a determination subject to external review, then the Executive Administrator and Board of Trustees may make a binding decision on the matter in accordance with procedures established by the Executive Administrator and Board of Trustees. The Executive Administrator and Board of Trustees shall provide a written summary of the decisions made pursuant to this section to all employing units, all health benefit representatives, ~~the oversight team provided for in G.S. 135-43.3,~~ all relevant health care providers affected by a decision, and to any other parties requesting a written summary and approved by the Executive Administrator and Board of Trustees to receive a summary immediately following the issuance of a decision. A decision by the Executive Administrator and Board of Trustees that a matter raised on internal appeal is a determination subject to external review as provided in subsection (b) of this section may be contested by the aggrieved person under Chapter 150B of the General Statutes. The person contesting the decision may proceed with external review pending a decision in the contested case under Chapter 150B of the General Statutes.

(b) The ~~Executive Administrator and Board of Trustees~~ State Treasurer, in consultation with the Board of Trustees, shall adopt and implement utilization review and internal grievance procedures that are substantially equivalent to those required under G.S. 58-50-61 and

G.S. 58-50-62. External review of determinations shall be conducted in accordance with Part 4 of Article 50 of Chapter 58 of the General Statutes. As used in this section, "determination" is a decision by the ~~Executive Administrator and Board of Trustees,~~ State Treasurer, or the Plan's designated utilization review organization administrated by or under contract with the Plan that an admission, availability of care, continued stay, or other health care service has been reviewed and, based upon information provided, does not meet the Plan's requirements for medical necessity, appropriateness, health care setting, or level of care or effectiveness, and the requested service is therefore denied, reduced, or terminated.

(c) The Board of Trustees shall make the final agency decision in all cases contested pursuant to Chapter 150B of the General Statutes. The Executive Administrator shall execute the Board's final agency decisions. For purposes of G.S. 150B-44, the Board of Trustees is an agency that is a board or commission.

"**§ 135-48.25. Rules.**

The ~~Executive Administrator and Board of Trustees~~ State Treasurer, in consultation with the Board of Trustees, may adopt rules to implement ~~Parts 2, 3, 4, and 5 of~~ this Article. The ~~Executive Administrator and Board of Trustees~~ State Treasurer shall provide to all employing units, all health benefit representatives, ~~the oversight team provided for in G.S. 135-43.3,~~ all relevant health care providers affected by a rule, and to any other persons requesting a written description and approved by the ~~Executive Administrator and Board of Trustees~~ State Treasurer written notice and an opportunity to comment not later than 30 days prior to adopting, amending, or rescinding a rule, unless immediate adoption of the rule without notice is necessary in order to fully effectuate the purpose of the rule. Rules of the Board of Trustees shall remain in effect until amended or repealed by the ~~Executive Administrator and Board of Trustees.~~ State Treasurer. The ~~Executive Administrator and Board of Trustees~~ State Treasurer shall provide a written description of the rules adopted under this section to all employing units, all health benefit representatives, ~~the oversight team provided for in G.S. 135-43.3,~~ all relevant health care providers affected by a rule, and to any other persons requesting a written description and approved by the ~~Executive Administrator and Board of Trustees~~ State Treasurer on a timely basis. Rules adopted by the ~~Executive Administrator and Board of Trustees~~ State Treasurer to implement this Article are not subject to Article 2A of Chapter 150B of the General Statutes.

"**§ 135-48.26: Reserved for future codification purposes.**

"**§ 135-48.27. Reports to the General Assembly.**

~~The~~ In addition to the reports required by G.S. 135-48.22(d), the State Treasurer, the Executive ~~Administrator~~ Administrator, and Board of Trustees shall report to the General Assembly at such times and in such forms as shall be designated by ~~the Committee on Employee Hospital and Medical Benefits.~~the President Pro Tempore of the Senate and the Speaker of the House of Representatives.

"**§ 135-48.28. Auditing of the Plan.**

The ~~Board of Trustees and the Executive Administrator of the~~ State Health Plan for Teachers and State Employees and the Claims Processor shall be subject to the oversight of the State Auditor pursuant to Article 5A of Chapter 147 of the General Statutes.

"Part 3. Plan Operation.

"**§ 135-48.30. Powers and duties of the State Treasurer.**

The State Treasurer shall have the following powers and duties:

(1) Administer and operate the State Health Plan for Teachers and State Employees in accordance with G.S. 135-48.2 and the provisions of this Article.

(2) Set benefits, premium rates, co-pays, deductibles, and coinsurance maximums.

(3) Set the allowable charges for medical and prescription drug benefits, as necessary.
(4) Design and implement coordination of benefits policies.
(5) May offer wellness incentives.
(6) Set administrative and medical policies that are not in direct conflict with this Article.
(7) Adopt and implement, in consultation with the Board of Trustees, utilization review and internal grievance procedures that are substantially equivalent to those required under G.S. 58-50-61 and G.S. 58-50-62. External review of determinations shall be conducted in accordance with Part 4 of Article 50 of Chapter 58 of the General Statutes.
(8) Implement and administer pharmacy and medical utilization management programs and programs to detect and address utilization abuse of benefits.
(9) Establish and operate fraud detection and audit programs.
(10) Expend funds for any independent audit.
(11) Establish procedures to require prior medical approval and implement the procedures after consultation with the Board of Trustees.
(12) Prepare and submit to the Governor and the General Assembly cost estimates for the Plan, including those required by Article 15 of Chapter 120 of the General Statutes.
(13) Disclose to the Governor and the General Assembly changes or additions to the health benefits programs and health care cost containment programs offered under the Plan, together with statements of financial and actuarial effects as required by Article 15 of Chapter 120 of the General Statutes.
(14) Secure and maintain tax qualification of the Plan under any applicable provisions of the Internal Revenue Code.
(15) Implement and administer a program of long-term care benefits pursuant to Part 6 of this Article.
(16) Establish separate premium rates for the long-term care benefits provided by Part 6 of this Article if the benefits are administered on a self-insured basis.
(17) Optionally offer Medicare-related options under G.S. 135-48.38.

(b) The State Treasurer may delegate his or her powers and duties under this section to the Executive Administrator, the Board of Trustees, and employees of the Plan. In delegating powers or duties, however, the State Treasurer maintains the responsibility for the performance of those powers or duties.

"**§ 135-48.31: Reserved for future codification purposes.**

"**§ 135-48.32. Contracts to provide benefits.**

The Plan benefits shall be provided under contracts between the Plan and the claims processors selected by the Plan. The ~~Executive Administrator~~ State Treasurer may contract with a pharmacy benefits manager to administer pharmacy benefits under the Plan. Such contracts shall include the applicable provisions of ~~G.S. 135-45.1 through G.S. 135-45.15~~ this Article and the description of the Plan in the request for proposal, and shall be administered by the respective claims processor or Pharmacy Benefits Manager, which will determine benefits and other questions arising thereunder. The contracts necessarily will conform to applicable State law. If any of the provisions of ~~G.S. 135-45.1 through G.S. 135-45.15~~ this Article and the request for proposals must be modified for inclusion in the contract because of State law, such modification shall be made. The ~~Executive Administrator~~ State Treasurer shall ensure that the terms of the contract between the Plan and the Plan's Claims Processing Contractor, the Pharmacy Benefit Manager, and the Disease Management Contractor require the contractor to provide the following:

(1) Detailed billing by each entity showing itemized cost information, including individual administrative services provided;
(2) Transactional data; and
(3) The cost to the Plan for each administrative function performed by the contractor.

"§ 135-48.33. Contracting provisions; large contract review by Attorney General, auditing, no cost plus contracts.

The ~~Executive Administrator and Board of Trustees~~ Plan shall: (i) submit all proposed statewide and agency term contracts for supplies, materials, printing, equipment, and contractual services that exceed one million dollars ($1,000,000) authorized by ~~subsection (d) of this section~~ this Article to the Attorney General or the Attorney General's designee for review as provided in G.S. 114-8.3; and (ii) include in all proposed contracts to be awarded by the ~~Executive Administrator and Board of Trustees~~ Plan under this section a standard clause which provides that the State Auditor and internal auditors of the Plan may audit the records of the contractor during the term of the contract to verify accounts and data affecting fees and performance. The ~~Executive Administrator and Board of Trustees~~ Plan shall not award a cost plus percentage of cost agreement or contract for any purpose.

"§ 135-48.34. Contracts not subject to Article 3 of Chapter 143 of the General Statutes.

The design, adoption, and implementation of the preferred provider contracts, networks, and optional alternative comprehensive health benefit plans, and programs available under the optional alternative plans, as authorized under G.S. 135-48.2, are not subject to the requirements of Article 3 of Chapter 143 of the General Statutes, but are subject to the requirements of G.S. 135-48.33.

"§ 135-48.35. Contract disputes not contested case under the Administrative Procedure Act, Chapter 150B of the General Statutes.

A dispute involving the performance, terms, or conditions of a contract between the Plan and an entity under contract with the Plan is not a contested case under Article 3 of Chapter 150B of the General Statutes.

"§ 135.48.36: Reserved for future codification purposes.

"§ 135-48.37. Liability of third person; right of subrogation; right of first recovery.

(a) The Plan shall have the right of subrogation upon all of the Plan member's right to recover from a liable third party for payment made under the Plan, for all medical expenses, including provider, hospital, surgical, or prescription drug expenses, to the extent those payments are related to an injury caused by a liable third party. The Plan member shall do nothing to prejudice these rights. The Plan has the right to first recovery on any amounts so recovered, whether by the Plan or the Plan member, and whether recovered by litigation, arbitration, mediation, settlement, or otherwise. Notwithstanding any other provision of law to the contrary, the recovery limitation set forth in G.S. 28A-18-2 shall not apply to the Plan's right of subrogation of Plan members.

(b) If the Plan is precluded from exercising its right of subrogation, it may exercise its rights of recovery ~~pursuant to G.S. 135-40.13(g).~~ against any third party who was overpaid. If the Plan recovers damages from a liable third party in excess of the claims paid, any excess will be paid to the member, less a proportionate share of the costs of collection.

(c) In the event a Plan member recovers any amounts from a liable third party to which the Plan is entitled under this section, the Plan may recover the amounts directly from the Plan member. The Plan has a lien, for not more than the value of claims paid related to the liability of the third party, on any damages subsequently recovered against the liable third party. If the Plan member fails to pursue the remedy against a liable third party, the Plan is subrogated to the rights of the Plan member and is entitled to enforce liability in the Plan's own name or in the name of the Plan member for the amount paid by the Plan.

(d) In no event shall the Plan's lien exceed fifty percent (50%) of the total damages recovered by the Plan member, exclusive of the Plan member's reasonable costs of collection as determined by the Plan in the Plan's sole discretion. The decision by the Plan as to the reasonable cost of collection is conclusive and is not a "final agency decision" for purposes of a contested case under Chapter 150B of the General Statutes. Notice of the Plan's lien or right to recovery shall be presumed when a Plan member is represented by an attorney, and the attorney shall disburse proceeds pursuant to this section.

"§ 135-48.38. Persons eligible for Medicare; optional participation in other Medicare products.

(a) Benefits payable for covered expenses under this Plan ~~in G.S. 135-45.6 through G.S. 135-45.10~~ will be reduced by any benefits payable for the same covered expenses under Medicare, so that Medicare will be the primary carrier except where compliance with federal law specifies otherwise.

(b) For those participants eligible for Medicare, the Plan will be administered on a "carve out" basis. The provisions of the Plan are applied to the charges not paid by Medicare (Parts A & B). In other words, those charges not paid by Medicare would be subject to the deductible and coinsurance of the Plan just as if the charges not paid by Medicare were the total bill.

(c) For those individuals eligible for Part A (at no cost to them), benefits under this program will be reduced by the amounts to which the covered individuals would be entitled to under Parts A and B of Medicare, even if they choose not to enroll for Part B.

(d) Notwithstanding the foregoing provisions of this section or any other provisions of the Plan, the ~~Executive Administrator and Board of Trustees~~ State Treasurer may enter into negotiations with the Centers for Medicare and Medicaid Services, U.S. Department of Health and Human Services, in order to secure a more favorable coordination of the Plan's benefits with those provided by Medicare, including but not limited to, measures by which the Plan would provide Medicare benefits for all of its Medicare-eligible members in return for adequate payments from the federal government in providing such benefits. Should such negotiations result in an agreement favorable to the Plan and its Medicare-eligible members, the ~~Executive Administrator and Board of Trustees~~ State Treasurer may, after consultation with the ~~Committee on Employee Hospital and Medical Benefits,~~ Board of Trustees, implement such an agreement which shall supersede all other provisions of the Plan to the contrary related to its payment of claims for Medicare-eligible members.

(e) Notwithstanding subsections (a), (b), and (c) of this section, ~~the Plan may offer an optional Medicare Advantage plan to a Medicare eligible Plan member. A Medicare Advantage plan offered by the Plan shall be an insured product offered through a private insurance carrier authorized by the Centers for Medicare and Medicaid Services to offer Medicare Advantage plans. A Medicare Advantage plan offered by the Plan shall not be a self-funded benefit plan underwritten by the State of North Carolina. Prescription drug benefits shall not be included in the benefits offered under a Medicare Advantage insurance product but shall continue to be provided by the Plan as authorized under G.S. 135-45.6. An eligible Plan member may choose to enroll in a Medicare Advantage plan in lieu of any other benefit coverage plan offered under the Plan to Medicare eligible Plan members. A Medicare eligible Plan member must be enrolled in Medicare Part B to participate in an optional Medicare Advantage plan. A non-Medicare eligible dependent of a Medicare Advantage eligible Plan member may enroll on a fully contributory basis in benefit plans offered under the Plan to non-Medicare eligible Plan members. If an enrolled Plan member decides not to re-enroll in an optional Medicare Advantage plan during the Plan's annual enrollment period, the Plan member may at that time re-enroll in other benefit coverage offered by the Plan in accordance with the provisions of subsections (a), (b), and (c) of this section.~~ the State Treasurer may contract for coverage in lieu of or to supplement Medicare benefits and may, after consultation with the Board of Trustees,

implement such an agreement, which shall supersede all other provisions of the Plan to the contrary related to its payment of claims for Medicare-eligible members.

"Part 4. Eligibility and Enrollment.

"§ 135-48.40. Categories of eligibility.

(a) Noncontributory Coverage. – The following persons are eligible for coverage under the Plan, on a noncontributory basis, subject to the provisions of ~~G.S. 135-45.4;~~ G.S. 135-48.43:

~~(3)~~(1) Retired teachers, State employees, members of the General Assembly, and retired State law enforcement officers who retired under the Law Enforcement Officers' Retirement System prior to January 1, 1985. Except as otherwise provided in this subdivision, on and after January 1, 1988, a retiring employee or retiree must have completed at least five years of contributory retirement service with an employing unit prior to retirement from any State-supported retirement system in order to be eligible for group benefits under this Part as a retired employee or retiree. For employees first hired on and after October 1, 2006, and members of the General Assembly first taking office on and after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to a requirement that the future retiree have 20 or more years of retirement service credit in order to be covered by the provisions of this subdivision.

~~(4)~~(2) Surviving spouses of:

a. Deceased retired employees, provided the death of the former plan member occurred prior to October 1, 1986; and

b. Deceased teachers, State employees, and members of the General Assembly who are receiving a survivor's alternate benefit under any of the State-supported retirement programs, provided the death of the former plan member occurred prior to October 1, 1986.

(b) Partially Contributory Coverage. – The following persons are eligible for coverage under the Plan, on a partially contributory basis, subject to the provisions of ~~G.S. 135-45.4;~~ G.S. 135-48.43:

(1) All permanent full-time employees of an employing unit who meet either of the following conditions:

a. Paid from general or special State funds.

b. Paid from non-State funds and in a group for which his or her employing unit has agreed to provide coverage.

Employees of State agencies, departments, institutions, boards, and commissions not otherwise covered by the Plan who are employed in permanent job positions on a recurring basis and who work 30 or more hours per week for nine or more months per calendar year are covered by the provisions of this subdivision.

(2) Permanent hourly employees who work at least one-half of the workdays of each pay period.

(3) Retired teachers, State employees, members of the General Assembly, and retired State law enforcement officers who retired under the Law Enforcement Officers' Retirement System prior to January 1, 1985. Except as otherwise provided in this subdivision, on and after January 1, 1988, a retiring employee or retiree must have completed at least five years of contributory retirement service with an employing unit prior to retirement from any State-supported retirement system in order to be eligible for group benefits under this Part as a retired employee or retiree. For employees first hired on and after October 1, 2006, and members of the General Assembly

first taking office on and after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to a requirement that the future retiree have 20 or more years of retirement service credit in order to be covered by the provisions of this subdivision.

(4) Employees of the General Assembly, not otherwise covered by this section, as determined by the Legislative Services Commission, except for legislative interns and pages.

(5) Members of the General Assembly.

(6) Notwithstanding the provisions of subsection (e) of this section, employees on official leave of absence while completing a full-time program in school administration in an approved program as a Principal Fellow in accordance with Article 5C of Chapter 116 of the General Statutes.

(7) Notwithstanding the provisions of ~~G.S. 135-45.12,~~ G.S. 135-48.44, employees formerly covered by the provisions of this section, other than retired employees, who have been employed for 12 or more months by an employing unit, or who have completed a contract term of employment of 10 or 11 months and whose employing unit is a local school administrative unit, and whose jobs are eliminated because of a reduction, in total or in part, in the funds used to support the job or its responsibilities, provided the employees were covered by the Plan at the time of separation from service resulting from a job elimination. Employees covered by this subsection shall be covered for a period of up to 12 months following a separation from service because of a job elimination. An employee formerly covered by the provisions of this section shall not be eligible for coverage under this subdivision if the employee is provided health benefit coverage on a non-contributory basis by a subsequent employer.

(8) Any member enrolled pursuant to subdivision (1) or (2) of this subsection who is on approved leave of absence with pay or receiving workers' compensation.

(9) Employees on approved Family and Medical Leave.

(c) One-Half Contributory Coverage. – The following persons are eligible for coverage under the Plan, on a one-half contributory basis, subject to the provisions of ~~G.S. 135-45.4:~~ G.S. 135-48.43:

(1) A school employee in a job-sharing position as described in G.S. 115C-326.5. If these employees elect to participate in the Plan, the employing unit shall pay fifty percent (50%) of the Plan's total employer premiums. Individual employees shall pay the balance of the total premiums not paid by the employing unit.

(2) Employees and members of the General Assembly with 10 but less than 20 years of retirement service credit provided the employees were first hired on or after October 1, 2006, and the members first took office on or after February 1, 2007. For such future retirees, the State shall pay fifty percent (50%) of the Plan's total employer premiums. Individual retirees shall pay the balance of the total premiums not paid by the State.

(d) Fully Contributory Coverage. – The following persons shall be eligible for coverage under the Plan, on a fully contributory basis, subject to the provisions of ~~G.S. 135-45.4:~~ G.S. 135-48.43:

(1) Former members of the General Assembly who enroll before October 1, 1986.

(2) For enrollments after September 30, 1986, former members of the General Assembly if covered under the Plan at termination of membership in the

General Assembly. To be eligible for coverage as a former member of the General Assembly, application must be made within 30 days of the end of the term of office. Only members of the General Assembly covered by the Plan at the end of the term of office are eligible. If application is not made within the specified time period, the member forfeits eligibility.

(3) Surviving spouses of deceased former members of the General Assembly who enroll before October 1, 1986.

(4) Employees of the General Assembly, not otherwise covered by this section, as determined by the Legislative Services Commission, except for legislative interns and pages.

(5) For enrollments after September 30, 1986, surviving spouses of deceased former members of the General Assembly, if covered under the Plan at the time of death of the former member of the General Assembly.

(6) All permanent part-time employees (designated as half-time or more) of an employing unit who meet the conditions outlined in sub-subdivision ~~(a1)(1)a.~~ (b)(1)a. of this section and who are not covered by the provisions of subdivision ~~(a1)(1)~~ (b)(1) of this section.

(7) The spouses and eligible dependent children of enrolled teachers, State employees, retirees, former members of the General Assembly, former employees covered by the provisions of ~~former subdivision (a)(8) or~~ subdivision ~~(a1)(7)~~ (b)(7) of this section, Disability Income Plan beneficiaries, enrolled continuation members, and members of the General Assembly. Spouses of surviving dependents are not eligible, nor are dependent children if they were not covered at the time of the member's death. Surviving spouses may cover their dependent children provided the children were enrolled at the time of the member's death or enroll within 90 days of the member's death.

(8) Blind persons licensed by the State to operate vending facilities under contract with the Department of Health and Human Services, Division of Services for the Blind and its successors, who are:

a. Operating such a vending facility;

b. Former operators of such a vending facility whose service as an operator would have made these operators eligible for an early or service retirement allowance under Article 1 of this Chapter had they been members of the Retirement System; and

c. Former operators of such a vending facility who attain five or more years of service as operators and who become eligible for and receive a disability benefit under the Social Security Act upon cessation of service as an operator.

Spouses, dependent children, surviving spouses, and surviving dependent children of such members are not eligible for coverage.

(9) Surviving spouses of deceased retirees and surviving spouses of deceased teachers, State employees, and members of the General Assembly provided the death of the former Plan member occurred after September 30, 1986, and the surviving spouse was covered under the Plan at the time of death.

(10) Any eligible dependent child of the deceased retiree, teacher, State employee, member of the General Assembly, former member of the General Assembly, or Disability Income Plan beneficiary, provided the child was covered at the time of death of the retiree, teacher, State employee, member of the General Assembly, former member of the General Assembly, or Disability Income Plan beneficiary, (or was in posse at the time and is

covered at birth under this Part), or was covered under the Plan on September 30, 1986. An eligible surviving dependent child can remain covered until age 26 or indefinitely if certified as incapacitated under ~~G.S. 135-45.2(d).~~ G.S. 135-44.41(b).

(11) Retired teachers, State employees, and members of the General Assembly with less than 10 years of retirement service credit, provided the teachers and State employees were first hired on or after October 1, 2006, and the members first took office on or after February 1, 2007.

(12) Notwithstanding the provisions of ~~G.S. 135-45.12~~ G.S. 135-48.44, former employees covered by the provisions of this section and their spouses and eligible dependent children who were covered by the Plan at the time of the former employees' separation from service pursuant to this section, following expiration of the former employees' coverage provided by this section. Election of coverage under this subdivision shall be made within 90 days after the termination of coverage provided under this section.

(13) ~~Firefighters, rescue squad workers, and members of the National Guard,~~ The following persons, their eligible spouses, and eligible dependent ~~children.~~ children, provided that the person seeking coverage as a subscriber (i) is not eligible for another comprehensive group health benefit plan and (ii) has been without coverage under a comprehensive group health benefit plan for at least six consecutive months:

a. Firefighters.
b. Rescue squad workers.
c. Persons receiving a pension from the North Carolina Firemen and Rescue Squad Workers' Pension Fund.
d. Members of the North Carolina National Guard.
e. Retirees of the North Carolina National Guard with 20 years of service.

For the purposes of this subdivision, Medicare benefits, Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) benefits, and other Uniformed Services benefits shall be considered comprehensive group health benefit plans. The Plan may require certification of persons seeking coverage under this subdivision.

"§ 135-48.41. Additional eligibility provisions.

(a) 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.

(b) Coverage of a dependent child may be extended beyond the 26th birthday if 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(e)(7).~~ G.S. 135-48.40(d)(7).

(c) No person shall be eligible for coverage as a dependent if eligible as an employee or retired employee, except when a spouse is eligible on a fully contributory basis. In addition, no person shall be eligible for coverage as a dependent of more than one employee or retired employee at the same time.

(d) Former employees who are receiving disability retirement benefits or disability income benefits pursuant to Article 6 of Chapter 135 of the General Statutes or who are approved for those benefits but not in receipt of the benefits due to lump-sum payouts of vacation and bonus leave, provided the former employee has at least five years of contributory retirement service with an employing unit of a State-supported retirement system, shall be eligible for the benefit provisions of this Plan, as set forth in this Part, on a noncontributory basis. Such coverage shall terminate as of the end of the month in which such former employee is no longer eligible for disability retirement benefits or disability income benefits pursuant to Article 6 of this Chapter.

(e) Employees on official leave of absence without pay may elect to continue this group coverage at group cost provided that they pay the full employee and employer contribution through the employing unit during the leave period.

(f) For the support of the benefits made available to any member vested at the time of retirement, their spouses or surviving spouses, and the surviving spouses of employees who are receiving a survivor's alternate benefit under G.S. 135-5(m) of those associations listed in G.S. 135-27(a), licensing and examining boards under G.S. 135-1.1, the North Carolina State Art Society, Inc., and the North Carolina Symphony Society, Inc., each association, organization or board shall pay to the Plan the full cost of providing these benefits under this section as determined by ~~the Board of Trustees of~~ the State Health Plan for Teachers and State Employees. In addition, each association, organization or board shall pay to the Plan an amount equal to the cost of the benefits provided under this section to presently retired members of each association, organization or board since such benefits became available at no cost to the retired member. This subsection applies only to those individuals employed prior to July 1, 1983, as provided in G.S. 135-27(d).

(g) An eligible surviving spouse and any eligible surviving dependent child of a deceased retiree, teacher, State employee, member of the General Assembly, former member of the General Assembly, or Disability Income Plan beneficiary shall be eligible for group benefits under this section without waiting periods for preexisting conditions provided coverage is elected within 90 days after the death of the former plan member. Coverage may be elected at a later time, but will be subject to the 12-month waiting period for preexisting conditions and will be effective the first day of the month following receipt of the application.

(h) No person shall be eligible for coverage as an employee or retired employee or as a dependent of an employee or retired employee upon a finding by the ~~Executive Administrator or Board of Trustees~~ State Treasurer or by a court of competent jurisdiction that the employee or dependent knowingly and willfully made or caused to be made a false statement or false representation of a material fact in a claim for reimbursement of medical services under the Plan or in any representation or attestation to the Plan.

The ~~Executive Administrator and Board of Trustees~~ State Treasurer may make an exception to the provisions of this subsection when persons subject to this subsection have had a cessation of coverage for a period of five years and have made a full and complete restitution to the Plan for all fraudulent claim amounts. Nothing in this subsection shall be construed to obligate the ~~Executive Administrator and Board of Trustees~~ State Treasurer to make an exception as allowed for under this subsection.

(i) Any employee receiving benefits pursuant to Article 6 of this Chapter when the employee has less than five years of retirement membership service, or an employee on leave without pay due to illness or injury for up to 12 months, is entitled to continued coverage under

the Plan for the employee and any eligible dependents by paying one hundred percent (100%) of the cost.

"§ 135-48.42. Enrollment.

(a) Except as otherwise required by applicable federal law, new employees must be given the opportunity to enroll or decline enrollment for themselves and their dependents within 30 days from the date of employment or from first becoming eligible on a noncontributory basis. Coverage may become effective on the first day of the month following date of entry on payroll or on the first day of the following month. New employees not enrolling themselves and their dependents within 30 days, or not adding dependents when first eligible as provided herein may enroll on the first day of any month but will be subject to a 12-month waiting period for preexisting health conditions, except for employees who elect to change their coverage in accordance with rules established by the ~~Executive Administrator and Board of Trustees~~ State Treasurer for optional or alternative plans available under the Plan. Children born to covered employees having coverage type (2) or (3), as outlined in ~~G.S. 135-45.4(d)~~ G.S. 135-48.43(d) shall be automatically covered at the time of birth without any waiting period for preexisting health conditions. Children born to covered employees having coverage type (1) shall be automatically covered at birth without any waiting period for preexisting health conditions so long as the claims processor receives notification within 30 days of the date of birth that the employee desires to change from coverage (1) to coverage type (2) or (3), provided that the employee pays any additional premium required by the coverage type selected retroactive to the first day of the month in which the child was born.

(b) 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.

(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.

"§ 135-48.43. Effective dates of coverage.

(a) Employees and Retired Employees. –

(1) Employees and retired employees covered under the Predecessor Plan will continue to be covered, subject to the terms hereof.

(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.

(3) Employees not enrolling or adding dependents when first eligible in accordance with ~~G.S. 135-45.3~~ G.S. 135-48.42 may enroll later on the first of any following month but will be subject to a 12-month waiting period for a preexisting health condition, except employees who elect to change their coverage in accordance with rules adopted by the ~~Executive Administrator~~

~~and Board of Trustees~~ State Treasurer for optional alternative plans offered under the Plan.

(4) Members of the General Assembly, beginning with the 1985 Session, shall become first eligible with the convening of each Session of the General Assembly, regardless of a Member's service during previous Sessions. Members and their dependents enrolled when first eligible after the convening of each Session of the General Assembly will not be subject to any waiting periods for preexisting health conditions. Members of the 1983 Session of the General Assembly, not already enrolled, shall be eligible to enroll themselves and their dependents on or before October 1, 1983, without being subject to any waiting periods for preexisting health conditions.

(b) Waiting Periods and Preexisting Conditions. –

(1) New employees and dependents enrolling when first eligible are subject to no waiting period for preexisting conditions under the Plan.

(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.

(3) Retiring employees and dependents enrolled when first eligible after an employee's retirement are subject to no waiting period for preexisting conditions under the Plan. Retiring employees not enrolled or not adding dependents when first eligible after an employee's retirement may enroll later on the first of any following month, but will be subject to a 12-month waiting period for preexisting conditions except as provided in subdivision (a)(3) of this section.

(4) Employees and dependents enrolling or reenrolling within 12 months after a termination of enrollment or employment that were not enrolled at the time of this previous termination, regardless of the employing units involved, shall not be considered as newly-eligible employees or dependents for the purposes of waiting periods and preexisting conditions. Employees and dependents transferring from optional prepaid alternative plans available under the Plan; employees and dependents immediately returning to service from an employing unit's approved periods of leave without pay for illness, injury, educational improvement, workers' compensation, parental duties, or for military reasons; employees and dependents immediately returning to service from a reduction in an employing unit's work force; retiring employees and dependents reenrolled in accordance with ~~G.S. 135-45.4(b)(3);~~ subdivision (3) of this subsection; formerly-enrolled dependents reenrolling as eligible employees; formerly-enrolled employees reenrolling as eligible dependents; and employees and dependents reenrolled without waiting periods and preexisting conditions under specific rules adopted by the ~~Executive Administrator and Board of Trustees~~ State Treasurer in the best interests of the Plan shall not be considered reenrollments for the purpose of this subdivision. Furthermore, employees accepting permanent, full-time appointments who had previously worked in a part-time or temporary position and their qualified dependents shall not be covered by waiting periods and preexisting conditions under this division provided enrollment as a permanent, full-time employee is made when the employee and his dependents are first eligible to enroll.

(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.

(c) Dependents of Employees and Retired Employees. –

(1) Dependents of employees and retired employees who have family coverage under the Predecessor Plan will continue to be covered subject to the terms hereof.

(2) Employees who have dependents may apply for family coverage at the time they enroll as provided in subdivisions (a)(2) and (a)(3) of this section and such dependents will be covered under the Plan beginning the same date as such employees.

(3) Employees and retired employees may change from one category of coverage to a different category of coverage without a waiting period for preexisting conditions, and, as applicable, dependents will be covered under the Plan the first of the month or the first of the second month following the dependent's eligibility for coverage, provided written application is submitted to the Health Benefits Representative within 30 days of becoming eligible.

(4) Employees or retired employees who wish to change to employee only coverage shall give written notice to their Health Benefits Representative within 30 days after any change in the status of dependents, (resulting from death, divorce, etc.) that requires a change in contract category. The effective date will be the first of the month following the dependent's ineligibility event. If notification was not made within the 30 days following the dependent's ineligibility event, the dependent will be retroactively removed the first of the month following the dependent's ineligibility event, and the coverage category change will be the first of the month following written notification, except in cases of death, in which case the coverage category change will be made retroactive to the first of the month following the death.

(5) Employees not adding dependents when first eligible may enroll later on the first of any following month, but dependents will be subject to a 12-month waiting period for preexisting health conditions except as provided in subdivision (a)(3) of this section.

(6) Employees or retired employees who wish to change to employee only coverage even though their dependents continue to be eligible, shall give written notification to their Health Benefits Representative. Except as otherwise required by applicable federal law, the date of this category change will be the first of the month following written notification or any first of the month thereafter as desired by the employee.

(7) The effective date for newborns or adopted children will be date of birth, date of adoption, or placement with adoptive parent provided member is currently covered under employee and family or employee and child coverage. If the member wishes to add a newborn or adopted child and is currently enrolled in employee only coverage, the member must submit application for coverage and a coverage type change within 30 days of the child's birth or date of adoption or placement. Effective date for the coverage category change is the first of the month in which the child is born, adopted, or placed. Adopted children may also be covered the first of the month following placement or adoption.

(d) Categories of Coverage Available. – There are four categories of coverage which an employee or retiree may elect.

(1) Employee Only. – Covers enrolled employees only. Maternity benefits are provided to employee only.

(2) Employee and Child. – Covers enrolled employee and all eligible dependent children. Maternity benefits are provided to the employee only.

(3) Employee and Family. – Covers employee and spouse, and all eligible dependent children. Maternity benefits are provided to employee or enrolled spouse.

(4) Employee and ~~spouse.~~ Spouse. – Covers employee and spouse only. Maternity benefits are provided to the employee or the employee's enrolled spouse.

~~(e) Notwithstanding any other provision of this section, no coverage under the Plan shall become effective prior to the payment of premiums required by the Plan.~~

~~(f)~~(d) Firefighters, rescue squad workers, and members of the National Guard are subject to the same terms and conditions of this section as are employees. Eligible dependents of firefighters, rescue squad workers, and members of the National Guard are subject to the same terms and conditions of this section as are dependents of employees.

~~(g) Different categories of coverage may be offered for optional alternative plans or programs.~~

~~(h)~~(e) If any provision of this section is in conflict with applicable federal law, federal law shall control to the extent of the conflict.

"§ 135-48.44. Cessation of coverage.

(a) Coverage under this Plan of an employee and his or her surviving spouse or eligible dependent children or of a retired employee and his or her surviving spouse or eligible dependent children shall cease on the earliest of the following dates:

(1) The last day of the month in which an employee or retired employee dies. Provided such surviving spouse or eligible dependent children were covered under the Plan at the time of death of the former employee or retired employee, or were covered on September 30, 1986, any such surviving spouse or eligible dependent children may then elect to continue coverage under the Plan by submitting written application to the Claims Processor and by paying the cost for such coverage when due at the applicable fees. Such coverage shall cease on the last day of the month in which such surviving spouse or eligible dependent children die, except as provided by this Article.

(2) The last day of the month in which an employee's employment with the State is terminated as provided in subsection (c) of this section.

(3) The last day of the month in which a divorce becomes final.

(4) The last day of the month in which an employee or retired employee requests cancellation of coverage.

(5) The last day of the month in which a covered individual enters active military service.

(6) The last day of the month in which a covered individual is found to have knowingly and willfully made or caused to be made a false statement or false representation of a material fact in a claim for reimbursement of medical services under the Plan. The ~~Executive Administrator and Board of Trustees~~ State Treasurer may make an exception to the provisions of this subdivision when persons subject to this subdivision have had a cessation of coverage for a period of five years and have made a full and complete restitution to the Plan for all fraudulent claim amounts. Nothing in this subdivision shall be construed to obligate the ~~Executive Administrator and Board of Trustees~~ State Treasurer to make an exception as allowed for under this subdivision.

(7) The last day of the month in which an employee who is Medicare-eligible selects Medicare to be the primary payer of medical benefits. Coverage for a Medicare-eligible spouse of an employee shall also cease the last day of the month in which Medicare is selected to be the primary payer of medical benefits for the Medicare-eligible spouse. Such members are eligible to apply for conversion coverage.

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

(b) Coverage under this Plan as a dependent child ceases when the child ceases to be a dependent child as defined by ~~G.S. 135-45.1~~ G.S. 135-48.1 except, coverage may continue under this Plan for a period of not more than 36 months after loss of dependent status on a fully contributory basis provided the dependent child was covered under the Plan at the time of loss of dependent status.

(c) Coverage under the Plan as a surviving dependent child whether covered as a dependent of a surviving spouse, or as an individual member (no living parent), ceases when the child ceases to be a dependent child as defined by ~~G.S. 135-45.1,~~ G.S. 135-48.1, except coverage may continue under the Plan on a fully contributory basis for a period of not more than 36 months after loss of dependent status.

(d) Termination of employment shall mean termination for any reason, including layoff and leave of absence, except as provided in subdivisions (a)(1) and (2) of this section, but shall not, for purposes of this Plan, include retirement upon which the employee is granted an immediate service or disability pension under and pursuant to a State-supported Retirement System.

(1) In the event of termination for any reason other than death, coverage under the Plan for an employee and his or her eligible spouse or dependent children, provided the eligible spouse or dependent children were covered under the Plan at termination of employment may be continued for a period of not more than 18 months following termination of employment on a fully contributory basis. Employees who were covered under the Plan at termination of employment may be continued for a period of not more than 18 months or 29 months if determined to be disabled under the Social Security Act, Title II, OASDI or Title XVI, SSI.

(2) In the event of approved leave of absence without pay, other than for active duty in the armed forces of the United States, coverage under this Plan for an employee and his or her dependents may be continued during the period of such leave of absence by the employee's paying one hundred percent (100%) of the cost.

(3) If employment is terminated in the second half of a calendar month and the covered individual has made the required contribution for any coverage in the following month, that coverage will be continued to the end of the calendar month following the month in which employment was terminated.

(4) Employees paid for less than 12 months in a year, who are terminated at the end of the work year and who have made contributions for the non-work months, will continue to be covered to the end of the period for which they have made contributions, with the understanding that if they are not employed by another State-covered employer under this Plan at the beginning of the next work year, the employee will refund to the ex-employer the amount of the employer's cost paid for them during the non-paycheck months.

(5) Any employee receiving benefits pursuant to Article 6 of this Chapter when the employee has less than five years of retirement membership service, or an employee on leave of absence without pay due to illness or injury for up to 12 months, is entitled to continued coverage under the Plan for the employee and any eligible dependents by the employee's paying one hundred percent (100%) of the cost.

(e) A legally divorced spouse and any eligible dependent children of a covered employee or retired employee may continue coverage under this Plan for a period of not more than 36 months following the first of the month after a divorce becomes final on a fully contributory basis, provided the former spouse and any eligible dependent children were covered under the Plan at the time a divorce became final.

(f) A legally separated spouse of a covered employee or retired employee may continue coverage under this Plan for a period not to exceed 36 months from the separation date on a fully contributory basis, provided the separated spouse was covered under the Plan at the time of separation and provided the covered employee's or retired employee's actions result in the loss of coverage for the separated spouse. Eligible dependent children may also continue coverage if covered under the Plan at time of separation, provided the employee's or retired employee's actions result in the loss of coverage for the dependent children.

(g) Whenever this section gives a right to continuation coverage, such coverage must be elected within the time allowed by applicable federal law.

(h) Continuation coverage under this Plan shall not be continued past the occurrence of any one of the following events:

(1) The termination of the Plan.

(2) Failure of a Plan member to pay monthly in advance any required premiums.

(3) A person becomes a covered employee or a dependent of a covered employee under any group health plan and that group health plan has no restrictions or limitations on benefits.

(4) A person becomes eligible for Medicare benefits on or after the effective date of the continuation coverage.

(5) The person was determined to be no longer disabled, provided the 18-month coverage was extended to 29 months due to having been determined to be disabled under the Social Security Act, Title II, OASDI or Title XVI, SSI.

(6) The person reaches the maximum applicable continuation period of 18, 29, or 36 months.

(i) Notice requirements concerning continuation coverage shall be developed by the ~~Executive Administrator and Board of Trustees.~~ Plan.

(j) The spouse and any eligible dependent children of a covered employee may continue coverage under the Plan on a fully contributory basis for a period not to exceed 36 months from the date the employee becomes eligible for Medicare benefits which results in a

loss of coverage under the Plan, provided that the spouse and eligible dependent children were covered under the Plan at the time the employee became eligible for Medicare benefits which results in a loss of coverage under the Plan.

"**§ 135-48.45. Conversion.**

(a) Upon a cessation of group coverage under the Plan and/or eligibility for group coverage under the Plan, an employee or dependent shall be entitled to a conversion to nongroup coverage without the necessity of a physical examination. Such conversion coverage shall include hospitalization, surgical, and medical benefits as contained in the major medical and alternative plan conversion provisions of Article 53 of Chapter 58 of the General Statutes. The ~~Executive Administrator and Board of Trustees~~ State Treasurer in ~~their~~ his or her sole discretion shall approve the conversion coverage, which shall be administered by the Claims Processor through an insurance contract arranged by the Claims Processor, or administered as otherwise directed by the ~~Executive Administrator and Board of Trustees.~~ State Treasurer. An eligible employee or dependent must apply for conversion coverage within 30 days after termination of group eligibility.

(b) The ~~Executive Administrator and Board of Trustees~~ State Treasurer shall provide for the continuation of conversion privilege exercised under the predecessor plan, on a fully contributory basis. The ~~Executive Administrator and Board of Trustees~~ State Treasurer shall consult with the ~~Committee on Employee Hospital and Medical Benefits~~ Board of Trustees before taking action under this subsection.

"Part 5. Coverage Mandates and Exclusions; Other Mandates

"**§ 135-48.50. Coverage mandates.**

The Plan shall provide coverage subject to the following coverage mandates:

(1) Reserved.

(2) Immunizations. – The Plan shall pay one hundred percent (100%) of allowable medical charges for immunizations for the prevention of contagious diseases as generally accepted medical practices would dictate when directed by a credentialed provider as determined by the claims processor.

(3) Insulin. – Prescription benefits shall be provided for insulin even though a prescription is not required.

(4) Mental health parity. – Benefits for the treatment of mental illness and chemical dependency are covered by the Plan and shall be subject to the same deductibles, durational limits, and coinsurance factors as are benefits for physical illness generally. Nothing in this subdivision, however, shall prohibit the Plan from requiring the most cost-effective treatment setting to be utilized by a person undergoing necessary care and treatment for chemical dependency.

(5) Reserved.

(6) Permissive coverage extension. – If a covered service becomes excluded from coverage under the Plan, the Executive Administrator and Claims Processor may, in the event of exceptional situations creating undue hardships or adverse medical conditions, allow persons enrolled in the Plan to remain covered by the Plan's previous coverage for up to three months after the effective date of the change in coverage, provided the persons so enrolled had been undergoing a continuous plan of specific treatment initiated within three months prior to the effective date of the change in coverage.

(7) Reconstructive surgery. – Charges for cosmetic surgery or treatment required for correction of damage caused by accidental injury sustained by the covered individual while coverage under this plan is in force on his or

her account or to correct congenital deformities or anomalies shall not be excluded if they otherwise qualify as covered medical expenses. Reconstructive breast surgery following mastectomy, as those terms are defined in G.S. 58-51-62, shall be covered.

"**§ 135-48.51. Coverage and operational mandates related to Chapter 58 of the General Statutes.**

The following provisions of Chapter 58 of the General Statutes apply to the State Health Plan:

(1) G.S. 58-3-191, Managed care reporting and disclosure requirements.
(2) G.S. 58-3-221, Access to nonformulary and restricted access prescription drugs.
(3) G.S. 58-3-223, Managed care access to specialist care.
(4) G.S. 58-3-225, Prompt claim payments under health benefit plans.
(5) G.S. 58-3-235, Selection of specialist as primary care provider.
(6) G.S. 58-3-240, Direct access to pediatrician for minors.
(7) G.S. 58-3-245, Provider directories.
(8) G.S. 58-3-250, Payment obligations for covered services.
(9) G.S. 58-3-265, Payment obligations for covered services.
(10) G.S. 58-3-280, Coverage for the diagnosis and treatment of lymphedema.
(11) G.S. 58-3-285, Coverage for hearing aids.
(12) G.S. 58-50-30, Right to choose services of optometrist, podiatrist, licensed clinical social worker, certified substance abuse professional, licensed professional counselor, dentist, chiropractor, psychologist, pharmacist, certified fee-based practicing pastoral counselor, advanced practice nurse, licensed marriage and family therapist, or physician assistant
(13) G.S. 58-67-88, Continuity of care.

"**§ 135-48.52. General limitations and exclusions.**

The Plan shall not provide coverage for or pay any benefits for any of the following:

(1) Charges to the extent paid, or which the individual is entitled to have paid, or to obtain without cost, in accordance with any government laws or regulations except Medicare. If a charge is made to any such person which he or she is legally required to pay, any benefits under this Plan will be computed in accordance with its provisions, taking into account only such charge. "Any government" includes the federal, State, provincial, or local government, or any political subdivision thereof, of the United States, Canada, or any other country.
(2) Charges for services rendered in connection with any occupational injury or disease arising out of and in the course of employment with any employer, if (i) the employer furnishes, pays for or provides reimbursement for such charges, or (ii) the employer makes a settlement payment for such charges, or (iii) the person incurring such charges waives or fails to assert his or her rights respecting such charges.
(3) Charges for any services rendered as a result of injury or sickness due to an act of war, declared or undeclared, which act shall have occurred after the effective date of a person's coverage under the Plan.
(4) Charges for any services with respect to which there is no legal obligation to pay. For the purposes of this item, any charge which exceeds the charge that would have been made if a person were not covered under this Plan shall, to the extent of such excess, be treated as a charge for which there is no legal obligation to pay; and any charge made by any person for anything which is normally or customarily furnished by such person without payment from the

recipient or user thereof shall also be treated as a charge for which there is no legal obligation to pay.

(5) Charges during a continuous hospital confinement which commenced prior to the effective date of the person's coverage under this Plan.

(6) Charges for services unless a claim is filed within 18 months from the date of service.

(7) Charges for sexual dysfunction or hair growth drugs or for nonmedically necessary drugs used for cosmetic purposes.

"§ 135-48.53. **Reserved for future codification purposes.**

"§ 135-48.54. **Optional participation for charter schools operated by private nonprofit corporations.**

(a) The board of directors of each charter school operated by a private nonprofit corporation shall elect whether to become a participating employer in the Plan in accordance with this Article. This election shall be in writing, shall be made no later than 30 days after ~~this section becomes law,~~ October 28, 1998, and shall be filed with the ~~Executive Administrator and Board of Trustees~~ Plan and with the State Board of Education. For each charter school employee who is employed on or before the date the board makes the election, membership in the Plan is effective as of the date the board makes the election. For each charter school employee who is employed after the date the board makes the election, membership in the Plan is effective as of the date of that employee's entry into eligible service. This subsection applies only to charter schools that received State Board of Education approval under G.S. 115C-238.29D in 1997 or 1998.

(b) No later than 30 days after both parties have signed the written charter under G.S. 115C-238.29E, the board of directors of a charter school operated by a private nonprofit corporation shall elect whether to become a participating employer in the Plan in accordance with this Article. This election shall be in writing and filed with the ~~Executive Administrator, the Board of Trustees,~~ Plan and the State Board of Education. This election is effective for each charter school employee as of the date of that employee's entry into eligible service. This subsection applies to charter schools that receive State Board of Education approval under G.S. 115C-238.29D after 1998.

(c) A board's election to become a participating employer in the Plan under this section is irrevocable and shall require all eligible employees of the charter school to participate.

(d) If a charter school's board of directors does not elect to become a participating employer in the Plan under this section, that school's employees and the dependents of those employees are not eligible for any benefits under the Plan on account of employment with a charter school.

(e) The board of directors of each charter school shall notify each of its employees as to whether the board elected to become a participating employer in the Plan under this section. This notification shall be in writing and shall be provided within 30 days of the board's election or at the time an initial offer for employment is made, whichever occurs last. If the board did not elect to become a participating employer in the Plan, the notice shall include a statement that the employee shall have no legal recourse against the board or the State for any possible benefit under the Plan. The employee shall provide written acknowledgment of the employee's receipt of the notification under this subsection.

"§ 135-48.55. **Interest charged to charter schools on late premiums.**

The total amount of premiums due the Plan from charter schools as employing units, including amounts withheld from the compensation of Plan members, that is not remitted to the Plan by the fifteenth day of the month following the due date of remittance shall be assessed interest of one and one-half percent (1 1/2%) of the amount due the Plan, per month or fraction thereof, beginning with the sixteenth day of the month following the due date of the remittance. The interest authorized by this section shall be assessed until the premium payment plus the

accrued interest amount is remitted to the Plan. The remittance of premium payments under this section shall be presumed to have been made if the remittance is postmarked in the United States mail on a date not later than the fifteenth day of the month following the due date of the remittance.

"§ 135-48.56. Education of covered active and retired employees.

It is the intent of the General Assembly that active employees and retired employees covered under the Plan and its successor Plan shall have several opportunities in each fiscal year to attend presentations conducted by Plan management staff providing detailed information about benefits, limitations, premiums, co-payments, and other pertinent Plan matters. To this end, the Plan's management staff shall conduct multiple presentations each year to Plan members and association groups representing active and retired employees across all geographic regions of the State. Regional meetings shall be held in locations that afford reasonably convenient access to Plan members. The presentations shall be designed not only to present information about the Plan but also to hear and respond to Plan members' questions and concerns.

"§ 135-48.57. Payments for county or city ambulance service.

Allowable payments for services provided by a county or city ambulance service shall be paid directly or shall be co-payable to the county or city ambulance service provider. As used in this subsection, "county or city ambulance service" means ambulance services provided by a county or county-franchised ambulance service supplemented by county funds, or a municipally owned and operated ambulance service or by an ambulance service supplemented by municipal funds.

"§ 135-48.58. Premiums for firefighters, rescue squad workers, and members of National Guard.

In setting premiums for firefighters, rescue squad workers, and members of the National Guard, and their eligible dependents, the ~~Executive Administrator and Board of Trustees~~ Plan shall establish rates separate from those affecting other members of the Plan. These separate premium rates shall include rate factors for incurred but unreported claim costs, for the effects of adverse selection from voluntary participation in the Plan, and for any other actuarially determined measures needed to protect the financial integrity of the Plan for the benefit of its served employees, retired employees, and their eligible dependents.

"Part 6. Long-term Care Benefits.

"§ 135-48.60. Undertaking.

(a) The State of North Carolina undertakes to make available an optional program of long-term care benefits for the benefit of its qualified employees, retired employees and their dependents which will pay benefits in accordance with the terms hereof. Retired employees of the Local Governmental Employees' Retirement System pursuant to Article 3 of Chapter 128 of the General Statutes and their dependents are also eligible to be qualified for the benefits provided by this Part.

(b) The long-term care benefits provided by this Part shall be made available through the State Health Plan for Teachers and State Employees pursuant to ~~Article~~ Articles 2 and ~~3A~~ 3B of this Chapter (hereinafter called the "Plan") and administered by the ~~Plan's Executive Administrator and Board of Trustees.~~ State Treasurer. In administering the benefits provided by this Part, the ~~Executive Administrator and Board of Trustees~~ State Treasurer shall have the same type of powers and duties that are provided under ~~Part 3~~ the other Parts of this Article for hospital and medical benefits. The benefits provided by this Part may be offered by the Plan on a self-insured basis, in which case a third-party claims processor shall be chosen through competitive bids, or through a contract of insurance, in which case a carrier licensed to do business in North Carolina shall be selected on a competitive bid basis in accordance with State law.

(c) The benefits authorized by this Part are available only to qualified employees and retired employees who voluntarily elect to provide such benefits for themselves and their qualified dependents. Payroll deductions shall be available from employee salary and disability benefit payments and from retired employee retirement benefit payments for fully contributory premium amounts.

(d) The ~~Executive Administrator and Board of Trustees of the Plan~~ State Treasurer shall insure insofar as possible that the long-term care benefits provided by this Part shall be tax-qualified under federal law.

"§ 135-48.61. Long-term care benefits.

(a) Definitions. – The following definitions apply in this section:

(1) Adult care facility. – A facility which (i) is operated under State law to provide group care for the aged and disabled in a setting away from their residence on a less than 24-hour basis when such aged or disabled would otherwise be in need of full-time personal care away from their residence; or (ii) meets the requirements for certification under Chapter 131D of the General Statutes.

(2) Assisted living facility. – A facility which (i) is operated under State law to provide residential care for the aged or disabled whose principal need is a home which provides personal care appropriate to their age or disability; or (ii) meets the requirements for licensure under Chapter 131D of the General Statutes.

(3) Home care agency. – A residential care agency which is (i) operated under State law and which is qualified as a home health care agency under Medicare; or (ii) an agency meeting the requirements for licensure as a home care agency under Chapter 131E of the General Statutes.

(4) Nursing home. – A facility or a part of a facility which is (i) operated under State law and which is qualified as a skilled nursing or intermediate nursing facility under Medicare; or is (ii) a facility meeting the requirements for licensure under Chapter 131E of the General Statutes.

(b) Long-term care benefits provided by this Part are subject to elimination periods, coinsurance provisions, and other limitations separate and apart from those provided for in ~~Part 3~~ the other Parts of this Article. No limitation on out-of-pocket expenses are provided for the benefits covered by this section. Long-term care benefits are as follows:

(1) Nursing Home Benefits. – The Plan will pay a fixed amount of the reasonable and customary daily charges allowed for nursing facilities providing skilled nursing care and intermediate nursing care up to a maximum amount per day for each day after a fixed number of consecutive days for each nursing home stay. Such daily charges shall be inclusive of semiprivate room and board; skilled and semiskilled nursing services; routine laboratory tests and examinations; physical, occupational, and speech therapy; respiratory and other gas therapy; and drugs, injections, biologicals, fluids, solutions, dietary aids and supplements, and other routine medical supplies and equipment. Readmission to a nursing home within 180 days, exclusive of hospital stays, for the same or related cause or causes shall be considered a single nursing home stay for the purposes of this section. Benefits payable under this subdivision are contingent upon compliance with the following conditions and will, in no instance, be paid under this section without compliance with each of the following conditions:

a. Confinement to a nursing home is medically appropriate due to an illness, disease, or injury upon recommendation of an admitting

physician other than a proprietor, employee, or agent of the nursing home;

b. Confinement to a nursing home is for any overnight stay for which a charge for a day's stay is due and payable; and

c. Prior to confinement, the admitting physician secures approval certification from the Plan for confinement.

~~As used in this section, a nursing home is a facility or a part of a facility which is (i) operated under State law and which is qualified as a skilled nursing or intermediate nursing facility under Medicare; or is (ii) a facility meeting the requirements for licensure under Chapter 131E of the General Statutes.~~

(2) Custodial Benefits. – The Plan will pay a fixed percentage of the fixed amount of reasonable and customary daily charges allowed by the Plan in subdivision (1) of this section for assisted living facilities, for adult day care facilities, and for home care agencies up to a maximum amount per day for each day after a fixed number of consecutive days that such custodial care is provided. Benefits payable under this subdivision are contingent upon compliance with the following conditions and will, in no instance, be paid under this subdivision without compliance with each of the following conditions:

a. Use of such custodial benefits is medically appropriate in a treatment plan established and certified initially and at least once every six months by an attending physician or other allied health professionals other than a proprietor, employee, or agent of one or more of the aforementioned facilities and agencies;

b. Confinement to a nursing home would be medically appropriate without custodial care proposed to be rendered by one or more of the aforementioned facilities or agencies; and

c. Prior to use of such custodial benefits, an attending physician or other allied health professional secures approval from the Plan for the use of the benefits.

~~As used in this section, an assisted living facility is a facility which (i) is operated under State law to provide residential care for the aged or disabled whose principal need is a home which provides personal care appropriate to their age or disability; or (ii) meets the requirements for licensure under Chapter 131D of the General Statutes. As used in this section, an adult care facility is a facility which (i) is operated under State law to provide group care for the aged and disabled in a setting away from their residence on a less than 24 hour basis when such aged or disabled would otherwise be in need of full time personal care away from their residence; or (ii) meets the requirements for certification under Chapter 131D of the General Statutes. As used in this section, a home care agency is a residential care agency which is (i) operated under State law and which is qualified as a home health care agency under Medicare; or (ii) an agency meeting the requirements for licensure as a home care agency under Chapter 131E of the General Statutes.~~

(3) Other Benefits. – Upon prior approval of the Plan, other care, services, supplies, and equipment may be used as more cost-effective alternatives to the benefits provided by this section when directed by an attending physician.

(4) The Executive Administrator and Board of Trustees of the Plan shall establish the payment percentages, maximum daily payment rates, benefit periods, elimination periods, and maximum lifetime benefits payable for each covered individual for the nursing home and custodial benefits provided by this section. The Executive Administrator and Board of Trustees

shall provide for inflationary increases in the maximum daily payment rates and the maximum lifetime benefits payable for each covered individual.

(5) The ~~Executive Administrator and Board of Trustees of the~~ Plan shall provide a bed reservation benefit whenever Plan members are hospitalized during a stay in a nursing home or an assisted living facility.

(6) The ~~Executive Administrator and Board of Trustees of the~~ Plan shall provide for a waiver of premiums involving minimum lengths of stay in a nursing home or an assisted living facility. In addition, the Executive Administrator and Board of Trustees shall allow coverage to be reinstated upon failure to pay premiums, provided certain grace periods are not exceeded and retroactive premium payments are made.

(7) Limitations and Exclusions to Long-Term Care Benefits. – The benefits provided by this section are for the purpose of meeting the requirements for assistance from the loss of functional capacity associated with a chronic illness, disease, or disabling injury for extended periods of time; and are, in no way, intended to duplicate the benefits provided for acute and other medical care provided by Medicare or Part 3 of this Article. A loss of functional capacity can occur from: (i) an illness, disease, or disabling injury resulting in a physical incapacity to perform the activities of daily living; or (ii) an irreversible organic mental impairment resulting in a mental incapacity. Activities of daily living consist of routine functions involving personal care and mobility.

"**§ 135-48.62. Conversion.**

Upon cessation of group coverage under this Part, an employee, retired employee, or dependent shall be entitled to a conversion to a nongroup plan of long-term care benefits. The Executive Administrator and Board of Trustees of the Plan shall determine how the conversion rights authorized by this Part shall be administered."

STATEMENT OF LEGISLATIVE INTENT REGARDING REPEAL OF LANGUAGE

SECTION 2.11. In repealing a specific, detailed provision of Article 3A of Chapter 135 of the General Statutes and not placing that detailed provision into Article 3B of Chapter 135 of the General Statutes, it is not necessarily the intent of the General Assembly to prohibit the State Treasurer or the State Health Plan from having that authority.

CARRYOVER OF RULES AND POLICIES

SECTION 2.12. Rules and policies adopted by the Executive Administrator and the Board of Trustees prior to the effective date of this section shall continue to be in effect unless the rule or policy directly conflicts with a provision of Article 3B of Chapter 135 of the General Statutes or until the State Treasurer changes the rule or policy.

EFFECTIVE DATE FOR PART II

SECTION 2.13. Except as otherwise provided, Part II of this act becomes effective January 1, 2012.

PART III. MISCELLANEOUS PROVISIONS

EFFECT OF HEADINGS

SECTION 3.1. 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.

EFFECTIVE DATE

SECTION 3.2. Except as otherwise provided, the remainder of this act is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2011

Legislative Actuarial Note

HEALTH BENEFITS

BILL NUMBER: Senate Bill 265 Proposed Committee Substitute (S265-PCS35127-ME-4)

SHORT TITLE: State Health Plan/Appropriations and Transfer.

SPONSOR(S):

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 Proposed Committee Substitute for Senate Bill 265 appropriates funds from various sources, authorizes annual premium rate increases, makes various benefit and provider related changes to achieve financial savings, and directs other various changes to the Plan.

The proposed bill also moves the Plan under the Department of State Treasurer via a Type II transfer, provides the State Treasurer with the power to appoint or remove the Plan's Executive Administrator, and generally gives the State Treasurer broad authority over the operation of the Plan.

EFFECTIVE DATE: Section 1.9 becomes effective when it becomes law. All other sections of Part I become effective July 1, 2011. Section 2.1 becomes effective when it becomes law. All other sections of Part II become effective January 1, 2012.

ESTIMATED IMPACT ON STATE:

2011-13 Biennium

Increased Premium Contributions

Appropriated Funds

Sections 1.1(a), (b), and (c) appropriate the estimated required funds to support increased employer contributions to the Plan for the 2011-13 biennium. These appropriations are based on increased employer contribution rates derived from an annual 5.2 % premium increase in total premium rates for the fiscal year beginning July 1, 2011, and an additional annual premium increase of 5.2% for the fiscal year beginning July 1, 2012. The table below reflects the allocation of appropriated funds by fund source:

Additional Employer Contributions Appropriated Funds			
Fund Source	**FY 2011-12**	**FY 2012-13**	**Biennium**
General Fund	$8,061,798	$101,782,670	$109,844,468
Highway Fund	$376,217	$4,749,858	$5,126,075
Other Funds	$1,663,159	$20,997,887	$22,661,046
Total	$10,101,174	$127,530,415	$137,631,589

Employee Funds

Section 1.2(a) of the bill establishes new monthly contribution rates for active employees in the Basic 70/30 plan and the Standard 80/20 plan options, and for retired employees enrolled in the Standard 80/20 plan. There is no monthly contribution required for retired employees enrolled in the Basic 70/30 plan option. A summary of the most common estimated monthly contribution rates are reflected below:

Employee & Retired Employee Contribution Rates for Own Coverage				
	FY 2011-12		FY 2012-13	
	Basic 70/30	Standard 80/20	Basic 70/30	Standard 80/20
Employeee Contribution	$10.86	$21.72	$11.43	$22.85
Retiree Contribution				
Non-Medicare Eligible	$0.00	$21.72	$0.00	$22.85
Medicare Eligible	$0.00	$16.72	$0.00	$17.59

Section 1.2(b) of the bill authorizes an annual 5.2% premium increase in contributory premium rates for dependent coverage for the fiscal year beginning July 1, 2011, and an additional annual premium increase of 5.2% for the fiscal year beginning July 1, 2012.

The estimated additional premium contributions from these collective changes in Section 1.2 are listed below:

Additional Member Contributions			
Coverage Category	**FY 2011-12**	**FY 2012-13**	**Biennium**
Contributions for Employee Coverage	$79,744,912	$83,086,125	$162,831,036
Contributions for Retiree Coverage	$27,598,650	$29,324,999	$56,923,650
Contributions for Dependent Coverage	$22,035,960	$44,933,201	$66,969,161
Total	$129,379,522	$157,344,325	$286,723,847

Total Increased Premium Contributions From Appropriated and Employee Funds

The table below reflects the total additional premium contributions projected to be received by the Plan over the 2011-13 biennium as a result of the authorized premium rate increase:

Total Additonal Premium Contributions
From Appropriated and Employee/Retiree Paid Funds

Fund Source	FY 2011-12	FY 2012-13	Biennium
Appropriated			
General Fund	$8,061,798	$101,782,670	$109,844,468
Highway Fund	$376,217	$4,749,858	$5,126,075
Other Funds	$1,663,159	$20,997,887	$22,661,046
Sub-total	$10,101,174	$127,530,415	$137,631,589
Member Contributions			
Contributions for Employee Coverage	$79,744,912	$83,086,125	$162,831,036
Contributions for Retiree Coverage	$27,598,650	$29,324,999	$56,923,650
Contributions for Dependent Coverage	$22,035,960	$44,933,201	$66,969,161
Sub-total	$129,379,522	$157,344,325	$286,723,847
Total	$139,480,696	$284,874,740	$424,355,436

Financial Savings for the 2011-13 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 authorized increases in plan member out-of-pocket requirements and other changes that are estimated to affect the financial condition of the Plan. A summary of the authorized changes are described below including the estimated actuarial impact of these changes.

Sections 1.3(a)(1), (a)(2) and (b) of the bill authorize various increases in plan member out-of-pocket requirements to include increased annual deductibles and annual co-insurance maximums, increased office visit co-pays and increased outpatient prescription drug co-pays.

The in-network out-of-pocket changes for medical and pharmacy benefit related services are summarized in the table below:

	Basic 70/30		Standard 80/20	
	Current	New	Current	New
Medical Benefits				
Plan Member Co-pays (per visit)				
Primary Care	$30	$35	$25	$30
Mid-Tier	$55	$64	$45	$52
Specialty Care	$70	$81	$60	$70
Urgent Care	$75	$87	$75	$87
Inpatient Hospital	$250	$291	$200	$233
Emergency Room	$250	$291	$200	$233
Annual Deductible (Individual)				
In-network	$800	$933	$600	$700
Out-of-network	$1,600	$1,866	$1,200	$1,400
Coinsurance Maximum (Individual)				
In-network	$3,250	$3,793	$2,750	$3,210
Out-of-network	$6,500	$7,586	$5,500	$6,420
Pharmacy Benefits				
Generic (copay)	$10	No change	$10	No change
Preferred Brand (copay)	$35	$40	$35	$40
Non-preferred Brand (copay)	$55	$64	$55	$64

Aon Consulting, the consulting actuary for the State Health Plan for Teachers and State Employees, estimates that implementation of the benefit changes included in the bill will yield the following projected savings:

Aon Consulting
Projected Financial Savings
Increasing Out-of-Pocket Limits

Category	FY 2011-12	FY 2012-13	Biennium
Medical Benefits	$43,657,837	$48,670,256	$92,328,093
Pharmacy Benefits	$17,302,875	$19,998,817	$37,301,692
Total	$60,960,712	$68,669,073	$129,629,785

Hartman & Associates, the consulting actuary for the General Assembly's Fiscal Research Division, estimates that implementation of the benefit changes included in the bill will yield the following projected savings:

Hartman & Associates
Projected Financial Savings
Increasing Out-of-Pocket Limits

Category	FY 2011-12	FY 2012-13	Biennium
Medical Benefits	$44,506,165	$53,115,895	$97,622,060
Pharmacy Benefits	$14,829,123	$14,651,174	$29,480,297
Total	$59,335,288	$67,767,069	$127,102,357

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

Total Projected Financial Savings From Increasing Out-of-Pocket Limits (By Type)

	Aon Consulting (Plan)			Hartman & Assoc. (General Assembly)		
Category	FY 2011-12	FY 2012-13	Biennium	FY 2011-12	FY 2012-13	Biennium
Medical Benefits						
Primary Care Co-pay (Increase)	$6,650,120	$7,454,181	$14,104,301	$7,036,512	$8,026,021	$15,062,533
Mid-tier Specialty Co-pay (Increase)	$2,869,525	$3,216,476	$6,086,001	$2,989,322	$3,409,696	$6,399,018
Specialist Co-pay (Increase)	$7,903,492	$8,859,097	$16,762,589	$8,099,385	$9,440,846	$17,540,231
Urgent Care Co-pay (Increase)	$452,746	$507,488	$960,234	$496,656	$571,464	$1,068,120
Inpatient Co-pay (Increase)	$1,321,982	$1,481,822	$2,803,804	$1,391,786	$1,587,505	$2,979,291
Emergency Room Co-pay (Increase)	$2,203,033	$2,469,400	$4,672,433	$2,326,070	$2,653,172	$4,979,242
Deductible and Coinsurance Max (Increase)	$22,256,937	$24,681,793	$46,938,730	$22,166,434	$27,427,191	$49,593,625
Sub-total	$43,657,835	$48,670,257	$92,328,092	$44,506,165	$53,115,895	$97,622,060
Outpatient Prescription Drugs (acute drugs)						
Brand Drug Co-pay (Increase)	$10,921,107	$12,523,397	$23,444,504	$8,358,944	$8,258,637	$16,617,581
Non-Preferred Brand Drug Co-pay (Increase)	$6,381,768	$7,475,419	$13,857,187	$6,470,179	$6,392,537	$12,862,716
Sub-total	$17,302,875	$19,998,816	$37,301,691	$14,829,123	$14,651,174	$29,480,297
Grand Total	$60,960,710	$68,669,073	$129,629,783	$59,335,288	$67,767,069	$127,102,357

Other Changes Affecting the Plan

Section 1.5 repeals the "Comprehensive Wellness Initiative" authorized originally under Session Law 2009-16. The Plan's consulting actuary has incorporated the increased financial cost of the program's repeal into the overall actuarial cost projection for the changes proposed in the bill, by assuming approximately 95% of employee or retiree contracts, that involve a plan member who is a tobacco-user and currently enrolled in the Basic 70/30 plan per the requirement of the Comprehensive Wellness Initiative, will migrate back to the Standard 80/20 plan in the absence of the requirement. The Plan's consulting actuary estimates by fiscal year the increased financial impact to the Plan for the 2011-13 biennium:

	FY 2011-12	FY 2012-13	Biennium
Repeal Comprehensive Wellness Initiative	$17.4M	$26.0M	$43.4M

Since the weight management component of the Comprehensive Wellness Initiative would not be implemented prior to the repeal date of the program, no actuarial cost impact was expected.

Section 1.6 amends current statutory language under G.S. 135-45 to allow implementation of monthly premium contribution rates to be paid by employees and certain retired employees for their own coverage under the Plan.

Section 1.7 amends G.S. 135-45.1 to conform to requirements under the federal Affordable Care Act requiring coverage to be offered to dependent children to age 26 without requiring the dependent to be a full-time student.

Section 1.8 is a boilerplate provision used to set specific employer contribution amounts paid by State agencies and departments, universities, local public schools, and local community colleges to fund health benefit coverage for employees, and percentage-based payroll contributions paid to the Retiree Health Benefit Fund to finance premiums paid by the Retirement Systems Division of the Department of State Treasurer on behalf of retired employees.

Annual Employer Contributions

	Basic 70/30		Standard 80/20	
I. Employees & Retirees	FY 2011-12	FY 2012-13	FY 2011-12	FY 2012-13
Employees	$4,952	$5,211	$4,952	$5,211
Non-Medicare Retiree	$4,952	$5,211	$4,952	$5,211
Medicare Retiree	$3,768	$3,965	$3,768	$3,965
II. Retiree Health Benefit Fund	FY 2011-12	FY 2012-13		
Payroll Contribution Rate	5.0%	5.3%		

Section 2 of the bill (Part II), which transfers the Plan to the Department of State Treasurer, and provides the State Treasurer with broad authority over the Plan, is not estimated to have any financial impact on the Plan.

Reconciliation of Plan's Projected Financial Requirements for the 2011-13 Biennium

For the new biennium beginning July 1, 2011 the Plan is estimated to require over $515.5 million in additional financial support to remain solvent and maintain current benefit levels and minimum claim stabilization reserves. This estimate assumes the Plan will experience a 9.5% per capita claims trend, continued implementation of the Comprehensive Wellness Initiative, extending coverage to dependent children to age 26 per the requirements of the federal Affordable Care Act, receiving $25.6 million in Early Retiree Reinsurance Program as authorized by the federal Affordable Care Act, maintaining "grandfather" status per the federal Affordable Care Act, achieving an additional $151 million in pharmacy cost savings over the biennium through a new pharmacy benefit management contract effective October 1, 2011, and implementing an estimated 6.3% premium increase on July 1, 2011 and again on July 1, 2012.

The bill addresses the projected shortfall described above by authorizing the following changes:

1. Authorizing a 5.2% annual premium increase on July 1 of each fiscal year of the biennium for total premium rates;

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

3. Establishing new monthly contribution rates for active employees in the Basic 70/30 plan and the Standard 80/20 plan options and for retired employees enrolled in the Standard 80/20 plan. There is no monthly contribution required for retired employees enrolled in the Basic 70/30 plan option.

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 2011-13 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[1,2]

Senate Bill 265 (Proposed Committee Substitute)

($ Million)

	FY 2011-12	FY 2012-13	Biennium
1) Projected Financial Support Required	$168.8	$346.7	$515.5
2) Benefit Reductions (Changes in Out-of-Pocket Amounts) Effective July 1, 2011			
Medical			
Primary Care Co-pay (Increase)	($6.7)	($7.5)	($14.1)
Mid-tier Specialist Co-pay (Increase)	($2.9)	($3.2)	($6.1)
Specialist Co-pay (Increase)	($7.9)	($8.9)	($16.8)
Urgent Care Co-pay (Increase)	($0.5)	($0.5)	($1.0)
Inpatient Co-pay (Increase)	($1.3)	($1.5)	($2.8)
Emergency Room Co-pay (Increase)	($2.2)	($2.5)	($4.7)
Deductible and Coinsurance Maximum (Increase)	($22.3)	($24.7)	($46.9)
Sub-total	($43.7)	($48.7)	($92.3)
Outpatient Acute and Specialty Prescription Drugs			
Brand Drug Co-pay (Increase)	($10.9)	($12.5)	($23.4)
Non-Preferred Brand Drug Co-pay (Increase)	($6.4)	($7.5)	($13.9)
Sub-total	($17.3)	($20.0)	($37.3)
Total -- Benefit Reductions	($61.0)	($68.7)	($129.6)
3) Appropriations by the General Assembly			
Premium increase for Employing Agencies			
General Fund	($8.1)	($101.8)	($109.8)
Highway Fund	($0.4)	($4.7)	($5.1)
Other Employer Funds	($1.7)	($21.0)	($22.7)
Total Additional Employer Funds	($10.1)	($127.5)	($137.6)
4) Premium increases paid by Employees and Retirees			
Paid for Employee's Own Coverage	($79.7)	($83.1)	($162.8)
Paid for Retiree's Own Coverage	($27.6)	($29.3)	($56.9)
Paid for Spouses and Dependent Children	($22.0)	($44.9)	($67.0)
Total Employee Additional Funds	($129.4)	($157.3)	($286.7)
5) Net Financial Effect of Member Migration Between Plan Options	$17.0	$25.2	$42.2
6) Balance	($14.6)	$18.4	$3.7

Notes:

[1] The $3.7 million balance remaining at the end of the biennium (see Item 6) is a product of rounding error and a difference in projected ending cash balances between baseline financial projections and final projections after the authorized premium increases, benefit changes, and other program changes. This difference is not expected to have an adverse effect on the Plan's finances.

[2]The $42.2 million in financial costs to the Plan (see Item 5) reflects mostly the predicted effect of certain plan members currently enrolled in the Basic 70/30 plan migrating back to the Standard 80/20 plan to receive lower out-of-pocket requirements. This assumption is due to the repeal of the requirement under the current Comprehensive

Wellness Initiative for a plan member to enroll in the Basic 70/30 plan if that plan member is a tobacco-user who declines to participate in tobacco use cessation programs to maintain eligibility for the Standard 80/20 plan.

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.

Premium contributions rates and estimates of aggregate collections, projected claims expenditures, estimated administrative expenditures, projections of enrollment migration between the Basic 70/30 plan and the Standard 80/20 plan, effects due to the repeal of the Comprehensive Wellness initiative, and other financial impacts on the Plan were estimated by the Plan's consulting actuary for the purposes of this Legislative Actuarial Note.

General Assumption Highlights

The following items represent key assumptions used with respect to predicting the Plan's financial requirements for the 2011-13 biennium:

1. The Plan will maintain "grandfather' status under the federal Affordable Care Act. To maintain grandfather status under the federal guidelines, premium contributions for an employee or retired employee's own coverage cannot exceed 5% of the premium cost. In addition, the out-of-pocket limits cannot increase by more than 15% plus the rate of medical inflation in FY 2011-12, and by the rate of medical inflation in FY 2012-13. For the purposes increasing out-of-pocket limits in the bill, FY 2011-12, the rate of increase was 16.7% which is calculated by using a medical inflation rate of 1.7% plus the aforementioned 15% one-time adjustment. There was no adjustment made for the FY 2012-13.
2. The Plan will achieve $151 million in additional savings over the 2011-13 biennium on pharmacy related claims and administrative costs over current costs. These savings are estimated due to the implementation of a new pharmacy benefit management contract effective October 1, 2011.
3. The Plan will incur projected additional costs of $15.6 million in FY 2011-12 and $17.0 million in FY 2012-13 to provide dependent coverage to age 26 per the requirements of the federal Affordable Care Act.
4. The Plan will collect $45.1 million in FY 2010-11, and $25.6 million in FY 2011-12 in Early Retiree Reinsurance Program funds authorized under the federal Affordable Care Act.
5. Approximately 95% of employee or retiree contracts, that involve a plan member who is a tobacco-user and currently enrolled in the Basic 70/30 plan per the requirement of the Comprehensive Wellness Initiative, will migrate back to the Standard 80/20 plan in the absence of the requirement. An estimated 25% of retiree only contracts in the Standard 80/20 plan are expected to migrate to the Basic 70/30 plan to avoid paying a monthly premium contribution charged to retired employees in the Standard 80/20 plan. It is estimated that 5% of employee only contracts and contracts covering dependents in the Standard 80/20 plan will migrate to the Basic 70/30 plan to reduce their amount of monthly premium contribution paid. It is generally assumed that plan members will migrate to the plan option that will most benefit them economically based on their relative need for medical services.

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.

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 $2.90 billion for FY 2011-12 and $3.08 billion for FY 2012-13. The Plan's PPO benefit design includes two alternative benefit levels listed below:

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

2) The "Standard" 80/20 plan.

The Basic and Standard plans offer coverage to employees and retired employees on a noncontributory basis. Coverage for dependents under both plans is offered on a fully contributory basis.

The following table provides a summary of most monthly premium rates for the Plan in FY 2010-11:

	Basic 70/30		Standard 80/20	
Coverage Type	Employee/ Retiree	Employer	Employee/ Retiree	Employer
Non-Medicare Active Employee/Retiree				
Employee	$0.00	$410.80	$0.00	$410.80
Employee + Child(ren)	$178.68	$410.80	$237.62	$410.80
Employee + Spouse	$460.36	$410.80	$547.48	$410.80
Employee + Family	$490.34	$410.80	$580.44	$410.80
Medicare Primary for Only Employee/Retiree				
Employee	$0.00	$312.76	$0.00	$312.76
Employee + Child(ren)	$187.60	$312.76	$237.62	$312.76
Employee + Spouse	$469.28	$312.76	$547.48	$312.76
Employee + Family	$499.26	$312.76	$580.44	$312.76

The employer share of premiums for retirees is paid from the Retiree Health Benefit Fund. During FY 2010-11, employers contribute 4.9% of active employee payroll into the Fund. Total contributions for the year are projected to be approximately $721 million.

Financial Condition

Current and Projected Results for 2009-11 Biennium – The following summarizes actual financial results for FY 2009-10 and projected financial results for FY 2010-11, based on financial experience through December, 2010.

	($ millions) Actual FY 2009-10	Projected FY 2010-11
Beginning Cash Balance	$189.9	$121.5
Receipts:		
Net Premium Collections	$2,412.6	$2,677.4
Early Retirement Reinsurance Program	$0.0	$45.0
Medicare Part D Subsidies	$74.4	$60.5
Investment Earnings	$3.5	$2.4
Total	$2,490.5	$2,785.3
Disbursements:		
Net Medical Claim Payment Expenses	$1,797.5	$1,860.5
Net Pharmacy Claim Payment Expenses	$596.7	$647.7
Administration and Claims-Processing Expenses	$164.6	$171.7
Total	$2,558.9	$2,679.9
Net Operating Income (Loss)	($68.4)	$105.4

Financial Projection 2011-13 Biennium – The following summarizes a financial projection conducted by the Plan's consulting actuary, Aon Consulting, for the 2011-13 biennium. The information is provided by fiscal year based on year-to-date financial experience (through December 2010) and other updated factors. The projection assumes a 9.5% annual claims growth trend, that benefit provisions remain the same, and that both employer and member-paid premiums are increased by 6.3% effective July 1, 2011 and July 1, 2012.

	($ millions) Projected FY 2011-12	Projected FY 2012-13
Beginning Cash Balance	$226.8	$239.0
Receipts:		
Net Premium Collections	$2,829.0	$2,995.2
Early Retirement Reinsurance Program	$25.6	$0.0
Medicare Part D Subsidies	$60.1	$62.6
Investment Earnings	$2.3	$2.5
Total	$2,917.0	$3,060.3
Disbursements:		
Net Medical Claim Payment Expenses	$2,065.1	$2,199.0
Net Pharmacy Claim Payment Expenses	$659.2	$699.4
Administration and Claims-Processing Expenses	$180.5	$183.6
Total	$2,904.8	$3,082.0
Net Operating Income (Loss)	$12.2	($21.7)

This projection incorporates $151 million in projected savings over the biennium from a new Pharmacy Benefit Manager (PBM) contract to be effective October 1, 2011. It assumes that the Plan maintains "grandfathered" status under the federal Affordable Care Act (ACA). It assumes the Plan experiences an increase of $33 million in claims over the biennium due to requirements in the ACA to cover additional dependents.

Other Information

In the 2009-11 biennium, the annual premium increases were applied at the beginning of each fiscal year of the biennium. Historically, the Plan had applied a premium increase in October of the first fiscal year of a biennium.

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 9.5% annually according to the Plan's consulting actuary. Investment earnings are based upon a 1.0% return on available cash balances. The active population is projected to decline by 1% per year, the COBRA population is projected to remain constant, and the retired population is projected to increase by 1% per year.

Enrollment by Category Type

State Health Plan Enrollment as of December 31, 2010

I. No. of Participants	Basic	Standard	Total	Percent of Total
Actives				
Employees	65,849	256,468	322,317	48.6%
Dependents	50,588	105,759	156,347	23.6%
Sub-total	116,437	362,227	478,664	72.2%
Retired				
Employees	16,429	143,764	160,193	24.2%
Dependents	4,352	14,173	18,525	2.8%
Sub-total	20,781	157,937	178,718	26.9%
Former Employees with Continuation Coverage				
Employees	1,014	1,237	2,251	0.3%
Dependents	403	347	750	0.1%
Sub-total	1,417	1,584	3,001	0.5%
Firefighters, Rescue Squad & National Guard				
Employees	2	3	5	0.0%
Dependents	1	2	3	0.0%
Sub-total	3	5	8	0.0%
Local Governments				
Employees	486	1,429	1,915	0.3%
Dependents	303	629	932	0.1%
Sub-total	789	2,058	2,847	0.4%
Total				
Employees	83,780	402,901	486,681	73.4%
Dependents	55,647	120,910	176,557	26.6%
Grand Total	**139,427**	**523,811**	**663,238**	**100%**
Percent of Total	**21.0%**	**79.0%**	**100.0%**	

II. Enrollment by Contract	Basic	Standard	Total
Employee Only	55,472	335,154	390,626
Employee Child(ren)	13,817	36,176	49,993
Employee Spouse	5,719	17,462	23,181
Employee Family	8,772	14,109	22,881
Total	**83,780**	**402,901**	**486,681**

Percent Enrollment by Contract	Basic	Standard	Total
Employee Only	66.2%	83.2%	80.3%
Employee Child(ren)	16.5%	9.0%	10.3%
Employee Spouse	6.8%	4.3%	4.8%
Employee Family	10.5%	3.5%	4.7%
Total	**100.0%**	**100.0%**	**100.0%**

III. Enrollment by Sex	Basic	Standard	Total
Female	75,627	338,703	414,330
Male	63,800	185,108	248,908
Total	**139,427**	**523,811**	**663,238**

Percent Enrollment by Sex	Basic	Standard	Total
Female	54.2%	64.7%	62.5%
Male	45.8%	35.3%	37.5%
Total	**100.0%**	**100.0%**	**100.0%**

IV. Enrollment by Age	Basic	Standard	Total
19 & Under	35,455	74,859	110,314
20 to 29	12,915	46,222	59,137
30 to 44	31,582	98,133	129,715
45 to 54	27,089	85,600	112,689
55 to 64	29,854	106,470	136,324
65 & Over	2,532	112,527	115,059
Total	**139,427**	**523,811**	**663,238**

Percent Enrollment by Age	Basic	Standard	Total
19 & Under	25.4%	14.3%	16.6%
20 to 29	9.3%	8.8%	8.9%
30 to 44	22.7%	18.7%	19.6%
45 to 54	19.4%	16.3%	17.0%
55 to 64	21.4%	20.3%	20.6%
65 & Over	1.8%	21.5%	17.3%
Total	**100.0%**	**100.0%**	**100.0%**

V. Retiree Enrollment by Category	Employee	Dependents	Total
Non-Medicare Eligible	53,034	11,292	64,326
Medicare Eligible	107,159	7,233	114,392
Total	**160,193**	**18,525**	178,718

Percent Enrollment by Category (Retiree)	Employee	Dependents	Total
Non-Medicare Eligible	33.1%	61.0%	36.0%
Medicare Eligible	66.9%	39.0%	64.0%
Total	**100.0%**	**100.0%**	100.0%

VI. Enrollment By Major Employer Groups	Employees	Dependents	Total
State Agencies	75,779	33,151	108,930
UNC System	50,357	29,457	79,814
Local Public Schools	180,864	86,046	266,910
Local Community Colleges	15,317	7,693	23,010
Other			
Local Goverments	1,915	932	2,847
COBRA	2,251	750	3,001
Nat. Guard, Fire & Rescue	5	3	8
Sub-total	326,488	158,032	484,520
Retirement System	160,193	18,525	178,718
Total	**486,681**	**176,557**	**663,238**

Percent Enrollment by Major Employer Groups	Employees	Dependents	Total
State Agencies	15.6%	18.8%	16.4%
UNC System	10.3%	16.7%	12.0%
Local Public Schools	37.2%	48.7%	40.2%
Local Community Colleges	3.1%	4.4%	3.5%
Other			
Local Goverments	0.4%	0.5%	0.4%
COBRA	0.5%	0.4%	0.5%
Nat. Guard, Fire & Rescue	0.0%	0.0%	0.0%
Sub-total	67.1%	89.5%	73.1%
Retirement System	32.9%	10.5%	26.9%
Total	**100.0%**	**100.0%**	**100.0%**

SOURCES OF DATA:

Aon Consulting, North Carolina State Health Plan, Financial Projections – January 2011, Total for All Plans – 9.5% Trend with Risk Adjustment, with PBM Contract Savings, February 4, 2011.

Aon Consulting, North Carolina State Health Plan, Financial Projections – January 2011 – 14b ($10 Generic), Total for All Plans – 9.5% Trend with Risk Adjustment, with Max GF Benefits except $10 Generic, with PBM Contract Savings, Additional Premium Charged to All Tiers – Active 5% Standard, 2.5% Basic; Retiree 5% Standard, 0% Basic ($5 less for Medicare) Non-Smoker Movement: Active 5% single, 5% dependents; Retiree: 25%, 5% dependents, March 14, 2011.

Medco Health Solutions, various outpatient acute, specialty, and maintenance drug data and discount assumptions, December 2010.

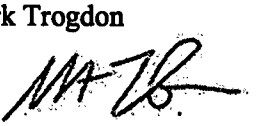
State Health Plan, various summarized claims reports for medical claims by category and purpose and time period, December 2010.

-Actuarial Note, Hartman & Associates, Senate Bill 265 PCS, "Senate Bill 265 Proposed Committee Substitute S265-PCS35127-ME-4: An Act to Make Appropriations and Adjustments for the 2011-13 Biennium to the state Health Plan and to Transfer the Plan to the Office of State Treasurer", March 17, 2011, original of which is on file in the General Assembly's Fiscal Research Division.

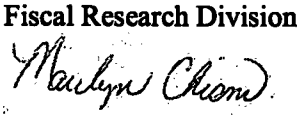
-Actuarial Note, Aon Consulting, Senate Bill 265 PCS, "Senate Bill 265 Proposed Committee Substitute S265-PCS35127-ME-4 State Health Plan/Appropriations and Transfer", March 17, 2011, original of which is on file with the State Health Plan for Teachers and State Employees and the General Assembly's Fiscal Research Division.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Mark Trogdon



APPROVED BY: Marilyn Chism, Director
Fiscal Research Division



DATE:

SENATE BILL 265:
State Health Plan/Appropriations and Transfer

2011-2012 General Assembly

Committee:	Senate Appropriations/Base Budget	**Date:**	March 22, 2011
Introduced by:	Sens. Apodaca, Brunstetter, Hartsell	**Prepared by:**	Ryan Blackledge Committee Counsel
Analysis of:	Second Edition		

SUMMARY: Senate Bill 265 provides funding for the State Health Plan for Teachers and State Employees for the 2011-2013 fiscal biennium; adjusts contributory coverage, deductibles, coinsurance, and co-payments; and transfers control and operation of the State Health Plan to the State Treasurer effective January 1, 2012.

BACKGROUND: The State Health Plan for Teachers and State Employees (State Health 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.

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 $2.90 billion for FY 2011-12 and $3.08 billion for FY 2012-13. Enrollment in the State Health Plan as of December 31, 2010 was 663,238.

EFFECTIVE DATES: The PCS for SB 265 contains three Parts and the following effective dates: Sections 1-8 of Part I become effective July 1, 2011, Section 9 of Part I becomes effective when it becomes law; Section 2.1 of Part II becomes effective when it becomes law, the remainder of Part II becomes effective January 1, 2012; Part III provides that the remainder of the act is effective when it becomes law.

BILL ANALYSIS:

Part I. Appropriations and Contributions for 2011-2013 Fiscal Biennium

Section 1.1 appropriates funds for health benefit coverage for eligible employees and retirees notwithstanding the appropriations bill order process outlined by law (G.S. 143C-5-2). The appropriations are made to the Reserve for the State Health Plan in the Office of State Budget and Management for the 2011-2013 biennium and are allocated to employing units to pay the increase cost of coverage for the employer's share of the premium contribution charged by the State Health Plan for employee or retiree coverage:

Fund	FY 2011-12	FY 2012-13
General Fund Appropriation	$8,061,798	$101,782,670
Highway Fund Appropriation	$376,217	$4,749,858

Other agency funds to provide health benefit coverage, but not specifically listed, are also appropriated for the 2011-13 fiscal biennium.

Section 1.2 specifies monthly premium contribution rates. Section 1.2(a) provides the rates for the partially contributory coverage established in Section 1.6. The rates are provided in the chart below. Current rates have also been provided in the shaded portion.

	Current Basic (70/30) Plan	*FY 2011-12 Proposed* Basic (70/30) Plan	*FY 2012-13 Proposed* Basic (70/30) Plan	Current Standard (80/20) Plan	*FY 2011-12 Proposed* Standard (80/20) Plan	*FY 2012-13 Proposed* Standard (80/20) Plan
Employee Contribution	$0	$10.86	$11.43	$0	$21.72	$22.85
Retiree (Non-Medicare) Contribution	$0	$0	$0	$0	$21.72	$22.85
Retiree (Medicare) Contribution	$0	$0	$0	$0	$16.72	$17.59

Section 1.2(b) establishes an increase in the premium rates for contributory coverage. G.S. 135-44.6 requires the Executive Administrator and Board of Trustees to recommend premium rate adjustments to the General Assembly. This section of the bill establishes a 5.2% premium rate increase for contributory coverage for FY 2011-12, and an additional 5.2% premium rate increase for contributory coverage for FY 2012-13.

Estimates of Select Rate Increases: The following information provides estimates of premium rate increases for an employee or retiree to provide family coverage or coverage for children under the Basic and Standard Plans. *The chart does not represent estimated rate increases in all categories of coverage, it only provides for illustration purposes the current rates and estimated increased rates of two categories of coverage.*

Basic 70/30 Plan Illustration of Select Rates	Current 2010-11	Estimate of 2011-12 w/ 5.2% Increase	Estimate of 2012-13 w/ 5.2% Increase
Cost for Employee/Retiree to Cover Children*	$178.68	$187.97	$197.75
Cost for Employee/Retiree to Cover Family*	$490.34	$515.84	$542.66

Standard 80/20 Plan Illustration of Select Rates	Current 2010-11	Estimate of 2011-12 w/ 5.2% Increase	Estimate of 2012-13 w/ 5.2% Increase
Cost for Employee/Retiree to Cover Children*	$237.62	$249.98	$262.98
Cost for Employee/Retiree to Cover Family*	$580.44	$610.62	$642.38

*The chart does not include the cost of employee/retiree premium contribution increases if applicable.

Section 1.3 requires the Executive Administrator to make changes to deductibles, coinsurance, and co-payments effective July 1, 2011 for the Basic and Standard PPO Plans. The charts below provide those deductible, coinsurance and co-payment amounts. (For information purposes, current rates (effective on July 1, 2009) have been provided in the shaded portion of the chart.)

Basic 70/30	Current In-Network	2011-12 In-Network	Current Out-of-Network	2011-12 Out-of-Network
Annual Deductible	$800 Member Only $2,400 Family	$933 Member Only $2,799 Family	$1,600 Member Only $4,800 Family	$1,866 Member Only $5,598 Family
Coinsurance	$3,250 Member Only $9,750 Family	$3,793 Member Only $11,379 Family	$6,500 Member Only $19,500 Family	$7,586 Member Only $22,758 Family
Urgent Care Co-Payment	$75/Individual	$87/Individual	Same as in-network	Same as in-network
Primary Care Co-Payment	$30/Individual	$35/Individual	50% coinsurance after deductible	50% coinsurance after deductible
Specialist Co-Payment	$70/Individual	$81/Individual	50% coinsurance after deductible	50% coinsurance after deductible

Other Specialist Co-Payment [1]	$55/Individual	$64/Individual	50% Coinsurance after deductible	50% Coinsurance after deductible
Inpatient Co-Payment	$250/Individual	$291/Individual	$250/Individual	$291/Individual
Emergency Room Co-Payment	$250/Individual	$291/Individual	$250/Individual	$291/ Individual

Standard 80/20	**Current In-Network**	**2011-12 In-Network**	**Current Out-of-Network**	**2011-12 Out-of-Network**
Annual Deductible	$600 Member Only $1,800 Family	$700 Member Only $2,100 Family	$1,200 Member Only $3,600 Family	$1,400 Member Only $4,200 Family
Coinsurance	$2,750 Member Only $8,250 Family	$3,210 Member Only $9,630 Family	$5,500 Member Only $16,500 Family	$6,420 Member Only $19260 Family
Urgent Care Co-Payment	$75/Individual	$87/Individual	Same as in-network	Same as in-network
Primary Care Co-Payment	$25/Individual	$30/Individual	40% coinsurance after deductible	40% coinsurance after deductible
Specialist Co-Payment	$60/Individual	$70/Individual	40% coinsurance after deductible	40% coinsurance after deductible
Other Specialist Co-Payment [2]	$45/Individual	$52/Individual	40% Coinsurance after deductible	40% Coinsurance after deductible
Inpatient Co-Payment	$200/Individual	$233/Individual	$200/Individual	$233/Individual
Emergency Room Co-Payment	$200/Individual	$233/Individual	$200/Individual	$233/Individual

Section 1.3(b) amends G.S. 135-45.6(b)(1) to provide that the Plan will pay the allowable charges for each outpatient prescription drug minus the following copayments:

- $40 (currently $35) for each preferred branded prescription without a generic equivalent
- $64 (currently $55) for each nonpreferred branded prescription.

The $10 charge for generic prescriptions remains unchanged. Also unchanged is the requirement that for a branded prescription with a generic equivalent drug, the member 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.

Section 1.4 amends G.S. 135-45(g) to limit the authority of the Executive Administrator and Board of Trustees to change benefits in effect on July 1, 2011 unless directed by the General Assembly.

Section 1.5 repeals the Comprehensive Wellness Initiative for individuals covered by the State Health Plan which focused on smoking cessation (effective July 1, 2010) and weight management (July 1, 2011 effective date).

Section 1.6(a) authorizes individuals eligible for coverage to participate on a contributory (partially, one-half, or fully) basis in authorized plans. **Section 1.6(b)** amends G.S. 135-45.2 to eliminate noncontributory and authorize partially contributory coverage for permanent employees, employees of the General Assembly as determined by the Legislative Services Commission and not otherwise covered, Members of the General Assembly, employees on a leave of absence, and employees whose positions were eliminated. (The new contribution rates are outlined in Section 1.2 of the bill.) For a school employee in a job-sharing position that elects to participate in the Plan, the bill provides that an employing unit will pay 50% of the Plan's total employer premiums and the employee will pay the balance of the total premiums not paid by the State. Upon retirement, the State will pay 50% of the total

[1] Other Specialist Co-Payment Services Include: Mental Health, Substance Abuse, Chiropractic, Physical Therapy, Occupational Therapy, and Speech Therapy.
[2] Other Specialist Co-Payment Services Include: Mental Health, Substance Abuse, Chiropractic, Physical Therapy, Occupational Therapy, and Speech Therapy.

employer premiums for employees and members of the General Assembly with 10 but less than 20 years of retirement service credit if the employees were first hired on or after October 1, 2006 and members took office on or after February 1, 2007, these future retirees will be responsible for the balance of the premium. The section also makes technical and conforming changes.

Section 1.7 pertains to eligibility requirements for coverage of a dependent child and complies with provisions of the federal Affordable Care Act. (Coverage for children up to age 26 under the Act was effective for plan or policy years beginning on September 23, 2010.) Section 1.7(a) conforms the definition of "dependent child" contained in G.S. 135-45.1(10) with the federal law to allow coverage for a natural or legally adopted child up to the first of the month following the child's 26th (currently 19th) birthday and makes additional technical and organizational changes to the statute . Eligibility requirements for coverage of a dependent child are currently provided in G.S. 135-45.2(d). Section 1.7(b) amends G.S. 135-45.2(d) to conform with the federal law to allow coverage of a dependent child beyond the 26th (currently 19th) birthday if 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 the provisions for contributory coverage of dependents and surviving dependents (contained in G.S. 135-45.2(c)(7)).

Section 1.8(a-e) contains standard language that is typically found in the Appropriations bill outlining employer salary-related contribution rates.

Section 1.9 amends G.S. 135-45(b) to make the protection of trade secrets in State Health Plan contracts consistent with the general trade secret protection for all public agency contracts.

Part II. Transfer State Health Plan to Department of State Treasurer

Section 2.1 amends G.S. 135-2(b) to grant the State Treasurer the authority, after consultation with the Board of Trustees, to hire, fire and set the terms of employment for the State Health Plan's Executive Administrator. It also allows the Treasurer to appoint an interim Executive Administrator.

Section 2.2 transfers the State Health Plan to the Department of State Treasurer as a Type II transfer. A Type II transfer means the transferring intact of an existing agency to a principal department established by Chapter 143A.

Section 2.3 amends the title of Chapter 135 to reference the State Health Plan and to add a new Article 3B to the Chapter. Article 3B will be organized into 6 Parts: General Provisions, Administrative Structure, Plan Operation, Eligibility and Enrollment, Coverage Mandates and Exclusions/Other Mandates, and Long-Term Care Benefits.

Sections 2.4 through 2.8 recodify portions of Article 3A to create the new Article 3B of Chapter 135. A very brief description of the recodified provision appears in brackets after each specific citation. The Child Health Insurance Fund is recodified as G.S. 108A-70.20A. Although recodified, the provisions related to eligibility, enrollment, effective date of coverage and cessation of coverage are retained.

Section 2.9 repeals any portion of Article 3A of Chapter 135 that was not recodified. Some of the provisions that are repealed include: G.S. 135-43.1 (Committee on Employee Hospital and Medical Benefits), G.S. 135-43.2 (State Health Plan Administrative Commission), G.S. 135-43.3 (Oversight team), and G.S. 135-44.4 (Powers and duties of the Executive Administrator and Board of Trustees). Other provisions that essentially set the terms and conditions of the Plan [G.S. 135-45.6 (Benefits not subject to deductible or coinsurance), G.S. 135-45.7 (Prior approval procedures), G.S. 135-45.8 (General limitations and exclusions), G.S. 135-45.9 (Special provisions for chemical dependency and mental

health benefits)] are repealed, but are re-enacted as duties of the Treasurer [G.S. 135-48.30(a)]. The Coverage Mandates (Part 5 of Article 3B) are consolidated, but include the same coverage mandates as under current law.

Section 2.10 amends the newly created Article 3B to provide the State Treasurer the necessary authority to operate the State Health Plan, to further reorganize the remaining provisions, and to conform internal and external citations. Some of the changes include:

- Repealing the definition of "plan year".
- Adding the Treasurer to the State Health Plan Board of Trustees as an ex officio member. The Treasurer would also be the chair of the Board. The remaining 9 members would still be appointed by the Governor (3 appointments) and the General Assembly (3 upon the recommendation of the President Pro Tempore of the Senate and 3 upon the recommendation of the Speaker of the House).
- Specifying the Treasurer's Powers and Duties (G.S. 135-48.30). These include: setting benefits, premium rates, and out-of-pocket expenses; setting allowable charges for medical and prescription drug benefits; adopting and implementing utilization review and internal grievance procedures; establishing fraud detection and audit programs; preparing and submitting cost estimates to the Governor and General Assembly; establishing, administering and setting premium rates for long-term care benefits.
- Requiring quarterly reports by the Executive Administrator to the President Pro Tempore of the Senate and the Speaker of the House. The Treasurer must also submit reports upon the request of either office.

Section 2.11 provides that by repealing a specific provision in Article 3A, the General Assembly did not necessarily intend to prevent the Treasurer or the State Health Plan from having that authority.

Section 2.12 provides that existing rules and policies continue to be effective unless they directly conflict with new Article 3B or until changed by the Treasurer.

Section 2.13 provides that headings are for the convenience of the reader and are for reference only.

Section 2.14 provides that Part II becomes effective January 1, 2012.

S265-SMRC-10(e2) v1

Theresa Matula, Legislative Analyst, and Kory Goldsmith, Counsel to Senate Insurance Committee substantially contributed to this summary.

ATTACHMENT 6

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 265

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

S265-AME-20 [v.1]

Comm. Sub. [NO]
Amends Title [NO]
2nd Edition

Date _____, 2011

Senator Apodaca

moves to amend the bill on page 13, line 14, by deleting "G.S. 135-48.22" and substituting "G.S. 135-48.23"; and

amend the bill on page 19, lines 6 through 8, by deleting the sentence:

> "The State Treasurer and the Executive Administrator ~~and Board of Trustees~~ shall carry out their duties and responsibilities as fiduciaries for the Plan.",

and substituting the sentence:

> "The State Treasurer, Executive ~~Administrator~~ Administrator, and Board of Trustees shall carry out their duties and responsibilities as fiduciaries for the Plan."; and

amend the bill on page 21, line 47, through page 22, line 37, by deleting those lines and substituting the following language:

"'**§ 135-48.20. Board of Trustees established.**

(a) There is established the Board of Trustees of the State Health Plan for Teachers and State Employees.

(b) The Board of Trustees of the State Health Plan for Teachers and State Employees shall consist of ~~nine~~ ten members.

(c) The State Treasurer shall be an ex officio member of the Board and shall serve as its Chair, but shall only vote in order to break a tie vote.

(d) The Director of the Office of State Budget and Management shall be an ex officio non-voting member of the Board.

~~(c)~~(e) ~~Three~~ Two members shall be appointed by the Governor. Terms shall be for two years. Vacancies shall be filled by the Governor. ~~Of the members appointed by the Governor, one shall be either:~~

~~(1) An employee of a State department, agency, or institution;~~
~~(2) A teacher employed by a North Carolina public school system;~~
~~(3) A retired employee of a State department, agency, or institution; or~~
~~(4) A retired teacher from a North Carolina public school system.~~

(f) Two members shall be appointed by the State Treasurer. Terms shall be for two years. Vacancies shall be filled by the State Treasurer.

~~(d)~~(g) ~~Three~~ Two members shall be appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121. Terms shall be for two years. Vacancies shall be filled in accordance with G.S. 120-122.

~~(e)~~(h) ~~Three~~ Two members shall be appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121. Terms shall be for two years. Vacancies shall be filled in accordance with G.S. 120-122.

(i) In making appointments, the appointing authorities shall ensure that one of the appointees under subsection (e), one of the appointees under subsection (f), and one of the appointees under subsection (g), and one of the appointees under subsection (h) are one of the following:

(1) An employee of a State department, agency, or institution;
(2) A teacher employed by a North Carolina public school system;
(3) A retired employee of a State department, agency, or institution; or
(4) A retired teacher from a North Carolina public school system.

Each appointing authority shall consult with all other appointing authorities to ensure that the Board's composition reflects a diversity of employees, teachers, retired employees, and retired teachers.

(j) In making appointments, except for the appointees under subsection (i), the appointing authorities shall appoint individuals from the following areas of expertise:

(1) Actuarial science.
(2) Health economics.
(3) Health benefits and administration.
(4) Health law and policy.

In making appointments to the Board under this section, each appointing authority shall consult with all other appointing authorities to ensure that each of the areas of expertise required by this subsection is represented by at least one member of the Board. Each appointing authority shall consider the expertise of the other members of the Board and make appointments so that the Board's composition reflects a diversity of expertise.

~~(f)~~(k) Each appointing authority may remove any member appointed by that appointing authority.

~~(g)~~(l) The members of the Board of Trustees shall receive one hundred dollars ($100.00) per day, except employees eligible to enroll in the Plan, whenever the full Board of Trustees holds a public session, and travel allowances under G.S. 138-6 when traveling to and from meetings of the Board of Trustees or hearings under ~~G.S. 135-44.7,~~ G.S. 135-48.24, but shall not receive any subsistence allowance or per diem under G.S. 138-5, except when holding a meeting or hearing where this section does not provide for payment of one hundred dollars ($100.00) per day.

~~(h)~~(m) No member of the Board of Trustees may serve more than three consecutive two-year terms.

~~(i) Meetings of the Board of Trustees may be called by the Executive Administrator, the Chair, or by any three members.~~

"'**§ 135-48.21. ~~Officers,~~ Board officers, quorum, meetings.**

(a) ~~The~~ Besides the Chair, the Board of Trustees shall elect from its own membership such officers as it sees fit.

(b) A majority of the voting 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.~~ Article.

(c) The Board shall meet at least quarterly. Meetings may also be called by the Chair, or at the written request of three members.

"'**§ 135-48.22. Board powers and duties.**

The Board of Trustees shall have the following powers and duties:

(1) Approve benefit programs, as provided in G.S. 135-48.30(2).

(2) Approve premium rates, co-pays, deductibles, and coinsurance maximums for the Plan, as provided in G.S. 135-48.30(2).

(3) Oversee administrative reviews and appeals, as provided in G.S. 135-48.24.

(4) Approve large contracts, as provided in G.S.135-48.33(a).

(5) Consult with and advise the State Treasurer as required by this Article and as requested by the State Treasurer.

(6) Develop and maintain a strategic plan for the Plan.

"'**§ 135-48.23. Executive Administrator.**"; and

amend the bill on page 23, line 25, by deleting that line; and

amend the bill on page 24, line 50, by deleting "maximums." and substituting "maximums, subject to approval by the Board of Trustees.";

amend the bill on page 26, lines 6 through 8, by rewriting those lines to read:

"'**§ 135-48.33. Contracting provisions; large contract review by Board of Trustees and Attorney General, auditing, no cost plus contracts.**

(a) The Board of Trustees must approve all Plan contracts in excess of five hundred thousand dollars ($500,000), including contracts with an initial cost of less than five hundred thousand dollars ($500,000), but that may exceed five hundred thousand dollars ($500,000) during the term of the contract.

(b) The ~~Executive Administrator and Board of Trustees~~ Plan shall: (i) submit all proposed".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

ATTACHMENT 7

EDITION No. _____

H. B. No. _____ DATE March 23, 2011

S. B. No. 265 Amendment No. _____
(to be filled in by Principal Clerk)

COMMITTEE SUBSTITUTE _____

Rep.)
) _____
Sen.)

1 moves to amend the bill on page 4, lines 7-8

2 ( ) WHICH CHANGES THE TITLE

3 by _____

4 delete Sec. 1.5 - Repeal

5

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SIGNED Brenda Berry

ADOPTED _____ FAILED _____ TABLED _____

GA-33-A

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)

VISITOR REGISTRATION SHEET

[redacted] Appropriations/Base Budget — February 23rd, 2011

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Cary Edgar	SEANC
DAVE	SEANC
Ardis Watkins	SEANC
Suzanne Beasley	SEANC
Chuck Stone	SEANC
Mitch Leonard	SEANC
Toni Davis	SEANC
Flint Benson	SEANC
Regina Fortson	SEANC
JERRY THOMPSON	SEANC
CHERYL MOON	SEANC

VISITOR REGISTRATION SHEET

~~Joint~~ Appropriations/Base Budget — February 17th, 2011 — 23

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
John Dervin	Governor's Office
Forrest Gallum	Governor's Office
Jay Hicks	NCDA
Hervey Hunter	N.C.B.A.
Sandy Sanders	UNC
SOLARI	DST
Andrew Holton	DST
David Starling	DST
Pam Heardon	NCRSP
Katherine Ross	PPAB
Larry Pressell	North Carolina Retired School Personnel

VISITOR REGISTRATION SHEET

Joint Appropriations/Base Budget
Name of Committee

February ~~17~~ 23rd, 2011
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Elizabeth Robinson	NCPMA

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

Wednesday, March 23, 2011

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

FAVORABLE, AS AMENDED

S.B.(CS #1) **265** State Health Plan/Appropriations and Transfer.

Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	No

TOTAL REPORTED: 1

Committee Clerk Comments:

NORTH CAROLINA GENERAL ASSEMBLY

SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT

Senator Peter S. Brunstetter, Co-Chair

Senator Neal Hunt, Co-Chair

Senator Richard Stevens, Co-Chair

Wednesday, March 23, 2011

Senator BRUNSTETTER,

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) **265** State Health Plan/Appropriations and Transfer.

Draft Number:	15101
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	No

TOTAL REPORTED: 1

Committee Clerk Comments: Replaces Report #1

Senator Brunstetter

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
Wednesday, April 13, 2011 at 9:00 AM
Room 643, Legislative Office Building

MINUTES

The Senate Appropriations/Base Budget Committee met at 9:03 AM on April 13, 2011, in Room 643 of the Legislative Office Building. 22 members of the committee were present. Senator Hunt, presided. Senator Hunt called the meeting to order and recognized the Pages and the Sergeant At Arms' staff.

Senator Apodaca moved to adopt the Proposed Senate Committee Substitute for discussion.

Senator Hunt recognized Senator Rucho to explain the Section 1 of **House Bill 383** and then recognized Senator Stevens to explain the Section 2 of **House Bill 383: Extend UI Benefits/Continuing Resolution**

An act to protect unemployment benefits and prevent any shutdown of State Government.

Senator Apodaca moved for a favorable report. The motion carried.

Senator Hunt introduced Senator Brunstetter to explain **S. 464: Debt Reduction Act of 2011**

An act to enact the Debt Reduction Act of 2011.

Senator Apodaca moved for a favorable report. The motion carried.

Attachments:

1. Committee Notice
2. Agenda
3. HB 383
4. Summary of HB 383
5. SB 464
6. Summary of SB 464
7. Visitor's Log
8. Committee Report

The meeting adjourned at 9:50 AM.

Senator Hunt, Presiding

Kathy Davis, Committee Clerk

ATTACHMENT 1

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 13, 2011	9:00 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
SB 464	Debt Reduction Act of 2011.	Senator Hunt Senator Brunstetter Senator Stevens
HB 383	Communications Regulatory Reform.	Representative McComas Representative Brubaker Representative Tolson Representative Wainwright

Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

ATTACHMENT 2

Senate Appropriations/Base Budget Committee
Wednesday, April 13, 2011, 9:00 AM
643 LOB

AGENDA

Welcome and Opening Remarks

Introduction of Pages/Sergeant–at-Arms

Bills

HB 383	Communications Regulatory Reform.	Representative McComas Representative Brubaker Representative Tolson Representative Wainwright
SB 464	Debt Reduction Act of 2011.	Senator Hunt Senator Brunstetter Senator Stevens

Presentations

Other Business

Adjournment

ATTACHMENT 3

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

H D

HOUSE BILL 383*
Committee Substitute Favorable 3/30/11
PROPOSED SENATE COMMITTEE SUBSTITUTE H383-CSLE-7 [v.1]

Short Title: Extend UI Benefits/Continuing Resolution. (Public)

Sponsors:

Referred to:

March 17, 2011

A BILL TO BE ENTITLED

AN ACT TO PROTECT UNEMPLOYMENT BENEFITS AND PREVENT ANY SHUTDOWN OF STATE GOVERNMENT.

The General Assembly of North Carolina enacts:

EXTEND UNEMPLOYMENMT INSURANCE BENEFITS

SECTION 1.(a) G.S. 96-12.01(a1)(4)c. is amended by adding a new sub-subsubdivision to read:

"3. This section applies as provided under the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312) as it existed on December 17, 2010, and is applicable to compensation for weeks of unemployment beginning after December 17, 2010, and ending on or before December 31, 2011, provided that:

I. The average rate of (i) insured unemployment, not seasonally adjusted, equaled or exceeded one hundred twenty percent (120%) of the average of such rates for the corresponding 13-week period ending in all of the preceding three calendar years and equaled or exceeded five percent (5%) or (ii) total unemployment, seasonally adjusted, as determined by the United States Secretary of Labor, for the period consisting of the most recent three months for which data for all states are published before the close of the week equals or exceeds six and one-half percent (6.5%); and

II. The average rate of total unemployment in this State, seasonally adjusted, as determined by the United States Secretary of Labor, for the three-month period referred to in this subsection, equals or exceeds one hundred ten percent (110%) of the average for any of the corresponding three-month periods ending in the three preceding calendar years."

SECTION 1.(b) G.S. 96-12.01(a1)(4)e. reads as rewritten:

"(4) There is an "on indicator" for this State for a week if the Commission determines, in accordance with the regulations of the United States Secretary of Labor, that for the period consisting of such week and the immediate preceding 12 weeks, the rate of insured unemployment (not seasonally adjusted) under this Chapter:

...

e. Total extended benefit amount.

1. The total extended benefit amount payment to any eligible individual with respect to the applicable benefit year shall be the least of the following amounts:

I. Fifty percent (50%) of the total amount of regular benefits which were payable to the individual under this Chapter in the individual's applicable benefit year; or

II. Thirteen times the individual's weekly benefit amount that was payable to the individual under this Chapter for a week of total unemployment in the applicable benefit year.

2. I. Effective with respect to weeks beginning in a high unemployment period, sub-subdivision e.1. of this subdivision shall be applied by substituting:

A. "Eighty percent (80%)" for "fifty percent (50%)" in sub-subdivision e.1.I., and

B. "Twenty" for "thirteen" in sub-subdivision e.1.II.

II. For purposes of sub-subdivision 2.I., the term "high unemployment period" means any period during which an extended benefit period would be in effect if sub-subdivision c. of this subdivision were applied by substituting "eight percent (8%)" for six and one-half percent (6.5%)".

3. This subdivision applies as provided under the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312) as it existed on December 17, 2010, and is applicable to compensation for weeks of unemployment beginning after December 17, 2010, and ending on or before December 31, 2011, provided that:

I. The average rate of total unemployment, seasonally adjusted, as determined by the United States Secretary of Labor, for the period consisting of the most recent three months for which data for all states are published before the close of the week equals or exceeds eight percent (8%); and

II. The average rate of total unemployment in this State, seasonally adjusted, as determined by the United States Secretary of Labor, for the three-month period referred to in this subdivision equals or exceeds one hundred ten percent (110%) of the average for any of the corresponding three-month periods ending in the three preceding calendar years."

SECTION 1.(c) The intent of this section is to allow extended benefits to be paid as provided under the Federal Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 so long as the payment of the benefits does not hinder the State's ability to reduce the debt it owes the federal government to pay unemployment benefits. It is not the intent of this section to pay for the extended benefits with contributions paid by employers under Chapter 96 of the North Carolina General Statutes or with contributions paid by employers under the federal payroll tax that would otherwise be used to pay down the amount borrowed from the federal government by the State to pay unemployment benefits. Nothing in this section obligates the State to pay extended benefits provided by this section with contributions payable under Chapter 96 of the General Statutes or with any other State funds. This section is null and void if the payment of the benefits would divert federal payroll tax revenue payable by North Carolina employers that would otherwise be used to pay down the amount borrowed from the federal government by the State to pay unemployment benefits.

SECTION 1.(d) This section is effective when it becomes law and expires January 1, 2012.

AUTHORITY TO CONTINUE EXPENDITURES AT 87% OF THE 2011-2012 LEVEL OF THE GOVERNOR'S RECOMMENDED BASE BUDGET

SECTION 2.(a) The Director of the Budget may continue to allocate funds for expenditure for current operations by State departments at a level not to exceed eighty-seven percent (87%) of the amount in the Recommended Base Budget for the 2011-2012 fiscal year as specified in the Governor's Recommended Budget for the 2011-2013 fiscal biennium, excluding the amounts set out for debt service requirements in that document; and funds are hereby appropriated for this purpose. To achieve these reductions:

(1) The Director of the Budget shall continue funding for State departments in the same proportions as recommended in the Recommended Base Budget for the 2011-2012 fiscal year as specified in the Governor's Recommended Budget for the 2011-2013 fiscal biennium.

(2) The Director of the Budget shall not use overrealized receipts, cash balances, or other funds to offset expenditures.

SECTION 2.(b) The legislative and judicial branches shall manage cuts in their respective budgets.

SECTION 2.(c) Except as otherwise provided by this act, the limitations and directions for the 2010-2011 fiscal year in S.L. 2009-451, as amended, and in S.L. 2010-31, 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.(d) The appropriations and the authorizations to allocate and spend funds which are set out in this act shall remain in effect until the Current Operations and Capital Improvements Appropriations Act of 2011 becomes law, at which time that act shall become effective and shall govern appropriations and expenditures. When the Current Operations and Capital Improvements Appropriations Act of 2011 becomes law, the Director of the Budget shall adjust allocations to give effect to that act from July 1, 2011.

EMPLOYEE SALARIES

SECTION 3. The salary schedules and specific salaries established for the 2009-2011 fiscal biennium by or under S.L. 2009-451 and in effect on June 30, 2011, or the last day in pay status during the 2010-2011 fiscal year if earlier, for offices and positions, including positions in the UNC Health Care System, shall remain in effect and shall not be increased regardless of funding source of the increase or regardless of the exceptions established in Section 26.1A of S.L. 2009-451, as amended by S.L. 2009-575, Section 21; S.L.

2010-31, Section 29.7(c); and S.L. 2010-123, Section 9.2 until the date the Current Operations and Capital Improvements Appropriations Act of 2011 becomes law.

State employees subject to G.S. 7A-102(c), 7A-171.1, or 20-187.3 shall not move up on salary schedules or receive automatic increases, including automatic step increases, until authorized by the General Assembly.

Public school employees paid on the teacher salary schedule or the school-based administrator salary schedule and other employees shall not move up on salary schedules or receive automatic step increases, annual, performance, merit, or other increments until authorized by the General Assembly.

Nothing in this section prohibits a salary reduction when authorized by the Director of the Budget or other authorized official.

SALARY-RELATED CONTRIBUTIONS

SECTION 4.(a) If Senate Bill 265, 2011 Regular Session, becomes law, then Section 1.8(b) of that act reads as rewritten:

"**SECTION 1.8.(b)** Effective July 1, 2011, the State's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for the 2011-2012 fiscal year are:(i) ~~ten and sixty one hundredths percent (10.61%)~~ thirteen and sixty-two hundredths percent (13.62%) – Teachers and State Employees; (ii) ~~fifteen and sixty one hundredths percent (15.61%)~~eighteen and sixty-two hundredths percent (18.62%) – State Law Enforcement Officers; (iii) twelve and thirty-six hundredths percent (12.36%) – University Employees' Optional Retirement System; (iv) twelve and thirty-six hundredths percent (12.36%) – Community College Optional Retirement Program; (v) ~~twenty and eleven hundredths percent (20.11%)~~thirty-one and fifty-four hundredths percent (31.54%) – Consolidated Judicial Retirement System; and (vi) five and zero hundredths percent (5.00%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and zero hundredths percent (5.00%) 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 4.(b) Appropriations from the General Fund of the State for the maintenance and operation of State departments and for other purposes as enumerated are made for the fiscal year ending June 30, 2012, according to the following schedule:

Current Operations – General Fund	**2011-2012**
Department of State Treasurer	
Retirement for Fire and Rescue Squad Workers	5,800,000
Retirement for National Guard Pension Fund	263,000
RESERVES, ADJUSTMENTS, AND DEBT SERVICE	
Reserve for Teachers' and State Employees' Retirement System Contributions	297,400,000
Reserve for Judicial Retirement System Contributions	7,900,000

SECTION 4.(c) 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 year ending June 30, 2012, according to the following schedule:

Current Operations – Highway Fund	**2011-2012**
Reserve for Teachers' and State Employees' Retirement System Contributions	13,600,000

STATE CONTROLLER SHALL NOT TRANSFER FUNDS ON JUNE 30

SECTION 5.(a) Notwithstanding G.S. 143C-4-3, for the 2010-2011 fiscal year only, funds shall not be reserved to the Repairs and Renovations Reserve Account, and the State Controller shall not transfer funds from the unreserved credit balance to the Repairs and Renovations Reserve Account on June 30, 2011.

SECTION 5.(b) Notwithstanding G.S. 143C-4-2, for the 2010-2011 fiscal year only, funds shall not be reserved to the Savings Reserve Account, and the State Controller shall not transfer funds from the unreserved credit balance to the Savings Reserve Account on June 30, 2011.

SECTION 5.(c) This section becomes effective June 30, 2011.

AUTHORIZATION TO ADDRESS MEDICAID LIABILITIES INCURRED IN THE 2009-2010 FISCAL YEAR

SECTION 6. Notwithstanding Chapter 143C of the General Statutes, of the funds in the unreserved credit balance on June 30, 2010, up to the sum of one hundred twenty-five million dollars ($125,000,000) may be used to address Medicaid liabilities incurred in the 2009-2010 fiscal year, and funds are hereby appropriated for this purpose. The Director of the Budget shall report on the implementation of this section to the chairs of the Senate and House of Representatives Appropriations Committees and the Fiscal Research Division by October 1, 2011.

DEFER REPAYMENT OF GLOBAL TRANSPARK DEBT

SECTION 7. 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, Section 27.7 of S.L. 2007-323, and Section 25.2 of S.L. 2009-451, 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, ~~2011.~~ 2012. 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."

CERTAIN FUNDS SHALL NOT REVERT

SECTION 8.(a) If the provisions of S.L. 2009-451, as amended, or S.L. 2010-31, as amended, direct that funds appropriated for a purpose shall not revert on June 30, 2010, funds appropriated for that purpose for the 2010-2011 fiscal year shall not revert on June 30, 2011.

SECTION 8.(b) This section becomes effective June 30, 2011.

FUNDS FOR ENROLLMENT INCREASES

SECTION 9. Funds appropriated in this act may be used to fund increases in average daily membership in public schools and increases in enrollment in the North Carolina Community College System, The University of North Carolina, and private colleges and universities.

FUNDS FOR DEBT SERVICE REQUIREMENTS

SECTION 10. Funds appropriated in this act shall be used to fully fund State debt service requirements.

FUNDS FOR THE STATE HEALTH PLAN

SECTION 11. If Senate Bill 265, 2011 Regular Session, becomes law, then funds appropriated in that act shall be used only for the purposes set out in that act.

SAVINGS RESERVE ACCOUNT

SECTION 12. G.S. 143C-4-2(b) prohibits the Director of the Budget from using funds in the Savings Reserve Account unless the use has been approved by an act of the General Assembly. The Director of the Budget shall not use such funds for any purpose.

EFFECTIVE DATE

SECTION 13. Except as otherwise provided, this act becomes effective July 1, 2011, and expires the earlier of June 30, 2012, at 11:59 P.M. or the date the Current Operations and Capital Improvements Appropriations Act of 2011 becomes law.

HOUSE BILL 383: Extend UI Benefits

2011-2012 General Assembly

Committee:	Senate Appropriations/Base Budget	**Date:**	April 12, 2011
Introduced by:	Reps. Brubaker, McComas, Wainwright, Tolson	**Prepared by:**	Cindy Avrette Committee Counsel
Analysis of:	PCS to Second Edition H383-CSRB-20		Jeff Cherry Staff Attorney

SUMMARY: ***The Proposed Senate Committee Substitute for House Bill 383 removes the original contents of the bill and substitutes two different issues:***

- ***Makes changes to the State's unemployment insurance benefit laws to enable the payment, through federal funds, of extended unemployment benefits.***
- ***Provides for a continuation of State expenditures for the continued operation of State government past June 30, 2011 in the event the Current Operations and Capital Improvements Appropriations Act of 2011 does not become law by that date.***

EXTENSION OF UNEMPLOYMENT BENEFITS

As part of the Federal Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Congress provided a one year continuation of the federally funded Extended Benefits (EB) program and made changes to the EB look-back period, thus enabling more states to continue to trigger the EB benefits. A state must change its look-back period in order to trigger the EB program. Section 1 of the PCS makes this change in North Carolina's look-back period.

Through contributions made by employers into the State Unemployment Insurance Trust Fund, the State pays unemployment insurance benefits to individuals who are involuntarily unemployed for a period of up to 26 weeks. During periods of high unemployment, there is typically an Extended Benefits (EB) program that allows for an additional 13 weeks of unemployment compensation benefits. The costs for EB are usually shared equally between the state and federal government. In order for a state to pay EB, the unemployment rate in the state must exceed a certain percentage as compared to its "typical" unemployment rate level and remain at an elevated level. To determine if unemployment levels remain sufficiently high enough to maintain the payment of EB, the EB law requires a comparison of unemployment rates during designated periods in the previous two years. This time period is commonly called the "look-back period".

With the recession, Congress has enacted provisions over the past couple of years extending the length of EB for up to 99 weeks and provided for the payment of the additional EB through federal funds. The number of additional weeks of EB available in a state depends upon the unemployment level in that state based upon the look-back period.

As a result of sustained high unemployment rates during the last two years, many states were not expected to maintain a high enough level of unemployment to qualify for the EB program. As a result, the payment of EB using a two-year comparison was expected to end by early spring of 2011. To address this issue, the Federal Tax Relief Act of 2010 did two things:

- It permitted states to compare unemployment levels in the corresponding periods during the previous **three** years in determining whether to continue to pay EB – allowing a comparison with a pre-recession time period. The authorization to use the three year comparison applies to weeks of unemployment between December 17, 2010, and December 31, 2011.

- It extended the federal financing of the EB for one more year. It did not include any additional weeks of EB.

CONTINUED OPERATION OF STATE GOVERNMENT BEYOND END OF 2010-2011 FISCAL YEAR

Sections 2 through 13 of the bill include provisions intended to keep State government operating past the end of the 2010-2011 fiscal year in the event that no budget has been passed by the General Assembly by July 1, 2011.

- Section 2(a) of the bill provides authority to the Governor to continue expenditures in the 2011-2012 fiscal year at eighty seven percent (87%) of that specified in the 2011-13 Governor's Recommended Budget, excluding debt service requirements. The Director of the Budget may not use overrealized receipts or cash balances to offset this reduction in expenditures.
- Section 2(b) provides that the legislative and judicial branches shall manage their own spending cuts under the bill.
- Section 2(c) continues in effect any special provisions in the 2009-2010 and 2010-2011 budget applicable to funds appropriated and authorized under section 2(a).
- Section 2(d) states that when a 2011-2012 budget is passed, it replaces this act, and instructs the Director of the Budget to adjust allocations to various agencies in order to give effect to the budget as if it had been in effect on July 1, 2011.
- Section 3 of the bill freezes all state employee salaries notwithstanding any exceptions set forth in other acts of the 2009 and 2010 sessions of the General Assembly.
- Section 4 of the bill sets the employer contribution rates and makes appropriations to the various state employee retirement plans to maintain benefit levels at the same level as the 2010-2011 budget..
- Section 5 of the bill provides that, notwithstanding the State Budget Act there shall be no automatic reservation and transfer of funds for the Repair and Renovations Reserve Account and the Savings Reserve Account on June 30, 2011,
- Section 6 of the bill authorizes $125,000,000 from the Savings Reserve Account to address Medicaid liabilities incurred during the 2009-2010 fiscal year.
- Section 7 of the bill defers repayment of certain Global Transpark debt owed to the State Escheats Fund..
- Section 8 of the bill provides that any non-reversion provisions in the 2009 or 2010 budget bills shall also apply to prevent reversion of funds appropriated for those same purposes on June 30, 2011.
- Section 9 of the bill allows any funds appropriated by the bill to be used for funding of enrollment increases in the Community College system, the University of North Carolina system, or at private colleges and universities.
- Section 10 of the bill requires full funding of debt service requirements.
- Sections 11 and 12 of the bill states that funds proposed to be appropriated to the State Health Plan by 2011 Senate Bill 265 and funds in the Savings Reserve Account may not be used for purposes other than the purposes designated by the General Assembly.

EFFECTIVE DATE AND SUNSET: Section 1 of the bill takes effect when it becomes law, and expires on January 1, 2012. Section 8 of the bill takes effect on June 30, 2011. As provided in section 13 of the bill, the remaining sections take effect on July 1, 2011, and expire when the 2011 budget bill is passed, or on the last day of the 2011-2012 fiscal year, whichever comes first.

H383-SMRB-31(CSRB-20) v2

ATTACHMENT 5

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

S 1

SENATE BILL 464

Short Title:	Debt Reduction Act of 2011.	(Public)
Sponsors:	Senators Hunt, Brunstetter, and Stevens.	
Referred to:	Finance.	

March 31, 2011

A BILL TO BE ENTITLED

AN ACT TO ENACT THE DEBT REDUCTION ACT OF 2011.

The General Assembly of North Carolina enacts:

SECTION 1. This act shall be known and may be cited as "The Debt Reduction Act of 2011."

SECTION 2. Section 27.8(a) of S.L. 2008-107, as amended by Section 2(a) of S.L. 2009-209, Section 27.7(b) of S.L. 2009-451, and Section 27.12 of S.L. 2009-451, 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:

...

~~(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.~~

...

(15) In the maximum aggregate principal amount of ~~twenty-five million dollars ($25,000,000)~~ ten million dollars ($10,000,000) to finance the capital improvement costs of acquiring State land throughout The University of North Carolina System. ~~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, 2011.~~

...

(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. ~~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, 2011.~~"

SECTION 3. Subsection 30.4(b), Section 30.7, and Section 30.11 of S.L. 2010-31 are repealed.

SECTION 4. Notwithstanding any other provision of law, no funds shall be encumbered, contracts entered, or debt issued or authorized to be issued on or after the effective date of this act for any of the projects or purposes deauthorized by or as a consequence of Sections 2 and 3 of this act, to the extent of the deauthorization.

SECTION 5. This act is effective when it becomes law.

ATTACHMENT 6

SENATE BILL 464:
Debt Reduction Act of 2011

2011-2012 General Assembly

Committee: Senate Appropriations
Introduced by: Senators Hunt, Brunstetter, and Stevens
Analysis of: S464 Version 1

Date: April 12, 2011
Prepared by: Committee Staff

SUMMARY: ***Deauthorizes or reduces the amount of the authorization for certain capital projects that were to be financed with special indebtedness. The total amount of debt deauthorized is $232,438,000.***

BILL ANALYSIS:

Section 1. Enacts a title for the act, "The Debt Reduction Act of 2011."

Section 2. Deauthorizes or reduces the amount of the authorization for certain capital projects that were to be financed with special indebtedness but for which debt has not yet been issued. In the case of projects for which debt authority was reduced but not eliminated, debt has already been issued for the amount not eliminated. The following projects were affected:

- The horse park in Rockingham County for North Carolina A&T University was deauthorized.
- The amount of debt authorized to acquire land throughout The University of North Carolina system was reduced from $25 million to $10 million.
- The amount of debt authorized to acquire land as part of the Land for Tomorrow initiative was reduced from $50 million to $10 million.

Section 3. Repeals portions of the 2010 budget bill that authorized the issuance of special indebtedness to fund the following projects for which no debt has yet been issued:

- $120,000,000 for repairs and renovations to State facilities.
- $55,000,000 for acquiring equipment and completing related capital improvements for use by The University of North Carolina system and the North Carolina Community College System.

Section 4. Clarifies and reemphasizes the intent of the preceding sections, which is to prevent the encumbrance of funds, the entering of contracts, the issuance of debt, or the authorizing of the issuance of debt, after the act's effective date for any of the projects or purposes deauthorized in Sections 2 and 3 of the act.

Section 5. The act is effective when it becomes law.

ATTACHMENT 7

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget
Name of Committee

April 13th, 2011
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
	SEANC
DAVID BARNES	Poyner Spruill
Mary Bethel	AARP-NC
Emily Grimm	MWC
Dora Fazzini	DST
Vance Holloman	DST
Mia Bailey	ElectriCities
Edgar Miller	CTNC
	Carolinas HealthCare System
Heather Barnett	Williams Mullen
	Bar Assn.
Amy Whited	NCPS

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget
Name of Committee

April 13th, 2011
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Joe Lanier	Nelson Mullins
Jennifer Wimmer	OSPB
Debra Dew	ESC
Patricia D. Yancey	APPCNC / ELPP
R Rogers	CWMTF
Tom Cors	TNC

VISITOR REGISTRATION SHEET

~~Senate Health Care (2011-2012)~~ 2/8/11

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS

VISITOR REGISTRATION SHEET

~~Senate Health Care (2011-2012)~~ 4/6/11
Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — April 13th, 2011

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Pam Shipman	PBH
Alan Briggs	NC Food Banks
Kathy Hartkopf	Freedom Works
Kenny Briggs	NCCCS
Charles Reinsse	UNC-GA
Jennifer Hoffman	OSBM
Kirk Cozzo	OSBM
Greg Pirin	OSBM
Sierra Services	UNC
LaKhanet Taylor	ESC
[illegible]	[illegible]
[illegible]	[illegible]
Robert Gilbert	Governor's Office

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — April 13th, 2011

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Ed Rogers	NCRGEA
Carl Howell	DST
Sam Ellen	DST
John Poltrack	NCAMA

ATTACHMENT 8

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

Wednesday, April 13, 2011

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

FAVORABLE

S.B. **464** Debt Reduction Act of 2011.
Sequential Referral: None
Recommended Referral: None

UNFAVORABLE AS TO COMMITTEE SUBSTITUTE BILL NO. 1, BUT FAVORABLE AS TO SENATE COMMITTEE SUBSTITUTE BILL

H.B.(CS #1) **383** Communications Regulatory Reform.
Draft Number: 11180
Sequential Referral: None
Recommended Referral: None
Long Title Amended: Yes

TOTAL REPORTED: 2

Committee Clerk Comments:

2011-2012

SENATE APPROPRIATIONS – BASE BUDGET

MINUTES

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
Wednesday, May 18, 2011 at 3:51 PM
Senate Floor

MINUTES

The Senate Appropriations/Base Budget Committee met at 3:51 PM on May 18, 2011 on the Senate floor. Senator Richard Stevens presided.

H.B. 306 – Transfer GSC/Revisor of Statutes to GA.

Senator Fletcher Hartsell was recognized to explain the bill which would transfer the General Statutes Commission, the Revisor of Statutes, the responsibility for the codification of the General Statutes, and the staff positions supporting these efforts from the Department of Justice to the General Assembly.

Senator Dan Blue moved for a favorable report and the motion carried.

Attachments:

1. HB 306
2. Summary HB 306
3. Committee Report

The meeting adjourned at 3:54 PM.

Senator Richard Stevens, Presiding

Mary Marchman, Committee Clerk

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

H 2

HOUSE BILL 306*
Senate Judiciary II Committee Substitute Adopted 5/17/11

Short Title: Transfer GSC/Revisor of Statutes to GA. (Public)

Sponsors:

Referred to:

March 10, 2011

A BILL TO BE ENTITLED

AN ACT TO TRANSFER THE GENERAL STATUTES COMMISSION, THE RESPONSIBILITY FOR THE CODIFICATION OF THE GENERAL STATUTES, THE REVISOR OF STATUTES AND THE STAFF FOR THESE FUNCTIONS TO THE GENERAL ASSEMBLY.

The General Assembly of North Carolina enacts:

SECTION 1. Article 2 of Chapter 114 of the General Statutes is recodified as Article 7D of Chapter 120 of the General Statutes to be entitled "Codification of Statutes" and as recodified, reads as rewritten:

"Article 7D.

"Codification of Statutes.

"**§ 120-36.21. ~~Creation of Division; powers and duties.~~Codification of Statutes.**

~~The Attorney General shall set up in the Department of Justice a division to be designated as the Division of Legislative Drafting and Codification of Statutes. There shall be assigned to this Division by the Attorney General duties as follows:~~The Legislative Services Officer shall assign to staff of the General Assembly the following duties:

~~(1) To prepare bills to be presented to the General Assembly at the request of the Governor, and the officials of the State and departments thereof, and members of the General Assembly, and to advise with said officials in connection therewith, and to advise with and assist counties, cities, and towns in the drafting of legislation to be submitted to the General Assembly.~~

~~(2)~~(1) To supervise the recodification of all the statute law of North Carolina and supervise the keeping of such recodifications current by including therein all laws hereafter enacted by supplements thereto issued periodically, all of which recodifications and supplements shall be appropriately annotated.

~~(3)~~(2) In order that the laws of North Carolina, as set out in the General Statutes of North Carolina, may be made and kept as simple, as clear, as concise and as complete as possible, and in order that the amount of construction and interpretation of the statutes required of the courts may be reduced to a minimum, ~~it shall also be the duty of the Division of Legislative Drafting and Codification of Statutes~~ to establish and maintain a system of continuous statute research and correction. To that end the ~~Division~~ staff shall:

a. Make a systematic study of the general statutes of the State, as set out in the General Statutes and as hereafter enacted by the General Assembly, for the purpose of ascertaining what ambiguities, conflicts, duplications and other imperfections of form and expression exist therein and how these defects may be corrected.

b. Consider such suggestions as may be submitted ~~to the Division~~ with respect to the existence of such defects and the proper correction thereof.

c. Prepare for submission to the General Assembly from time to time bills to correct such defects in the statutes as its research discloses.

"**§ 120-36.22. Revisor of Statutes.**

The member of the staff of the ~~Attorney General~~ General Assembly who is assigned to perform the duties prescribed by ~~G.S. 114-9(3)~~ G.S. 120-36.21(2) shall be known as the Revisor of Statutes.~~Statutes and he shall be subject to all the provisions of Chapter 126 of the General Statutes relating to the State Personnel System.~~"

SECTION 2. Article 1 of Chapter 114 of the General Statutes is amended by adding a new section to read:

"**§ 114-8.4. Legislative assistance to agencies and local governments.**

The Department of Justice may (i) prepare bills to be presented to the General Assembly at the request of the Governor and the officials and departments of the State and advise in connection therewith and (ii) advise with and assist counties, cities, and towns in the drafting of legislation to be submitted to the General Assembly."

SECTION 3. G.S. 164-10 reads as rewritten:

"**§ 164-10. Supplements to the General Statutes; rearrangement of laws, and correction of errors.**

The ~~Division of Legislative Drafting and Codification of Statutes of the Department of Justice, under the direction and supervision of the Attorney General,~~ Legislative Services Office shall have the following duties and powers with regard to the supplements to the General Statutes:

(1) Within six months after the adjournment of each General Assembly, or as soon thereafter as possible, the ~~Division~~ Legislative Services Office shall cause to be published under its supervision, cumulative ~~pocket~~ supplements to the General Statutes, and any replacement or recompiled volumes thereof, which shall contain an accurate transcription of all laws of a general and permanent nature enacted by the General Assembly, the material contained in the next preceding ~~pocket and interim supplements,~~ supplement, complete and accurate annotations to the statutes, appendix and other material accumulated since the publication of the next preceding ~~pocket and interim supplements,~~ supplement, and a cumulative index of said material.

(2) Periodically, every six months after the publication and issuance of a cumulative ~~pocket~~ supplement following a session of the General Assembly, or as soon thereafter as possible, ~~except when the publication of the cumulative pocket supplement makes it unnecessary,~~ the ~~Division~~ Legislative Services Office shall cause to be published an interim supplement containing all pertinent annotations and other material found by the ~~Division~~ Legislative Services Office to be necessary and proper, accumulating since the publication of the said cumulative ~~pocket~~ supplement or the last interim supplement.

(3) In the preparation of the general and permanent laws enacted by the General Assembly the ~~Division~~ Legislative Services Office is hereby authorized:

a. To rearrange the order of chapters, subchapters, articles, sections and other divisions or subdivisions;

b. To provide titles for any such divisions or subdivisions and section titles or catchlines when they are not provided by such laws;

c. To adopt a uniform system of lettering or numbering sections and the various subdivisions thereof and to reletter or renumber sections and section subdivisions in accordance with such uniform system;
d. To rearrange definitions in alphabetical order;
e. To rearrange lists of counties in alphabetical order; and
f. To make such other changes in arrangement and form that do not change the law as may be found by the ~~Division~~ Legislative Services Office necessary for an accurate, clear and orderly codification of such general and permanent laws."

SECTION 4. Effective beginning with the first supplements or replacement or recompiled volumes of the General Statutes that are printed under the supervision of the Legislative Services Office, G.S. 164-11(a) reads as rewritten:

"(a) The supplements to the General Statutes of North Carolina, or to any replacement or recompiled volumes of the General Statutes, when printed under the supervision of the ~~Division of Legislative Drafting and Codification of Statutes of the Department of Justice,~~ Legislative Services Office shall establish prima facie the general and permanent laws of North Carolina contained in said supplements."

SECTION 5. G.S. 164-12 reads as rewritten:

"**§ 164-12. Creation; name.**

(a) There is hereby created and established a commission to be known as "The General Statutes Commission."

(b) The Commission shall be located within the General Assembly for administrative purposes only."

SECTION 6. G.S. 164-13(a) reads as rewritten:

"(a) It shall be the duty of the Commission:

(1) To advise and cooperate with the ~~Division of Legislative Drafting and Codification of Statutes of the Department of Justice~~ Legislative Services Office in the work of continuous statute research and correction for which the ~~Division~~ Legislative Services Office is made responsible by G.S. ~~114-9(3).~~120-36.21(2).

(2) To advise and cooperate with the ~~Division of Legislative Drafting and Codification of Statutes~~ Legislative Services Office in the preparation and issuance ~~by the Division~~ of supplements to the General Statutes pursuant to G.S. ~~114-9(2).~~120-36.21(1).

(3) To make a continuing study of all matters involved in the preparation and publication of modern codes of law.

(4) To recommend to the General Assembly the enactment of such substantive changes in the law as the Commission may deem advisable.

(5) To receive and consider proposed changes in the law recommended by the American Law Institute, by the National Conference of Commissioners on Uniform State Laws or by other learned bodies."

SECTION 7. G.S. 164-15 reads as rewritten:

"**§ 164-15. Meetings; quorum.**

The Commission shall hold not less than two regular meetings each year, of which one shall be held in June and one in November, at such times during those months as may be fixed therefor by the Commission itself. The Commission may ~~hold such~~ establish a schedule for other regular ~~meetings as it may provide for by its rules.~~ meetings. Special meetings may be called by the chairman, or by any two members of the Commission, upon such notice and in such manner as may be fixed therefor by the ~~rules of~~ policies adopted by the Commission. The regular June and November meetings of the Commission shall be held in Raleigh, but the Commission may provide for the holding of other meetings from time to time at any other place

or places in the State. ~~The first meeting of the Commission shall be held in June 1945 upon the call of the Attorney General at such time and upon such notice as he may designate.~~ A majority of the members of the Commission shall constitute a quorum."

SECTION 8. G.S. 164-17 reads as rewritten:

"**§ 164-17. ~~Committees; rules.~~Committees.**

The Commission may elect, or may authorize its chairman to appoint, such committees of the Commission as it may deem proper. The Commission may adopt such ~~rules~~ policies and guidelines not inconsistent with this Article as it may deem proper with respect to any and all matters relating to the discharge of its duties under this Article."

SECTION 9. G.S. 164-18 reads as rewritten:

"**§ 164-18. Reports.**

The Commission shall submit to each regular session of the General Assembly a report of its work during the preceding two years, together with such recommendations as it may deem proper. The Commission may report recommended legislation to each annual session of the General Assembly as it deems appropriate."

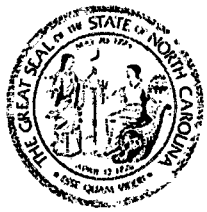
SECTION 10. G.S. 143A-53 is repealed.

SECTION 11. The statutory authority, powers, duties, functions, records, personnel, property, and unexpended balances of appropriations, allocations, or other funds of the General Statutes Commission are transferred from the Department of Justice to the General Assembly, with all of the elements of a Type II transfer as defined by G.S. 143A-6. The administrative rules of the General Statutes Commission are repealed but are deemed adopted as policies of the General Statutes Commission until it amends or repeals them. The Revisor of Statutes shall notify the Codifier of Rules of the repeal, and the Codifier of Rules may enter the repeal in the Administrative Code.

SECTION 12. All contractual rights and duties of the State of North Carolina, acting through its Attorney General and the Division of Legislative Drafting and Codification of Statutes of the North Carolina Department of Justice under G.S. 164-10, shall remain unchanged but shall be executed by the Legislative Services Office. Nothing in this act shall affect any currently existing agreed upon discount for printed materials to be provided by a vendor to the North Carolina Department of Justice.

SECTION 13. The following positions are transferred to the General Assembly from the Department of Justice: two Assistant Attorney General positions (Position #60010185 and #60010191) and one Administrative Assistant position (Position #60010189).

SECTION 14. This act becomes effective June 1, 2011.



2011-2012 General Assembly

HOUSE BILL 306: Transfer General Statutes Commission and Revisor of Statutes to General Assembly

Committee:	Senate Judiciary II	**Date:**	May 17, 2011
Introduced by:	Rep. Ross	**Prepared by:**	O. Walker Reagan Staff Attorney
Analysis of:	PCS to First Edition H306-CSRU-2		

SUMMARY: ***The Proposed Senate Committee Substitute for House Bill 306 would transfer the General Statutes Commission, the Revisor of Statutes, the responsibility for the codification of the General Statutes, and the staff positions supporting these efforts from the Department of Justice to the General Assembly.***

[As introduced, this bill was identical to S300, as introduced by Sen. Hartsell, which is currently in the House.]

CURRENT LAW: The responsibility for codification of the statutes as well as bill drafting for the General Assembly and State agencies was originally placed in the Attorney General's office in 1939. In 1945, the General Statutes Commission (GSC) was created as an independent commission to assist and advise the Department of Justice's Division of Legislative Drafting. Its duties are to 1) conduct continuous statute research and correction, 2) assist in preparation and issuance of statutory supplements, 3) continually study all matters in preparation and publishing modern codes of law, 4) recommend to the General Assembly substantive changes in the law deemed advisable, and 5) consider proposed changes in law recommended by model laws and uniform acts. The Revisor of Statutes role was first created in 1947, that role going to the member of the Attorney General's staff who handled the statutory revision duties set forth in G.S. 114-9(3). These include conducting a systematic study of the General Statutes to ascertain ambiguities, conflicts, duplications and other imperfections and to recommend how those problems might be corrected, including submission to the General Assembly of bills to correct these defects. In addition, the Revisor of Statutes serves as staff to the General Statutes Commission (GSC). Although the functions of the Bill Drafting Division were transferred from the Attorney General's Office to the General Assembly in 1977 (after the Research Division and the Fiscal Research Division were created in 1971), the role of Revisor of Statutes remained with the Attorney General's Office.

The GSC is composed of 14 members serving two-year terms, including one representative from each of the seven law schools in the State, one Senator appointed by the President Pro Tempore, one Representative appointed by the Speaker, two members appointed by the Governor, one member appointed by the North Carolina State Bar, one member appointed by the North Carolina Bar Association, and one member appointed by the GSC.

BILL ANALYSIS: **Section 1** of the proposed committee substitute for HB 306 recodifies the current law governing the staffing responsibilities for codification of the General Statutes and transfers those responsibilities from staff of the Department of Justice to the staff of the General Assembly, including the role of the Revisor of Statutes.

Section 2 recodifies the current responsibilities of the Justice Department for bill drafting for State agencies and to assist local governments.

Sections 3 and 4 transfer responsibility for codification of the General Statutes from the Department of Justice to the Legislative Services Office.

Sections 5, 6, 10 and 11 transfer the GSC to the General Assembly.

Sections 7 and 8 repeal the authority and requirement that the GSC adopt rules and amends that authority to allow for the adoption of policies and guidelines applicable to a legislative branch commission.

Section 9 clarifies that the GSC can recommend legislative changes to the General Assembly annually.

Section 12 transfers contractual obligations relative to the codification of the General Statutes from the Justice Department to the General Assembly.

Section 13 transfers the Justice Department staff positions serving the roles of staff to the General Statutes Commission, Revisor of Statutes and administration of the codification of the General Statutes process from the Justice Department to the General Assembly.

EFFECTIVE DATE: This act becomes effective June 1, 2011.

BACKGROUND: Only one other state places the role of the revisor or codifier of statutes and the formal review of laws in the executive branch as North Carolina has done. At least 41 states make this role and responsibility a function of the legislature. In the remaining 7 states, the role is either shared by the legislative and the executive branches, or is handled by an independent body outside the legislature.

As part of the Department of Justice's current budget reductions, the Attorney General has eliminated the three supporting staff positions set forth in Sec. 13 effective May 31, 2011.

Research Division *O. Walker Reagan, Director* *(919) 733-2578*

ATTACHMENT 3

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

Wednesday, May 18, 2011

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

FAVORABLE

H.B.(SCS #1) **306** Transfer GSC/Revisor of Statutes to GA.
Sequential Referral: None
Recommended Referral: None

TOTAL REPORTED: 1

Committee Clerk Comments:
Sen. Hartsell

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
Wednesday, May 25, 2011 at 9:00 AM
Room 643, Legislative Office Building

MINUTES

The Senate Appropriations/Base Budget Committee met at 9:15 PM on May 25, 2011, in Room 643 of the Legislative Office Building. Twenty-four members of the committee were present. Senator Brunstetter presided. Senator Brunstetter called the meeting to order and recognized the Sergeant at Arms' staff and Pages.

Senator Brunstetter asked for a motion to hear HB200 as amended (Attachment #4). Senator Stevens made the motion. Senator Brunstetter then read the Senate Appropriations Committee's Rules for Considering Amendments (Attachment #3). He then called on Senator Stevens to present an overview of HB200: Proposed Committee Substitute

AN ACT TO SPUR THE CREATION OF PRIVATE SECTOR JOBS; REORGANIZE AND REFORM STATE GOVERNMENT; MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS OF STATE DEPARTMENTS AND INSTITUTIONS; AND TO ENACT BUDGET RELATED AMENDMENTS.

Following Senator Stevens' presentation, Senator Brunstetter introduced Evan Rodewald of the Fiscal Research Division staff, who referred to a three page spread sheet: General Fund Budget Comparison (Attachment #6).

The Chair recognized the following Sub-Committee Chairs to explain their portions of the bill:

Senator Tillman	Education/Higher Education
Senator Pate	Health & Human Services
Senator Rouzer	Natural & Economic Resources
Senator East	Special Provisions
Senator Brown	Justice and Public Safety
Senator Brock	General Government & Information Technology
Senator Harrington	Transportation

Chairman Brunstetter then recognized Fiscal Research staff members, Marshall Barnes, Mark Trogdon, Stanley Moore, Mark Bondo and Karlynn Shannessy to explain the bill pertaining to their area of expertise (Salaries, Benefits, Retirement Systems, Capital and Information Technology).

The Committee chairs and staff took a one hour break to review the amendments submitted.

The amendments and their actions follow: (Attachments 8 & 9)

ALG-67-[v-20]	Stevens	Adopted
ARM-8- [v-3]	Rouzer	Adopted
ALE-80 [v-3]	Garrou	Failed
AMH-64 [v-1]	Jackson	Adopted

Amendments offered, continued

AMH-60-[v-2]	Apodaca	Adopted
ALE- 86-[v-2]	Stevens	Adopted
AMA-30-[v-1]	Apodaca	Adopted
ALU-32-[v-1]	Jones	Withdrawn
ALE-85-[v-1]	Apodaca	Adopted
ALU-31-[v-5]	Garrou	Failed
AMA-12-[v-13]	Kinnaird	Withdrawn
ALU-29-[v-3]	Kinnaird	Failed
AMD-51-[v-1]	Dannelly	Failed
ALU-33-[v-1]	Walters	Failed
ASQ-68-[v-3]	Hartsell	Adopted
ASQ-66-[v-2]	Hartsell	Adopted
ASQ-67-[v-2]	Pate	Adopted
AMD-49-[v-1	Pate	Adopted
ALD-94-[v-2]	East	Withdrawn
AMA-28-[v-3]	Nesbitt	Adopted
ALM-52-[v-1]	Kinnaird	Failed
ALD-98-[v-2]	Rouzer	Adopted
ALD-84-[v-7]	East	Withdrawn
ALD-95-[v4]	Rouzer	Adopted
ALD-89-[v-2]	Tucker	Adopted
ALD-91-[v-1]	Apodaca	Adopted
ALD-88-[v-2]	Rouzer	Adopted

The Committee recessed for Session - to reconvene 15 minutes after session

3:40 The Committee began considering the following amendments:

ALL-56-[v-4]	Jones	Withdrawn
ALD-90-[v-3]	East	Adopted
ALL-55-[v-4]	Jones	Failed
AMD-40-[v-3]	Brown	Adopted
AMA-24-[v-3]	Kinnaird	Withdrawn
ALB-88-[v-1]	Graham	Failed
ALB-87-[v-1]	Graham	Failed
AMA-29-[v-2]	Blue	Failed
ALG-68-[v-4]	Brock	Adopted
AMH-58-[v-2]	Hunt	Adopted
ALE-83-[v-2]	Blue	Adopted

Following discussions by the members, Senator Stevens moved for a motion Favorable, as amended, Un-engrossed. The motion passed. Chairman Brunstetter then called for adjournment.

Attachments: (12)

1. Committee Notice
2. Agenda
3. Rules for Considering Amendments
4. HB200

5. Money Report
6. General Fund Budget Comparison
7. Actuarial Note
8. List of Amendments and Action Taken
9. Amendments
10. Finance Committee Amendments
11. Visitors List
12. Committee Report

The meeting adjourned at 4:25.

Senator Brunstetter, Presiding

Kathy Davis, Committee Clerk

ATTACHMENT 1

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 25, 2011	10:00 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
HB 200	Appropriations Act of 2011.	Representative Brubaker

Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

ATTACHMENT 2

Senate Appropriations Committee

Agenda

Legislative Office Building, Room 643
10:00 a.m.
May 25th, 2010

Opening Remarks:	Senate Appropriations Chairs
General Fund Availability:	Fiscal Research Staff
Subcommittee Overview:	Senate Subcommittee Chairs
• Education	
• Health and Human Service	
• Natural and Economic Resources	
• Justice and Public Safety	
• General Government	
• Transportation	
• Salaries and Benefits	Fiscal Research Staff
• Capital	Fiscal Research Staff
• Information Technology	Fiscal Research Staff

Vote - Proposed Committee Substitute Senate Bill 200

Adjourn

ATTACHMENT 3

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. Since this is a meeting of Full Appropriations, amendments that address finance portions of the bill will not be heard.

8. Amendments must be in writing, the original signed, with 75 copies available for distribution.

9. To be considered, a proposed amendment must have been logged in by the committee clerk by 11:00 a.m.

ATTACHMENT 4

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

H D

HOUSE BILL 200
Committee Substitute Favorable 4/26/11
Committee Substitute #2 Favorable 4/28/11
Fourth Edition Engrossed 5/4/11
PROPOSED SENATE COMMITTEE SUBSTITUTE H200-PCS30341-LExf-13

Short Title: Appropriations Act of 2011. (Public)

Sponsors:

Referred to:

March 2, 2011

A BILL TO BE ENTITLED

AN ACT TO SPUR THE CREATION OF PRIVATE SECTOR JOBS; REORGANIZE AND REFORM STATE GOVERNMENT; MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS OF STATE DEPARTMENTS AND INSTITUTIONS; AND TO ENACT BUDGET RELATED AMENDMENTS.

The General Assembly of North Carolina enacts:

PART I. INTRODUCTION AND TITLE OF ACT

TITLE

SECTION 1.1. This act shall be known as the "Current Operations and Capital Improvements Appropriations Act of 2011."

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.

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 fiscal biennium ending June 30, 2013, according to the following schedule:

Current Operations – General Fund	**2011-2012**	**2012-2013**
EDUCATION		
Community Colleges System Office	$ 982,305,416	$ 982,305,416
Department of Public Instruction	7,226,755,942	7,191,532,300

University of North Carolina – Board of Governors		
Appalachian State University	145,615,228	145,732,585
East Carolina University		
Academic Affairs	247,883,972	247,883,972
Health Affairs	65,196,439	65,196,439
Elizabeth City State University	38,394,847	38,567,166
Fayetteville State University	56,968,000	56,968,000
NC A&T State University	105,413,397	105,852,346
NC Central University	94,413,933	94,413,933
NC State University		
Academic Affairs	434,600,291	434,714,473
Agricultural Research	59,239,461	59,239,461
Agricultural Extension	43,539,609	43,539,609
UNC-Asheville	41,984,728	41,984,728
UNC-Chapel Hill		
Academic Affairs	309,582,768	312,944,304
Health Affairs	219,507,009	222,570,732
AHEC	49,747,851	49,747,851
UNC-Charlotte	216,916,678	217,932,821
UNC-Greensboro	173,205,364	173,205,364
UNC-Pembroke	61,700,446	62,443,695
UNC-School of the Arts	27,849,173	27,849,173
UNC-Wilmington	105,967,837	107,163,413
Western Carolina University	90,758,068	91,236,972
Winston-Salem State University	76,496,951	76,496,950
General Administration	38,186,863	27,628,722
University Institution Programs	(395,719,732)	(398,078,528)
Related Educational Programs	85,679,060	115,272,420
UNC Financial Aid Private Colleges	91,426,688	62,286,250
NC School of Science & Math	18,937,535	18,937,535
UNC Hospitals	25,000,000	25,000,000
Total University of North Carolina – Board of Governors	$ 2,528,492,464	$ 2,526,730,386

HEALTH AND HUMAN SERVICES

Department of Health and Human Services		
Division of Central Management and Support	$ 45,011,380	$ 39,411,990
Division of Aging and Adult Services	35,359,667	35,359,667
Division of Services for Blind/Deaf/Hard of Hearing	7,198,149	7,181,925
Division of Child Development	266,102,933	266,102,933
Division of Health Service Regulation	16,133,031	16,133,031
Division of Medical Assistance	2,928,301,996	2,904,589,504
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	648,478,227	673,478,227
NC Health Choice	79,452,317	83,717,865
Division of Public Health	186,876,812	153,972,401
Division of Social Services	184,286,652	184,286,652
Division of Vocational Rehabilitation	37,125,788	37,528,128
Total Health and Human Services	$ 4,434,326,952	$ 4,401,762,323

NATURAL AND ECONOMIC RESOURCES

Department of Agriculture and Consumer Services	$ 71,484,049	$ 68,177,845
Department of Commerce		
Commerce	48,426,722	31,232,429

Commerce State-Aid	27,201,984	27,041,395
NC Biotechnology Center	16,576,615	16,576,615
Rural Economic Development Center	39,244,692	39,244,692
Department of Environment and Natural Resources	167,763,360	162,750,956
DENR Clean Water Management Trust Fund	12,500,000	12,500,000
Department of Labor	15,836,887	15,836,887
Wildlife Resources Commission	16,000,000	15,221,179
JUSTICE AND PUBLIC SAFETY		
Department of Correction	$ 1,337,816,346	$ 1,348,410,793
Department of Crime Control and Public Safety	247,927,627	270,204,922
Judicial Department	436,243,082	432,464,141
Judicial Department – Indigent Defense	111,732,877	111,160,465
Department of Justice	52,330,297	24,537,108
Department of Juvenile Justice and Delinquency Prevention	135,593,692	131,140,565
GENERAL GOVERNMENT		
Department of Administration	$ 62,232,817	$ 64,136,947
Department of State Auditor	11,857,574	10,676,035
Office of State Controller	28,368,957	28,368,957
Department of Cultural Resources		
Cultural Resources	60,994,609	58,256,841
Roanoke Island Commission	1,203,491	0
State Board of Elections	5,186,603	5,126,603
General Assembly	53,259,495	50,104,208
Office of the Governor		
Office of the Governor	4,887,061	4,887,061
Office of State Budget and Management	5,848,663	5,848,663
OSBM – Reserve for Special Appropriations	1,940,612	440,612
Housing Finance Agency	10,673,051	10,673,051
Department of Insurance		
Insurance	36,393,921	36,393,921
Insurance – Volunteer Safety Workers' Compensation	2,294,000	2,623,654
Office of Lieutenant Governor	775,245	775,245
Office of Administrative Hearings	4,983,871	4,983,871
Department of Revenue	78,199,538	78,199,538
Department of Secretary of State	10,654,563	10,654,563

Department of State Treasurer		
State Treasurer	6,657,031	6,621,750
State Treasurer – Retirement for Fire and Rescue Squad Workers	17,812,114	17,812,114
RESERVES, ADJUSTMENTS, AND DEBT SERVICE		
Contingency and Emergency Fund	$ 5,000,000	$ 5,000,000
State Retirement System Contribution	297,400,000	404,200,000
Judicial Retirement System Contribution	7,900,000	9,000,000
Firemen's & Rescue Squad Workers' Pension Fund	5,800,000	6,900,000
National Guard Pension Fund	263,000	523,000
State Health Plan	7,119,541	102,151,104
Information Technology Fund	4,458,142	6,158,142
Reserve for Job Development Investment Grants (JDIG)	15,400,000	27,400,000
Continuation Review Reserve	0	22,982,380
Comprehensive Review of Compensation Plans	2,000,000	0
Salary Adjustment and Performance Pay Reserve	0	328,000,000
Severance Expenditure Reserve	75,000,000	0
Automated Fraud Detection Development	1,000,000	7,000,000
Controller – Fraud Detection Development	500,000	500,000
Debt Service		
General Debt Service	688,957,188	759,984,974
Federal Reimbursement	1,616,380	1,616,380
TOTAL CURRENT OPERATIONS – GENERAL FUND	**$ 19,425,196,471**	**$ 19,886,830,031**

GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2.(a) The General Fund availability used in developing the 2011-2013 biennial budget is shown below.

	FY 2011-2012	FY 2012-2013
Unappropriated Balance Remaining	$ 0	$ 72,311,073
Ending Unreserved Fund Balance for FY 2009-2010	236,902,394	0
Anticipated Reversions for FY 2010-2011 – S.L. 2011-15 (S.B. 109)	537,740,799	0
Anticipated Overcollections from FY 2010-2011	180,800,000	0
Repayment of Medicaid Receipts in FY 2010-2011	(125,000,000)	0
Statutory Earmarks:		
Savings Reserve Account	(202,994,340)	0
Repairs and Renovations Reserve Account	(202,994,339)	0
Beginning Unreserved Fund Balance	**$ 424,454,514**	**$ 72,311,073**

Revenues Based on Existing Tax Structure	**$ 18,129,800,000**	**$ 19,181,900,000**
Nontax Revenues		
Investment Income	$ 59,400,000	$ 76,700,000
Judicial Fees	217,800,000	217,800,000
Disproportionate Share	100,000,000	100,000,000
Insurance	71,400,000	73,500,000
Other Nontax Revenues	182,500,000	182,500,000
Highway Trust Fund/Use Tax Reimbursement Transfer	41,500,000	27,600,000
Highway Fund Transfer	20,230,000	24,080,000
Subtotal Nontax Revenues	**$ 692,830,000**	**$ 702,180,000**
Total General Fund Availability	**$ 19,247,084,514**	**$ 19,956,391,073**
Adjustments to Availability: 2011 Session		
Loss of Estate Tax Revenue	$ (57,100,000)	$ (72,200,000)
Private Sector Job Creation Package	(186,400,000)	(485,300,000)
Repeal Deduction for Sale of a Manufactured Home Community to Manufactured Homeowners	100,000	100,000
Repeal Deduction for Severance Wages	16,000,000	16,400,000
Repeal Credit for Recycling Oyster Shells	100,000	100,000
Repeal Energy Star Tax Holiday	1,900,000	2,000,000
Repeal Sales Tax Exemption for Nutritional Supplements Sold by Chiropractors	300,000	400,000
Repeal Wildlife Resources Commission Sales Tax Earmark	22,970,000	23,920,000
Suspend Corporate Income Tax Earmark (Public School Construction)	0	74,750,000
Increase in Judicial Fees	60,986,955	60,986,955
Increase Investment Company Notice Filing Fee	1,600,000	1,600,000
Increase Parking Fees for Visitors	550,000	550,000
Loss of Revenue from the Town of Butner	(1,213,235)	(1,213,235)
Transfer from E-Commerce Reserve Fund	4,483,526	0
Divert Funds from Parks & Recreation Trust Fund	4,217,500	0
Divert Funds from Recreational/Natural Heritage Trust Fund	4,500,000	0
Transfer from Highway Fund for State Highway Patrol	193,585,434	189,859,507
Transfer from Highway Trust Fund for School Bus Replacement	35,223,642	0
Transfer from Mercury Prevention Pollution Fund	125,000	0
Transfer from Commerce – Enterprise Fund	250,000	0
Divert Funds from Scrap Tire Disposal Account	1,134,495	0
Divert Funds from White Goods Management Account	1,131,342	0
Diversion of Golden LEAF Funds	67,563,760	67,563,760
Tobacco Trust Fund Master Settlement Agreement Funds	8,334,360	8,790,386
Health and Wellness Trust Fund Master Settlement Agreement Funds	16,334,360	16,790,386
Transfer Health and Wellness Trust Funds to Public Health	32,904,411	0
Department of Revenue – Accounts Receivable Program	15,000,000	15,000,000
Medicaid Disproportionate Share Receipts	15,000,000	15,000,000
Adjust Transfer from Insurance Regulatory Fund	(742,348)	(742,348)
Adjust Transfer from Treasurer's Office	(3,881,172)	(3,916,453)
Subtotal Adjustments to Availability: 2011 Session	**$ 254,958,030**	**$ (69,561,042)**
Revised General Fund Availability	**$ 19,502,042,544**	**$ 19,886,830,031**
Less General Fund Appropriations	**$ (19,429,731,471)**	**$ (19,886,830,031)**

Unappropriated Balance Remaining	**$ 72,311,073**	**$ 0**

SECTION 2.2.(b) Notwithstanding the provisions of G.S. 105-187.9(b)(1) and G.S. 105-187.9(b)(2), the sum to be transferred from the Highway Trust Fund under those subdivisions for the 2011-2012 fiscal year is forty-one million five hundred thousand dollars ($41,500,000) and for the 2012-2013 fiscal year is twenty-seven million six hundred thousand dollars ($27,600,000).

SECTION 2.2.(c) Notwithstanding the provisions of G.S. 115C-546.1, the Secretary of Revenue shall transfer the corporate income tax funds specified in G.S. 115C-546.1(b) to the State Controller for deposit in Nontax Budget Code 19978 (Intrastate Transfers) during the 2012-2013 fiscal year to offset continued operations of the State's public schools.

SECTION 2.2.(d) Notwithstanding any other provision of law to the contrary, effective July 1, 2011, the following amounts shall be transferred to the State Controller to be deposited in Nontax Budget Code 19878 (Intrastate Transfers) or the appropriate budget code as determined by the State Controller. These funds shall be used to support the General Fund appropriations as specified in this act for the 2011-2012 fiscal year.

Budget Code	Fund Code	Description	Amount
24100	2514	E-Commerce Reserve	$ 4,483,526
54600	5881	Commerce Enterprise Fund	250,000
24300	2119	Mercury Prevention Pollution Fund	125,000

SECTION 2.2.(e) Pursuant to Section 2(b) of S.L. 1999-2, the fifty percent (50%) of the 2011-2012 and the 2012-2013 annual installment payments to the North Carolina State Specific Account that would have been transferred to The Golden L.E.A.F. (Long-Term Economic Advancement Foundation), Inc., are transferred to the General Fund.

SECTION 2.2.(f) Notwithstanding the provisions of G.S. 105-187.19(b), effective for taxes levied during the 2011-2012 fiscal year, the Secretary of Revenue shall credit to the General Fund the sum of one million one hundred thirty-four thousand four hundred ninety-five dollars ($1,134,495) from the net tax proceeds that G.S. 105-187.19(b) directs the Secretary to credit to the Scrap Tire Disposal Account.

SECTION 2.2.(g) Notwithstanding the provisions of G.S. 105-187.24, effective for taxes levied during the 2011-2012 fiscal year, the Secretary of Revenue shall credit to the General Fund the sum of one million one hundred thirty-one thousand three hundred forty-two dollars ($1,131,342) from the net tax proceeds that G.S. 105-187.24 directs the Secretary to credit to the White Goods Management Account.

SECTION 2.2.(h) Notwithstanding the provisions of G.S. 105-228.30(b) and G.S. 113-44.15, effective for taxes levied during the 2011-2012 fiscal year, the Secretary of Revenue shall credit the sum of four million two hundred seventeen thousand five hundred dollars ($4,217,500) to the General Fund of the net tax proceeds that G.S. 105-228.30(b) directs the Secretary to credit to the Parks and Recreation Trust Fund.

SECTION 2.2.(i) Notwithstanding the provisions of G.S. 105-228.30(b) and G.S. 113-77.9, effective for taxes levied during the 2011-2012 fiscal year, the Secretary of Revenue shall credit the sum of four million five hundred thousand dollars ($4,500,000) to the General Fund of the net tax proceeds that G.S. 105-228.30(b) directs the Secretary to credit to the Natural Heritage Trust Fund.

SECTION 2.2.(j) Of the funds available in the year-end 2010-2011 fiscal year fund balance, the Director of the Budget may use up to one hundred twenty-five million dollars ($125,000,000) to repay the federal Centers for Medicare and Medicaid Services for excess Medicaid funds drawn down during the 2009-2010 fiscal year. The Director of the Budget shall report the amount of funds used under this section no later than 30 days after payment to the Joint Legislative Commission on Governmental Operations, the Chairs of the Senate and House of Representatives Appropriations Committees, and the Fiscal Research Division.

SECTION 2.2.(k) Notwithstanding the provisions of G.S. 143C-4-3, the State Controller shall transfer only two hundred two million nine hundred ninety-four thousand three hundred thirty-nine dollars ($202,994,339) from the unreserved fund balance to the Repairs and

Renovations Reserve Account on June 30, 2011. This subsection becomes effective June 30, 2011.

SECTION 2.2.(l) Funds transferred under this section to the Repairs and Renovations Reserve Account are appropriated for the 2011-2012 fiscal year to be used in accordance with G.S. 143C-4-3.

SECTION 2.2.(m) Notwithstanding G.S. 143C-4-2, the State Controller shall transfer only two hundred two million nine hundred ninety-four thousand three hundred thirty-nine dollars ($202,994,339) from the unreserved fund balance to the Savings Reserve Account on June 30, 2011. This is not an "appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution. This subsection becomes effective June 30, 2011.

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, 2013, according to the following schedule:

Current Operations – Highway Fund	**2011-2012**	**2012-2013**
Department of Transportation		
Administration	$ 85,412,594	$ 85,412,594
Division of Highways		
Administration	34,836,793	34,836,793
Construction	87,232,806	86,339,067
Maintenance	1,202,416,068	1,253,761,275
Planning and Research	4,055,402	4,055,402
OSHA Program	372,792	372,792
Ferry Operations	33,689,589	41,038,132
State Aid		
Municipalities	89,373,921	90,187,224
Public Transportation	69,801,308	69,801,308
Airports	18,401,413	22,311,031
Railroads	21,701,153	21,701,153
Governor's Highway Safety	273,093	273,093
Division of Motor Vehicles	90,142,238	43,004,042
Other State Agencies, Reserves, Transfers	296,240,830	366,066,094
Capital Improvements	15,250,000	15,000,000
Total	**$ 2,049,200,000**	**$ 2,134,160,000**

HIGHWAY FUND AVAILABILITY STATEMENT

SECTION 3.2. The Highway Fund availability used in developing the 2011-2013 fiscal biennial budget is shown below:

Highway Fund Availability Statement	**2011-2012**	**2012-2013**
Unappropriated Balance from Previous Year	$ 24,000,000	$ 0
Beginning Credit Balance	0	0
Estimated Revenue	2,025,200,000	2,134,160,000
Total Highway Fund Availability	$ 2,049,200,000	$ 2,134,160,000
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 fiscal biennium ending June 30, 2013, according to the following schedule:

Current Operations – Highway Trust Fund	**2011-2012**	**2012-2013**
Intrastate	$ 460,823,529	$ 487,503,034
Aid to Municipalities	51,216,036	54,043,432
Secondary Roads	36,155,667	41,820,944
Urban Loops	275,761,364	237,407,986
Program Administration	44,774,400	47,107,200
Turnpike Authority	49,000,000	49,000,000
Transfer to General Fund	76,720,918	27,595,861
Transfer to Highway Fund	400,000	0
Debt Service	79,231,728	81,481,543
Mobility Fund	41,326,358	60,950,000
GRAND TOTAL CURRENT OPERATIONS	**$ 1,115,410,000**	**$ 1,086,910,000**

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

SECTION 4.2. The Highway Trust Fund availability used in developing the 2011-2013 fiscal biennial budget is shown below:

Highway Trust Fund Availability	**2011-2012**	**2012-2013**
Unappropriated Balance	$ 75,000,000	$ 0
Estimated Revenue	1,040,410,000	1,086,910,000
Total Highway Trust Fund Availability	**$ 1,115,410,000**	**$ 1,086,910,000**

PART V. OTHER APPROPRIATIONS

APPROPRIATION OF OTHER FUNDS

SECTION 5.1.(a) State funds, as defined in G.S. 143C-1-1(d)(25), are appropriated as provided in G.S. 143C-1-2 for the 2011-2013 fiscal biennium, with the adjustments made to the continuation budget as reflected in the Governor's Recommended Budget and Budget Support Document, as follows:

(1) For all budget codes listed in "The State of North Carolina Governor's Recommended Budget, 2011-2013" and in the Budget Support Document, cash balances and receipts are appropriated up to the amounts specified, as adjusted by the General Assembly, for the 2011-2012 fiscal year and the 2012-2013 fiscal year. Funds may be expended only for the programs, purposes, objects, and line items or as otherwise authorized by the General Assembly. Expansion budget funds listed in those documents are appropriated only as otherwise provided in this act.

(2) Notwithstanding the provisions of subdivision (1) of this subsection:

a. 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 2011-2012 fiscal year and the 2012-2013 fiscal year and shall be used only to pay debt service requirements.

b. Other funds, 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 2011-2012 fiscal year and the 2012-2013 fiscal year.

SECTION 5.1.(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.

SECTION 5.1.(c) 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 5.1.(d) 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 5.2.(a) Notwithstanding G.S. 143C-6-4, State agencies may, with approval of the Director of the Budget and after consultation with the Joint Legislative Commission on Governmental Operations, spend funds received from grants awarded subsequent to the enactment of this act.

SECTION 5.2.(b) 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 authorized budget of the recipient State agency.

SECTION 5.2.(c) Notwithstanding the provisions of this section, no State agency may accept a grant not anticipated in this act if acceptance of the grant would obligate the State to make future expenditures relating to the program receiving the grant or would otherwise result in a financial obligation as a consequence of accepting the grant funds.

SECTION 5.2.(d) Notwithstanding G.S. 143C-6-4, the Department of Public Instruction may spend funds received from the following grants for the 2011-2012 fiscal year awarded subsequent to the enactment of this act for up to the specified amounts:

(1)	Child Nutrition Equipment Assistance	$815,762
(2)	Verizon Thinkfinity State Education Partnership	$ 40,000
(3)	State Abstinence Education Program	$1,585,347.

Neither the approval of the Director of the Budget nor consultation with the Joint Legislative Commission on Governmental Operations is required prior to the expenditure of these funds. The provisions of subsection (b) of this section do not apply to these funds.

CIVIL FORFEITURE FUNDS

SECTION 5.3. Appropriations. – Appropriations are made from the Civil Penalty and Forfeiture Fund for the fiscal biennium ending June 30, 2013, as follows:

	FY 2011-2012	**FY 2012-2013**
School Technology Fund	$ 18,000,000	$ 18,000,000
State Public School Fund	120,362,790	120,362,790
Total Appropriation	$ 138,362,790	$ 138,362,790

EDUCATION LOTTERY

SECTION 5.4.(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 four

hundred twenty-four million nine hundred seventy-three thousand six hundred thirty dollars ($424,973,630) for the 2011-2012 fiscal year.

SECTION 5.4.(b) Notwithstanding G.S. 18C-164, the appropriations made from the Education Lottery Fund for the 2011-2012 fiscal year are as follows:

Teachers in Early Grades	$220,643,188
Prekindergarten Program	$ 63,135,709
Public School Building Capital Fund	$100,000,000
Scholarships for Needy Students	$ 30,450,000
UNC Need-Based Financial Aid	$ 10,744,733
Total Appropriation	$424,973,630

SECTION 5.4.(c) Notwithstanding G.S. 18C-164, the North Carolina State Lottery Commission shall not transfer funds to the Education Lottery Reserve Fund for the 2011-2012 fiscal year or the 2012-2013 fiscal year.

SECTION 5.4.(d) 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 2011-2012 fiscal year shall be allocated to counties on the basis of average daily membership (ADM).

SECTION 5.4.(e) Notwithstanding G.S. 18C-164(c), Article 35A of Chapter 115C of the General Statutes, or any other provision of law, the funds appropriated in this section for UNC Need-Based Financial Aid shall be administered in accordance with the policy adopted by the Board of Governors of The University of North Carolina.

SECTION 5.4.(f) Notwithstanding G.S. 18C-164(f), if the actual net lottery revenues for the 2011-2012 fiscal year exceed the amounts appropriated in subsection (b) of this section, the excess net lottery revenues shall be allocated for school capital on the basis of average daily membership.

SECTION 5.4.(g) Funds appropriated in this section for scholarships for needy students shall be used only for students at the constituent institutions of The University of North Carolina and the constituent institutions of the Community College System.

PART VI. GENERAL PROVISIONS

CLARIFY CERTIFIED BUDGET

SECTION 6.1.(a) The purpose of this section is to clarify the distinction between changes to the budget enacted by the General Assembly in this act and changes made by the Director of the Budget pursuant to other authority.

SECTION 6.1.(b) For the 2011-2013 fiscal biennium, and notwithstanding the provisions of Chapter 143C of the General Statutes or any other provision of law, the certified budget for each State agency shall reflect only the total of all appropriations enacted for each State agency by the General Assembly in this act as modified by this act; therefore, the Director of the Budget shall modify the certified budget only to reflect the following actions and only to the extent that they are authorized by this act:

(1) The allocation of funds set out in reserves.
(2) Government reorganizations.

The Director of the Budget shall set out all other budget modifications in the authorized budget.

CONTINGENCY AND EMERGENCY FUND LIMITATION

SECTION 6.2. For the 2011-2013 fiscal biennium, and notwithstanding the provisions of G.S. 143C-4-4(b), funds appropriated to the Contingency and Emergency Fund may be used only for expenditures required (i) by a court or Industrial Commission order or (ii) to respond to events as authorized under G.S. 166A-5(1)a.9. of the North Carolina Emergency Management Act of 1977. These funds shall not be used for other statutorily authorized purposes or for any other contingencies and emergencies.

ESTABLISHING OR INCREASING FEES UNDER THIS ACT

SECTION 6.3.(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 to the level authorized or anticipated in this act.

SECTION 6.3.(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.

CONSULTATION REQUIRED BEFORE CREATION OF NEW FUNDS

SECTION 6.4. Notwithstanding G.S. 143C-1-3 or any other provision of law to the contrary, the Office of State Budget and Management and the Office of the State Controller shall consult with the Joint Legislative Commission on Governmental Operations prior to the establishment of a new fund as defined in G.S. 143C-1-3.

JUSTIFICATION/OPERATIONAL REVIEWS

SECTION 6.6.(a) It is the intent of the General Assembly to subject the operations of State government and the operations of nongovernmental entities receiving State funds to periodic Justification Reviews. The Reviews shall be conducted by the Fiscal Research Division and shall specifically address the following questions:

(1) Is the program or service fulfilling the letter and/or intent of its legislative mandate?
(2) Is that mandate still justified, either in its original form or some modified form?
(3) Does the program follow identified best practices to address its mandate?
(4) Is the program duplicative of other services provided by the public or private sectors?
(5) Is the program effective?
(6) Is the program efficient?
(7) Are there any other obstacles that might limit the program's ability to accomplish its mission?

SECTION 6.6.(b) For the fiscal year 2011-2012, the following programs or services shall be the subject of review:

(1) Lumberton Farmer's Market – Department of Agriculture and Consumer Services.
(2) DHHS postsecondary education programs.
(3) Environmental Rating Scales Contract.

SECTION 6.6.(c) By May 1, 2012, the Fiscal Research Division shall report its findings and recommendations to the Appropriations Committee of the House of Representatives and the Appropriations/Base Budget Committee of the Senate. The report shall:

(1) Provide a description of each program.
(2) Identify major policy issues that the General Assembly should address.
(3) Explore means to achieve program objectives more efficiently.
(4) Characterize the likely results of alternative funding levels and/or opportunities to save taxpayer dollars.
(5) Identify performance measures that have been established by the agency and the usefulness of those performance measures, as well as the agency's progress toward meeting their established measures.

CONTINUATION REVIEW OF CERTAIN FUNDS/PROGRAMS/DIVISIONS

SECTION 6.7.(a) It is the intent of the General Assembly to periodically and systematically review the funds, agencies, divisions, and programs financed by State government. This process is known as the Continuation Review Program. The Continuation Review Program is intended to assist the General Assembly in determining whether to continue, reduce, or eliminate funding for the State's funds, agencies, divisions, and programs subject to continuation review.

SECTION 6.7.(b) The Appropriations Committee of the House of Representatives and the Appropriations/Base Budget Committee of the Senate may review the funds, programs, and divisions listed in this section and shall determine whether to continue, reduce, or eliminate funding for the funds, programs, and divisions, subject to the Continuation Review Program. The Fiscal Research Division may issue instructions to the State departments and agencies subject to continuation review regarding the expected content and format of the reports required by this section. No later than December 1, 2011, the following agencies shall report to the Fiscal Research Division:

(1) Justice and Public Safety. – Family Court.
(2) Education. – Center for Public Television as provided by Section 9.1 of this act.
(3) Natural and Economic Resources. –
a. Commerce/Office of Science and Technology.
b. Wildlife Resources Commission/Conservation Education.
(4) Health and Human Services. – Division of Information Resource Management.
(5) General Government. – General Assembly Facility Services.
(6) Transportation. –
a. Division of Motor Vehicles Drivers License Program.
b. Visitor Centers Funding.

SECTION 6.7.(c) The continuation review reports required in this section shall include the following information:

(1) A description of the fund, agency, division, or program mission, goals, and objectives.
(2) The statutory objectives for the fund, agency, division, or program and the problem or need addressed.
(3) The extent to which the fund, agency, division, or program objectives have been achieved.
(4) The fund's, agency's, division's, or program's functions or programs performed without specific statutory authority.
(5) The performance measures for each fund, agency, division, or program and the process by which the performance measures determine efficiency and effectiveness.
(6) Recommendations for statutory, budgetary, or administrative changes needed to improve efficiency and effectiveness of services delivered to the public.
(7) The consequences of discontinuing funding.
(8) Recommendations for improving services or reducing costs or duplication.
(9) The identification of policy issues that should be brought to the attention of the General Assembly.
(10) Other information necessary to fully support the General Assembly's Continuation Review Program along with any information included in instructions from the Fiscal Research Division.

SECTION 6.7.(d) State departments and agencies identified in subsection (b) of this section shall submit a final report to the General Assembly by March 1, 2012.

UTILIZATION REVIEW/PUBLIC SCHOOL AND PUBLIC HEALTH NURSES

SECTION 6.9.(a) Beginning July 1, 2011, the Fiscal Research Division, in consultation with the Department of Public Instruction and the Department of Health and Human Services, shall review all publicly (federal and State) funded public school nurse positions assigned within or connected to those respective organizations in order to determine the most effective and cost-efficient ways to provide needed nursing service to public school students. The review shall identify specific areas where overlaps of service provision may exist. The review shall focus on ways to maximize existing nursing resources and to change prospectively the manner in which local school nurses are allocated to better address the needs of students in the public schools at reasonable cost. Specifically, the review shall examine at least all of the following:

(1) Feasibility of having the money all flow to local public health departments for management and administration purposes to align health-related activities with the local entity best equipped to manage.
(2) Feasibility of using a mix of licensed nurses, both registered nurses (RN) and licensed practical nurses (LPN), to provide health care services in the public schools.
(3) Feasibility of allowing a school nurse to be licensed as an LPN as long as the nurse works under the direct supervision of an RN.
(4) Development of a new allocation formula that considers:
a. Average daily membership.

b. Local match requirement.
c. A base amount for each local school administrative unit.

SECTION 6.9.(b) By May 1, 2012, the Fiscal Research Division shall report to the House and Senate Appropriations Committees.

GLOBAL TRANSPARK DEBT, REPORT, AND STUDY

SECTION 6.10.(a) 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, Section 27.7 of S.L. 2007-323, and Section 25.2 of S.L. 2009-451, 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, ~~2011.~~ 2012. 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."

SECTION 6.10.(b) The Global TransPark Authority shall report to the Program Evaluation Division on its strategic, business, and financial plans. The report shall be made by no later than January 1, 2012, and shall include the Authority's proposed schedule to achieve financial self-sufficiency and proposed schedule to repay to the Escheat Fund the investment authorized under G.S. 147-69.2(b)(11) plus any accumulated interest, both of which totaled forty million sixty-seven thousand nine hundred eighteen dollars and twenty cents ($40,067,918.20) as of March 31, 2011.

SECTION 6.10.(c) The Program Evaluation Division of the General Assembly shall study the feasibility and implications of (i) transferring the entire Global TransPark Authority to another State agency and (ii) transferring functions of the Global TransPark Authority to other State agencies as part of a consolidation. The term "functions of the Global TransPark Authority" includes, but is not limited to, administration, planning, economic development and marketing, property management, and training center functions. The Program Evaluation Division shall report its findings and make a recommendation from this study to the Joint Legislative Program Evaluation Oversight Committee no later than May 1, 2012.

HEALTH AND WELLNESS TRUST FUND AND TOBACCO TRUST FUND/FUTURE MSA PAYMENTS

SECTION 6.11.(a) The Health and Wellness Trust Fund (HWTF) and Health and Wellness Trust Fund Commission are abolished, and Article 6C of Chapter 147 of the General Statutes is repealed.

SECTION 6.11.(b) Funds remaining in the Health and Wellness Trust Fund on June 30, 2011, shall be transferred to the Department of Health and Human Services and shall be carried forward to fiscal year 2011-2012 to be used by the Department for the following purposes:

(1) Up to the sum of twenty-two million dollars ($22,000,000) shall be used to administer grants associated with the following programs and initiatives:
a. Teen Tobacco Prevention.
b. ChecKmeds.
c. Medication Assistance Programs.
d. Obesity Prevention.

(2) The sum of ten million dollars ($10,000,000) shall be used to reduce the total savings required to be achieved for the Medicaid program by Community Care of North Carolina.

(3) The remainder shall be used to reduce the Medicaid Provider Rate cut.

SECTION 6.11.(c) G.S. 116-29.1(b)(1) reads as rewritten:

"(b) The General Assembly finds that it is imperative that the State provide a minimum of fifty million dollars ($50,000,000) each calendar year to the University Cancer Research Fund; therefore, effective July 1 of each calendar year:

(1) ~~Notwithstanding G.S. 143C-9-3, of~~Of the funds credited to ~~the Tobacco Trust Account,~~Budget Code 69430 in the Department of State Treasurer, the sum of eight million dollars ($8,000,000) is transferred from ~~the Tobacco Trust Account~~Budget Code 69430 to the University Cancer Research Fund and appropriated for this purpose.

...."

SECTION 6.11.(d) Section 6 of S.L. 1999-2 reads as rewritten:

"Section 6. It is the intent of the General Assembly that the funds under the Master Settlement Agreement, which is incorporated into the Consent Decree, be allocated as follows:

(1) Fifty percent (50%) to the nonprofit corporation as provided by the Consent Decree.

(2) ~~Twenty-five percent (25%) to a trust fund to be established by the General Assembly~~Fifty percent (50%) shall be allocated as follows:

a. Debt service as authorized by the State Capital Facilities Act of 2004, Part 1 of S.L. 2004-179 and S.L. 2004-124. As soon as practicable after the beginning of each fiscal year, the State Treasurer shall estimate and transfer to Budget Code 69430 the amount of debt service anticipated to be paid during the fiscal year for special indebtedness authorized by the State Capital Facilities Act of 2004.

b. The sum of eight million dollars ($8,000,000) is credited to Budget Code 69430 and shall be transferred to the University Cancer Research Fund in accordance with G.S. 116-29.1.

c. The balance remaining to be credited to the State General Fund to be used for the following purposes:

1. ~~for the~~The benefit of tobacco producers, tobacco allotment holders, and persons engaged in tobacco-related ~~businesses, with this trust fund to be governed by a board of trustees representing these interests.~~businesses. To carry out this purpose, ~~this trust fund~~funds may provide direct and indirect financial ~~assistance, in accordance with criteria established by the trustees of the trust fund and~~assistance, to the extent allowed by law, to (i) indemnify tobacco producers, allotment holders, and persons engaged in tobacco-related businesses from the adverse economic effects of the Master Settlement Agreement, (ii) compensate tobacco producers and allotment holders for the economic loss resulting from lost quota, and (iii) revitalize tobacco dependent communities.

2. The benefit of health to fund programs and initiatives that include research, education, prevention, and treatment of health problems in North Carolina and to increase the capacity of communities to respond to the public's health needs through programs such as Health Choice and the State's Medicaid program.

~~(3) Twenty-five percent (25%) to a trust fund to be established by the General Assembly for the benefit of health, with this trust fund to be governed by a board of trustees comprised of a broad representation of health interests.~~"

SECTION 6.11.(e) The funds allocated in subdivision (2)a. of Section 6 of S.L. 1999-2, as rewritten by subsection (d) of this section, are appropriated from the General Fund for fiscal years 2011-2012 and 2012-2013 and shall be expended in accordance with the provisions of subdivision (2)a. of Section 6 of S.L. 1999-2, as amended by subsection (d) of this section.

SECTION 6.11.(f) Notwithstanding the provisions of G.S. 143-717(i), the administrative costs of the Tobacco Trust Fund shall not exceed six hundred twenty-five thousand dollars ($625,000) for fiscal year 2011-2012 and fiscal year 2012-2013.

SECTION 6.11.(g) Subsection (a) of this section shall be effective 60 days after this act becomes law or on October 1, 2011, whichever occurs first. Subsection (b) of this section becomes effective on June 30, 2011.

CONSOLIDATION OF AIR SERVICES AND CENTRALIZATION OF AIR MANAGEMENT/STATE-OWNED PASSENGER AND NON-PASSENGER VEHICLES

SECTION 6.13.(a) The State Motor Fleet project in the Work Plan of the Program Evaluation Division approved April 5, 2011, by the Joint Legislative Program Evaluation Oversight Committee is amended as described in this section.

SECTION 6.13.(b) The Program Evaluation Division shall evaluate the consolidation of air services provided by the Department of Transportation, the State Bureau of Investigation, and the University of North Carolina Passenger Mission and shall recommend the most appropriate agency to house the consolidated services. Other air services may be examined for consolidation by the Program Evaluation Division. The study shall evaluate savings through consolidation, including potential savings from the following:

(1) Reduction in aircraft.
(2) Reduction in personnel.
(3) Reduction in State facilities.
(4) An improved level of service.
(5) The potential sale of the DOT Beechcraft B200 aircraft tail number N3NC and if so when the sale should take place.

SECTION 6.13.(c) The Program Evaluation Division shall study the formation of an Aviation Management Authority, as recommended by the Program Evaluation Division's April 2010 Report "Selling 25 Underutilized Aircraft May Yield Up to $8.1 Million and Save $1.5 Million Annually."

SECTION 6.13.(d) The Program Evaluation Division shall study all passenger and non-passenger vehicles owned and operated by all State government departments, institutions, and entities. The study shall include motor fleet fees and associated cash balances, mechanic operations, the use and purpose of assigned vehicles, and State fueling stations and associated fees.

SECTION 6.13.(e) The Program Evaluation Division shall report its findings and recommendations from the State Motor Fleet project described under this section to the Joint Legislative Program Evaluation Oversight Committee no later than May 1, 2012.

TORNADO ASSISTANCE

SECTION 6.14. The General Assembly finds that on April 16, 2011, heavy thunderstorms and powerful tornadoes swept through this State, with 18 counties sustaining the most extensive damage. Those counties are Bertie, Bladen, Craven, Cumberland, Currituck, Greene, Halifax, Harnett, Hertford, Hoke, Johnston, Lee, Onslow, Pitt, Robeson, Sampson, Wake, and Wilson Counties. It is the intent of the General Assembly to provide State matching funds to help mitigate losses, rebuild infrastructure, and aid affected citizens and businesses.

PART VI-A. INFORMATION TECHNOLOGY

INFORMATION TECHNOLOGY FUND/AVAILABILITY

SECTION 6A.1.(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 2011-2012	FY 2012-2013
Appropriation from General Fund	$4,458,142	$6,158,142
Interest	$ 25,000	$ 25,000
IT Fund Balance June 30	$ 792,000	$ 0
Total Funds Available	**$5,275,142**	**$6,183,142**

Appropriations are made from the Information Technology Fund for the 2011-2013 fiscal biennium as follows:

	FY 2011-2012	FY 2012-2013
Information Technology Operations		
Center for Geographic Information and Analysis	$ 599,347	$ 599,347
Enterprise Security Risk Management	$ 864,148	$ 864,148
Enterprise Project Management Office	$1,473,285	$1,473,285
Architecture and Engineering	$ 581,986	$ 581,986
Criminal Justice Information Network	$ 166,422	$ 166,422
Statewide IT Procurement	$ 0	$ 0
State Web site	$ 100,000	$ 0
ITS Overhead Reduction	($91,486)	($91,486)
Subtotal Information Technology Operations	$3,693,702	$3,593,702
Information Technology Projects		
State Portal	$ 0	$ 0
IT Consolidation	$ 776,440	$ 784,440
Transfer to OSC for E-Forms	$ 500,000	$ 500,000
Subtotal Information Technology Projects	$1,276,440	$1,284,440
Data Integration License Funding Transfer to State Agencies	$ 200,000	$1,200,000
Position Transfer to Office of State Budget and Management	$ 105,000	$ 105,000
Total	**$5,275,142**	**$6,183,142**

SECTION 6A.1.(b) By September 1 of each year, data integration funding in the Information Technology Fund for that State fiscal year shall be transferred to State agencies in proportion to their use of data integration licenses at that point in time. The State Chief Information Officer shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division by September 2 of each year on the status of the transfer.

Any licensing requirements after the 2011-2013 fiscal biennium shall be the responsibility of the participating agency. For the 2012-2013 fiscal year, the State Chief Information Officer shall provide funding in the amount of one million two hundred thousand dollars ($1,200,000) to offset data integration licensing costs and shall charge agencies based on license usage for license costs in excess of one million two hundred thousand dollars ($1,200,000). The State Chief Information Officer shall notify affected agencies of this requirement by September 1, 2011. The State Chief Information Officer shall ensure that agencies choosing to participate after that date are notified prior to agreeing to participate in the data integration license agreement. The State Chief Information Officer shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division by September 2, 2011, on agency notification of their responsibility to fund any data integration license requirements after the 2011-2013 fiscal biennium.

SECTION 6A.1.(c) Unless a change is approved by the State Chief Information Officer after consultation with the Office of State Budget and Management, funds appropriated to the Information Technology Fund shall be spent only as specified in this section. Changes shall not result in any degradation to the operation or project for which the funds were originally appropriated.

Any changes to the specified uses shall be approved in writing by the State Chief Information Officer and shall immediately be reported to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Subcommittee on General Government, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on General Government and Information Technology, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management. This report shall include detailed reasons for the changes in use and shall explain why each change does not have any potential impact on the operation or project for which the funding was originally appropriated.

SECTION 6A.1.(d) The Office of the State Controller shall coordinate with the Office of the State Chief Information Officer to identify four positions in the Office of the State Chief Information Officer that shall be used, effective August 1, 2011, to support planning and

implementation of an automated fraud detection capability and an e-forms/digital signature project.

SECTION 6A.1.(e) This section is effective when it becomes law.

INFORMATION TECHNOLOGY OPERATIONS

SECTION 6A.2.(a) Information Technology Internal Service Fund 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 Information Technology Internal Service Fund 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 and approved by the Office of State Budget and Management.

Any uses of the Internal Service Fund not specifically related to the operation of the Office of Information Technology Services shall immediately be reported to the Office of State Budget and Management and the Fiscal Research Division with an explanation as to why it was necessary to use the Fund.

SECTION 6A.2.(b) Enterprise Projects. – The State Chief Information Officer shall consult the respective State agency chief information officer and obtain approval from the Office of State Budget and Management prior to the initiation of any enterprise project or contract. State agency requirements shall be incorporated into any enterprise agreement signed by the State Chief Information Officer or his or her representative. Enterprise projects shall not exceed the participating State agencies' ability to financially support the contracts.

SECTION 6A.2.(c) The State Chief Information Officer shall not enter into any information technology contracts without obtaining written agreements from participating State agencies regarding the apportionment of the contract cost. 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 or project.

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

The State Chief Information Officer shall ensure that enterprise project and contract costs are allocated to participating agencies in an equitable manner.

SECTION 6A.2.(d) Agency Projects. – Prior to initiation, any information technology project, or any segment of a multipart project, costing more than two hundred fifty thousand dollars ($250,000) shall be included in the agency's most recent information technology plan and shall be approved by the General Assembly.

SECTION 6A.2.(e) Three-Year Contracts. – 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 price at the beginning of the contract agreement. All of the following conditions shall be met before payment for these agreements may be disbursed:

(1) Any advance payment can be accomplished within the Information Technology Internal Service Fund 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 interest 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 Information Technology Internal Service Fund

rate calculations before the Office of State Budget and Management annually approves proposed rates. Any savings resulting from the agreements shall be returned to agencies included in the contract in the form of reduced rates. The Office of Information Technology Services shall submit a quarterly written report to the Office of State Budget and Management on any State agency budget impacts resulting from multiyear contracts. Under no circumstances shall multiyear contracts result in rate increases for participating agencies. The Office of Information Technology Services shall submit a quarterly written report of any authorizations granted under this section to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division of the North Carolina General Assembly.

SECTION 6A.2.(f) Information Technology Hosting. – State agencies developing and implementing information technology projects/applications shall use the State infrastructure to host their projects. An exception to this requirement may be granted only if approved by both the State Chief Information Officer on the basis of technology requirements and by the Office of State Budget and Management based on cost savings, subject to consultation with the Joint Legislative Commission on Governmental Operations and a report to the Joint Legislative Oversight Committee on Information Technology.

Projects/applications currently hosted outside the State infrastructure shall be returned to State infrastructure not later than the end of any current contract.

By October 1, 2011, the State Chief Information Officer shall report to the Joint Legislative Oversight Committee on Information Technology regarding projects currently hosted outside State infrastructure and a schedule to return those projects to State infrastructure.

SECTION 6A.2.(g) Service Level Agreements. – Service level agreements developed with supported State agencies shall include metrics for the Office of Information Technology Services as well as the supported agencies. When the Office of Information Technology Services or an agency fails to meet metrics established by the service level agreement, a report shall be provided to the Office of State Budget and Management and the Fiscal Research Division of the General Assembly within 10 days, detailing the shortfall and providing a corrective action plan with a time line.

SECTION 6A.2.(h) The Office of Information Technology Services shall assist State agencies in identifying the least expensive source and best value for the purchase of IT goods and services and shall ensure that agencies receive every available discount when purchasing IT goods and services. When the best value and the least expensive sources are different, the Office of Information Technology Services shall report to the Office of State Budget and Management and the Fiscal Research Division on why the least expensive vendor was not the best value.

SECTION 6A.2.(i) Agency Billing and Payments. – The State CIO shall ensure that bills from the Office of Information Technology Services are easily understood and fully transparent. If a State agency fails to pay its IT Internal Service Fund bills within 30 days of receipt, the Office of State Budget and Management may transfer funds from the agency to cover the cost of the bill from that agency to the IT Internal Service Fund.

COORDINATION OF INFORMATION TECHNOLOGY REQUIREMENTS AND GEOGRAPHIC INFORMATION SYSTEM REQUIREMENTS

SECTION 6A.3. The State Chief Information Officer, through the Enterprise Project Management Office, shall develop a plan and adopt measures to avoid the duplication of information technology capabilities and resources across State agencies. When multiple agencies require the same or substantially similar information technology capability, the State Chief Information Officer 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 State Chief Information Officer maintaining oversight of the effort. Further, the Enterprise Project Management Office shall:

(1) Review all ongoing and future 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. Information Technology Procurement shall work to develop contracts for information technology projects to allow the addition of other agencies' requirements within the terms of the existing contract.

(2) Identify existing projects that can best support a particular requirement for multiple agencies and work to transition agencies to those projects.
(3) 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.
(4) Upon identifying an existing information technology capability needed by a State agency, assist that agency in determining how best to access existing projects.
(5) Implement the State Chief Information Officer's plan to reduce duplication.
(6) Deny approval for new projects that duplicate existing capabilities within State agencies.
(7) Provide quarterly reports to the Fiscal Research Division of the General Assembly on progress toward eliminating duplication. The report shall include a list of duplicate projects across State agencies, both ongoing and legacy, and shall document explicit efforts to reduce the duplication. It shall specifically address progress during the quarter for which the report is being submitted. It shall also include a list of projects denied approval because of duplication, with a description of the measures taken to access an existing project with the same capabilities.

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 of each year, the CGIA shall make a written report to the Joint Legislative Oversight Committee on Information Technology and to the Fiscal Research Division of the General Assembly on the results of these efforts.

CRIMINAL JUSTICE LAW ENFORCEMENT AUTOMATED DATA SERVICES (CJLEADS)

SECTION 6A.4.(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), expanding it throughout the State of North Carolina;
(2) Review plans to transition CJLEADS to the Department of Justice, determining if that is still the best course of action, and identifying an alternative, if required;
(3) By October 1, 2011, provide a recommendation to the Joint Legislative Oversight Committee on Information Technology on the best alternative for managing and hosting CJLEADS, along with a time line for the transition; and
(4) Provide quarterly reports on the status of the Program to the Joint Legislative Oversight Committee on Information Technology beginning October 1, 2011.

SECTION 6A.4.(b) The Office of the State Controller shall administer CJLEADS with the assistance of a Leadership Council consisting of:

(1) The Attorney General;
(2) The Director of the 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 President of the North Carolina Sheriffs' Association, Inc.;
(9) A representative of the Federal Bureau of Investigation, who shall be a nonvoting member;
(10) The State Controller; and

(11) The State Chief Information Officer.

SECTION 6A.4.(c) Data that is not classified as a public record under G.S. 132-1 shall not be considered a public record when incorporated into the CJLEADS database.

SECTION 6A.4.(d) To maintain the confidentiality requirements attached to the information provided to CJLEADS by the various State and local agencies, each source agency providing data for CJLEADS shall be the sole custodian of the data for the purpose of any request for inspection or copies thereof under Chapter 132 of the General Statutes. CJLEADS shall only allow access to data from the source agencies in accordance with rules adopted by the respective source agencies.

SECTION 6A.4.(e) Agencies shall use existing resources to provide required support for CJLEADS.

SECTION 6A.4.(f) Section 6.10 of S.L. 2010-31 is repealed.

CONTINUING PILOT PROGRAM TO ALLOW PUBLIC-PRIVATE PARTNERSHIPS TO MEET DEPARTMENT OF REVENUE TECHNOLOGY NEEDS

SECTION 6A.5.(a) To speed the implementation of the Tax Information Management System (TIMS) and the additional components of the Planning and Design Project (PDP) through June 30, 2015, the Secretary of the Department of Revenue may enter into public-private arrangements where (i) the funding of the project 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. All such arrangements shall terminate June 30, 2015.

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 Fund, Highway Funds, and the State portion of the Unauthorized Substance Tax collections of the Special Revenue Fund, up to forty-five million five hundred thousand dollars ($45,500,000) may be authorized by the Office of State Budget and Management for the purchases related to the implementation of TIMS and the additional components of the PDP, including payment for services from non-State entities. The Department of Revenue may retain an additional six million six hundred forty-six thousand five hundred fifty-seven dollars ($6,646,557) from benefits generated for the General Fund since the beginning of the public-private partnership. These funds shall be used as payment of internal costs for the fiscal biennium, and such funds are hereby appropriated for this purpose.

If the Department of Revenue finds that it cannot generate additional benefits totaling forty-five million five hundred thousand dollars ($45,500,000) through June 30, 2015, or that total costs exceed the total available appropriations and earned benefits, then the Department shall do all of the following: (i) immediately notify the Chairs of the House of Representatives and Senate Appropriations Committees and the Fiscal Research Division, (ii) identify any obligations to vendors, (iii) identify options for meeting obligations to vendors, and (iv) 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 6A.5.(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 6A.5.(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 in writing all contracts, including change orders, amendments to contracts, and addendums to contracts, before they are 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. Within five days of entering into a contract, the Department shall provide copies of each contract and all associated information to the Joint Legislative Oversight Committee on Information Technology, the Chairs of the House of Representatives and Senate Committees on Appropriations, and the Fiscal Research Division.

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, 2015.

The Department shall provide copies of the minutes of each meeting and all associated information to the Joint Legislative Oversight Committee on Information Technology, the Chairs of the House of Representatives and Senate Committees on Appropriations, and the Fiscal Research Division.

SECTION 6A.5.(d) Beginning August 1, 2011, and quarterly thereafter, the Department of Revenue shall submit detailed written reports to the Chairs of the House of Representatives and Senate Committees on Appropriations, 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 time line, (iv) and any issues associated with the operation of the public-private partnership.

SECTION 6A.5.(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 and the TIMS project management shall comply with all statutory requirements and other requirements established by the State Chief Information Officer and the Office of State Budget and Management for information technology projects. The State Chief Information Officer and the Office of State Budget and Management shall immediately report any failure to do so to the Joint Legislative Oversight Committee on Information Technology, the Chairs of the House of Representatives and Senate Committees on Appropriations, and the Fiscal Research Division.

SECTION 6A.5.(f) Section 6.20 of S.L. 2009-451, as rewritten by Section 2.3 of S.L. 2010-123, is repealed.

INFORMATION TECHNOLOGY PERSONAL SERVICES CONTRACT REQUIREMENTS

SECTION 6A.6.(a) Effective for the 2011-2013 fiscal biennium, 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 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, the Office of State Budget and Management, the Office of State Personnel, the Office of Information Technology Services, and to the Fiscal Research Division. The report shall explain:

a. The proposed duration of the contract position. If the contract is for more than 12 months, why recruitment of a State employee is not feasible.

b. Whether the contract position requires unique skills for which the State has a short-term need.

c. Whether the position is required for 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) All contract positions requiring information technology skills are subject to the provisions of this section. The Office of State Budget and Management may immediately terminate the funding for any information technology contractor position that is filled without following defined procedures.

(4) All information technology personnel contracts shall be competitive and shall be subject to competition each time they expire. Exceptions must be approved by the Office of Information Technology Services, the Office of State Personnel, and the Office of State Budget and Management. Approved exceptions must immediately be reported to the Fiscal Research.

(5) Agencies shall make every effort to convert SAP and Curam contractors supporting permanent requirements to State employees. Beginning October 1, 2011, agencies shall submit written quarterly reports to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division documenting their progress in converting these contractors to State employment.

Contract positions subject to this section shall be reviewed and approved by the Statewide Information Technology Procurement Office and shall be entered into the project portfolio management tool.

The Statewide Information Technology Procurement Office shall determine the market rate for the type of contract required, as well as to determine the comparable cost for a State employee. Agencies may not exceed the market rate determined by the Statewide Information Technology Procurement Office. After the Statewide Information Technology Procurement Office provides cost data, the Office of State Budget and Management must approve funding for the position.

SECTION 6A.6.(b) 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 the position within 12 months. Within 60 days of hiring the contractor, this plan shall be forwarded to the Office of State Budget and Management, the Office of State Personnel, the Office of Information Technology Services, and the Fiscal Research Division.

SECTION 6A.6.(c) Beginning August 1, 2011, and monthly thereafter, each State agency, department, and institution employing information technology personal services contractors, or contract personnel performing information technology functions, shall provide a detailed report on those contracts to the Office of State Budget and Management, the Office of State Personnel, the Office of Information Technology Services, the Joint Legislative Oversight

Committee on Information Technology, and the Fiscal Research Division of the General Assembly. 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 employs that individual.
  c. The type of contract, start date, and termination date.
  d. The length of time that the individual filling the contracted position has been employed by the State as a contractor in any position.
  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 will be certified by the State Information Technology Purchasing Office.
  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 the contractor can be performed by State employees.

(4) All information required by this subsection related to information technology contractors regardless of the contracting source.

SECTION 6A.6.(d) Each State agency shall provide a detailed explanation of any differences between the agency report required by subsection (b) of this section and the Information Technology Expenditures Report published annually by the Office of the State Controller. This report of differences shall be due 30 days after the publication of the Office of the State Controller's report and shall be submitted to the Office of State Budget and Management, the Fiscal Research Division, and the Joint Legislative Oversight Committee on Information Technology.

SECTION 6A.6.(e) This section does not apply to The University of North Carolina and its constituent institutions.

STATE INFORMATION TECHNOLOGY CONSOLIDATION

SECTION 6A.7.(a) By November 1, 2011, the State Chief Information Officer (State CIO), in conjunction with the Office of State Budget and Management (OSBM), shall develop a detailed plan for consolidating the information technology infrastructure and applications of all State agencies, departments, and institutions in the executive branch. Information technology infrastructure includes personal computers, hosting and network environments, the help desk, call centers, and information technology security. Applications include enterprise software, on-demand software, and customized software. At a minimum, the consolidation plan shall include the following:

(1) Defined targets and priorities with a detailed time line for the implementation of consolidation.

(2) The costs of consolidation by fiscal year and by agency.

(3) The anticipated savings to result from consolidation and a time line for actual achievement of those savings.

(4) Technical, policy, or other issues associated with achieving a timely and effective consolidation.

(5) A process to transfer all information technology hardware and software funding to the Office of the State CIO.

(6) Creation of a project management organization to manage all information technology projects.

(7) Review of agency, Office of Information Technology Services, and Office of the State CIO to identify redundant personnel positions.

When setting consolidation targets, the State CIO shall give high priority to infrastructure issues that pose significant risk to agency operations or data, that provide opportunities for immediate cost savings, and where a statewide approach would minimize disruption of services. In carrying out the consolidation, the Office of Information Technology Services shall utilize the authority set out in G.S. 147-33.83.

SECTION 6A.7.(b) Beginning July 1, 2011, the State CIO shall plan and implement an enterprise level grants management system. Similar systems currently under development may be suspended by the State CIO with funding reprogrammed to support development of the enterprise level grants management system.

In coordination with the State CIO, the Department of Health and Human Services shall develop a plan to implement a single case management system throughout that Department, beginning in the 2012-2013 fiscal year, and shall report to the Joint Legislative Oversight Committee on Information Technology by February 1, 2012, on its initiatives to implement the system. The report shall include a detailed time line for completion and an explanation of the costs associated with case management consolidation.

SECTION 6A.7.(c) Beginning September 1, 2011, and quarterly thereafter, the Office of State Budget and Management, in conjunction with the State CIO, shall provide written reports to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division relating to State information technology consolidation.

ITS/INTERNAL SERVICE FUND RATE ESTABLISHMENT/CASH MANAGEMENT

SECTION 6A.8.(a) For each year of the 2011-2013 fiscal biennium, receipts for the Information Technology Internal Service Fund shall not exceed one hundred ninety million dollars ($190,000,000), excluding a 60-day balance for contingencies. Rates established by the Office of State Budget and Management (OSBM) to support the IT Internal Service Fund shall be based on this required fund limit. Established rates shall be adjusted within 30 days in the event the fund exceeds the prescribed limit. In the event that an increase in receipts for the IT Internal Service Fund is required, the Office of Information Technology Services may implement the increase after consultation with the Joint Legislative Commission on Governmental Operations.

SECTION 6A.8.(b) Rates shall be set to support a specific service for which an agency is being charged. Overhead charges to agencies must be consistently applied and must not exceed industry standards. Rate increases shall require approval of the OSBM. Rate reductions shall be immediately implemented following notification of the OSBM.

SECTION 6A.8.(c) Beginning October 1, 2011, the State Chief Information Officer shall submit a quarterly report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on collections for, expenditures from, and the balance of the IT Internal Service Fund. The report shall include all expenditures made from the fund to support the Office of Information Technology Services and the activities of the State Chief Information Officer.

INFORMATION TECHNOLOGY PRIVATIZATION

SECTION 6A.9.(a) Any privatization of any grouping of information technology services, or "towers," identified in the Infrastructure Study and Assessment (INSA) shall require prior approval from the General Assembly. Funding to support any outsourcing of any of these towers shall be specifically appropriated by the General Assembly for that purpose, to include any use of Information Technology Internal Service Fund receipts.

SECTION 6A.9.(b) Before privatizing any major information technology function during the 2011-2013 fiscal biennium, the State Chief Information Officer shall do all of the following:

(1) Develop a detailed plan for implementing any privatization initiative to include the following:
   a. A governance and accountability structure for the privatization effort.
   b. Detailed time line with milestones.
   c. Any costs necessary to accomplish outsourcing with funding sources identified.
   d. Estimated monthly cost for each participating agency for the first five years of privatization.

e. Risks associated with privatization, measures being taken to mitigate those risks, and any costs associated with the mitigation measures.
f. Any security issues associated with outsourcing each application impacted by the outsourcing, with a detailed plan to mitigate those issues.
g. A list of State employees to be terminated with information on their job description and how long they have been employed by the State, a schedule of when the terminations are to occur, the cost of terminating each employee, and plans to assist each terminated employee.

The State Chief Information Officer shall consult the Joint Legislative Commission on Governmental Operations and report to the Joint Legislative Oversight Committee on Information Technology on the completed plan prior to any implementation of privatization.

(2) Have a detailed plan in place, to include associated costs and sources of funding, to return the function to State control in the event privatization fails to provide anticipated cost-savings or required service levels.

(3) Privatize only those individual functions where verifiable market data shows that privatization will result in cost-savings to the State and there is no data identifying alternatives that generate greater savings, ensuring that agencies receive at a minimum the same level of service and functionality as the level prior to privatization.

(4) Document and certify any anticipated savings resulting from privatization by individual function.

(5) Ensure full disclosure of any privatization decisions that combine multiple services or towers into a single contract, including the costs associated with each specific service or tower included in the contract.

(6) Ensure that any changes are made across the entire executive branch.

(7) Consult the Joint Legislative Commission on Governmental Operations and report to the Joint Legislative Oversight Committee on Information Technology regarding the plan for funding any requirements formerly covered by the receipts from the privatized function.

SECTION 6A.9.(c) After privatizing any major information technology function, the State Chief Information Officer shall do all of the following:

(1) Report quarterly on the results of the privatization, including a detailed comparison of projected savings to actual cost, data on whether or not the vendor is meeting service level agreements, and an explanation of the reasons for any deficiency or difference.

(2) Immediately notify the Joint Legislative Commission on Governmental Operations of any outsourcing effort that does not meet projected savings or required service levels for two quarters in a row or during any two quarters of a fiscal year, and develop a corrective action plan.

(3) Terminate any contract where privatization fails to achieve projected savings or meet service levels over a period of 12 months.

STATE PORTAL IMPLEMENTATION AND OPERATION

SECTION 6A.10.(a) The Department of Administration may implement and operate a statewide electronic enterprise portal to increase the convenience of members of the public in conducting online transactions with, and obtaining information from, State government and to facilitate their interactions and communications with government agencies. The portal shall be hosted on State information technology infrastructure.

SECTION 6A.10.(b) Prior to any development or implementation of a State portal, the Department of Administration shall provide all of the following to the General Assembly:

(1) A detailed plan for development and implementation of the portal, to include a list of applications being considered for implementation during the 2011-2013 and 2013-2015 biennia, including:
a. A description of how the portal is to be implemented, to include the use of outside vendors, with detailed information on their

participation and the potential cost to the State, businesses, and anyone doing business with the State.

b. A list of potential services and a time line for implementing each service.

c. Detailed information on the anticipated cost of ownership of the portal and any services proposed for implementation during the period, to include the amount of any payments received by vendors supporting the project.

(2) A funding model for the implementation that does not increase the cost of services for anyone doing business with the State or reduce the receipts or other funding currently available to State agencies or included in appropriations for the 2011-2013 biennium.

(3) If the portal is outsourced, a detailed, fully executable plan to return portal operations to the State, with associated costs.

(4) Identification of internal resources that could potentially be used to develop and implement a State portal.

SECTION 6A.10.(c) All portal services requiring fees shall be approved by the General Assembly, and all funding for the portal, to include fees, shall be appropriated by the General Assembly. Any fees or other charges collected under this section for the State portal or any supporting functions shall be:

(1) Subject to approval by the General Assembly.

(2) Deposited in the General Fund, or in the Highway Fund for fees collected from the Department of Transportation.

The portal shall not increase fees or impose a new fee for services already provided online or through any automated means.

SECTION 6A.10.(d) Participation by State agencies in the portal shall be voluntary.

SECTION 6A.10.(e) There shall be a convenient, free alternative for any online service provided.

SECTION 6A.10.(f) The State portal project shall meet all requirements for project management established by the State Chief Information Officer. Nothing in this section shall exempt the State portal project from the laws governing State information technology and purchasing.

SECTION 6A.10.(g) Notwithstanding G.S. 114-2.3, the Department of Administration shall engage the services of private counsel with the pertinent information technology and computer law expertise to negotiate and review contracts associated with the State portal.

SECTION 6A.10.(h) Each quarter, beginning October 1, 2011, the Department of Administration shall provide detailed information to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Subcommittee on General Government, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on General Government and Information Technology, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management on the total amount of each fee and any other charge collected by the vendor for each service provided, the amount of funding collected by the State for each service and for each participating agency, and any other costs associated with operating the portal.

SECTION 6A.10.(i) Committee Established. – There is established in the Department of Administration the Portal Project Review Committee, which shall review services and applications proposed for inclusion in the State portal.

SECTION 6A.10.(j) Membership. – The Committee shall be composed of seven members as follows:

(1) Two members appointed by the Governor.

(2) Two members appointed by General Assembly, as recommended by the Speaker of the House of Representatives.

(3) Two members appointed by the General Assembly, as recommended by the President Pro Tempore of the Senate.

(4) The State Controller shall be designated as the Chair.

SECTION 6A.10.(k) Vacancies. – Any vacancy on the Committee shall be filled by the appointing authority.

SECTION 6A.10.(l) Expenses of Members. – Members of the Committee shall receive per diem, subsistence, and travel allowances in accordance with G.S. 120-3.1, 138-5, or 138-6, as appropriate.

SECTION 6A.10.(m) Staff. – Adequate staff shall be provided to the Committee by the Department of Administration.

SECTION 6A.10.(n) Cooperation. – The Committee may call upon any department, agency, institution, or officer of the State or any political subdivision thereof for facilities, data, or other assistance.

SECTION 6A.10.(o) Meeting Location. – The Committee shall hold public meetings at various locations around the State for each proposed service or application to allow interested parties and participating agencies to comment on proposed services in order to promote greater public participation in its deliberations. The Department of Administration shall grant adequate meeting space to the Committee in the State Administration Building or other State office facility as needed.

SECTION 6A.10.(p) Approval Authority. – The Committee shall have approval authority for services and applications not requiring a fee or imposing any cost on any State or local agency or anyone doing business with the State. For services or applications supported by fees, the Committee shall make recommendations to the next regular session of the General Assembly on the feasibility of developing and implementing these services or applications.

TRANSFER CRIMINAL JUSTICE INFORMATION NETWORK TO THE OFFICE OF THE STATE CHIEF INFORMATION OFFICER

SECTION 6A.11.(a) The Criminal Justice Information Network (CJIN), as provided in Article 69 of Chapter 143 of the General Statutes, is hereby transferred to the Office of the State Chief Information Officer. The transfer shall have all the elements of a Type II transfer, as defined in G.S. 143A-6.

SECTION 6A.11.(b) G.S. 143-661(a) reads as rewritten:

"(a) The Criminal Justice Information Network Governing Board is established within the ~~Department of Crime Control and Public Safety,~~ Office of the State Chief Information Officer to operate the State's Criminal Justice Information Network, the purpose of which shall be to provide the governmental and technical information systems infrastructure necessary for accomplishing State and local governmental public safety and justice functions in the most effective manner by appropriately and efficiently sharing criminal justice and juvenile justice information among law enforcement, judicial, and corrections agencies. The Board is established within the ~~Department of Crime Control and Public Safety~~ Office of the State Chief Information Officer, for organizational and budgetary purposes only and the Board shall exercise all of its statutory powers in this Article independent of control by the ~~Department of Crime Control and Public Safety.~~Office of the State Chief Information Officer."

SECTION 6A.11.(c) G.S. 143-664(b) reads as rewritten:

"(b) ~~Pending permanent staffing, the Department~~ The staff of the Criminal Justice Information Network shall provide the Board with professional and clerical ~~staff~~ support and any additional support the Board needs to fulfill its mandate. The ~~Board may meet in an area provided by the Department of Crime Control and Public Safety and the~~ Board's staff shall use space provided by the ~~Department.~~Office of the State Chief Information Officer."

INTEGRATED BUDGET INFORMATION SYSTEM

SECTION 6A.12.(a) The Office of State Budget and Management (OSBM) shall create a detailed, comprehensive plan for the development and implementation of the Integrated Budget Information System (IBIS). By August 1, 2011, the IBIS plan shall be submitted to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division. The plan must include at least the following:

(1) A detailed description of the system with a list of the functions.
(2) A projected time line for completion with detailed milestones.
(3) Total cost of the project, including five years of operations and maintenance costs.
(4) Projected costs for the project each month, including how the funding is to be spent.

(5) Funds identified to support the project from its inception, with the amounts and sources of funding.
(6) Personnel involved in the project, their position and responsibilities, their qualifications, the amount of time each devotes to the project, and their cost, including both State employees and contract personnel.
(7) Number and cost of personnel required to operate the system after its completion.
(8) Total number of hours required to complete the project.
(9) Outside vendors supporting the project, their functions, and their total cost.
(10) Implementation plan, to include a time line for fielding it to participating agencies.
(11) A training plan with a time line.
(12) Any risks to the project, with a strategy to mitigate those risks.

SECTION 6A.12.(b) Beginning August 1, 2011, on the first day of each month, the Office of State Budget and Management shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the status of IBIS. The monthly reports shall be signed by the project sponsor, who shall verify in writing that the information contained in the report is current, complete, and accurate. The monthly report shall include the following:

(1) Project status, to include any issues identified by the Enterprise Project Management Office.
(2) Comparison of project status to the time line, with an explanation of any differences.
(3) Detailed descriptions of milestones to be completed that month and the following month.
(4) Any changes in project cost.
(5) Actual expenditures to date and during that month.
(6) Any variances from projected expenditures and the reasons for the variance.
(7) Any potential funding shortfalls and their impact.
(8) Total hours worked each month and cumulative total hours.
(9) Any variance between projected and actual hours and the reason.
(10) Any issues identified during the month, with a corrective action plan and a time line for resolving them.
(11) Impact of any issues identified on the project schedule.
(12) Impact of any issues identified on project cost.
(13) Any changes to the project.
(14) Any change requests submitted to project vendors and their cost.

SECTION 6A.12.(c) The State Chief Information Officer shall immediately suspend the project if OSBM fails to provide a monthly report required by subsection (b) of this section in a timely manner until such time as the report is submitted.

SECTION 6A.12.(d) If OSBM fails to submit reports to the Enterprise Project Management Office for inclusion in the project portfolio management tool on time, the State CIO shall immediately suspend the project until the information is completed in the tool.

USE OF MOBILE ELECTRONIC COMMUNICATIONS DEVICES

SECTION 6A.14.(a) Every executive branch agency within State government shall develop a policy to limit the issuance and use of mobile electronic devices to the minimum required to carry out the agency's mission. By September 1, 2011, each agency shall provide a copy of its policy to the Chairs of the Appropriations Committee and the Appropriations Subcommittee on General Government of the House of Representatives, the Chairs of the Appropriations/Base Budget Committee and the Appropriations Committee on General Government and Information Technology of the Senate, the Chairs of the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management.

State-issued mobile electronic devices shall be used only for State business. Agencies shall limit the issuance of cell phones, smart phones, and any other mobile electronic devices to employees for whom access to a mobile electronic device is a critical requirement for job performance. The device issued and the plan selected shall be the minimum required to support the employees' work requirements. This shall include considering the use of pagers in

lieu of a more sophisticated device. The requirement for each mobile electronic device issued shall be documented in a written justification that shall be maintained by the agency and reviewed annually. All State agency heads, in consultation with the Office of Information Technology Services and the Office of State Budget and Management, shall document and review all authorized cell phone, smart phone, and other mobile electronic communications device procurement, and related phone, data, Internet, and other usage plans for and by their employees. Agencies shall conduct periodic audits of mobile device usage to ensure that State employees and contractors are complying with agency policies and State requirements for their use.

Beginning October 1, 2011, each agency shall report quarterly to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Subcommittee on General Government, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on General Government and Information Technology, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management on the following:

(1) Any changes to agency policies on the use of mobile devices.
(2) The number and types of new devices issued since the last report.
(3) The total number of mobile devices issued by the agency.
(4) The total cost of mobile devices issued by the agency.
(5) The number of each type of mobile device issued, with the total cost for each type.

SECTION 6A.14.(b) This section does not apply to the legislative branch or the judicial branch of State government.

USE OF DMV INSPECTION PROGRAM ACCOUNT FUND

SECTION 6A.15. G.S. 20-183.7(d) reads as rewritten:

"(d) Inspection Program Account. – The Inspection Program Account is created as a nonreverting account within the Highway Fund. The Division shall administer the Account. Revenue in the Account may be used only to fund the vehicle inspection and maintenance ~~program.~~program and to fund replacement of the State Titling and Registration System and the State Automated Driver License System."

STATEWIDE INFORMATION TECHNOLOGY PROCUREMENT

SECTION 6A.16. Statewide Information Technology Procurement shall be funded through fees charged to agencies using Statewide Information Technology Procurement services. The Office of the State Chief Information Officer shall provide a fee schedule to allow cost recovery to the Office of State Budget and Management.

If agencies fail to pay for services within 30 days of billing, the Office of State Budget and Management shall transfer the unpaid amount to the State Information Technology Procurement Office.

REPLACEMENT OF THE STATE TITLING AND REGISTRATION SYSTEM (STARS) AND THE STATE AUTOMATED DRIVER LICENSE SYSTEM (SADLS)

SECTION 6A.17.(a) The Department of Transportation Division of Motor Vehicles shall begin the replacement of the State Titling and Registration System (STARS) and the State Automated Driver License System (SADLS). By October 1, 2011, the Department shall develop a plan and associated time line for accomplishing the replacement of both systems. The Department shall determine the cost for the replacement of each system and then develop a strategy for funding each. This strategy may include, but is not limited to, funding from statutory sources and bulk data fees. Priority for replacement and for funding shall be to STARS, but the Department may make the decision to concurrently initiate the replacements if sufficient funding can be identified to cover the costs for both during the time frames for each. By October 1, 2011, the Department shall provide the plan and funding strategy to the Joint Legislative Oversight Committee on Information Technology, the Joint Legislative Transportation Oversight Committee, and the Fiscal Research Division.

SECTION 6A.17.(b) Beginning October 1, 2011, and quarterly thereafter until the systems replacement projects are complete, the Department shall report to the Joint Legislative Oversight Committee on Information Technology, the Joint Legislative Transportation

Oversight Committee, and the Fiscal Research Division on the status of the systems replacement. The report shall include the following for each replacement project:

(1) Current status of the replacement projects.
(2) Any changes in the scope of either project and associated change requests.
(3) Any changes in cost for each project.
(4) Changes in status since the previous report.
(5) Costs during the previous quarter.
(6) Funding sources and uses during the previous quarter.
(7) Anticipated funding and expenditures by quarter for the next two years.
(8) Any issues associated with the system development and identified solutions.

SECTION 6A.17.(c) The Office of the State Chief Information Officer (SCIO) and the Office of Information Technology Services (ITS) shall ensure that the Department receives all required support and that the replacements are not delayed as a result of any action on the part of either office. Requirements for project review and approval shall be expedited. If the Department does not receive project approvals within two weeks after submitting required data, approval shall be automatic. If the SCIO or ITS determines it is necessary to delay or suspend the project based on technical or funding issues, either office may request committee review as defined in G.S. 147-33.72D. This review must be completed within five days.

ENTERPRISE ELECTRONIC FORMS AND DIGITAL SIGNATURES

SECTION 6A.18.(a) Under the direction of the State Controller, the State shall plan, develop, and implement a coordinated enterprise electronic forms and digital signatures capability. In developing this capability, the State Controller shall determine the cost of converting forms to an electronic format, determine priorities for converting forms, and establish milestones for completing this conversion.

The State Controller shall integrate executive branch agencies already in the process of developing electronic forms and digital signatures projects. Before beginning this effort, the State Controller shall determine specific agency requirements and incorporate their requirements into its planning efforts.

SECTION 6A.18.(b) Beginning October 1, 2011, the State Controller shall present quarterly reports on the status of the project to the Joint Legislative Oversight Committee on Information Technology.

EVALUATION OF STATE INFORMATION TECHNOLOGY OPERATIONS

SECTION 6A.19.(a) The General Assembly shall conduct a detailed, comprehensive evaluation of information technology operations, infrastructure, systems, ongoing projects, and applications within State government. This evaluation shall include, but is not limited to, the following:

(1) Documentation of the information technology organization and function within State government and individual agencies.
(2) Development of a complete inventory of information technology assets and resources within the State.
(3) Documentation and review of agencies' information technology operations.
(4) Documentation of actual agency information technology costs.
(5) Identification and documentation of the costs associated with specific information technology projects and support.
(6) Identification and documentation of funding sources.
(7) Identification and documentation of common requirements for information technology infrastructure, systems, projects, or applications.

The General Assembly may enter into any contracts necessary to facilitate completion of this evaluation.

SECTION 6A.19.(b) The chairs of the Appropriations Committee of the House of Representatives and the Appropriations/Base Budget Committee of the Senate shall establish a project team to develop an evaluation plan/methodology and manage the day-to-day operation of the evaluation.

SECTION 6A.19.(c) The project team shall develop a detailed schedule prior to the initiation of the evaluation. The schedule shall provide for the evaluation to be conducted in phases. The initial phase shall include all agencies within the executive branch, both Cabinet

and Council of State agencies. The scope of subsequent phases shall be determined by the project team during or immediately following the initial phase.

SECTION 6A.19.(d) Agencies shall provide all requested support for evaluation requirements and deliver accurate, complete, and timely data as required to facilitate the evaluation. The agency head shall verify, in writing, the accuracy, completeness, and timeliness of the data. If any support or data provided by an agency does not meet study standards, the agency's information technology functions shall automatically be subject to a continuation review the next fiscal year.

In instances where an immediate change may create opportunities for savings or efficiencies are identified, the project team may recommend implementation of the change prior to completion of the evaluation.

SECTION 6A.19.(e) The General Assembly shall establish an advisory committee that includes business and information technology subject matter experts to provide advice and assistance during the evaluation. The State Controller shall serve as Chairman of the committee.

The President Pro Tempore of the Senate shall appoint five members to the advisory committee, to include an executive from an information technology company, an executive from a Cabinet agency, a Council of State agency Chief Information Officer, a Cabinet agency Chief Financial Officer, and a representative from the Office of Information Technology Services. The Speaker of the House of Representatives shall appoint five members, to include an executive with a private industry management consulting background, an executive from a Council of State agency, a Cabinet agency Chief Information Officer, a Council of State agency Chief Financial Officer, and a representative from the Office of State Budget and Management.

Staff to the committee shall be provided by the General Assembly and shall include analysts and attorneys with a thorough knowledge of information technology operations within the State.

SECTION 6A.19.(f) The Joint Legislative Oversight Committee on Information Technology shall monitor the progress of the evaluation.

Beginning October 1, 2011, the project team shall provide quarterly reports to the chairs of the Appropriations Committee of the House of Representatives and the Appropriations/Base Budget Committee of the Senate, the chairs of the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division.

SECTION 6A.19.(g) Of the funds appropriated to the General Assembly in Section 2.1 of this act, the sum of two million dollars ($2,000,000) for the 2011-2012 fiscal year and the sum of three million dollars ($3,000,000) for the 2012-2013 fiscal year shall be used to implement this section.

COMPREHENSIVE ENTERPRISE-LEVEL DATA INTEGRATION CAPABILITY

SECTION 6A.20.(a) The Office of the State Controller (OSC) shall continue the development of a comprehensive enterprise-level data integration capability, providing broad access to and analysis of information across State government. As part of this development effort, by October 1, 2011, OSC shall update the BEACON Strategic Plan for Data Integration and shall provide the updated plan to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division of the General Assembly. The priority of effort for data integration shall be the Criminal Justice Law Enforcement Automated Data System (CJLEADS).

The strategic 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. OSC shall also develop, document, and enforce security requirements for data integration initiatives, to include establishing and monitoring security standards for vendors supporting development and implementation efforts.

SECTION 6A.20.(b) There is created a Data Integration Steering Committee that shall have responsibility for overseeing all data integration efforts in the State. This Committee shall assume all of the BEACON Project Steering Committee roles and responsibilities for oversight of data integration projects. This Committee shall be chaired by the State Controller and shall include the following six voting members:

(1) One member appointed by the Governor with an information technology background and experience.

(2) One member appointed by the Governor with a background in law enforcement.
(3) One member appointed by the President Pro Tempore of the Senate with a background in government accounting.
(4) One member appointed by the President Pro Tempore of the Senate with government operations experience.
(5) One member appointed by the Speaker of the House of Representatives with a background in information technology.
(6) One member appointed by the Speaker of the House of Representatives with a background in business management.

Members shall not have any association with potential vendors.

The Director of the Office of State Budget and Management, the State Chief Information Officer, the State Treasurer, and the State Auditor shall serve as advisory members.

The Committee shall be housed in and supported by the Office of the State Controller.

SECTION 6A.20.(c) As part of the State's continuing effort to develop a comprehensive enterprise-level data integration capability, the Office of the State Controller shall develop an enterprise process to detect fraud, waste, and improper payments across State agencies. State agencies shall fully support and participate in OSC's efforts to develop an automated fraud detection system.

In support of the automated fraud detection effort, the OSC shall:

(1) Develop a detailed long-range plan to implement an automated fraud detection system within State agencies.
(2) Determine costs, to include vendor costs, for the effort for five years, beginning July 1, 2011.
(3) Coordinate with State agencies to determine interest in participating in the project and to identify potential applications that can be included in an initial request for proposal.
(4) Establish priorities for developing and implementing potential applications.
(5) Evaluate savings resulting from each effort.
(6) Coordinate efforts with the State's data integration vendor to begin the implementation process.
(7) Establish a pilot to begin the implementation process and to identify and resolve issues associated with expansion of the initiative.
(8) Coordinate with participating agencies to ensure that each has the resources and processes necessary to follow up on incidents of fraud identified by the vendor.
(9) Provide recommendations to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division of the General Assembly on potential future initiatives and the cost and savings associated with each.

SECTION 6A.20.(d) Beginning October 1, 2011, the OSC shall provide quarterly reports to the chairs of the Appropriations Committee of the House of Representatives and the Appropriations/Base Budget Committee of the Senate, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division of the General Assembly. These reports shall include the following:

(1) Incidents, types, and amounts of fraud identified, by agency.
(2) The amount actually recovered as a result of fraud identification, by agency.
(3) Agency procedural changes resulting from fraud identification and the time line for implementing each.
(4) State costs for fraud detection for the previous quarter.
(5) Payments to the vendor for the previous quarter.
(6) Anticipated costs and vendor payments for each of the next two years from the date of the report.

SECTION 6A.20.(e) The Office of the State Controller is authorized to enter into an enterprise automated fraud detection contract for eight million dollars ($8,000,000) for a two-year contract period and shall limit payments to the following payment schedule:

(1) December 2011–$1,000,000.
(2) July 2012–$3,000,000.
(3) December 2012–$3,000,000.
(4) June 2013–$1,000,000.

To maximize cost reductions and savings, the Office of the State Controller shall enter into the agreement no later than September 1, 2011. To ensure this is a Public-Private Partnership, the Office of the State Controller shall ensure that the chosen vendor shall contribute resources valued at least five million dollars ($5,000,000) during each of fiscal year 2011-2012 and fiscal year 2012-2013 for the project's success.

SECTION 6A.20.(f) Of the funds appropriated from the General Fund to the Office of the State Controller, the sum of one million five hundred thousand dollars ($1,500,000) for the 2011-2012 fiscal year and the sum of seven million five hundred thousand dollars ($7,500,000) for the 2012-2013 fiscal year shall be used to support the enterprise process to detect fraud, waste, and improper payments across State agencies in each year of the biennium. Of these funds, five hundred thousand dollars ($500,000) each year shall be used by the Office of the State Controller to support the initiative. The remainder may be used to fund payments to the vendor.

PART VII. PUBLIC SCHOOLS

EDUCATION REFORM IN NORTH CAROLINA

SECTION 7.1.(a) It is a priority of the General Assembly that high school graduates enter the workforce or higher education fully prepared. To implement this priority, the Joint Education Oversight Committee shall study (i) literacy and (ii) ways to reduce the need for remedial or developmental education in the State's higher education institutions so that students and the State do not pay repeatedly for the same education. The Committee shall report to the 2012 Regular Session of the 2011 General Assembly with a comprehensive plan, including implementation dates and schedules, that addresses the following items:

(1) Implementation of a third grade literacy policy, including the advisability of a program for third grade reading specialists modeled on Florida's reading specialist program.
(2) Ways to hold high schools accountable for the higher education performance of their students, including requiring funding for developmental education to come from high schools.
(3) The most cost-effective way to provide remedial education in higher education, including funding summer term developmental courses at community colleges based on successful course completions, focusing remediation at the community colleges, and redirecting university appropriations for remedial education to the community colleges.

SECTION 7.1.(b) In all cases, any program implemented needs to be structured so that ongoing, evaluable performance and outcome data is available.

SECTION 7.1.(c) Funds appropriated to implement this section may be used by the Committee to hire one or more external consultants to complete these studies.

CAREER AND COLLEGE PROMISE

SECTION 7.1A.(a) The State Board of Education and the North Carolina Community College System shall establish the Career and College Promise program. The purpose of Career and College Promise is to offer structured opportunities for qualified high school students to dually enroll in community college courses that provide pathways consistent with subsection (b) of this section that lead to a certificate, diploma, or degree as well as provide entry-level jobs skills. Academic credits earned through Career and College Promise shall enable students who continue into postsecondary education after graduating from high school to complete a postsecondary credential in less time than would normally be required. All existing high school transition programs, including Huskins, Concurrent Enrollment, Cooperative and Innovative High Schools, Learn and Earn, and Learn and Earn Online shall be consolidated and replaced by Career and College Promise.

SECTION 7.1A.(b) North Carolina community colleges, subject to approval by the State Board of Community Colleges, may offer the following Career and College pathways

aligned with the K-12 curriculum and career and college ready standards adopted by the State Board of Education:

(1) A Career Technical Education Pathway, leading to a certificate or diploma aligned with one or more high school Tech Prep Career Clusters.

(2) A College Transfer Pathway, leading to a college transfer certificate requiring the successful completion of eight college transfer courses, including English and mathematics.

(3) A cooperative innovative high schools program approved under Part 9 of Article 16 of Chapter 115C of the General Statutes.

SECTION 7.1A.(c) Constituent institutions of The University of North Carolina System, subject to approval by the Board of Governors of The University of North Carolina, may offer as a Career and College pathway a cooperative innovative high schools program approved under Part 9 of Article 16 of Chapter 115C of the General Statutes. The pathway must align with the K-12 curriculum and career and college ready standards adopted by the State Board of Education.

SECTION 7.1A.(d) The North Carolina Community College System and the Department of Public Instruction shall jointly develop and implement a program accountability plan to evaluate short-term and long-term outcomes for Career and College Promise. Outcomes to be measured shall include the following items:

(1) The impact of dual enrollment on high school completion.

(2) The academic achievement and performance of dually enrolled high school students.

(3) The number of students who successfully complete college certificates while dually enrolled.

(4) The impact of dual enrollment and certificate completion on enrollment in college.

(5) The persistence and completion rates of students who continue into college programs after high school graduation.

(6) The academic achievement and performance of students who continue into colleges programs after high school graduation.

SECTION 7.1A.(e) Community colleges shall generate budget FTE for instruction provided through Career and College Promise. The Community Colleges System Office shall report to the Joint Education Oversight Committee or, if the General Assembly is in session, to the House and Senate Education Committees no later than February 1 regarding the number and cost of high school FTE served as a result of the Career and College Promise program created by this section.

SECTION 7.1A.(f) G.S. 115D-1.1 and G.S. 115D-1.2 are repealed.

SECTION 7.1A.(g) G.S. 115D-41 reads as rewritten:

"**§ 115D-41. Restrictions on contracts with local school administrative units; use of community college facilities by public school students pursuant to cooperative programs.**

(a) Community college contracts with local school administrative units shall not be used by these agencies to supplant funding for a public school high school teacher providing courses offered pursuant to G.S. 115D-20(4) who is already employed by the local school administrative unit. ~~However, if a community college contracts with a local school administrative unit for a public high school teacher to teach a college level course, the community college shall not generate budget FTE for that course. Its reimbursement in this case shall be limited to the direct instructional costs contained in the contract, plus fifteen percent (15%) for administrative costs.~~ In no event shall a community college contract with a local school administrative unit to provide high school level courses.

...."

SECTION 7.1A.(h) G.S. 115D-20 reads as rewritten:

"**§ 115D-20. Powers and duties of trustees.**

The trustees of each institution shall constitute the local administrative board of such institution, with such powers and duties as are provided in this Chapter and as are delegated to it by the State Board of Community Colleges. The powers and duties of trustees shall include the following:

...

(4) To apply the standards and requirements for admission and graduation of students and other standards established by the State Board of Community Colleges. ~~Provided, notwithstanding~~Notwithstanding any law or administrative rule to the contrary, ~~local administrative boards and local school boards may establish cooperative programs in the areas they serve to provide for college courses to be offered to qualified high school students with college credits to be awarded to those high school students upon the successful completion of the courses. Provided, further, that during~~local community colleges are permitted to offer the following programs:

a. Subject to the approval of the State Board of Community Colleges, local community colleges may collaborate with local school administrative units to offer courses through the following programs:

1. Cooperative innovative high school programs as provided by Part 9 of Article 16 of Chapter 115C of the General Statutes.
2. Academic transition pathways for qualified high school students that lead to a career technical education certificate or diploma.
3. College transfer certificates requiring the successful completion of eight college transfer courses, including English and mathematics.

b. During the summer quarter, persons less than 16 years old may be permitted to take noncredit courses on a self-supporting basis, subject to rules of the State Board of Community Colleges. ~~Provided, further, that high~~

c. High school students may be permitted to take noncredit courses in safe driving on a self-supporting basis during the academic year or the summer.

...."

SECTION 7.1A.(i) The North Carolina Community College System, University of North Carolina General Administration, and the North Carolina Independent Colleges and Universities shall develop a plan for articulation of a college transfer certificate to all UNC institutions and participating independent colleges and universities. North Carolina Independent Colleges and Universities, Inc., shall also be included in the development of the plan if it chooses to participate. College transfer certificates shall require the successful completion of eight college transfer courses, including English and mathematics, and will be available to high school students under this section, as well as community college students.

SECTION 7.1A.(j) Part 9 of Article 16 of Chapter 115C of the General Statutes reads as rewritten:

"Part 9. Cooperative Innovative High School Programs.

"§ 115C-238.50. Purpose.

(a) The purpose of this Part is to authorize local boards of education to jointly establish with one or more boards of trustees cooperative innovative programs in high schools and colleges or universities that will expand students' opportunities for educational success through high quality instructional programming. These cooperative innovative high school programs shall ~~target:~~target any of the following groups:

(1) High school students who are at risk of dropping out of school before attaining a high school ~~diploma; or~~diploma.

(2) High school students with parents who did not continue education beyond high school.

~~(2)~~(3) High school students who would benefit from accelerated academic instruction.

(b) All the cooperative innovative high school programs established under this Part shall:

(1) Enable students to concurrently obtain a high school diploma and begin or complete an associate degree program, master a certificate or vocational program, or earn up to two years of college credit within five years.

(1a) Prepare students adequately for future learning in the workforce or in an institution of higher education.

~~(2) Expand students' educational opportunities within the public school system.~~

~~(3) Be centered on the core academic standards represented by the college preparatory or tech prep program of study as defined by the State Board of Education.~~

(4) Encourage the cooperative or shared use of resources, personnel, and facilities between public schools and colleges or universities, or both.

~~(5) Integrate and emphasize both academic and technical skills necessary for students to be successful in a more demanding and changing workplace.~~

(6) Emphasize parental involvement and provide consistent counseling, advising, and parent conferencing so that parents and students can make responsible decisions regarding course taking and can track the students' academic progress and success.

~~(7) Be held accountable for meeting measurable student achievement results.~~

~~(8) Encourage the use of different and innovative teaching methods.~~

~~(9) Establish joint institutional responsibility and accountability for support of students and their success.~~

~~(10) Effectively utilize existing funding sources for high school, college, university, and vocational programs and actively pursue new funding from other sources.~~

(11) Develop methods for early identification of potential participating students in the middle grades and through high ~~school.~~school and provide outreach to those students to promote academic preparation and awareness of the cooperative innovative high school programs.

~~(12) Reduce the percentage of students needing remedial courses upon their initial entry from high school into a college or university.~~

~~(c) Programs developed under this Part that target students who are at risk of dropping out of high school before attaining a high school diploma shall:~~

~~(1) Provide these students with the opportunity to graduate from high school possessing the core academic skills needed for postsecondary education and high skilled employment.~~

~~(2) Enable students to complete a technical or academic program in a field that is in high demand and has high wages.~~

~~(3) Set and achieve goals that significantly reduce dropout rates and raise high school and college retention, certification, and degree completion rates.~~

~~(4) Enable students who complete these programs to pass employer exams, if applicable.~~

~~(d) Cooperative innovative high school programs that offer accelerated learning programs shall:~~

~~(1) Provide a flexible, customized program of instruction for students who would benefit from accelerated, higher level coursework or early graduation from high school.~~

~~(2) Enable students to obtain a high school diploma in less than four years, to begin or complete an associate degree program, to master a certificate or vocational program, or to earn up to two years of college credit.~~

~~(3) Offer a college preparatory academic core and in depth studies in a career or technical field that will lead to advanced programs or employment opportunities in engineering, health sciences, or teaching.~~

~~(e) Cooperative innovative high school programs may include the creation of a school within a school, a technical high school, a high school or technical center located on the campus of a college or university, or a five year career academy operating as part of an existing high school.~~

(f) Students are eligible to attend these programs as early as ninth grade.

"§ 115C-238.50A. Definitions.

The following definitions apply in this Part:

(1) Constituent institution. – A constituent institution as defined in G.S. 116-2(4).

(2) Education partner. – An education partner as provided in G.S. 115C-238.52.

(3) Governing board. – The State Board of Education, the State Board of Community Colleges, the Board of Governors of The University of North

Carolina, or the Board of the North Carolina Independent Colleges and Universities.

(4) Local board of trustees. – The board of trustees of a community college, constituent institution of The University of North Carolina, or private college located in North Carolina.

(5) Cooperative innovative high school. – A high school that meets the following criteria:

a. It has no more than 100 students per grade level.

b. It partners with an institution of higher education to enable students to concurrently obtain a high school diploma and begin or complete an associate degree program, master a certificate or vocational program, or earn up to two years of college credit within five years.

c. It is located on the campus of the institution of higher education, unless the governing board specifically waives the requirement through adoption of a formal resolution.

"§ 115C-238.51. Application process.

(a) A local board of education and at least one local board of trustees shall jointly apply to establish a cooperative innovative high school program under this Part.

...

(e) No additional State funds shall be provided to approved programs unless appropriated by the General Assembly.

...

"§ 115C-238.54. Funds for programs.

(a) The Department of Public Instruction shall assign a school code for each program that is approved under this ~~Part, with the exception of a five-year career academy operating as part of an existing high school, which shall continue to use the existing school code. All positions and other State and federal allotments that are generated for this program shall be assigned to that school code.~~ Part. Notwithstanding G.S. 115C-105.25, once ~~funds are assigned to that school code,~~ the program has been assigned a school code, the local board of education may use these funds for the program and may transfer these funds between funding allotment categories.

~~(a1) A five-year career academy operating as part of an existing high school shall maintain records to identify and evaluate students enrolled in the five-year career academy program distinct from the general school population.~~

...."

SECTION 7.1A.(k) Cooperative innovative high schools approved by the State Board of Education prior to July 1, 2011, shall meet the requirements of G.S. 115C-238.50A(5) as enacted by subsection (j) of this section no later than July 1, 2014. Any cooperative innovative high school which fails to meet the requirements by that date shall no longer be authorized as a cooperative innovative high school.

SECTION 7.1A.(l) Subsection (e) of this section takes effect January 1, 2013, and is repealed effective June 30, 2015. The remainder of this section becomes effective January 1, 2012.

CLASS SIZE REDUCTION FOR GRADES 1-3

SECTION 7.1B. The General Assembly finds that educational research has shown that small classes of 15 or fewer students result in marked improvement in learning in grades 1-3, as measured by standardized tests in reading and mathematics, that the advantages gained from being in small classes have been shown to have a lasting benefit into the later years of students' lives, and that these studies have shown that small classes have a particularly beneficial effect on the academic achievement of children from disadvantaged backgrounds. The General Assembly further finds that larger class sizes allow less time to develop relationships with students, colleagues, and parents, and prevent the implementation of new and more dynamic and individualized teaching strategies and techniques. Therefore, it is the intent of the General Assembly to reduce class size in grades 1 through 3 to a class size allotment not exceeding 1:15 as funds become available.

FUNDS FOR CHILDREN WITH DISABILITIES

SECTION 7.2. The State Board of Education shall allocate additional funds for children with disabilities on the basis of three thousand five hundred eighty-five dollars and eighty-eight cents ($3,585.88) 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 its 2011-2012 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 7.3. 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 for fiscal year 2011-2012 and one thousand one hundred ninety-two dollars and ninety cents ($1,192.90) per child for fiscal year 2012-2013. A local school administrative unit shall receive funds for a maximum of four percent (4%) of its 2011-2012 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.

USE OF SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES

SECTION 7.4.(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 and (ii) for salary supplements for instructional personnel and instructional support personnel. 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 7.4.(b) Definitions. – As used in this section, the following definitions apply:

(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 following:
   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.
   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 following:
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.
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 7.4.(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 7.4.(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 7.4.(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 7.4.(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 7.4.(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 2011-2013 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 the following apply:

(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.(h) Reports. – The State Board of Education shall report to the Joint Legislative Education Oversight Committee prior to May 1, 2012, if it determines that counties have supplanted funds.

SECTION 7.4.(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.

LITIGATION RESERVE FUNDS

SECTION 7.5. The State Board of Education may expend up to five hundred thousand dollars ($500,000) each year for the 2011-2012 and 2012-2013 fiscal years from unexpended funds for certified employees' salaries to pay expenses related to litigation.

UNIFORM EDUCATION REPORTING SYSTEM (UERS) FUNDS

SECTION 7.6.(a) Funds appropriated for the Uniform Education Reporting System shall not revert at the end of the 2010-2011 fiscal year.

SECTION 7.6.(b) This section becomes effective June 30, 2011.

FOCUSED EDUCATION REFORM PROGRAM FUNDS DO NOT REVERT

SECTION 7.7.(a) Funds appropriated for the Focused Education Reform Pilot Program that are unexpended and unencumbered at the end of the 2010-2011 fiscal year shall not revert but shall remain available for expenditure for that purpose through the 2011-2012 fiscal year.

SECTION 7.7.(b) This section becomes effective June 30, 2011.

DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING (DSSF)

SECTION 7.8.(a) Funds appropriated for disadvantaged student supplemental funding shall be used, consistent with the policies and procedures adopted by the State Board of Education, only to:

(1) Provide instructional positions or instructional support positions and/or professional development;
(2) Provide intensive in-school and/or after-school remediation;
(3) Purchase diagnostic software and progress-monitoring tools; and
(4) Provide funds for teacher bonuses and supplements. The State Board of Education shall set a maximum percentage of the funds that may be used for this purpose.

The State Board of Education may require districts receiving funding under the Disadvantaged Student Supplemental Fund to purchase the Education Value Added Assessment System in order to provide in-depth analysis of student performance and help identify strategies for improving student achievement. This data shall be used exclusively for instructional and curriculum decisions made in the best interest of children and for professional development for their teachers and administrators.

SECTION 7.8.(b) Funds appropriated to a local school administrative unit for disadvantaged student supplemental funding shall be allotted based on (i) the local school administrative unit's eligible DSSF population and (ii) the difference between a teacher-to-student ratio of 1:21 and the following teacher-to-student ratios:

(1) For counties with wealth greater than ninety percent (90%) of the statewide average, a ratio of 1:19.9.
(2) For counties with wealth not less than eighty percent (80%) and not greater than ninety percent (90%) of the statewide average, a ratio of 1:19.4.
(3) For counties with wealth less than eighty percent (80%) of the statewide average, a ratio of 1:19.1.
(4) For LEAs receiving DSSF funds in 2005-2006, a ratio of 1:16. These LEAs shall receive no less than the DSSF amount allotted in 2006-2007.

For the purpose of this subsection, wealth shall be calculated under the low-wealth supplemental formula.

SECTION 7.8.(c) If a local school administrative unit's wealth increases to a level that adversely affects the unit's DSSF allotment ratio, the DSSF allotment for that unit shall be maintained at the prior year level for one additional fiscal year.

TUITION CHARGE FOR GOVERNOR'S SCHOOL

SECTION 7.9. G.S. 115C-12(36) reads as rewritten:

"(36) Duty to Charge Tuition for the Governor's School of North Carolina. – The State Board of Education ~~shall~~ may implement a ~~five hundred dollar ($500.00)~~ tuition charge for students attending the Governor's School of North ~~Carolina.~~Carolina to cover the costs of the School."

SCHOOL CONNECTIVITY INITIATIVE FUNDS

SECTION 7.10.(a) Section 7.9(b) of S.L. 2010-31 reads as rewritten:

"**SECTION 7.9.(b)** Up to three hundred fifty thousand dollars ($350,000) of the funds for the School Connectivity Initiative may be used for ~~this and subsequent fiscal years~~ the 2010-2011 fiscal year by the Office of the Governor for education innovation and the education E-learning portal. These funds may be used to provide services to coordinate e-learning activities across all education agencies and to support the operating of the E-learning portal."

SECTION 7.10.(b) Section 7.6(a) of S.L. 2008-107, as rewritten by Section 7.12(b) of S.L. 2009-451, reads as rewritten:

"**SECTION 7.6.(a)** Up to three hundred thousand dollars ($300,000) may be transferred annually through June 30, ~~2013,~~ 2011, 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."

SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING

SECTION 7.12.(a) Eligibility. – All county school administrative units with an average daily membership less than the maximum small school system average daily membership shall be eligible for small school system supplemental funding. For the 2011-2012 and 2012-2013 fiscal years, the maximum small school system average daily membership shall be 3,200 students.

SECTION 7.12.(b) Allotment. – Each eligible county school administrative unit shall receive a dollar allotment equal to the product of the following:

(1) A per student funding factor, equal to the product of the following:
   a. One, minus the local school administrative unit's average daily membership divided by the maximum small school system average daily membership.
   b. The maximum small school system dollars per student.
(2) The average daily membership of the eligible county school administrative unit.

For the 2011-2012 and 2012-2013 fiscal years, the maximum small school system dollars per student shall be two thousand dollars ($2,000).

SECTION 7.12.(c) Phase-Out Provisions. –

(1) If a local school administrative unit becomes ineligible for funding under this formula, funding for that unit shall be phased out over a five-year period. Funding for such local administrative units shall be reduced in equal increments in each of the five years after the local administrative unit becomes ineligible. Funding shall be eliminated in the fifth fiscal year after the local administrative unit becomes ineligible.
(2) Allotments for eligible local school administrative units shall not be reduced by more than twenty percent (20%) in any fiscal year.

ELIMINATION OF REPORTING REQUIREMENTS

SECTION 7.13.(a) G.S. 115C-12(25) reads as rewritten:

"**§ 115C-12. Powers and duties of the Board generally.**

The general supervision and administration of the free public school system shall be vested in the State Board of Education. The State Board of Education shall establish policy for the system of free public schools, subject to laws enacted by the General Assembly. The powers and duties of the State Board of Education are defined as follows:

...

(25) Duty to Report to Joint Legislative Education Oversight Committee. – Upon the request of the Joint Legislative Education Oversight Committee, the State Board shall examine and evaluate issues, programs, policies, and fiscal information, and shall make reports to that Committee. Furthermore, beginning October 15, 1997, and annually thereafter, the State Board shall submit reports to that Committee regarding the continued implementation of Chapter 716 of the 1995 Session Laws, 1996 Regular Session. Each report shall include information regarding the composition and activity of assistance teams, schools that received incentive awards, schools identified as low-performing, ~~school improvement plans found to significantly improve student performance,~~ personnel actions taken in low-performing schools, and recommendations for additional legislation to improve student performance and increase local flexibility."

SECTION 7.13.(b) G.S. 115C-47(38) is repealed.

SECTION 7.13.(c) G.S. 115C-84.2(a)(1) reads as rewritten:

"(1) **(See notes)** A minimum of 180 days and 1,000 hours of instruction covering at least nine calendar months. The local board shall designate when the 180 instructional days shall occur. The number of instructional hours in an instructional day may vary according to local board policy and does not have to be uniform among the schools in the administrative unit. ~~Local boards may approve school improvement plans that include days with varying amounts of instructional time.~~ If school is closed early due to inclement weather, the day and the scheduled amount of instructional hours may count towards the required minimum to the extent allowed by State Board policy. The school calendar shall include a plan for making up days and instructional hours missed when schools are not opened due to inclement weather."

SECTION 7.13.(d) G.S. 115C-84.2(a)(5) reads as rewritten:

"(5) The remaining days scheduled by the local board in consultation with each school's principal for use as teacher workdays, additional instructional days, or other lawful purposes. ~~Before consulting with the local board, each principal shall work with the school improvement team to determine the days to be scheduled and the purposes for which they should be scheduled.~~ Days may be scheduled and planned for different purposes for different personnel and there is no requirement to schedule the same dates for all personnel. In order to make up days for school closing because of inclement weather, the local board may designate any of the days in this subdivision as additional make-up days to be scheduled after the last day of student attendance."

SECTION 7.13.(e) G.S. 115C-98(b2) reads as rewritten:

"(b2) Local boards of education ~~may:~~

~~(1)~~ ~~Select,~~ may select, procure, and use textbooks that have not been adopted by the State Board of Education for use throughout the local school administrative unit for selected grade levels and ~~courses; and~~courses.

~~(2) Approve school improvement plans developed under G.S. 115C-105.27 that include provisions for using textbooks that have not been adopted by the State Board of Education for selected grade levels and courses.~~

All textbook contracts made under this subsection shall include a clause granting to the local board of education the license to produce braille, large print, and audiocassette tape copies of the textbooks for use in the local school administrative unit."

SECTION 7.13.(f) G.S. 115C-105.20(b)(5) is repealed.

SECTION 7.13.(g) G.S. 115C-105.25 reads as rewritten:

"**§ 115C-105.25. Budget flexibility.**

...

(b) Subject to the following limitations, local boards of education may transfer and may approve transfers of funds between funding allotment categories:

(1) ~~In accordance with a school improvement plan accepted under G.S. 115C-105.27,~~ State funds allocated for teacher assistants may be transferred only for personnel (i) to serve students only in kindergarten through third grade, ~~or~~ (ii) to serve students primarily in kindergarten through third grade when the personnel are assigned to an elementary school to serve the whole school ~~school. Funds allocated for teacher assistants may be transferred to reduce class size~~ or (iii) to reduce the student-teacher ratio in kindergarten through third grade so long as the affected teacher assistant positions are not ~~filled when the plan is amended or approved by the building level staff entitled to vote on the plan or the affected teacher assistant positions are not expected to be filled on the date the plan is to be implemented.~~ filled. Any State funds appropriated for teacher assistants that were converted to certificated teachers before July 1, 1995, in accordance with Section 1 of Chapter 986 of the 1991 Session Laws, as rewritten by Chapter 103 of the 1993 Session Laws, may continue to be used for certificated teachers.

(2) ~~In accordance with a school improvement plan accepted under G.S. 115C-105.27, (i)~~ State funds allocated for classroom materials/instructional supplies/equipment may be transferred only for the purchase of ~~textbooks; (ii)~~ textbooks. State funds allocated for textbooks may be transferred only for the purchase of instructional supplies, instructional equipment, or other classroom ~~materials; and (iii)~~materials. State funds allocated for noninstructional support personnel may be transferred only for teacher positions.

...

(8) Funds allocated for academically or intellectually gifted students may be used only (i) for academically or intellectually gifted students; (ii) to implement the plan developed under G.S. 115C-150.7; or (iii) in accordance with an accepted school improvement plan, for any purpose so long as that school demonstrates it is providing appropriate services to academically or intellectually gifted students assigned to that school in accordance with the local plan developed under G.S. 115C-150.7.

...."

SECTION 7.13.(h) G.S. 115C-105.26 reads as rewritten:

"**§ 115C-105.26. Waivers of State laws, rules, or policies.**

(a) ~~When included as part of a school improvement plan accepted under G.S. 115C-105.27, local~~ Local boards of education shall submit requests for waivers of State laws, rules, or policies to the State Board of Education. A request for a waiver shall (i) identify the school making the request, (ii) identify the State laws, rules, or policies that inhibit the school's ability to improve student performance, (iii) set out with specificity the circumstances under which the waiver may be used, and (iv) explain how the requested waiver will permit the school to improve student performance. Except as provided in subsection (c) of this section, the State Board shall grant waivers only for the specific schools for which they are requested and shall be used only under the specific circumstances for which they are requested.

(b) ~~When requested as part of a school improvement plan, the~~ The State Board of Education may grant waivers of:

(1) State laws pertaining to class size and teacher certification; and

(2) State rules and policies, except those pertaining to public school State salary schedules and employee benefits for school employees, the instructional program that must be offered under the Basic Education Program, the system of employment for public school teachers and administrators set out in G.S. 115C-287.1 and G.S. 115C-325, health and safety codes, compulsory attendance, the minimum lengths of the school day and year, and the Uniform Education Reporting System.

...."

SECTION 7.13.(i) G.S. 115C-105.27 is repealed.

SECTION 7.13.(j) G.S. 115C-105.30 is repealed.

SECTION 7.13.(k) G.S. 115C-105.31(b)(3) is repealed.

SECTION 7.13.(l) G.S. 115C-105.32 is repealed.

SECTION 7.13.(m) G.S. 115C-105.33 reads as rewritten:

"**§ 115C-105.33. Safe and orderly schools.**

A ~~school improvement team or a~~ parent organization at a school may ask the local board of education to provide assistance in promoting or restoring safety and an orderly learning environment at a school. The ~~school improvement team or~~ parent organization shall file a copy of this request with the State Board. If the local board fails to provide adequate assistance to the school, then the ~~school improvement team or~~ parent organization may ask the State Board to provide an assistance team to the school.

The State Board may provide an assistance team, established under G.S. 115C-105.38, to a school in order to promote or restore safety and an orderly learning environment at that school if one of the following applies:

(1) The local board of education or superintendent requests that the State Board provide an assistance team to a school and the State Board determines that the school needs assistance.

(2) The State Board determines within 10 days after its receipt of the request for assistance from a ~~school improvement team or~~ parent organization of a school that the school needs assistance and that the local board has failed to provide adequate assistance to that school.

If an assistance team is assigned to a school under this section, the team shall spend a sufficient amount of time at the school to assess the problems at the school, assist school personnel with resolving those problems, and work with school personnel and others to develop a long-term plan for restoring and maintaining safety and an orderly learning environment at the school. The assistance team also shall make recommendations to the local board of education and the superintendent on actions the board and the superintendent should consider taking to resolve problems at the school. These recommendations shall be in writing and are public records. If an assistance team is assigned to a school under this section, the powers given to the State Board and the assistance team under G.S. 115C-105.38 and G.S. 115C-105.39 shall apply as if the school had been identified as low-performing under this Article."

SECTION 7.13.(n) G.S. 115C-105.37A(a) reads as rewritten:

"(a) Definition of Continually Low-Performing Schools. – A continually low-performing school is a school that has received State-mandated assistance and has been designated by the State Board as low performing for at least two of three consecutive years. ~~If the State Board identifies a school as continually low-performing:~~

~~(1) The school improvement team at that school shall review its school improvement plan to ensure consistency with the plan adopted pursuant to G.S. 115C-105.38(b)(3), and~~

~~(2) The plan must be reviewed and approved by the State Board of Education.~~"

SECTION 7.13.(o) G.S. 115C-105.38(b)(6) reads as rewritten:

"(6) Report, as appropriate, to the local board of education, the community, and the State Board on the school's progress. ~~If an assistance team determines that an accepted school improvement plan developed under G.S. 115C-105.27 is impeding student performance at a school, the team may recommend to the local board that it vacate the relevant portions of that plan and direct the school to revise those portions.~~"

SECTION 7.13.(p) G.S. 115C-105.47(b)(13) is repealed.

SECTION 7.13.(q) G.S. 115C-174.12(a)(3) reads as rewritten:

"(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.~~without the approval of the principal of the school."

SECTION 7.13.(r) G.S. 115C-238.31(a) reads as rewritten:

"(a) Local school administrative units are encouraged to implement extended services programs that will expand students' opportunities for educational success through high-quality, integrated access to instructional programming during nonschool hours. ~~Extended services programs may be incorporated into school improvement plans developed in accordance with G.S. 115C-105.27.~~ Calendar alternatives include, but are not limited to, after-school hours, before-school hours, evening school, Saturday school, summer school, and year-round school.

Instructional programming may include, but is not limited to, tutoring, direct instruction, enrichment activities, study skills, and reinforcement projects."

SECTION 7.13.(s) G.S. 115C-288(h) reads as rewritten:

"(h) To Make Available School ~~Budgets and School Improvement Plans.~~ Budgets. – The principal shall maintain a copy of the school's current ~~budget and school improvement plan, including any amendments to the plan,~~ budget and shall allow parents of children in the school and other interested persons to review and obtain such documents in accordance with Chapter 132 of the General Statutes."

SECTION 7.13.(t) G.S. 115C-288(l) is repealed.

SECTION 7.13.(u) G.S. 143B-146.6(b)(6) reads as rewritten:

"(6) Report, as appropriate, to the Secretary, the State Board, and the parents on the school's progress. ~~If an assistance team determines that an accepted school improvement plan developed under G.S. 143B-146.12 is impeding student performance at a school, the team may recommend to the Secretary that he vacate the relevant portions of that plan and direct the school to revise those portions.~~"

SECTION 7.13.(v) G.S. 143B-146.12 is repealed.

SECTION 7.13.(w) G.S. 115C-47(32a) reads as rewritten:

"(32a) To Establish Alternative Learning Programs and Develop Policies and Guidelines. – Each local board of education shall establish at least one alternative learning program and shall adopt guidelines for assigning students to alternative learning programs. These guidelines shall include (i) a description of the programs and services to be provided, (ii) a process for ensuring that an assignment is appropriate for the student and that the student's parents are involved in the decision, and (iii) strategies for providing alternative learning programs, when feasible and appropriate, for students who are subject to long term suspension or expulsion. In developing these guidelines, local boards shall consider the State Board's standards developed under G.S. 115C-12(24). ~~Upon adoption of policies and guidelines under this subdivision, local boards are encouraged to incorporate them in their safe school plans developed under G.S. 115C-105.47.~~

The General Assembly urges local boards to adopt policies that prohibit superintendents from assigning to any alternative learning program any professional public school employee who has received within the last three years a rating on a formal evaluation that is less than above standard.

Notwithstanding this subdivision, each local board shall adopt policies based on the State Board's standards developed under G.S. 115C-12(24). These policies shall apply to any new alternative learning program or alternative school that is implemented beginning with the 2006-2007 school year. Local boards of education are encouraged to apply these standards to alternative learning programs and alternative schools implemented before the 2006-2007 school year.

Local boards shall assess on a regular basis whether the unit's alternative schools and alternative learning programs comply with the State Board's standards developed under G.S. 115C-12(24) and whether they incorporate best practices for improving student academic performance and reducing disruptive behavior, are staffed with professional public school employees who are well trained and provided with appropriate staff development, are organized to provide coordinated services, and provide students with high quality and rigorous academic instruction."

SECTION 7.13.(x) G.S. 115C-105.27(b)(2) reads as rewritten:

"(2) Shall include a plan to address school safety and discipline ~~concerns in accordance with the safe school plan developed under Article 8C of this Chapter;~~concerns."

SECTION 7.13.(y) G.S. 115C-105.46 reads as rewritten:

"**§ 115C-105.46. State Board of Education responsibilities.**

In order to implement this Article, the State Board of Education:

~~(1) Shall adopt guidelines for developing local plans under G.S. 115C-105.47.~~

~~(2) Shall provide, in cooperation with the Board of Governors of The University of North Carolina, ongoing technical assistance to the local school administrative units in the development, implementation, and evaluation of their local plans under G.S. 115C-105.47.~~

~~(3) May require a local board of education to withhold the salary of any administrator or other employee of a local school administrative unit who delays or refuses to prepare and implement local safe school plans in accordance with G.S. 115C-105.47.~~

~~(4) May revoke the certificate of the superintendent, pursuant to G.S. 115C-274(c), for failure to fulfill the superintendent's duties under a local safe school plan.~~

(5) Shall adopt policies that define who is an at-risk student."

SECTION 7.13.(z) G.S. 115C-105.47 is repealed.

SECTION 7.13.(aa) G.S. 115C-102.6C is repealed.

SECTION 7.13.(bb) G.S. 115C-102.6D(d) is repealed.

SECTION 7.13.(cc) G.S. 115C-102.7 reads as rewritten:

"**§ 115C-102.7. Monitoring and evaluation of State and local school system technology plans; reports.**

(a) The Department of Public Instruction shall monitor and evaluate the development and implementation of the State ~~and local school system technology plans.~~ technology plan. The evaluation shall consider the effects of technology on student learning, the effects of technology on students' workforce readiness, the effects of technology on teacher productivity, and the cost-effectiveness of the technology.

(a1) Repealed by Session Laws 1997-18, s. 15(k).

(b) Repealed by Session Laws 2009-451, s. 7.31, effective July 1, 2009.

~~(c) The Department of Public Instruction shall randomly check local school system technology plans to ensure that local school administrative units are implementing their plans as approved. The Department shall report to the State Board of Education on which local school administrative units are not complying with their plans. The report shall include the reasons these local school administrative units are out of compliance and a recommended plan of action to support each of these local school administrative units in carrying out their plans.~~"

SECTION 7.13.(dd) Section 7.61(b) of S.L. 2005-276, as rewritten by Section 7.22(d) of S.L. 2010-31, is repealed.

SECTION 7.13.(ee) G.S. 115C-105.41 is repealed.

SECTION 7.13.(ff) The State Board of Education shall not require more than five semester hours or seven and one-half units of renewal credits in order to renew a North Carolina Standard Professional 2 professional educator's license.

SCHOOL BUILDING ADMINISTRATION

SECTION 7.14.(a) A school with less than 100 students in final average daily membership is not entitled to 12 months of employment for a principal.

SECTION 7.14.(b) Local school administrative units may transfer funds for school building administration for any purpose, not otherwise prohibited by the State Board of Education's ABC transfer policy, by submitting an ABC Transfer Form to the Department of Public Instruction. For funds related to principal positions, the salary transferred shall be based on the first step of the principal III salary schedule. For funds related to assistant principal months of employment, the salary transferred shall be based on the first step of the assistant principal salary schedule. No local school administrative unit shall convert certified position allotments to dollars in order to hire the same type of position.

SECTION 7.14.(c) Subsection (a) of this section applies only to schools created after July 1, 2011.

ELIMINATION OF TEACHERS FOR GEOGRAPHICALLY ISOLATED SCHOOLS

SECTION 7.16. Section 7.26 of S.L. 2009-451 is repealed.

SCHOOL CALENDAR PILOT PROGRAM

SECTION 7.17. The State Board of Education shall establish a school calendar pilot program in the Wilkes County Schools, the Montgomery County Schools, and the Stanly 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 2011-2012 calendar year for the pilot school systems shall include a minimum of 185 days or 1,025 hours of instruction covering at least nine calendar months. Notwithstanding G.S. 115C-84.2(d), the opening date for students in pilot school systems may be before August 25.

If the local board of education in a pilot school system adds instructional hours to previously scheduled days under this section, the local school administrative unit is deemed to have a minimum of 185 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, 2012, on the administration of the pilot program, cost savings realized by it, and its impact on student achievement.

BUDGET REDUCTIONS/DEPARTMENT OF PUBLIC INSTRUCTION

SECTION 7.19.(a) Notwithstanding G.S. 143C-6-4 or Section 7.14 of S.L. 2009-451, the Department of Public Instruction may, after consultation with the Office of State Budget and Management and the Fiscal Research Division, reorganize if necessary to implement the budget reductions set out in this act. This consultation shall occur prior to requesting budgetary and personnel changes through the budget revision process. The Department shall provide a current organization chart in the consultation process. The Department shall report to the Joint Legislative Commission on Governmental Operations on any reorganization.

SECTION 7.19.(b) The Department of Public Instruction shall not increase the number of State-funded positions in any Department of Public Instruction divisions identified for reductions in this act.

SECTION 7.19.(c) In implementing budget reductions under this act, the Department of Public Instruction shall make no reduction in funding or positions for the Positive Behavioral Support program.

LEA BUDGET ADJUSTMENT

SECTION 7.20.(a) 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 or charter school must reduce from the State General Fund appropriations. The State Board shall determine the amount of the reduction for each unit and charter school on the basis of average daily membership.

SECTION 7.20.(b) Each unit or charter school 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.

LEA BUDGETARY FLEXIBILITY

SECTION 7.21.(a) For fiscal years 2011-2012 and 2012-2013, the State Board of Education is authorized to extend its emergency rules, in accordance with G.S. 150B-21.1A, granting 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 shall not permit the transfer of funds into central office administration.

SECTION 7.21.(b) For fiscal years 2011-2012 and 2012-2013, local school administrative units shall make every effort to reduce spending whenever and wherever such budget reductions are appropriate with the goal of protecting direct classroom services, such as classroom teachers. In making reductions, local school administrative units shall first consider reductions to central office administration and other administrative functions. 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. Class size requirements in grades K-3 shall remain unchanged.

NORTH CAROLINA VIRTUAL PUBLIC SCHOOLS

SECTION 7.22.(a) The North Carolina Virtual Public School (NCVPS) program shall report to the State Board of Education and shall maintain an administrative office at the Department of Public Instruction.

SECTION 7.22.(b) The Director of NCVPS shall ensure that students residing in rural and low-wealth county local school administrative units have access to e-learning course offerings in order to expand available instructional opportunities. E-learning instructional opportunities shall include courses required as part of the standard course of study for high school graduation and AP offerings not otherwise available.

SECTION 7.22.(c) Section 7.4 of S.L. 2010-31 is repealed.

SECTION 7.22.(d) The State Board of Education shall take the following steps to implement an allotment formula for NCVPS beginning with the 2011-2012 school year:

(1) Project NCVPS student enrollment by semester and year-long course types for each local school administrative unit and charter school.

(2) Establish a per course teacher payment structure for the instructional costs of NCVPS. In establishing this payment structure, the Board shall consider the following:

a. The payment structure is based on a total compensation analysis to ensure NCVPS teacher pay has parity with similar programs. The total compensation analysis shall take into account salaries, benefits, and work effort to ensure valid comparisons between occupations.

b. The effects any change in NCVPS teacher payments may have on the attraction and retention of NCVPS teachers.

(3) Develop a per student fee structure for in-State students that is based on the per course teacher pay structure. The fee structure for in-State students shall ensure that the projected cost for local school administrative units and charter schools equals the projected instructional cost for NCVPS courses.

(4) Multiply the per course fees for in-State students by the projected enrollment by course type to determine the total instructional cost for each local school administrative unit and charter school.

(5) Transfer a dollar amount equal to seventy-five percent (75%) of the local school administrative unit's or charter school's projected instructional cost from the classroom teacher allotment to NCVPS.

(6) No later than February 21 of each year, calculate the actual instructional cost for each local school administrative unit and charter school based upon actual NCVPS enrollment as of that date.

(7) Subtract the amount transferred pursuant to subdivision (5) of this subsection from the actual instructional cost for each unit or charter school and transfer the remaining dollar amount owed, up to a maximum of one hundred percent (100%) of the projected cost.

(8) Develop and implement a policy regarding returning funds to local school administrative units and charter schools in cases where the amount transferred pursuant to subdivision (5) of this subsection exceeds the actual instructional costs.

NCVPS shall use funds transferred to it to provide the NCVPS program at no cost to all 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 7.22.(e) In establishing the fee structure and payment structure for NCVPS, the State Board shall consider recommendations from the eLearning Commission and the NCVPS Advisory Board.

SECTION 7.22.(f) The State Board shall establish a separate per student tuition for out-of-state students, home-schooled students, and private school students, which shall be adjusted upward from the in-State student fee structure by an amount determined appropriate by the State Board.

SECTION 7.22.(g) NCVPS shall develop a revenue-generating plan for the sale of courses to out-of-state educational entities. NCVPS shall submit its plan to the State Board by September 1, 2011.

SECTION 7.22.(h) Beginning in 2011, the Director of NCVPS shall submit an annual report on NCVPS to the State Board of Education no later than December 1 of each year. The report shall use data from the previous fiscal year and shall include statistics on

actual versus projected costs to local school administrative units and charter schools, student enrollment, virtual teacher salaries, and measures of academic achievement.

The Director of NCVPS shall continue to ensure the following:

(1) Course quality standards are established and met.

(2) All e-learning opportunities other than virtual charter schools offered by State-funded entities to public school students are consolidated under the NCVPS program, eliminating course duplication.

(3) All courses offered through NCVPS are aligned to the North Carolina Standard Course of Study.

SECTION 7.22.(i) The State Board of Education shall reduce each local school administrative unit's or charter school's classroom teacher allotment, or other allotment, as determined by the State Board of Education, on the basis of ADM in grades 6-12 to provide the sum of two million eight hundred sixty-six thousand nine hundred twenty-three dollars ($2,866,923) for the State-level operations and administration of NCVPS for the 2011-2012 fiscal year. The allotment reduction for State-level operations and administration shall continue in future fiscal years and be adjusted annually based upon the percentage growth in NCVPS enrollment, ensuring the expansion of services due to increased virtual student enrollment.

SECTION 7.22.(j) For fiscal year 2011-2012, the State Board of Education shall reduce each local school administrative unit's or charter school's classroom teacher allotment, or other allotment, as determined by the State Board of Education, on the basis of ADM in grades 6-12 to provide the sum of two million dollars ($2,000,000) in order to create an NCVPS enrollment reserve. The NCVPS enrollment reserve shall be used to cover the NCVPS instructional costs of local school administrative units or charter schools with enrollments exceeding projected NCVPS enrollment.

Beginning in fiscal year 2012-2013, and annually thereafter, the State Board of Education shall reduce each local school administrative unit's or charter school's classroom teacher allotment, or other allotment, as determined by the State Board of Education, on the basis of ADM in grades 6-12 an amount that is the difference between two million dollars ($2,000,000) and the balance of the NCVPS enrollment reserve.

Amounts available in the NCVPS enrollment reserve shall not revert.

SECTION 7.22.(k) The State Board shall use only funds provided through the North Carolina Virtual Public Schools Allotment Formula and the NCVPS enrollment reserve as set forth in this section to fund instructional costs of NCVPS.

PERFORMANCE-BASED REDUCTIONS IN FORCE

SECTION 7.23.(a) Local school administrative units shall adopt a Reduction in Force policy that includes the following criteria:

(1) In determining which positions shall be subject to a reduction in force, a local school administrative unit shall consider the following:

a. Structural considerations, such as identifying positions, departments, courses, programs, operations, and other areas where there are (i) less essential, duplicative, or excess personnel; (ii) job responsibility and/or position inefficiencies; (iii) opportunities for combined work functions; and/or (iv) decreased student or other demands for curriculum, programs, operations, or other services.

b. Organizational considerations, such as anticipated organizational needs of the school system and program/school enrollment.

(2) In determining which employees in similar positions shall be subject to a reduction in force, a local school administrative unit shall consider work performance.

Each local school administrative unit shall have this policy in place on or before July 15, 2011.

SECTION 7.23.(b) G.S. 115C-325(e)(2) reads as rewritten:

"(2) Reduction in Force. – Before recommending to a board the dismissal or demotion of the career employee pursuant to G.S. 115C-325(e)(1)l., the superintendent shall give written notice to the career employee by certified mail or personal delivery of his intention to make such recommendation and shall set forth as part of his recommendation the grounds upon which he believes such dismissal or demotion is justified. The notice shall include a

statement to the effect that if the career employee within 15 days after receipt of the notice requests a review, he shall be entitled to have the proposed recommendations of the superintendent reviewed by the board. Within the 15-day period after receipt of the notice, the career employee may file with the superintendent a written request for a hearing before the board within 10 days. If the career employee requests a hearing before the board, the hearing procedures provided in G.S. 115C-325(j3) shall be followed. If no request is made within the 15-day period, the superintendent may file his recommendation with the board. If, after considering the recommendation of the superintendent and the evidence adduced at the hearing if there is one, the board concludes that the grounds for the recommendation are true and substantiated by a preponderance of the evidence, the board, if it sees fit, may by resolution order such dismissal. Provisions of this section which permit a hearing by a case manager shall not apply to a dismissal or demotion recommended pursuant to G.S. 115C-325(e)(1)l.

When a career employee is dismissed pursuant to G.S. 115C-325(e)(1)l. above, his name shall be placed on a list of available career employees to be maintained by the board. ~~Career employees whose names are placed on such a list shall have a priority on all positions in which they acquired career status and for which they are qualified which become available in that system for the three consecutive years succeeding their dismissal. However, if the local school administrative unit offers the dismissed career employee a position for which he is certified and he refuses it, his name shall be removed from the priority list.~~"

TEACHING FELLOWS ADMINISTRATIVE REDUCTION

SECTION 7.24. G.S. 115C-363.23A(f) reads as rewritten:

"**§ 115C-363.23A. Teaching Fellows Program established; administration.**

...

(f) All funds appropriated to or otherwise received by the Teaching Fellows Program for scholarships, all funds received as repayment of scholarship loans, and all interest earned on these funds, shall be placed in a revolving fund. This revolving fund shall be used for scholarship loans granted under the Teaching Fellows Program. With the prior approval of the General Assembly in the Current Operations Appropriations Act, the revolving fund may also be used for campus and summer program support, and costs related to disbursement of awards and collection of loan repayments.

The Public School Forum, as administrator for the Teaching Fellows Program, may use up to ~~eight hundred ten thousand dollars ($810,000)~~six hundred thousand dollars ($600,000) annually from the fund balance for costs associated with administration of the Teaching Fellows Program."

RESIDENTIAL SCHOOLS

SECTION 7.25.(a) The General Assembly finds that the operation of the Eastern North Carolina School for the Deaf, the Governor Morehead School for the Blind, and the North Carolina School for the Deaf (collectively, the "residential schools") no longer meets the needs of the populations they serve in an efficient and effective manner, and that current levels of utilization of the residential schools can be accommodated with two schools. No later than January 15, 2012, the Department shall report to the Joint Legislative Education Oversight Committee of the General Assembly the residential school it has decided to close and the Department's plan for consolidating the programs with those at the two remaining schools. The Department shall base its choice of the residential school to be closed on the following considerations:

(1) Minimization of impact on services to deaf and blind students currently served by the residential schools.

(2) Minimization of costs of modifications at the two remaining residential schools to accommodate students from the closed school.

(3) Maximization of funds generated or net savings to the State from costs avoided due to the closure of one residential school and the sale or transfer to other State agencies of the school campus and other physical assets.

Effective July 1, 2012, the Department of Public Instruction shall carry out the closure and consolidation described in its report.

SECTION 7.25.(b) The Department of Public Instruction shall ensure that the residential and instructional schedules for the residential schools that were in effect before February 8, 2010, shall remain in effect unless the General Assembly approves a material change to the instructional week. 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 shall also maintain summer school programming at the residential schools in substantially the same manner as in prior years and shall make no material changes to summer school programming without the approval of the General Assembly.

SECTION 7.25.(c) The Department of Public Instruction may create a principal position at each residential school not currently assigned a principal position from funds appropriated in this act for the residential schools.

SECTION 7.25.(d) The position of superintendent for the residential schools within the Department of Public Instruction is eliminated. The Department shall designate one of the directors of the residential schools to serve as the superintendent for the residential schools. Of funds previously appropriated to the Department for the position of superintendent for the residential schools, the sum of twenty thousand dollars ($20,000) shall be used to supplement the salary of the director who also serves as superintendent of residential schools. The remaining funds shall be used to offset other reductions to the residential schools made in this act.

SECTION 7.25.(e) G.S. 115C-325(p) reads as rewritten:

"(p) Section Applicable to Certain Institutions. – Notwithstanding any law or regulation to the contrary, this section shall apply to all persons employed in teaching and related educational classes in the schools and institutions of the Departments of Health and Human Services, Public Instruction, Correction, or Juvenile Justice and Delinquency Prevention regardless of the age of the students."

DEPARTMENT OF PUBLIC INSTRUCTION RECEIPTS

SECTION 7.27. Notwithstanding G.S. 143C-6-4(b)(3), the Department of Public Instruction may realign receipts among the following General Fund purpose codes on a recurring basis through the budget certification process for the sole purpose of correctly aligning the certified budget with the appropriate purpose or programs as defined in G.S. 143C-1-1(d)(23): 1000, 1100, 1300, 1330, 1430, 1500, 1600, 1640, and 1660.

SCHOOL BUS PURCHASES

SECTION 7.28.(a) G.S. 115C-249 reads as rewritten:

"§ 115C-249. Purchase and maintenance of school buses, materials and supplies.

...

~~(c) Any funds appropriated from time to time by the General Assembly for the purchase of school buses or service vehicles shall be allocated by the State Board of Education to the respective local boards of education in accordance with the requirements of such boards as determined by the State Board of Education, and thereupon shall be paid over to the respective local boards of education in accordance with such allocation.~~

(d) The title to any ~~additional or replacement~~ school bus or service vehicle purchased pursuant to the provisions of this section, shall be taken in the name of the board of education of such local school administrative unit, and such bus shall in all respects be maintained and operated pursuant to the provisions of this ~~Article in the same manner as any other public school bus.~~Article.

(e) It shall be the duty of the county board of education to provide adequate buildings and equipment for the storage and maintenance of all school buses and service vehicles owned or operated by the board of education of any local school administrative unit in such county. It shall be the duty of the tax-levying authorities of such county to provide in its capital outlay budget for the construction or acquisition of such buildings and equipment as may be required for this purpose.

~~(f) In the event of the damage or destruction of any school bus or service vehicle by fire, collision, or otherwise, the board of education of the local school administrative unit which shall own or operate such bus or service vehicle may apply to the State Board of Education for funds with which to replace it. If the State Board of Education finds that such bus or service vehicle has been destroyed or damaged to the extent that it cannot be made suitable for further use, and if the State Board of Education finds that the replacement of such bus or service vehicle is necessary in order to enable such local school administrative unit to operate properly its school bus transportation system, the State Board of Education shall allot to the board of education of such local school administrative unit from the funds now held by the State Board of Education for the replacement of school buses or service vehicles, or from funds hereafter appropriated by the General Assembly for that purpose, a sum sufficient to purchase a new school bus or service vehicle to be used as a replacement for such damaged or destroyed bus or service vehicle and upon such allocation such sum shall be paid over to or for the account of the board of education of such local school administrative unit for such purpose.~~

(g) Repealed by Session Laws 2003-147, s. 3, effective for a local school administrative unit when the unit is certified as being E-Procurement compliant, or April 1, 2004, whichever occurs first.

~~(h) Appropriations by the General Assembly for the purchase of public school buses shall not revert to the General Fund. Any unexpended portion of those appropriations shall at the end of each fiscal year be transferred to a reserve account and be held, together with any other funds appropriated for the purpose, for the purchase of public school buses.~~"

SECTION 7.28.(b) G.S. 115C-426(f)(4) reads as rewritten:

"(f) The capital outlay fund shall include appropriations for:

...

(4) The acquisition of school ~~buses as additions to the fleet.~~buses.

...."

SECTION 7.28.(c) During the 2011-2012 fiscal year, local boards of education shall use allotments for replacement school buses only for purchases during that fiscal year or for 2011-2012 fiscal year payments for purchase financing contracts entered into during prior years, and shall not use the funds to enter into a purchase financing contract that will require State funding in future fiscal years.

SECTION 7.28.(d) Subsections (a) and (b) of this section take effect July 1, 2012.

INCREASE NUMBER OF INSTRUCTIONAL DAYS

SECTION 7.29. G.S. 115C-84.2 reads as rewritten:

"**§ 115C-84.2. School calendar.**

(a) School Calendar. – Each local board of education shall adopt a school calendar consisting of 215 days all of which shall fall within the fiscal year. A school calendar shall include the following:

(1) **(See notes)** A minimum of ~~180~~185 days and ~~1,000~~1,025 hours of instruction covering at least nine calendar months. The local board shall designate when the ~~180~~185 instructional days shall occur. The number of instructional hours in an instructional day may vary according to local board policy and does not have to be uniform among the schools in the administrative unit. Local boards may approve school improvement plans that include days with varying amounts of instructional time. If school is closed early due to inclement weather, the day and the scheduled amount of instructional hours may count towards the required minimum to the extent allowed by State Board policy. The school calendar shall include a plan for making up days and instructional hours missed when schools are not opened due to inclement weather.

(1a) Repealed by Session Laws 2004-180, s. 1, effective August 9, 2004.

(2) A minimum of 10 annual vacation leave days.

(3) The same or an equivalent number of legal holidays occurring within the school calendar as those designated by the State Personnel Commission for State employees.

~~(4) Five days, as designated by the local board, for use as teacher workdays. These days shall be protected to allow teachers to complete instructional and classroom administrative duties. The local school administrative unit shall~~

~~not impose any additional tasks on these days. The local board shall schedule one of these days at the beginning of the school year and one at the end of each academic quarter.~~

(5) The remaining days scheduled by the local board in consultation with each school's principal for use as teacher workdays, additional instructional days, or other lawful purposes. Before consulting with the local board, each principal shall work with the school improvement team to determine the days to be scheduled and the purposes for which they should be scheduled. Days may be scheduled and planned for different purposes for different personnel and there is no requirement to schedule the same dates for all personnel. In order to make up days for school closing because of inclement weather, the local board may designate any of the days in this subdivision as additional make-up days to be scheduled after the last day of student attendance.

Local boards and individual schools are encouraged to use the calendar flexibility in order to meet the annual performance standards set by the State Board. Local boards of education shall consult with parents and the employed public school personnel in the development of the school calendar.

Local boards shall designate at least ~~seven~~ two days scheduled under ~~subdivisions (4) and~~ subdivision (5) of this subsection as days on which teachers may take accumulated vacation leave. Local boards may designate the remaining days scheduled in ~~subdivisions (4) and~~ subdivision (5) of this subsection as days on which teachers may take accumulated vacation leave, but local boards shall give teachers at least 14 calendar days' notice before requiring a teacher to work instead of taking vacation leave on any of these days. A teacher may elect to waive this notice requirement for one or more of these days.

(b) Limitations. – The following limitations apply when developing the school calendar:

(1) The total number of teacher workdays for teachers employed for a 10 month term shall not exceed 195 days.

(2) The calendar shall include at least 42 consecutive days when teacher attendance is not required unless: (i) the school is a year-round school; or (ii) the teacher is employed for a term in excess of 10 months. At the request of the local board of education or of the principal of a school, a teacher may elect to work on one of the 42 days when teacher attendance is not required in lieu of another scheduled workday.

(3) School shall not be held on Sundays.

(4) Veterans Day shall be a holiday for all public school personnel and for all students enrolled in the public schools.

(c) Emergency Conditions. – During any period of emergency in any section of the State where emergency conditions make it necessary, the State Board of Education may order general, and if necessary, extended recesses or adjournment of the public schools.

(d) Opening and Closing Dates. – Local boards of education shall determine the dates of opening and closing the public schools under subdivision (a)(1) of this section. Except for year-round schools, the opening date for students shall not be before August 25, and the closing date for students shall not be after June 10. On a showing of good cause, the State Board of Education may waive this requirement to the extent that school calendars are able to provide sufficient days to accommodate anticipated makeup days due to school closings. A local board may revise the scheduled closing date if necessary in order to comply with the minimum requirements for instructional days or instructional time. For purposes of this subsection, the term "good cause" means either that:

(1) schools in any local school administrative unit in a county have been closed eight days per year during any four of the last 10 years because of severe weather conditions, energy shortages, power failures, or other emergency situations; or

(2) schools in any local school administrative unit in a county have been closed for all or part of eight days per year during any four of the last 10 years because of severe weather conditions. For purposes of this subdivision, a school shall be deemed to be closed for part of a day if it is closed for two or more hours.

The State Board also may waive this requirement for an educational purpose. The term "educational purpose" means a local school administrative unit establishes a need to adopt a different calendar for (i) a specific school to accommodate a special program offered generally to the student body of that school, (ii) a school that primarily serves a special population of students, or (iii) a defined program within a school. The State Board may grant the waiver for an educational purpose for that specific school or defined program to the extent that the State Board finds that the educational purpose is reasonable, the accommodation is necessary to accomplish the educational purpose, and the request is not an attempt to circumvent the opening and closing dates set forth in this subsection. The waiver requests for educational purposes shall not be used to accommodate system-wide class scheduling preferences.

The required opening and closing dates under this subsection shall not apply to any school that a local board designated as having a modified calendar for the 2003-2004 school year or to any school that was part of a planned program in the 2003-2004 school year for a system of modified calendar schools, so long as the school operates under a modified calendar.

(e) Nothing in this section prohibits a local board of education from offering supplemental or additional educational programs or activities outside the calendar adopted under this section."

TESTING PROGRAM

SECTION 7.30.(a) 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 federal grants.

(b) Repealed by Session Laws 2009-451, s. 7.20(c), effective July 1, 2009.

(c) Annual Testing Program.

(1) The State Board of Education shall adopt the tests for grades three through 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 for grades nine through 12. Students who do not pass the tests adopted for eighth grade shall be provided remedial instruction in the ninth grade.

(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.

(3) The State Board of Education shall continue to participate in the development of the Common Core State Standards in conjunction with the consortium of other states, review all national assessments developed by both multistate consortia, and implement the assessments that the State Board deems most appropriate to assess student achievement on the Common Core State Standards.

(4) To the extent funds are made available, the State Board shall plan for and require the administration of the ACT test for all students in the eleventh grade unless the student has already taken a comparable test and scored at or above a level set by the State Board.

(d) Except as provided in ~~subdivision (2) of~~ subsection (c) of this section, 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 7.30.(b) Article 10A of Chapter 115C of the General Statutes is amended by adding two new Parts to read:

"Part 4. Student Diagnostic Tests.

"§ 115C-174.20. Tools for student learning.

To the extent funds are made available for this purpose, the State Board shall plan for and require the administration of diagnostic tests in the eighth and tenth grades that align to the ACT test in order to help diagnose student learning and provide for students an indication of whether they are on track to be remediation-free at a community college or university.

"Part 5. Career Readiness.

"§ 115C-174.25. WorkKeys.

To the extent funds are made available for this purpose, the State Board shall plan for and require local school administrative units to make available the appropriate WorkKeys tests for all students who complete the second level of vocational/career courses."

SECTION 7.30.(c) This section applies beginning with the 2011-2012 school year.

FUND ONE LEA PER COUNTY

SECTION 7.31.(a) Notwithstanding any other provision of law, the State Board of Education shall allot State funds on the basis of only one local school administrative unit per county beginning with the 2012-2013 fiscal year. For the 2011-2012 fiscal year, the State Board shall reduce funds allotted to city school administrative units from formulas that allot funds on a per local school administrative unit basis. For the 2012-2013 fiscal year, 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 7.31.(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.

PART VIII. COMMUNITY COLLEGES

REORGANIZATION OF THE COMMUNITY COLLEGES SYSTEM OFFICE

SECTION 8.1.(a) Notwithstanding any other provision of law, and consistent with the authority granted in G.S. 115D-3, the President of the North Carolina Community College System may reorganize the System Office in accordance with recommendations and plans submitted to and approved by the State Board of Community Colleges.

SECTION 8.1.(b) This section expires June 30, 2012.

REPEAL OBSOLETE REPORTING REQUIREMENTS

SECTION 8.2.(a) G.S. 115D-4.1(e) reads as rewritten:

"(e) The State Board of Community Colleges shall develop appropriate criteria and standards to regulate the operation of college transfer programs. ~~The criteria and standards shall require all college transfer programs to continue to meet the accreditation standards of the Southern Association of Colleges and Schools.~~

~~The State Board of Community Colleges shall report annually to the General Assembly on compliance of the community colleges with these criteria and standards.~~"

SECTION 8.2.(b) G.S. 115D-5(j) reads as rewritten:

"(j) The State Board of Community Colleges shall use its Board Reserve Fund for feasibility studies, pilot projects, start-up of new programs, and innovative ideas. ~~The State Board shall report to the Joint Legislative Education Oversight Committee on expenditures from the State Board Reserve Fund on January 15 and June 15 each year.~~"

IMPLEMENT ALTERNATIVE FORMULA MODEL

SECTION 8.3.(a) The State Board of Community Colleges shall consolidate the Health Sciences Allotment, the Technical Education Allotment, and the Special High Cost Allotment for Heavy Equipment with formula funds to support curriculum instruction.

SECTION 8.3.(b) The State Board of Community Colleges shall allocate formula funds appropriated to support curriculum instruction and the occupational education component of continuing education through a formula that provides an instructional base allocation to all colleges and allocates remaining funds on a weighted full-time equivalent (FTE) basis. In determining the appropriate weighting, the State Board of Community Colleges shall weigh curriculum courses in high-cost areas such as health care, technical education, and lab-based science courses more heavily than other curriculum courses. The State Board of Community Colleges shall also weigh continuing education courses that lead to a third-party credential or certification and courses providing an industry-designed curriculum more heavily than other occupational extension courses.

USE OF OVERREALIZED RECEIPTS TO SUPPORT ENROLLMENT GROWTH RESERVE RATHER THAN EQUIPMENT RESERVE

SECTION 8.4. G.S. 115D-31(e) reads as rewritten:

"(e) If receipts for community college tuition and fees exceed the amount certified in General Fund Codes at the end of a fiscal year, the State Board of Community Colleges shall transfer the amount of receipts and fees above those budgeted to the ~~Equipment Reserve Fund.~~Enrollment Growth Reserve. Funds in the Enrollment Growth Reserve shall not revert to the General Fund and shall remain available to the State Board until expended. The State Board may allocate funds in this reserve to colleges experiencing an enrollment increase greater than five percent (5%) of budgeted enrollment levels."

BASIC SKILLS PLUS

SECTION 8.5.(a) Notwithstanding any other provision of law, the State Board may authorize a local community college to use up to twenty percent (20%) of the State Literacy Funds allocated to it to provide employability skills, job-specific occupational and technical skills, and developmental education instruction to students concurrently enrolled in a community college course leading to a high school diploma or equivalent certificate.

SECTION 8.5.(b) Notwithstanding any other provision of law, if a community college is authorized by the State Board to provide employability skills, job-specific occupational or technical skills, or developmental education instruction to students concurrently enrolled in a community college course leading to a high school diploma or equivalent certificate, the college may waive the tuition and registration fees associated with this instruction.

CARRYFORWARD OF COLLEGE INFORMATION SYSTEM FUNDS

SECTION 8.6. Of the funds appropriated to the Community Colleges System Office for the 2011-2013 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 be used only to purchase periodic system upgrades.

EQUIPMENT FUNDING

SECTION 8.8. For the 2011-2013 fiscal biennium, community colleges may expend regular equipment allocations on equipment, repairs and renovations of existing facilities, and new construction. Colleges must match funds expended on new construction on an equal matching-fund basis in accordance with G.S. 115D-31. Notwithstanding any other provision of law, community colleges are not required to match funds expended on repairs and renovations of existing facilities.

Colleges must have capital improvement projects approved by the State Board of Community Colleges and any required matching funds identified by June 30, 2013.

CLARIFICATION REGARDING EQUIPMENT TITLED TO STATE BOARD

SECTION 8.9. G.S. 115D-15(a) reads as rewritten:

"(a) The board of trustees of any institution organized under this Chapter may, with the prior approval of the North Carolina Community Colleges System Office, convey a

right-of-way or easement for highway construction or for utility installations or modifications. When in the opinion of the board of trustees the use of any other real property owned or held by the board of trustees is unnecessary or undesirable for the purposes of the institution, the board of trustees, subject to prior approval of the State Board of Community Colleges, may sell, exchange, or lease the property. The board of trustees may dispose of any personal property owned or held by the board of trustees without approval of the State Board of Community Colleges. Personal property titled to the State Board of Community Colleges consistent with G.S. 115D-14 and G.S. 115D-58.5 may be transferred to another community college at no cost and without the approval of the Department of Administration, Division of Surplus Property.

Article 12 of Chapter 160A of the General Statutes shall apply to the disposal or sale of any real or personal property under this subsection. Personal property also may be disposed of under procedures adopted by the North Carolina Department of Administration. The proceeds of any sale or lease shall be used for capital outlay purposes, except as provided in subsection (b) of this section."

NO STATE FUNDS FOR INTERCOLLEGIATE ATHLETICS

SECTION 8.10. Article 3 of Chapter 115D of the General Statutes is amended by adding a new section to read:

"**§ 115D-42.1. Funds for an intercollegiate athletics program.**

No State funds, student tuition receipts, or student aid funds shall be used to create, support, maintain, or operate an intercollegiate athletics program at a community college."

COMMUNITY COLLEGE TUITION WAIVERS

SECTION 8.12.(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. The State Board of Community Colleges may provide by general and uniform regulations for waiver of tuition and registration fees ~~for:~~for the following:

(1) Persons not enrolled in elementary or secondary schools taking courses leading to a high school diploma or equivalent ~~certificate;~~certificate.

(2) ~~Training courses for~~ Courses requested by the following entities that support the organizations' training needs and are on a specialized course list approved by the State Board of Community Colleges:

a. ~~(i) volunteer firemen,~~Volunteer fire departments.

b. ~~(ii) local fire department personnel,~~ Municipal, county, or State fire departments.

c. ~~(iii) volunteer rescue and lifesaving department personnel,~~Volunteer EMS or rescue and lifesaving departments.

d. ~~(iv) local rescue and lifesaving department personnel,~~ Municipal, county, or State EMS or rescue and lifesaving departments.

e. ~~(v) Radio Emergency Associated Citizens Team (REACT) members when the REACT team is under contract to a county as an emergency response agency, (vi) municipal, county, or State law enforcement officers,~~Municipal, county, or State law enforcement agencies.

f. ~~(vii) all full-time custodial employees of the Department of Correction, and~~ The Department of Correction for the training of full-time custodial employees and employees of the Department's Division of Community Corrections required to be certified under Chapter 17C of the General Statutes and the rules of the Criminal Justice and Training Standards Commission.

g. ~~(viii) employees of the Department's Division of Community Corrections and employees of the~~ The Department of Juvenile Justice and Delinquency Prevention for the training of employees 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;~~

(4) Trainees enrolled in courses conducted under the Customized Training ~~Program;~~Program.

~~(5) Clients of sheltered workshops;~~

~~(6) Clients of adult developmental activity programs;~~

~~(7) Students in Health and Human Services Development Programs;~~

~~(8) Juveniles of any age committed to the Department of Juvenile Justice and Delinquency Prevention by a court of competent 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;~~

(10) Elementary and secondary school employees enrolled in courses in first aid or cardiopulmonary resuscitation ~~(CPR);~~(CPR).

(11) Up to six hours of credit instruction and one course of noncredit instruction per academic semester for senior citizens age 65 or older who are qualified as legal residents of North ~~Carolina;~~Carolina.

(12) All curriculum 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.

(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; and~~guidelines.

~~(14) Prison inmates.~~

The State Board of Community Colleges shall not waive tuition and registration fees for other individuals."

SECTION 8.12.(b) G.S. 115D-5 is amended by adding a new subsection to read:

"(b1) The State Board of Community Colleges shall not waive tuition and registration fees for community college faculty or staff members. Community colleges may, however, use State or local funds to pay tuition and registration fees for one course per semester for full-time community college faculty or staff members employed for a nine-, ten-, eleven-, or twelve-month term."

SECTION 8.12.(c) The Community Colleges System Office shall transfer funds appropriated for curriculum and continuing education instruction to the Department of Correction. The Department of Correction shall use these funds to pay tuition and fees for prisoners.

The amount transferred shall be calculated by multiplying the number of curriculum and continuing education FTE served in prisons in the 2010-2011 fiscal year by the per capita budgeted receipts for curriculum and continuing education.

This subsection is projected to result in a reduction of up to forty-three percent (43%) in the number of curriculum and continuing education courses provided to prisoners.

SECTION 8.12.(d) G.S. 115D-39(a1) reads as rewritten:

"(a1) In addition, ~~any~~ federal law enforcement ~~officer~~ officers, firefighters, EMS personnel, and rescue and lifesaving personnel whose permanent duty station is within North Carolina shall also be eligible for the State resident community college tuition rate for ~~law enforcement training courses.~~courses that support their organizations' training needs and are approved for this purpose by the State Board of Community Colleges."

FUNDING FOR MULTICAMPUS CENTERS

SECTION 8.13. 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 December 1 of each year.

All multicampus centers approved by the State Board of Community Colleges shall receive funding under the same formula. The State Board of Community Colleges shall not approve any additional multicampus centers without identified recurring sources of funding."

STUDY COMMUNITY COLLEGE PERFORMANCE MEASURES

SECTION 8.14. The State Board of Community Colleges shall report to the Joint Legislative Education Oversight Committee by March 1, 2012, on a revised set of accountability measures and performance standards by which to evaluate and measure student progress and student success, including measures of graduation rates and course completions. The report shall include a plan to incorporate these revised accountability measures and performance standards into regular formula funding. These revised accountability measures and performance standards shall also be the basis for the allocation of performance funding, in accordance with G.S. 115D-31.3(g) and (h).

COMMUNITY COLLEGE AUDITS

SECTION 8.15. Article 4A of Chapter 115D of the General Statutes is amended by adding a new section to read:

"**§ 115D-58.16. Audits.**

(a) Each community college shall be audited a minimum of once every two years. Community colleges may use State funds to contract with the State Auditor or with a certified public accountant to perform the audits. The colleges shall submit the results of the audits to the State Board of Community Colleges.

The State Board of Community Colleges shall ensure that all colleges are audited in accordance with this section.

(b) Notwithstanding the provisions of Chapter 143D of the General Statutes, a community college shall not be subject to the EAGLE program administered by the Office of the State Controller unless (i) there is a finding of internal control problems in the most recent financial audit of the college or (ii) the State Board of Community Colleges determines that a college should be subject to the program."

ENROLLMENT GROWTH

SECTION 8.16.(a) It is the intent of the General Assembly to ensure that there is an increase in funding for community college technology and equipment when enrollment increases; therefore, the continuation budget requirements proposed by the Director of the Budget in accordance with G.S. 143C-3-5 to fund the community college enrollment growth shall include adjustments necessary to fund additional equipment FTE at the prior year's rate.

SECTION 8.16.(b) Beginning with any adjustments to the 2011-2012 fiscal year budget, and annually thereafter, the State Board of Community Colleges' requests for funding enrollment growth shall provide a detailed description of the costs of educating community college students. This request shall be based on the current year's enrollment, listed by college and aggregated for the system as a whole.

SECTION 8.16.(c) Enrollment requests shall include the following information for each community college:

(1) The budgeted enrollment for the current year, divided between the categories of instruction: curriculum, continuing education, and Basic Skills.

(2) The budgeted enrollment for the current year, divided between tiers of instruction, as set forth in Section 8.3 of this act.

(3) The actual enrollment for the two years prior to the current year.

(4) A five-year enrollment projection at each community college by category and tier of instruction.

(5) The projected requirements and anticipated tuition receipts for the growth in regular-term enrollment.

(6) The costs per FTE in each category and tier of instruction, to include the following component parts:

a. Instructional costs, including faculty salaries and other costs.

b. Student support services and other college administrative costs.

EXEMPT COMMUNITY COLLEGES FROM APA

SECTION 8.18.(a) G.S. 150B-1(d)(14) and (19) are repealed.

SECTION 8.18.(b) G.S. 150B-1 is amended by adding a new subsection to read:

"(g) Exemption for the Community Colleges System Office. – Except as provided in G.S. 143-135.3, no Article in this Chapter except Article 4 applies to the Community Colleges System Office."

SECTION 8.18.(c) This act is effective when it becomes law.

CAPITAL IMPROVEMENTS AT COMMUNITY COLLEGES

SECTION 8.19.(a) G.S. 115D-9 reads as rewritten:

"**§ 115D-9. Powers of State Board regarding certain fee negotiations, contracts, and capital improvements.**

(a) The expenditures of any State funds for any capital improvements of existing institutions shall be subject to the prior approval of the State Board of Community Colleges and the Governor. The expenditure of State funds at any institution herein authorized to be approved by the State Board under G.S. 115D-4 shall be subject to the terms of the State Budget Act unless specifically otherwise provided in this Chapter.

(b) Notwithstanding G.S. 143-341(3), the State Board of Community Colleges may, with respect to design, construction, repair, or renovation of buildings, utilities, and other ~~State or non-State-funded~~ State-funded property developments of the North Carolina Community College System requiring the estimated expenditure of public money of ~~one million dollars ($1,000,000)~~ four million dollars ($4,000,000) or less:

(1) Conduct the fee negotiations for all design contracts and supervise the letting of all construction and design contracts.

(2) Develop procedures governing the responsibilities of the North Carolina Community College System and its community colleges to perform the duties of the Department of Administration and the Director or Office of State Construction under G.S. 133-1.1(d) and G.S. 143-341(3).

(3) Use existing plans and specifications for construction projects, where feasible. Prior to designing a project, the State Board shall consult with the Department of Administration on the availability of existing plans and specifications and the feasibility of using them for a project.

(c) The State Board may delegate its authority under subsection (b) of this section to a community college if the community college is qualified under guidelines adopted by the State Board and approved by the State Building Commission and the Director of the Budget.

(d) The North Carolina Community College System shall use the standard contracts for design and construction currently in use for State capital improvement projects by the Office of State Construction of the Department of Administration.

(e) A contract may not be divided for the purpose of evading the monetary limit under this section.

(f) Notwithstanding any other provision of this Chapter, the Department of Administration shall not be the awarding authority for contracts awarded under subsections (b) or (c) of this section.

(g) The State Board shall annually report to the State Building Commission the following:

(1) A list of projects governed by this section.

(2) The estimated cost of each project along with the actual cost.

(3) The name of each person awarded a contract under this section.

(4) Whether the person or business awarded a contract under this section meets the definition of "minority business" or "minority person" as defined in G.S. 143-128.2(g).

(h) The provisions of G.S. 143-341(3) shall not apply to a capital improvement project funded with non-State funds if the State Board of Community Colleges determines that the college has the expertise necessary to manage the project unless the assistance of the Office of State Construction is requested."

SECTION 8.19.(b) This section is effective when it becomes law and applies to projects initiated on or after that date.

ADDITIONAL FLEXIBILITY WITH REGARD TO COMMUNITY COLLEGE INVESTMENTS

SECTION 8.20.(a) G.S. 115D-58.6 reads as rewritten:

"**§ 115D-58.6. Investment of idle cash.**

(a) Definitions. – As used in this section the following definitions apply:

(1) "Cash balance" means the amount equal to all moneys received into institutional fund accounts minus all expenses and withdrawals from those accounts in an official depository of the institution as designated by the local board of trustees consistent with G.S. 115D-58.7.

(2) "Official depository" means one or more banks, savings and loan associations, or trust companies in North Carolina that a community college board of trustees has designated consistent with G.S. 115D-58.7.

(a1) Deposits. – The institution may deposit at interest ~~or invest~~ all or part of the cash balance of any fund in an official depository of the institution. ~~The institution shall manage investments subject to whatever restrictions and directions the board of trustees may impose. The institution shall have the power to purchase, sell, and exchange securities on behalf of the board of trustees. The investment program shall be so managed that investments and deposits can be converted into cash when needed.~~Moneys may be deposited at interest in any official depository of the institution in the form of certificates of deposit or such other forms of time deposits as may be approved for county governments. In addition, moneys may be deposited in the form of certificates of deposit as provided for a local government or public authority in G.S. 159-30(b1). Investment deposits shall be secured as provided in G.S. 159-31(b).

~~(b) Moneys may be deposited at interest in any bank, savings and loan association or trust company in this State in the form of certificates of deposit or such other forms of time deposits as may be approved for county governments. In addition, moneys may be deposited in the form of certificates of deposit as provided for a local government or public authority in G.S. 159-30(b1). Investment deposits shall be secured as provided in G.S. 159-31(b).~~

~~(c)~~(b) Investments. – The institution may invest all or part of the cash balance of any fund in an official depository of the institution. The institution shall manage investments subject to whatever restrictions and directions the board of trustees may impose. The institution shall have the power to purchase, sell, and exchange securities on behalf of the board of trustees. The investment program shall be so managed that investments and deposits can be converted into cash when needed.

(1) Moneys ~~may~~ shall only be invested in the form of investments pursuant to G.S. 159-30(c) to county governments ~~and no others.~~or in any form of investment established or managed by an investment advisor who is registered and in good standing with either the Securities and Exchange Commission or the North Carolina Secretary of State, Securities Division, and is a member of the Securities Investor Protection Corporation. Money in endowment funds may be invested pursuant to G.S. 147-69.2. Provided, however, the institution may elect to deposit at interest any local funds with the State Treasurer for investment as special trust funds pursuant to the provisions of G.S. 147-69.3, and the interest thereon shall accrue to the institution as local funds.

~~(d) Investment~~

(2) The investment securities listed in G.S. 159-30(c) may be bought, sold, and traded by private negotiation, and the institutions may pay all incidental costs thereof and all reasonable costs of administering the investment and deposit program from local funds. The institution shall be responsible for their safekeeping and for keeping accurate investment accounts and records.

~~(e)~~(c) Interest earned on deposits and investments shall be credited to the fund whose cash is deposited or invested. Cash of several funds may be combined for deposit or investment if not otherwise prohibited by law; and when such joint deposits or investments are made, interest earned shall be prorated and credited to the various funds on the basis of the amounts thereof invested, figured according to an average periodic balance or some other sound accounting principle. Interest earned on the deposit or investment of bond funds shall be deemed a part of the bond proceeds.

~~(f)~~(d) Registered securities acquired for investment may be released from registration and transferred by signature of the official designated by the board of ~~trustees."~~trustees.

(e) The Board of Trustees shall appoint an Investment Committee which shall consist of a minimum of three people who have sufficient financial background to review and evaluate investment options. These individuals should have experience in institutional or retail investment management with knowledge of fixed income and public equities. This committee shall make recommendations to the Board on those investment options, as well as monitor the performance of investments once made.

(f) The Board of Trustees shall discharge their duties with respect to the management and investment of college funds as follows:

(1) Investment decisions shall be solely in the interest of the college and the students, faculty, and staff of the college.

(2) The investments shall be for the exclusive purpose of providing an adequate return to the college.

(3) Investments shall be made with the care, skill, and caution under the circumstances then prevailing which a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of like character and purpose.

(4) Investment decisions shall be made impartially, taking into account the best interest of the college, with special attention to conflicts of interest or potential conflicts of interest.

(5) Investments shall incur only costs that are appropriate and reasonable."

SECTION 8.20.(b) G.S. 147-69.2 is amended by adding a new subdivision to read:

"(20) Institutional funds of the colleges of the North Carolina Community College System."

PART IX. UNIVERSITIES

CENTER FOR PUBLIC TELEVISION CONTINUATION REVIEW

SECTION 9.1.(a) A continuation review of the Center for Public Television shall be prepared jointly by The University of North Carolina General Administration and The University of North Carolina Center for Public Television. The review shall be submitted to the House of Representatives and Senate Appropriations Subcommittees on Education no later than March 31, 2012. The written report shall include the information listed in subsection (b) of this section.

SECTION 9.1.(b) The continuation review required by this section shall include all of the following information:

(1) A description of the services provided by the Center for Public Television and its mission, goals, and objectives.

(2) The program's statutory objectives and the problem or need addressed.

(3) The extent to which the program's objectives have been achieved.

(4) The program's functions or programs performed without specific statutory authority.

(5) The program's performance measures and the process by which the performance measures determine efficiency and effectiveness.

(6) Recommendations for statutory, budgetary, or administrative changes needed to improve efficiency and effectiveness of services delivered to the public.

(7) The consequences of discontinuing funding.

(8) Recommendations for improving services or reducing costs or duplication.

(9) The identification of policy issues that should be brought to the attention of the General Assembly.

(10) Any other information necessary to fully support the General Assembly's Continuation Review Program, along with any information included in instructions from the Fiscal Research Division.

UNIVERSITY CANCER RESEARCH FUND REPORTING REQUIREMENT

SECTION 9.4. G.S. 116-29.1 is amended by adding a new subsection to read:

"(g) Report. – By November 1 of each year, the Cancer Research Fund Committee shall provide to the Joint Legislative Education Oversight Committee and to the Office of State

Budget and Management an annual financial report which shall include the following components:

(1) Accounting of expenditures of State funds related to strategic initiatives, development of infrastructure, and ongoing administrative functions.

(2) Accounting of expenditures of extramural funds related to strategic initiatives, development of infrastructure, and ongoing administrative functions.

(3) Measures of impact to the State's economy in the creation of jobs, intellectual property, and start-up companies.

(4) Other performance measures directly related to the investment of State funds.

(5) Accounting of any fund balances retained by the Fund, along with information about any restrictions on the use of these funds."

UNC BOARD OF GOVERNORS REVIEW OF FACULTY RECRUITMENT AND RETENTION

SECTION 9.5. The Board of Governors of The University of North Carolina shall review its current policies regarding financial incentives to retain faculty. The review shall focus on the prioritization of recruitment and retention funds and the identification of key metrics to measure overall program effectiveness. The Board of Governors shall report its findings and recommendations for changes to the policies, if any, to the Joint Legislative Education Oversight Committee, the Office of State Budget and Management, and the Fiscal Research Division by April 1, 2012.

UNC MANAGEMENT FLEXIBILITY REDUCTION

SECTION 9.6.(a) 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 all of the following:

(1) Reducing State funding for centers and institutes, speaker series, and other nonacademic activities.

(2) Faculty workload adjustments.

(3) Restructuring of research activities.

(4) Implementing cost-saving span of control measures.

(5) Reducing the number of senior and middle management positions.

(6) Eliminating low-performing, redundant, or low-enrollment programs.

(7) Protecting direct classroom services, including faculty members and adjunct professors.

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 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.

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.

When implementing personnel reductions, the Board of Governors and the campuses shall make every effort to abolish vacant positions first.

SECTION 9.6.(b) In allocating the management flexibility reduction, State funds shall not be reduced in either fiscal year of the biennium by more than fifteen percent (15%) from the Governor's Recommended Continuation Budget for the 2011-2013 fiscal biennium for any of the following:

(1) Hickory Metro Higher Education Center.

(2) Joint Graduate School of Nanoscience and Nanoengineering at North Carolina Agricultural and Technical State University and the University of North Carolina at Greensboro.

(3) The North Carolina Research Campus.

(4) Agricultural Extension.
(5) Agricultural Research.
(6) University of North Carolina School of the Arts.
(7) North Carolina Judicial College of the UNC School of Government.

SECTION 9.6.(c) In allocating the management flexibility reduction, no reduction in State funds shall be allocated in either fiscal year of the 2011-2013 biennium to any of the following:

(1) Center for Turfgrass Environmental Research and Education at North Carolina State University.
(2) Need-Based Financial Aid.
(3) Aid to Private Colleges.

ADVISORY COMMISSION ON MILITARY AFFAIRS/MODIFY MEMBERSHIP

SECTION 9.6A. G.S. 127C-2 reads as rewritten:

"**§ 127C-2. Membership.**

(a) The North Carolina Advisory Commission on Military Affairs shall consist of 21 voting members, who shall serve on the Executive Committee, and ~~15~~17 nonvoting, ex officio members who shall serve by reason of their positions.

(b) The Executive Committee shall be appointed as follows:
(1) Three members appointed by the Speaker of the House of Representatives, one of whom shall be a member of a recognized veterans' organization.
(2) Three members appointed by the President Pro Tempore of the Senate, one of whom shall be a member of a recognized veterans' organization.
(3) Fifteen members appointed by the Governor, consisting of:
a. Three representatives from the Jacksonville community.
b. Three representatives from the Havelock community.
c. Three representatives from the Goldsboro community.
d. Three representatives from the Fayetteville community.
e. Three public members from across the State.

(c) The following members, or their designee, shall serve ex officio:
(1) The Lieutenant Governor.
(1a) Secretary of Crime Control and Public Safety.
(2) Secretary of Commerce.
(2a) The Secretary of Transportation.
(2b) The Secretary of the Department of Environment and Natural Resources.
(3) Commanding General 18th Airborne Corps, Fort Bragg.
(4) Commanding General Marine Corps Base, Camp Lejeune.
(5) Commanding General Marine Corps Air Station, Cherry Point.
(6) Commander 4th FW, Seymour Johnson Air Force Base.
(7) Commander 43rd Airlift Wing, Pope Air Force Base.
(8) Commander of the U.S. Coast Guard Support Center, Elizabeth City.
(9) Adjutant General of the North Carolina National Guard.
(10) The Executive Director of the North Carolina League of Municipalities.
(11) The Executive Director of the North Carolina Association of County Commissioners.
(12) The Assistant Secretary for Veterans Affairs, Department of Administration.
(13) The President of The University of North Carolina.
(14) The President of the North Carolina Community College System.

(d) The Governor shall designate one member of the Executive Committee appointed pursuant to subsection (b) of this section to serve as chair. The Executive Committee shall elect four persons from amongst its membership to serve as vice-chairs.

(e) The terms of the members of the Executive Committee shall be as follows:
(1) The members initially appointed by the Speaker of the House of Representatives and the President Pro Tempore of the Senate shall serve terms ending on December 31, 2003.
(2) Seven of the members appointed by the Governor shall serve initial terms ending on December 31, 2002.
(3) Eight of the members appointed by the Governor shall serve initial terms ending on December 31, 2003.

Thereafter, all members shall serve two-year terms."

CLARIFICATION/GENERAL FUND APPROPRIATIONS CARRIED FORWARD BY UNC SHALL NOT BE USED FOR CAPITAL IMPROVEMENTS

SECTION 9.6B. G.S. 116-30.3 is amended by adding a new subsection to read:

"(f) No funds carried forward pursuant to this section shall be used for a capital improvement as defined in G.S. 143C-1-1."

ALLOW CHANCELLORS OF CONSTITUENT INSTITUTIONS TO APPROVE CERTAIN REPAIR AND MAINTENANCE PROJECTS AND FUND THOSE WITH AVAILABLE OPERATING FUNDS

SECTION 9.6C. G.S. 116-13.1 reads as rewritten:

"**§ 116-13.1. Capital facilities; ~~reports.~~reports; chancellors may authorize certain repair, renovation, and maintenance projects.**

(a) The General Assembly finds that although The University of North Carolina is one of the State's most valuable assets, the current facilities of the University have been allowed to deteriorate due to decades of neglect and have unfortunately fallen into a state of disrepair because of inadequate attention to maintenance. It is the intent of the General Assembly to reverse this trend and to provide a mechanism to assure that the University's capital assets are adequately maintained. The General Assembly commits to responsible stewardship of these assets to protect their value over the years, as follows:

(1) The Board of Governors of The University of North Carolina shall require each constituent and affiliated institution to monitor the condition of its facilities and their needs or repair and renovation, and to assure that all necessary maintenance is carried out within funds available.

(2) The Board of Governors shall report annually to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Education Oversight Committee on the condition of the University's capital facilities, the repair, renovation, and maintenance projects being undertaken, and all needs for additional funding to maintain the facilities.

(3) It is the intent of the General Assembly to assure that adequate oversight, funding, and accountability are continually provided so that the capital facilities of the University are properly maintained to preserve the level of excellence the citizens of this State deserve. To this end, the Joint Legislative Education Oversight Committee shall report to the General Assembly annually its recommendations for legislative changes to implement this policy.

(b) Equity in University Improvements. – The Board of Governors of The University of North Carolina shall continue to study and monitor any inequities in funding for capital improvements and facilities needs which may still exist on North Carolina's Public Historically Black Colleges and Universities and North Carolina's Historically American Indian University, the University of North Carolina at Pembroke, beyond the funding of the projects provided for in this act, and shall report annually to the Joint Legislative Commission on Governmental Operations on any remaining inequities found, including recommendations as to how those inequities should be addressed.

(c) Approval of Certain Repair and Maintenance Projects. – Notwithstanding G.S. 143C-8-7, the chancellor of a constituent institution may approve the expenditure of available operating funds in an amount not to exceed one million dollars ($1,000,000) per project for repairs to institution facilities, renovations to institution facilities, maintenance of those facilities, and related equipment purchases. Funds contractually obligated to an approved project shall not revert at the end of the fiscal year and will remain available to fund the completion of the project. Projects approved pursuant to this subsection shall in all other respects accord with applicable laws governing capital improvement projects."

AUTHORIZE BOARD OF GOVERNORS TO PERMIT NORTH CAROLINA STATE UNIVERSITY TO SELF-PERFORM ENERGY CONSERVATION MEASURES AND TO AUTHORIZE ENERGY SAVINGS REALIZED BY NORTH CAROLINA STATE UNIVERSITY TO BE USED AS A SOURCE OF REPAYMENT FOR CERTAIN DEBTS

SECTION 9.6D.(a) Article 3B of Chapter 143 of the General Statutes is amended by adding a new section to read:

"**§ 143-64.17L. Board of Governors may authorize energy conservation measures at constituent institutions.**

(a) Authority. – Notwithstanding the provisions of this Part to the contrary, the Board of Governors of The University of North Carolina may authorize any constituent institution listed in subsection (e) of this section to implement an energy conservation measure without entering into a guaranteed energy savings contract if both of the following conditions are met:

(1) The Board of Governors finds that the energy savings resulting from the implementation of the energy conservation measure shall, according to the energy savings analysis received pursuant to G.S. 143-64.17M(a), equal or exceed the total cost of implementing the measure. If the proposed implementation will be financed with debt, then the energy savings analysis must project sufficient energy savings to pay the debt service on any bonds to be issued. As used in this subdivision, the term 'total cost' shall have the same meaning as it does in G.S. 143-64.17B(d).

(2) The energy conservation measure is for an existing building or utility system.

(b) Scope of Authority. – In implementing an energy conservation measure pursuant to subsection (a) of this section, the Board of Governors may undertake or authorize any constituent institution listed in subsection (e) of this section to undertake any action that (i) could be required of a qualified provider under a guaranteed energy savings contract or (ii) is otherwise permissible under this Part.

(c) Projects Consisting of Multiple Energy Conservation Measures. – The Board of Governors may authorize the implementation of multiple energy conservation measures simultaneously as part of a single project. When doing so, the findings required by subsection (a) of this section may be made with respect to the project as a whole and need not be made with respect to individual energy conservation measures. Similarly, the analyses required by G.S. 143-64.17M may be conducted for the project as a whole instead of for individual energy conservation measures.

(d) Continuing Applicability of Part to Contracts. – If the Board of Governors or a constituent institution implements an energy conservation measure through a guaranteed energy savings contract, that contract shall accord in all respects with the requirements of this Part.

(e) The Board of Governors may authorize North Carolina State University to implement an energy conservation measure without entering into a guaranteed energy savings contract pursuant to this section."

SECTION 9.6D.(b) Article 3B of Chapter 143 of the General Statutes is amended by adding a new section to read:

"**§ 143-64.17M. Energy savings analysis required prior to implementation; post-implementation analyses required.**

(a) Energy Savings Analysis Required Prior to Implementation. – Prior to implementing an energy conservation measure pursuant to G.S. 143-64.17L, an energy savings analysis shall be performed to validate the economic assumptions that purportedly support the implementation of the measure. This analysis shall be performed by a third party selected by the constituent institution and shall include an energy consumption analysis to develop a baseline of previous costs of all utilities' energy consumption for the institution on the assumption that the energy conservation measure was not undertaken. The completed analysis shall be submitted to The University of North Carolina General Administration and to the State Energy Office.

(b) Post-Implementation Analyses Required. – A constituent institution that implements an energy conservation measure pursuant to G.S. 143-64.17L shall retain a third party to perform an annual measurement and verification of energy savings resulting from the energy conservation measure as compared to the baseline of previous costs set forth in the energy savings analysis required by subsection (a) of this section. The third party shall annually provide a reconciliation statement based upon the results of a preagreed upon measurement, monitoring, and verification protocol which shall disclose any shortfall or surplus between the estimated energy usage and operational savings set forth in the energy savings analysis required by subsection (a) of this section and actual, not stipulated, energy usage and operational savings incurred during a given year.

If a reconciliation statement reveals a shortfall in energy savings for a particular year, the constituent institution shall be responsible for and shall pay the shortfall. However, the institution shall not be held responsible for losses due to natural disasters or other emergencies. Any surplus shall be retained by the institution and may be used in the same manner as any other energy savings."

SECTION 9.6D.(c) G.S. 116-30.3B(b) reads as rewritten:

"(b) It is the intent of the General Assembly that appropriations to the Board of Governors on behalf of a constituent institution not be reduced as a result of the institution's realization of energy savings. Instead, the General Assembly intends that the amount of appropriations be determined as if no energy savings had been realized. The Director of the Budget shall not decrease the recommended continuation budget requirements for utilities for constituent institutions by the amount of energy savings realized from implementing energy conservation measures, including savings achieved through a guaranteed energy savings contract."

SECTION 9.6D.(d) G.S. 143-64.17F(b) reads as rewritten:

"(b) The Department of Administration, in consultation with the Department of Commerce through the State Energy Office, shall adopt rules for: (i) agency evaluation of guaranteed energy savings contracts; (ii) establishing time periods for consideration of guaranteed energy savings contracts by the Office of State Budget and Management, the Office of the State Treasurer, and the Council of State, and (iii) setting measurements and verification criteria, including review, audit, and precertification. Prior to adopting any rules pursuant to this section, the Department shall consult with and obtain approval of those rules from the State Treasurer. The rules adopted pursuant to this subsection shall not apply to energy conservation measures implemented pursuant to G.S. 143-64.17L."

SECTION 9.6D.(e) G.S. 143-64.17H reads as rewritten:

"§ 143-64.17H. Report on guaranteed energy savings contracts entered into by State governmental units.

A State governmental unit that enters into a guaranteed energy savings contract or implements an energy conservation measure pursuant to G.S. 143-64.17L must report either (i) the contract and the terms of the ~~contract~~ contract or (ii) the implementation of the measure to the State Energy Office of the Department of Commerce within 30 days of the date the contract is entered ~~into.~~ into or the measure is implemented. In addition, within 60 days after each annual anniversary date of a guaranteed energy savings contract, the State governmental unit must report the status of the contract to the State Energy Office, including any details required by the State Energy Office. The State Energy Office shall compile the information for each fiscal year and report it to the Joint Legislative Commission on Governmental Operations and to the Local Government Commission annually by December 1. In compiling the information, the State Energy Office shall include information on the energy savings expected to be realized from a contract or implementation and shall evaluate whether expected savings have in fact been realized."

SECTION 9.6D.(f) G.S. 142-63 reads as rewritten:

"§ 142-63. Authorization of financing contract.

Subject to the terms and conditions set forth in this Article, (i) a State governmental unit that is implementing an energy conservation measure pursuant to G.S. 143-64.17L and financing it pursuant to this Article, (ii) a State governmental unit that has solicited a guaranteed energy conservation measure pursuant to G.S. 143-64.17A or ~~G.S. 143-64.17B or~~ G.S. 143-64.17B, or (iii) the State Treasurer, as designated by the Council of State, is authorized to execute and deliver, for and on behalf of the State of North Carolina, a financing contract to finance the costs of the energy conservation measure. The aggregate outstanding amount payable by the State under financing contracts entered pursuant to this Article shall not exceed five hundred million dollars ($500,000,000) at any one time."

SECTION 9.6D.(g) G.S. 142-64(a) reads as rewritten:

"§ 142-64. Procedure for incurrence or issuance of financing contract.

(a) When a State governmental unit (i) is implementing an energy conservation measure pursuant to G.S. 143-64.17L and financing it pursuant to this Article or (ii) has solicited a guaranteed energy conservation measure, the State governmental unit shall request that the State Treasurer approve the State governmental unit's entering into a financing contract to finance the cost of the energy conservation measure. In connection with the request, the State governmental unit shall provide to the State Treasurer any information the State Treasurer

requests in order to evaluate the request. In the event that the State Treasurer determines that financing efficiencies will be realized through the combining of financing contracts, then the State Treasurer is authorized to execute and deliver, for and on behalf of the State of North Carolina, subject to the terms and conditions set forth in this Article, a financing contract for the purpose of financing the cost of the multiple energy conservation measures."

SECTION 9.6D.(h) G.S. 116D-22(3) reads as rewritten:

"(3) Obligated resources. – Any sources of income or receipts of the Board of Governors or the institution at which a special obligation bond project is or will be located that are designated by the Board as the security and source of payment for bonds issued under this Article to finance a special obligation bond project, including, without limitation, any of the following:

a. Rents, charges, or fees to be derived by the Board of Governors or the institution from any activities conducted at the institution.

b. Earnings on the investment of the endowment fund of the institution at which a special obligation project will be located, to the extent that the use of the earnings will not violate any lawful condition placed by the donor upon the part of the endowment fund that generates the investment earnings.

c. Funds to be received under a contract or a grant agreement, including "overhead costs reimbursement" under a grant agreement, entered into by the Board of Governors or the institution to the extent the use of the funds is not restricted by the terms of the contract or grant agreement or the use of the funds as provided in this Article does not violate the restriction.

d. Funds appropriated from the General Fund to the Board of Governors on behalf of a constituent institution for utilities of the institution that constitute energy savings as that term is defined in G.S. 143-64.17.

~~Obligated~~ Except as provided in sub-subdivision d. of this subdivision, obligated resources do not include funds appropriated to the Board of Governors or the institution from the General Fund by the General Assembly from funds derived from general tax and other revenues of the State, and obligated resources do not include tuition payment by students."

AMEND REGULATION OF UNC INSTITUTIONAL TRUST FUNDS AND FUNDS OF UNC HEALTH CARE SYSTEM

SECTION 9.6E.(a) G.S. 116-36.1 reads as rewritten:

"**§ 116-36.1. Regulation of institutional trust funds.**

(a) The Board is responsible for the custody and management of the trust funds of the University of North Carolina and of each institution. The Board shall adopt uniform policies and procedures applicable to the deposit, investment, and administration of these funds which shall assure that the receipt and expenditure of such funds is properly authorized and that the funds are appropriately accounted for. The Board may delegate authority, through the president, to the respective chancellors of the institutions when such delegation is necessary or prudent to enable the institution to function in a proper and expeditious manner.

(b) Trust funds ~~shall be deposited with the State Treasurer who shall hold them in trust in separate accounts in the name of the University of North Carolina and of each institution. The cash balances of these accounts may be pooled for investment purposes, but investment earnings shall be credited pro rata to each participating account. For purposes of distribution of investment earnings, all trust funds of an institution shall be deemed a single account.~~

~~(c) Moneys deposited with the State Treasurer in trust fund accounts pursuant to this section,~~ and investment earnings thereon, are available for expenditure by each institution without further authorization from the General Assembly.

(d) Trust funds are subject to the oversight of the State Auditor pursuant to Article 5A of Chapter 147 of the General Statutes but are not subject to the provisions of the State Budget Act except for capital improvements projects which shall be authorized and executed in accordance with G.S. 143C-8-8 and G.S. 143C-8-9.

(e) Each institution shall submit such reports or other information concerning its trust fund accounts as may be required by the ~~Director of the Budget.~~Board.

(f) Trust funds or the investment income therefrom shall not take the place of State appropriations or any part thereof, but any portion of these funds available for general institutional purposes is appropriated and shall be used to supplement State appropriations to the end that the institution may improve and increase its functions, may enlarge its areas of service, and may become more useful to a greater number of people.

(g) As used in this section, "trust funds" means:

(1) Moneys, or the proceeds of other forms of property, received by an institution as gifts, devises, or bequests that are neither presumed nor designated to be gifts, devises, or bequests to the endowment fund of the institution;

(2) Moneys received by an institution pursuant to grants from, or contracts with, the United States government or any agency or instrumentality thereof;

(3) Moneys received by an institution pursuant to grants from, or contracts with, any State agencies, any political subdivisions of the State, any other states or nations or political subdivisions thereof, or any private entities whereby the institution undertakes, subject to terms and conditions specified by the entity providing the moneys, to conduct research, training or public service programs, or to provide financial aid to students;

(4) Moneys collected by an institution to support extracurricular activities of students of the institution;

(5) Moneys received from or for the operation by an institution of activities established for the benefit of scholarship funds or student activity programs;

(6) Moneys received from or for the operation by an institution of any of its self-supporting auxiliary enterprises, including institutional student auxiliary enterprise funds for the operation of housing, food, health, and laundry services;

(7) Moneys received by an institution in respect to fees and other payments for services rendered by medical, dental or other health care professionals under an organized practice plan approved by the institution or under a contractual agreement between the institution and a hospital or other health care provider;

(8) The net proceeds from the disposition effected pursuant to Chapter 146, Article 7, of any interest in real property owned by or under the supervision and control of an institution if the interest in real property had first been acquired by gift, devise, or bequest or through expenditure of moneys defined in this subsection ~~(g)~~ as "trust funds," except the net proceeds from the disposition of an interest in real property first acquired by the institution through expenditure of moneys received as a grant from a State agency;

(9) Moneys received from the operation and maintenance of institutional forests and forest farmlands, provided, that such moneys shall be used, when used, by the institution for support of forest-related research, teaching, and public service programs;

(10) Moneys received from an activity authorized by G.S. 66-58(b)(8)m., n., and o.;

(11) Moneys deposited to the State Education Assistance Authority Fund pursuant to G.S. 116-209.3.

(h) ~~Notwithstanding the provisions of subsection (b) of this section, the Board may designate as the official depository of the funds identified in subsection (g)(7) of this section one or more banks or trust companies in this State. The amount of funds on deposit in an official depository shall be fully secured by deposit insurance, surety bonds, or investment securities of such nature, in such amounts, and in such manner as is prescribed by the State Treasurer for the security of public deposits generally. The available cash balance of funds deposited pursuant to this subsection shall be invested in interest-bearing deposits and investments so that the rate of return equals that realized from the investment of State funds generally.~~ The Board may authorize, through the President, that the chancellors may deposit or invest each institution's available trust fund cash balances in interest-bearing accounts and other investments as may be authorized by the Board in the exercise of its sound discretion, without regard to any statute or rule of law relating to the investment of funds by fiduciaries.

(i) The cash balances on hand as of June 30, 1978, and all future receipts accruing thereafter, of funds identified in this section are hereby appropriated to the use of the University of North Carolina and its constituent institutions."

SECTION 9.6E.(b) G.S. 116-37(e) reads as rewritten:

"(e) Finances. – The University of North Carolina Health Care System shall be subject to the provisions of the State Budget Act, except for trust funds as provided in G.S. 116-36.1 and G.S. 116-37.2. The Chief Executive Officer, subject to the board of directors, shall be responsible for all aspects of budget preparation, budget execution, and expenditure reporting. All operating funds of the University of North Carolina Health Care System may be budgeted and disbursed through special fund codes, maintaining separate auditable accounts for the University of North Carolina Hospitals at Chapel Hill and the clinical patient care programs of the School of Medicine of the University of North Carolina at Chapel Hill. All receipts of the University of North Carolina Health Care System may be deposited directly to the special fund codes, and except for General Fund appropriations, all receipts of the University of North Carolina Hospitals at Chapel Hill may be invested pursuant to ~~G.S. 147-69.2(b3).~~ G.S. 116-37.2(h).General Fund appropriations for support of the University of North Carolina Hospitals at Chapel Hill shall be budgeted in a General Fund code under a single purpose, "Contribution to University of North Carolina Hospitals at Chapel Hill Operations" and be transferable to a special fund operating code as receipts."

SECTION 9.6E.(c) G.S. 116-37.2 reads as rewritten:

"§ 116-37.2. Regulation of University of North Carolina Hospitals at Chapel Hill Funds.

(a) As used in this section, "funds" means:

(1) Moneys, or the proceeds of other forms of property, received by the University of North Carolina Hospitals at Chapel Hill as gifts, devises, or bequests.

(2) Moneys received by the University of North Carolina Hospitals at Chapel Hill pursuant to grants from, or contracts with, the United States government or any agency or instrumentality thereof.

(3) Moneys received by the University of North Carolina Hospitals at Chapel Hill pursuant to grants from, or contracts with, any State agencies, any political subdivisions of the State, any other states or nations or political subdivisions thereof, or any private entities whereby the University of North Carolina Hospitals at Chapel Hill undertakes, subject to terms and conditions specified by the entity providing the moneys, to conduct research, training, or public service programs.

(4) Moneys received from or for the operation by the University of North Carolina Hospitals at Chapel Hill of any of its self-supporting auxiliary enterprises, including the Liability Insurance Trust Fund.

(5) Moneys received by the University of North Carolina Hospitals at Chapel Hill in respect to fees and other payments for services it renders in its hospital and/or clinical operations.

(5a) Moneys received by the University of North Carolina Hospitals at Chapel Hill in respect to borrowings for capital equipment or construction projects to further services it renders in either or both of its hospital or clinical operations.

(6) The net proceeds from the disposition effected pursuant to Article 7 of Chapter 146 of the General Statutes of any interest in real property owned by or under the supervision and control of the University of North Carolina Hospitals at Chapel Hill if the interest in real property had first been acquired by gift, devise, or bequest or through expenditure of moneys defined in this subsection, except the net proceeds from the disposition of an interest in real property first acquired by the University of North Hospitals at Chapel Hill through expenditure of moneys received as a grant from a State agency.

(b) The Board of Directors of the University of North Carolina Health Care System, as established in G.S. 116-37(b), is responsible for the custody and management of the funds of the University of North Carolina Hospitals at Chapel Hill. The Board shall adopt uniform policies and procedures applicable to the deposit, investment, and administration of these funds, which shall assure that the receipt and expenditure of such funds is properly authorized

and that the funds are appropriately accounted for. The Board may delegate authority, through the Chief Executive Officer of the University of North Carolina Health Care System to the President of the University of North Carolina Hospitals at Chapel Hill, when such delegation is necessary or prudent to enable the University of North Carolina Hospitals at Chapel Hill to function in a proper and expeditious manner.

(c) Funds under this section ~~shall be deposited with the State Treasurer who shall hold them in trust in the name of the University of North Carolina Hospitals at Chapel Hill.~~

~~(d) Funds deposited with the State Treasurer in an account pursuant to this section,~~ and investment earnings ~~thereon,~~ thereon are available for expenditure by the University of North Carolina Hospitals at Chapel Hill without further authorization from the General Assembly.

(e) Funds under this section are subject to the oversight of the State Auditor pursuant to Article 5A of Chapter 147 of the General Statutes but are not subject to the provisions of the ~~Executive~~ State Budget Act except for capital improvements projects, which shall be authorized and executed in accordance with ~~G.S. 143-18.1.~~G.S. 143C-8-8 and G.S. 143C-8-9.

(f) The University of North Carolina Hospitals at Chapel Hill shall submit such reports or other information concerning its fund accounts under this section as may be required by the ~~Director of the Budget.~~Board of Directors of the University of North Carolina Health Care System.

(g) Funds under this section, or the investment income therefrom, shall not take the place of State appropriations or any part thereof, but any portion of these funds available for general institutional purposes shall be used to supplement State appropriations to the end that the University of North Carolina Hospitals at Chapel Hill may improve and increase their functions, may enlarge their areas of service, and may become more useful to a greater number of people.

(h) ~~Notwithstanding the provisions of subsection (c) of this section, the Board may designate as the official depository of the funds identified in subdivisions (a)(4), (a)(5), and (a)(6) of this section one or more banks or trust companies in this State for any investments authorized by G.S. 147-69.2(b3).~~The Board of Directors of the University of North Carolina Health Care System may deposit or invest the funds under this section in interest-bearing accounts and other investments in the exercise of its sound discretion, without regard to any statute or rule of law relating to the investment of funds by fiduciaries."

UNC/INSTITUTIONAL EXPENDITURE BENCHMARKS

SECTION 9.6F.(a) G.S. 116-31.10 reads as rewritten:

"**§ 116-31.10. Powers of Board regarding certain purchasing contracts.**

(a) Notwithstanding G.S. 143-53.1 or G.S. 143-53(a)(2), the expenditure benchmark for a special responsibility constituent institution with regard to competitive bid procedures and the bid value benchmark shall be an amount not greater than five hundred thousand dollars ($500,000). The Board shall set the benchmark for each institution from time to time. In setting an institution's benchmark in accordance with this section, the Board shall consider the institution's overall capabilities including staff resources, purchasing compliance reviews, and audit reports. The Board shall also consult with the Director of the Division of Purchase and Contract and the Director of the Budget prior to setting the benchmark.

(b) Each institution with an expenditure benchmark greater than two hundred fifty thousand dollars ($250,000) shall comply with this subsection for any purchase greater than ~~two hundred fifty thousand dollars ($250,000)~~the institution's benchmark set by the Board but not greater than five hundred thousand dollars ($500,000). This institution shall submit to the Division of Purchase and Contract for that Division's approval or other action deemed necessary by the Division a copy of all offers received and the institution's recommendation of award or other action. Notice of the Division's decision shall be sent to that institution. The institution shall then proceed with the award of contract or other action recommended by the Division."

SECTION 9.6F.(b) This section becomes effective October 1, 2011.

UNC ASSUME RESPONSIBILITY FOR QUALITY ACCEPTANCE INSPECTION PROCESS

SECTION 9.6G.(a) G.S. 143-60 reads as rewritten:

"**§ 143-60. Rules covering certain purposes.**

The Secretary of Administration may adopt, modify, or abrogate rules covering the following purposes, in addition to those authorized elsewhere in this Article:

(1) Requiring reports by State departments, institutions, or agencies of stocks of supplies and materials and equipment on hand and prescribing the form of such reports.

(2) Prescribing the manner in which supplies, materials and equipment shall be delivered, stored and distributed.

(3) Prescribing the manner of inspecting deliveries of supplies, materials and equipment and making chemicals and/or physical tests of samples submitted with bids and samples of deliveries to determine whether deliveries have been made in compliance with specifications. However, the provisions of this subdivision shall not apply to the constituent institutions of The University of North Carolina. The President of The University of North Carolina shall issue regulations or guidelines for the conducting of quality inspections by constituent institutions to ensure that deliveries have been made in compliance with specifications.

(4) Prescribing the manner in which purchases shall be made in emergencies.

(5) Providing for such other matters as may be necessary to give effect to foregoing rules and provisions of this Article.

(6) Prescribing the manner in which passenger vehicles shall be purchased.

Further, the Secretary of Administration may prescribe appropriate procedures necessary to enable the State, its institutions and agencies, to obtain materials surplus or otherwise available from federal, State or local governments or their disposal agencies."

SECTION 9.6G.(b) This section becomes effective October 1, 2011.

NCSU MAY SELL TIMBER

SECTION 9.6H. Part 1 of Article 3A of Chapter 143 of the General Statutes is amended by adding a new section to read:

"**§ 143-64.06. North Carolina State University may sell timber.**

Notwithstanding any provision of this Part or Chapter 146 of the General Statutes, the Board of Trustees of North Carolina State University may cause to be severed and sold or transferred timber from any unimproved timberlands owned by or allocated to the University without involvement by the State Surplus Property Agency and without being required to pay any service charge or surcharge to the State Surplus Property Agency. Any such severance shall be reported to the Council of State through the State Property Office. The Board of Trustees may delegate the authority set out above to responsible University officials. The proceeds of any sales or transfers under this section shall be used to support the management of, and programming costs associated with, forest properties owned, allocated, or managed by North Carolina State University."

USE OF ESCHEAT FUND FOR NEED-BASED FINANCIAL AID PROGRAMS

SECTION 9.8.(a) There is appropriated from the Escheat Fund income to the Board of Governors of The University of North Carolina the sum of thirty-two million one hundred twenty-two thousand two hundred forty-two dollars ($32,122,242) for the 2011-2012 fiscal year and the sum of thirty-two million one hundred twenty-two thousand two hundred forty-two dollars ($32,122,242) for the 2012-2013 fiscal year to be used for The University of North Carolina Need-Based Financial Aid Program.

SECTION 9.8.(b) In addition to the appropriation in subsection (a) of this section, there is appropriated from the Escheat Fund income to the Board of Governors of The University of North Carolina the sum of ninety-five million two hundred thirty-one thousand nine hundred twelve dollars ($95,231,912) for the 2011-2012 fiscal year to be used for The University of North Carolina Need-Based Financial Aid Program.

SECTION 9.8.(c) There is appropriated from the Escheat Fund income to the State Board of Community Colleges the sum of sixteen million five hundred thousand dollars ($16,500,000) for the 2011-2012 fiscal year and the sum of sixteen million five hundred thousand dollars ($16,500,000) for the 2012-2013 fiscal year to be used for community college grants.

SECTION 9.8.(d) There is appropriated from the Escheat Fund income 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 the 2011-2012 fiscal year and the sum of six million five hundred twenty thousand nine hundred sixty-four dollars ($6,520,964) for the 2012-2013 fiscal year to be used for need-based student financial aid.

SECTION 9.8.(e) The funds appropriated by this section 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). If any funds appropriated under this section remain uncommitted for need-based financial aid as of the end of a fiscal year, the funds shall be returned to the Escheat Fund, but only to the extent the funds exceed the amount of the Escheat Fund income for that fiscal year.

SECTION 9.8.(f) 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 9.8.(g) The Office of State Budget and Management shall transfer the cash balance of the community college grant program remaining in Budget Code 66801, Fund 6102, to the Escheat Fund.

UNC NEED-BASED FINANCIAL AID PROGRAM FUNDING SCHEDULE

SECTION 9.9.(a) Of the funds appropriated by this act for the 2011-2012 fiscal year for The University of North Carolina Need-Based Financial Aid Program, the sum of fifty-nine million eight hundred fifty-nine thousand five hundred sixty-two dollars ($59,859,562) shall not be used for expenditures in the 2011-2012 fiscal year but shall be carried forward and held in reserve by the State Education Assistance Authority. The funds carried forward and held in reserve pursuant to this subsection may be disbursed by the State Education Assistance Authority after July 1, 2012, for need-based student financial aid in the 2012-2013 academic year in accordance with G.S. 116B-7.

SECTION 9.9.(b) Of the funds appropriated by this act for the 2012-2013 fiscal year for The University of North Carolina Need-Based Financial Aid Program, the sum of fifty-nine million eight hundred fifty-nine thousand five hundred sixty-two dollars ($59,859,562) shall not be used for expenditures in the 2012-2013 fiscal year but shall be carried forward and held in reserve by the State Education Assistance Authority. The funds carried forward and held in reserve pursuant to this subsection may be disbursed by the State Education Assistance Authority after July 1, 2013, for need-based student financial aid in the 2013-2014 academic year in accordance with G.S. 116B-7.

CONSOLIDATE ASSETS OF MILLENNIUM TEACHING SCHOLARSHIP LOAN PROGRAM AND PROSPECTIVE TEACHERS SCHOLARSHIP LOAN FUND/ GIVE PRIORITY FOR SCHOLARSHIP LOANS FOR PROSPECTIVE TEACHERS TO CERTAIN FORMER TEACHER ASSISTANTS

SECTION 9.10.(a) Effective January 1, 2012, the Millennium Teaching Scholarship Loan Program is abolished.

SECTION 9.10.(b) All financial obligations to any student awarded a scholarship loan from the Millennium Teaching Scholarship Loan Program before January 1, 2012, shall be fulfilled with funds from the Scholarship Loan Fund for Prospective Teachers established under G.S. 116-209.33, provided the student remains eligible under the provisions of the Millennium Teaching Scholarship Loan Program. All contractual agreements between a student awarded a scholarship loan from the Millennium Teaching Scholarship Loan Program before January 1, 2012, and the State Education Assistance Authority regarding the loan remain enforceable.

SECTION 9.10.(c) The assets and liabilities for the Millennium Teaching Scholarship Loan Program shall be transferred as follows:

(1) Five hundred thousand dollars ($500,000) shall be transferred to the Escheat Fund on July 1, 2011.

(2) The remaining balance of the assets and liabilities shall be transferred to the Scholarship Loan Fund for Prospective Teachers established under G.S. 116-209.33 on January 1, 2012.

SECTION 9.10.(d) Notwithstanding the provisions of G.S. 116-209.33 or any other provision of law, when awarding scholarship loans under G.S. 116-209.33, the State Education Assistance Authority shall give priority to any applicant who qualifies for a scholarship loan under G.S. 116-209.33 if the applicant was formerly employed as a teacher assistant at a public school in North Carolina but lost his or her teacher assistant position in the State public school system as a result of a reduction in force.

LIMIT CERTAIN FINANCIAL AID GRANTS TO THE TRADITIONAL TIME PERIOD REQUIRED TO EARN A BACCALAUREATE DEGREE

SECTION 9.11.(a) Article 1 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-25.1. Limit receipt of The University of North Carolina need-based financial aid grants to traditional time period required to earn baccalaureate degree.**

(a) Except as otherwise provided by this section, a student shall not receive a grant from The University of North Carolina Need-Based Financial Aid Program for more than nine full-time academic semesters, or its equivalent if enrolled part-time, unless the student is enrolled in a program officially designated by the Board of Governors as a five-year degree program. If a student is enrolled in such a five-year degree program, then the student shall not receive a need-based grant from The University of North Carolina Need-Based Financial Aid Program for more than 11 full-time academic semesters or its equivalent if enrolled part-time.

(b) Upon application by a student, the student may receive a grant for one additional part-time or full-time academic semester as appropriate, if the student demonstrates that any of the following have substantially disrupted or interrupted the student's pursuit of a degree: (i) a military service obligation, (ii) serious medical debilitation, (iii) a short-term or long-term disability, or (iv) other extraordinary hardship, including inability to enroll in the appropriate courses due to reduced course offerings. The Board of Governors shall establish the appropriate procedures to implement the additional semester extension provided by this subsection."

SECTION 9.11.(b) The Fiscal Research Division, in cooperation with The University of North Carolina, the North Carolina Community College System, the North Carolina Independent Colleges and Universities, Inc., and the State Education Assistance Authority shall study how to track and document the receipt of The University of North Carolina need-based grants, North Carolina Community College need-based grants, and the private institutions of higher education need-based scholarships by students who enroll in both public and private institutions of higher education while pursuing a baccalaureate or associate degree so that no student receives a combination of these grants or scholarships that exceeds a cumulative total of nine full-time academic semesters or 11 full-time academic semesters as appropriate. In addition, the study shall (i) consider the need to grant a waiver to the limit imposed on receipt of need-based grants or scholarships for those students who encounter legitimate disruptions or interruptions of the academic pursuit of a degree and (ii) determine the appropriate criteria and procedure for extending the eligibility to receive those types of financial aid for an additional period of time. The study shall also examine any potential impact on college completion rates.

The Fiscal Research Division shall report its findings and recommendations, including any legislative recommendations, by March 1, 2012, to the Joint Legislative Education Oversight Committee and to the Education Appropriation Subcommittees of the House of Representatives and the Senate.

SECTION 9.11.(c) Subsection (a) of this section is effective for the 2012-2013 academic year and each subsequent fiscal year.

ACADEMIC COMMON MARKET

SECTION 9.12.(a) Notwithstanding G.S. 116-43.10, the Board of Governors of The University of North Carolina shall not participate in the Academic Common Market for the purpose of accepting new students for the 2012-2013 academic year, and no new students shall

be allowed to enroll through the Academic Common Market program into The University of North Carolina graduate programs for the 2012-2013 academic year.

SECTION 9.12.(b) This section does not affect a student enrolled in The University of North Carolina System under the Academic Common Market program prior to the 2012-2013 academic year; that student may continue to pay in-State tuition as long as the student is enrolled in that graduate program.

ELIMINATE PRIVATE MEDICAL SCHOOL AID

SECTION 9.14. G.S. 116-21.6 is repealed.

TRANSFER NORTH CAROLINA ARBORETUM RESPONSIBILITIES TO WESTERN CAROLINA

SECTION 9.15.(a) G.S. 116-242 reads as rewritten:

"**§ 116-242. Administration of Arboretum; acceptance of gifts and grants.**

The Arboretum shall be administered by The University of North Carolina and through the Board of Directors established in G.S. 116-243. State funds for the administration of the Arboretum shall be appropriated to The University of North Carolina ~~for the University of North Carolina at Asheville. The~~ for Western Carolina University to administer on behalf of the arboretum. The North Carolina Arboretum and The University of North Carolina may receive gifts and grants to be used for development or operation of the Arboretum."

SECTION 9.15.(b) G.S. 116-243 reads as rewritten:

"**§ 116-243. Board of directors established; appointments.**

A board of directors to govern the operation of the Arboretum is established, to be appointed as follows:

(1) Two by the Governor, initially, one for a two-year term, and one for a four-year term. Successors shall be appointed for four-year terms.

(2) Two by the General Assembly, in accordance with G.S. 120-121, upon the recommendation of the President Pro Tempore of the Senate, initially, one for a two-year term, and one for a four-year term. Successors shall be appointed for four-year terms.

(3) Two by the General Assembly, in accordance with G.S. 120-121, upon the recommendation of the Speaker of the House of Representatives, initially, one for a two-year term, and one for a four-year term. Successors shall be appointed for four-year terms.

(4) The President of The University of North Carolina or the President's designee to serve ex officio.

(4a) Two by the President of The University of North Carolina. Members shall be appointed for four-year terms, except that the initial terms shall be as provided otherwise by law.

~~(5) The chancellors, chief executive officers, or their designees of the following institutions of higher education: North Carolina State University, Western Carolina University, The University of North Carolina at Asheville, Mars Hill College, and Warren Wilson College, to serve ex officio.~~

~~(6) The President of Western North Carolina Arboretum, Inc., to serve ex officio.~~

(7) ~~Six~~ Eight by the Board of Governors of The University of North Carolina, ~~initially, three for one year terms, and three for three year terms. Successors shall be appointed for four year terms. One shall be an active grower of nursery stock, and one other shall represent the State's garden clubs.~~ Members shall be appointed for four-year terms, except that the initial terms shall be as otherwise provided by law.

(8) The executive director of the Arboretum ~~and the Executive Vice President of Western North Carolina Development Association~~ shall serve ex officio as ~~nonvoting members of the board of directors.~~ a nonvoting member of the Board of Directors.

(9) The President of The North Carolina Arboretum Society, Inc., to serve ex officio.

All appointed members may serve two full four-year terms following the initial appointment and then may not be reappointed until they have been absent for at least one year.

Members serve until their successors have been appointed. Appointees to fill vacancies serve for the remainder of the unexpired term. Vacancies in appointments made by the General Assembly shall be filled in accordance with G.S. 120-122. Initial terms begin ~~July 1, 1986.~~July 1, 2011.

The ~~chairman of the board of directors~~ Chair of the Board of Directors shall be elected biennially by majority vote of the directors.

The ~~executive director~~ Executive Director of the Arboretum shall report to the ~~board of directors.~~President of The University of North Carolina or the President's designee and to the Board of Directors."

SECTION 9.15.(c) G.S. 116-244 reads as rewritten:

"**§ 116-244. Duties of board of directors.**

The ~~board of directors~~ Board of Directors of the Arboretum has the following duties and responsibilities:

(1) Development of the policies and procedures concerning the use of the land and facilities being developed as part of the Western North Carolina Arboretum, Inc.;

(2) Approval of plans for any buildings to be constructed on the facility;

(3) Maintenance and upkeep of buildings and all properties;

(4) Approval of permanent appointments to the staff of the Arboretum;

(5) Recommendations to the General Administration of candidates for ~~executive director~~ Executive Director of the Arboretum;

(6) Recommendations to the General Administration for necessary termination of the ~~executive director~~ Executive Director or other personnel of the Arboretum;

(7) Ensurance of appropriate liaison between the Arboretum and the U. S. Forest Service, the National Park Service,~~the Western North Carolina Arboretum, Inc.,~~The North Carolina Arboretum Society, Inc., Bent Creek Institute, Inc., Centers for Environmental and Climatic Interaction, Inc., NOAA Cooperative Institute for Climate and Satellites, and other scientific and economic development agencies and organizations of interest to and involved in the work at the Arboretum;

(8) Development of various policies and directives, including the duties of the ~~executive director,~~ Executive Director, to be prepared jointly by the members of the ~~board of directors and the executive director;~~Board of Directors and the Executive Director;

(9) Approval of annual expenditures and budget requests to be submitted to ~~the Board of Governors.~~The University of North Carolina General Administration.

The ~~board of directors~~ Board of Directors shall meet at least twice a year, and more frequently on the call of the ~~chairman~~ Chair or at the request of at least 10 members of the ~~board.~~Board. Meetings shall be held at the Arboretum, ~~the University of North Carolina at Asheville, or Western Carolina University.~~any campus of a constituent institution of The University of North Carolina, or at other public locations in support of the Arboretum mission and purposes."

SECTION 9.15.(d) Effective July 1, 2011, the President of The University of North Carolina shall appoint one member pursuant to G.S. 116-243(4a) as enacted by subsection (b) of this section to serve an initial term of two years to end July 1, 2013, and one member to serve an initial term of four years to end July 1, 2015; successors shall be appointed to four-year terms as provided by G.S. 116-243. Effective July 1, 2011, the Board of Governors of The University of North Carolina shall appoint one of the new members to be added to Board of Directors pursuant to G.S. 116-243(7) as amended by subsection (b) of this section to serve an initial term of two years to end July 1, 2013, and the other new member to be added to serve an initial term of four years to end July 1, 2015; successors shall be appointed to four year terms as provided by G.S. 116-243.

SPECIAL RESPONSIBILITY CONSTITUENT INSTITUTION AUDITS

SECTION 9.16. Article 1 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-30.8. Special responsibility constituent institutions: annual audit by State Auditor or certified public accountant.**

Each special responsibility constituent institution shall be audited annually. The Chancellor of the special responsibility constituent institution may use State funds to contract with the State Auditor or with a certified public accountant to perform the audit. The audit shall be provided to the Chancellor and Board of Trustees of the special responsibility institution, the Board of Governors of The University of North Carolina, and the State Auditor. The audit shall also be included in the State's Comprehensive Annual Financial Report (CAFR).

The Board of Governors of The University of North Carolina shall ensure that all special responsibility constituent institutions are audited in accordance with this section."

NEED-BASED SCHOLARSHIPS FOR STUDENTS ATTENDING PRIVATE INSTITUTIONS OF HIGHER EDUCATION

SECTION 9.18.(a) Chapter 116 of the General Statutes is amended by adding a new Article to read:

"Article 34.

"Need-Based Scholarships for Students Attending Private Institutions of Higher Education.

"**§ 116-80. Definitions.**

The following definitions apply to this Article:

(1) Academic year. – A period of time in which a student is expected to complete the equivalent of at least two semesters' or three quarters' academic work.

(2) Authority. – The State Education Assistance Authority created by Article 23 of Chapter 116 of the General Statutes.

(3) Eligible private postsecondary institution. – A school that is any of the following:

a. A nonprofit postsecondary educational institution with a main permanent campus located in this State that is not owned or operated by the State of North Carolina or by an agency or political subdivision of the State or by any combination thereof that satisfies all of the following:

1. Is accredited by the Southern Association of Colleges and Schools under the standards of the College Delegate Assembly of the Association or by the New England Association of Schools and Colleges through its Commission on Institutions of Higher Education.

2. Awards a postsecondary degree as defined in G.S. 116-15.

b. A postsecondary institution owned or operated by a hospital authority as defined in G.S. 131E-16(14) or school of nursing affiliated with a nonprofit postsecondary educational institution as defined in sub-subdivision a. of this subsection.

(4) Main permanent campus. – A campus owned by the eligible private postsecondary institution that provides permanent on-premises housing, food services, and classrooms with full-time faculty members and administration that engages in postsecondary degree activity as defined in G.S. 116-15.

(5) Matriculated status. – Being recognized as a student in a defined program of study leading to a degree, diploma, or certificate at an eligible private postsecondary institution.

(6) Scholarship. – A scholarship for education awarded under this Article.

(7) Title IV. – Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. § 1070, et seq.

"**§ 116-81. Eligibility requirements for scholarships.**

In order to be eligible to receive a scholarship under this Article, a student seeking a degree, diploma, or certificate at an eligible private postsecondary institution must meet all of the following requirements:

(1) Only needy North Carolina students are eligible to receive scholarships. For purposes of this subsection, "needy North Carolina students" are those eligible students whose expected family contribution under the federal methodology does not exceed five thousand dollars ($5,000).

(2) The student must meet all other eligibility requirements for the federal Pell Grant, with the exception of the expected family contribution.
(3) The student must qualify as a legal resident of North Carolina and as a resident for tuition purposes in accordance with definitions of residency that may from time to time be adopted by the Board of Governors and published in the residency manual of the Board of Governors.
(4) The student must meet enrollment standards by being admitted, enrolled, and classified as an undergraduate student in a matriculated status at an eligible private postsecondary institution.
(5) In order to continue to be eligible for a scholarship for the student's second and subsequent academic years, the student must meet achievement standards by maintaining satisfactory academic progress in a course of study in accordance with the standards and practices used for federal Title IV programs by the eligible private postsecondary institution in which the student is enrolled.
(6) A student shall not receive a scholarship under this Article for more than four full academic years.

"**§ 116-82. Scholarship amounts; amounts dependent on availability of funds.**

(a) Subject to the sum appropriated by the General Assembly for an academic year to be awarded as scholarships under this Article, a scholarship awarded under this Article to a student at an eligible private postsecondary institution shall be based upon the enrollment status and expected family contribution of the student and shall not exceed four thousand dollars ($4,000) per academic year, including any federal Pell Grant, to be used for the costs of attendance as defined for federal Title IV programs.

(b) Subject to the maximum amounts provided in this section, the Authority shall have the power to determine the actual scholarship amounts disbursed to students in any given year based on the sum appropriated for purposes of this Article by the General Assembly for that academic year and any unexpended funds that may be available pursuant to G.S. 116-83. If the sum appropriated is not sufficient to fully fund the scholarships to the maximum amount, all scholarships shall be reduced equally, to the extent practicable, so that every eligible applicant shall receive a proportionate scholarship amount.

(c) The minimum award of a scholarship under this Article shall be one hundred dollars ($100.00).

"**§ 116-83. Administration; unexpended scholarship funds do not revert.**

(a) The scholarships provided for in this Article shall be administered by the Authority under rules adopted by the Authority in accordance with the provisions of this Article.

(b) The Authority may use up to one and one-half percent (1.5%) of the funds appropriated for scholarships under this Article for administrative purposes.

(c) Scholarship funds unexpended shall remain available for future scholarships to be awarded under this Article."

SECTION 9.18.(b) G.S. 115C-499.1(3) reads as rewritten:

"**§ 115C-499.1. Definitions.**

The following definitions apply to this Article:

...

(3) Eligible postsecondary institution. – A school that is:
a. A constituent institution of The University of North Carolina as defined in G.S. 116-2(4); or
b. A community college as defined in ~~G.S. 115D-2(2);~~G.S. 115D-2(2).
~~c. A nonprofit postsecondary institution as defined in G.S. 116-22(1) or G.S. 116-43.5(a)(1); or~~
~~d. A postsecondary institution owned or operated by a hospital authority as defined in G.S. 131E-16(14) or school of nursing affiliated with a nonprofit postsecondary institution as defined in G.S. 116-22(1).~~

...."

SECTION 9.18.(c) G.S. 116-19, 116-20, 116-21, 116-21.1, 116-21.2, 116-21.3, 116-21.4, 116-22, and 116-43.5 are repealed.

SECTION 9.18.(d) The State Education Assistance Authority shall report no later than June 1, 2013, to the Joint Legislative Education Oversight Committee regarding the

implementation of this section. The report shall contain, for the 2012-2013 academic year, the amount of scholarship and grant money disbursed, the number of students eligible for the funds, the number of eligible students receiving the funds, and a breakdown of the eligible private postsecondary institutions that received the funds.

SECTION 9.18.(e) G.S. 90-332.1(a)(4a) reads as rewritten:

"(a) It is not the intent of this Article to regulate members of other regulated professions who do counseling in the normal course of the practice of their profession. Accordingly, this Article does not apply to:

...

(4a) Any person counseling within the scope of employment at: (i) a local community college as defined in G.S. 115D-2(2); (ii) a public higher education institution as defined in G.S. 116-2(4); or (iii) ~~a private higher education institution as defined in G.S. 116-22(1).~~ a nonprofit postsecondary educational institution as described in G.S. 116-80 that is not a seminary, Bible school, Bible college, or similar religious institution."

SECTION 9.18.(f) G.S. 105-278.4(a) reads as rewritten:

"(a) Buildings. – Buildings, the land they actually occupy, and additional land reasonably necessary for the convenient use of any such building shall be exempted from taxation if all of the following requirements are met:

(1) Owned by either of the following:

a. An educational institution; or

b. A nonprofit entity for the sole benefit of a constituent or affiliated institution of The University of North Carolina, ~~an institution as defined in G.S. 116-22,~~ a nonprofit postsecondary educational institution as described in G.S. 116-80 that is not a seminary, Bible school, Bible college, or similar religious institution, a North Carolina community college, or a combination of these;

...."

SECTION 9.18.(g) G.S. 116-11(10a) reads as rewritten:

"(10a) The Board of Governors, the State Board of Community Colleges, and the State Board of Education, in consultation with ~~private higher education institutions defined in G.S. 116-22(1),~~ nonprofit postsecondary educational institutions shall plan a system to provide an exchange of information among the public schools and institutions of higher education to be implemented no later than June 30, 1995. As used in this section, "institutions of higher education" shall ~~mean~~ mean (i) public higher education institutions defined in G.S. 116-143.1(a)(3), and ~~those private higher education institutions defined in G.S. 116-22(1)~~ (ii) those nonprofit postsecondary educational institutions as described in G.S. 116-80 that are not seminaries, Bible schools, Bible colleges, or similar religious institutions and that choose to participate in the information exchange. The information shall include:

a. The number of high school graduates who apply to, are admitted to, and enroll in institutions of higher education;

b. College performance of high school graduates for the year immediately following high school graduation including each student's: need for remedial coursework at the institution of higher education that the student attends; performance in standard freshmen courses; and continued enrollment in a subsequent year in the same or another institution of higher education in the State;

c. The progress of students from one institution of higher education to another; and

d. Consistent and uniform public school course information including course code, name, and description.

The Department of Public Instruction shall generate and the local school administrative units shall use standardized transcripts in an automated format for applicants to higher education institutions. The standardized transcript shall include grade point average, class rank, end-of-course test scores, and uniform course information including course code, name, units earned toward graduation, and credits earned for admission from an

institution of higher education. The grade point average and class rank shall be calculated by a standard method to be devised by the institutions of higher education.

The Board of Governors shall coordinate a joint progress report on the implementation of the system to provide an exchange of information among the public and independent colleges and universities, the community colleges, and the public schools. The report shall be made to the Joint Legislative Education Oversight Committee no later than February 15, 1993, and annually thereafter."

SECTION 9.18.(h) G.S. 143-49(6) reads as rewritten:

"(6) To make available to nonprofit corporations operating charitable hospitals, to local nonprofit community sheltered workshops or centers that meet standards established by the Division of Vocational Rehabilitation of the Department of Health and Human Services, to private nonprofit agencies licensed or approved by the Department of Health and Human Services as child placing agencies, residential child-care facilities, private nonprofit rural, community, and migrant health centers designated by the Office of Rural Health and Resource Development, to private higher education institutions that are ~~defined as "institutions" in G.S. 116-22(1),~~ described as nonprofit postsecondary educational institutions in G.S. 116-80 that are not seminaries, Bible schools, Bible colleges, or similar religious institutions and to counties, cities, towns, local school administrative units, governmental entities and other subdivisions of the State and public agencies thereof in the expenditure of public funds, the services of the Department of Administration in the purchase of materials, supplies and equipment under such rules, regulations and procedures as the Secretary of Administration may adopt. In adopting rules and regulations any or all provisions of this Article may be made applicable to such purchases and contracts made through the Department of Administration, and in addition the rules and regulations shall contain a requirement that payment for all such purchases be made in accordance with the terms of the contract."

SECTION 9.18.(i) Subsections (a), (d), and (i) of this section become effective July 1, 2011. Article 34 of Chapter 116 of the General Statutes, as enacted by subsection (a) of this section, applies to the 2012-2013 academic year and each subsequent academic year, except that the rule-making authority for the State Education Assistance Authority under G.S. 116-83(a) becomes effective immediately on July 1, 2011. Subsections (b), (c), (e), (f), (g), and (h) of this section become effective July 1, 2012.

CONSTITUENT INSTITUTIONS MAY PURCHASE MOTOR VEHICLES INDEPENDENT OF MOTOR FLEET MANAGEMENT

SECTION 9.19. G.S. 143-341(8)i.3. reads as rewritten:

"**§ 143-341. Powers and duties of Department.**

The Department of Administration has the following powers and duties:

...

(8) General Services:

...

i. To establish and operate a central motor pool and such subsidiary related facilities as the Secretary may deem necessary, and to that end:

...

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~~ Patrol, the State Bureau of ~~Investigation~~ Investigation, or the constituent institutions of The University of North Carolina 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."

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, unless prohibited by Section 10.7(g) of this act.

(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, unless prohibited by Section 10.7(g) of this act.

(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) No payments shall be made for transportation services or registration fees charged by child care facilities.

(5) Payments for subsidized child care services for postsecondary education shall be limited to a maximum of 20 months of enrollment.

(6) The Department of Health and Human Services shall implement necessary rule changes to restructure services, including, but not limited to, targeting benefits to employment.

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. Except as authorized by Section 10.7(g) of this act, 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 2011-2012 and 2012-2013 for child care services. These funds shall be allocated to prevent termination of child care services. Funds appropriated for specific purposes, including targeted market rate adjustments given in the past, 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).

CHILD CARE REVOLVING LOAN

SECTION 10.4. 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.

EXPIRATION OF EARLY EDUCATION CERTIFICATION REQUIREMENT

SECTION 10.4A. Section 2 of S.L. 2010-178 reads as rewritten:

"**SECTION 2.** This act is effective when it becomes ~~law.~~law and expires July 1, 2011."

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES ENHANCEMENTS

SECTION 10.5.(a) Effective July 1, 2011, the North Carolina Partnership for Children, Inc., is dissolved, and the Department of Health and Human Services, Division of Child Development, shall administer the local partnerships' funding. The Division of Child Development shall do the following:

(1) Develop a plan to allocate the North Carolina Partnership for Children, Inc., funds to local partnerships.
(2) Establish guidelines for the use of funds.
(3) Review and approve local partnerships' plans for use of funds.
(4) Create a reporting and evaluation system regarding use of the funds.

The Department shall report on the plan 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 no later than December 1, 2011.

SECTION 10.5.(a1) G.S. 120-123(69) reads as rewritten:

"**§ 120-123. Service by members of the General Assembly on certain boards and commissions.**

No member of the General Assembly may serve on any of the following boards or commissions:

...

(69) ~~The North Carolina Partnership for children, Inc.,~~Any local partnerships established pursuant to Part 10B of Article 3 of Chapter 143B of the General ~~Statutes, and all local partnerships established pursuant to this Part.~~ Statutes.

...."

SECTION 10.5.(b) G.S. 143B-168.11 reads as rewritten:

"**§ 143B-168.11. Early childhood initiatives; purpose; definitions.**

(a) The purpose of this Part is to establish a framework whereby the General Assembly, upon consultation with the Governor, may support through financial and other ~~means, the North Carolina Partnership for Children, Inc. and comparable~~ means local partnerships, which have as their missions the development of a comprehensive, long-range strategic plan for early childhood development and the provision, through public and private means, of high-quality early childhood education and development services for children and families. It is the intent of the General Assembly that communities be given the maximum flexibility and discretion practicable in developing their plans while remaining subject to the approval of the ~~North Carolina Partnership~~Department of Health and Human Services, Division of Child Development, and accountable to the ~~North Carolina Partnership~~Division and to the General Assembly for their plans and for the programmatic and fiscal integrity of the programs and services provided to implement them.

(b) The following definitions apply in this Part:

~~(1) Board of Directors. – The Board of Directors of the North Carolina Partnership for Children, Inc.~~
(2) Department. – The Department of Health and Human Services.
(2a) Division. – The Division of Child Development within the Department of Health and Human Services.
~~(2a)~~(2b) Early Childhood. – Birth through five years of age.
(3) Local Partnership. – A county or regional private, nonprofit 501(c)(3) organization established to coordinate a local demonstration project, to provide ongoing analyses of their local needs that must be met to ensure that the developmental needs of children are met in order to prepare them to begin school healthy and ready to succeed, and, in consultation with the ~~North Carolina Partnership~~Division and subject to the approval of the ~~North Carolina Partnership,~~Division, to provide programs and services to meet

these needs under this Part, while remaining accountable for the programmatic and fiscal integrity of their programs and services to the ~~North Carolina Partnership.~~Division.

~~(4) North Carolina Partnership. – The North Carolina Partnership for Children, Inc.~~

(5) Secretary. – The Secretary of Health and Human Services."

SECTION 10.5.(c) G.S. 143B-168.12 reads as rewritten:

"**§ 143B-168.12. ~~North Carolina Partnership for Children, Inc.; conditions.~~Conditions for receipt of State funds.**

(a) In order to receive State funds, the following conditions shall be met:

~~(1) The North Carolina Partnership shall have a Board of Directors consisting of the following 26 members:~~

~~a. The Secretary of Health and Human Services, ex officio, or the Secretary's designee;~~

~~b. Repealed by Session Laws 1997, c. 443, s. 11A.105.~~

~~c. The Superintendent of Public Instruction, ex officio, or the Superintendent's designee;~~

~~d. The President of the Community Colleges System, ex officio, or the President's designee;~~

~~e. Three members of the public, including one child care provider, one other who is a parent, and one other who is a board chair of a local partnership serving on the North Carolina Partnership local partnership advisory committee, appointed by the General Assembly upon recommendation of the President Pro Tempore of the Senate;~~

~~f. Three members of the public, including one who is a parent, one other who is a representative of the faith community, and one other who is a board chair of a local partnership serving on the North Carolina Partnership local partnership advisory committee, appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives;~~

~~g. Twelve members, appointed by the Governor. Three of these 12 members shall be members of the party other than the Governor's party, appointed by the Governor. Seven of these 12 members shall be appointed as follows: one who is a child care provider, one other who is a pediatrician, one other who is a health care provider, one other who is a parent, one other who is a member of the business community, one other who is a member representing a philanthropic agency, and one other who is an early childhood educator;~~

~~h. Repealed by Session Laws 1998-212, s. 12.37B(a), effective October 30, 1998.~~

~~h1. The Chair of the North Carolina Partnership Board shall be appointed by the Governor;~~

~~i. Repealed by Session Laws 1998-212, s. 12.37B(a), effective October 30, 1998.~~

~~j. One member of the public appointed by the General Assembly upon recommendation of the Majority Leader of the Senate;~~

~~k. One member of the public appointed by the General Assembly upon recommendation of the Majority Leader of the House of Representatives;~~

~~l. One member of the public appointed by the General Assembly upon recommendation of the Minority Leader of the Senate;~~

~~m. One member of the public appointed by the General Assembly upon recommendation of the Minority Leader of the House of Representatives; and~~

~~n. The Director of the More at Four Pre-Kindergarten Program, or the Director's designee.~~

~~All members appointed to succeed the initial members and members appointed thereafter shall be appointed for three-year terms. Members may succeed themselves.~~

~~All appointed board members shall avoid conflicts of interests and the appearance of impropriety. Should instances arise when a conflict may be perceived, any individual who may benefit directly or indirectly from the North Carolina Partnership's disbursement of funds shall abstain from participating in any decision or deliberations by the North Carolina Partnership regarding the disbursement of funds.~~

~~All ex officio members are voting members. Each ex officio member may be represented by a designee. These designees shall be voting members. No members of the General Assembly shall serve as members.~~

~~The North Carolina Partnership may establish a nominating committee and, in making their recommendations of members to be appointed by the General Assembly or by the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Majority Leader of the Senate, the Majority Leader of the House of Representatives, the Minority Leader of the Senate, the Minority Leader of the House of Representatives, and the Governor shall consult with and consider the recommendations of this nominating committee.~~

~~The North Carolina Partnership may establish a policy on members' attendance, which policy shall include provisions for reporting absences of at least three meetings immediately to the appropriate appointing authority.~~

~~Members who miss more than three consecutive meetings without excuse or members who vacate their membership shall be replaced by the appropriate appointing authority, and the replacing member shall serve either until the General Assembly and the Governor can appoint a successor or until the replaced member's term expires, whichever is earlier.~~

~~The North Carolina Partnership shall establish a policy on membership of the local boards. No member of the General Assembly shall serve as a member of a local board. Within these requirements for local board membership, the North Carolina Partnership shall allow local partnerships that are regional to have flexibility in the composition of their boards so that all counties in the region have adequate representation.~~

~~All appointed local board members shall avoid conflicts of interests and the appearance of impropriety. Should instances arise when a conflict may be perceived, any individual who may benefit directly or indirectly from the partnership's disbursement of funds shall abstain from participating in any decision or deliberations by the partnership regarding the disbursement of funds.~~

(2) The ~~North Carolina Partnership and the~~ local partnerships shall agree to adopt procedures for ~~its~~ their operations that are comparable to those of Article 33C of Chapter 143 of the General Statutes, the Open Meetings Law, and Chapter 132 of the General Statutes, the Public Records Law, and provide for enforcement by the Department. The procedures may provide for the confidentiality of personnel files comparable to Article 7 of Chapter 126 of the General Statutes.

(3) The ~~North Carolina Partnership~~Division shall oversee the development and implementation of the local demonstration projects as they are selected and shall approve the ongoing plans, programs, and services developed and implemented by the local partnerships and hold the local partnerships accountable for the financial and programmatic integrity of the programs and services. The ~~North Carolina Partnership~~Division may contract ~~at the State level~~on behalf of local partnerships to obtain services or resources when the ~~North Carolina Partnership~~Division determines it would be more efficient to do so.

In the event that the ~~North Carolina Partnership~~Division determines that a local partnership is not fulfilling its mandate to provide programs and services designed to meet the developmental needs of children in order to prepare them to begin school healthy and ready to succeed and is not being accountable for the programmatic and fiscal integrity of its programs and services, the ~~North Carolina Partnership~~Division may suspend all funds to

the partnership until the partnership demonstrates that these defects are corrected. Further, at its discretion, the ~~North Carolina Partnership~~Division may assume the managerial responsibilities for the partnership's programs and services until the ~~North Carolina Partnership~~Division determines that it is appropriate to return the programs and services to the local partnership.

(4) The ~~North Carolina Partnership~~Division shall develop and implement a comprehensive standard fiscal accountability plan to ensure the fiscal integrity and accountability of State funds ~~appropriated to it and~~allocated to the local partnerships. The standard fiscal accountability plan shall, at a minimum, include a uniform, standardized system of accounting, internal controls, payroll, fidelity bonding, chart of accounts, and contract management and monitoring. The ~~North Carolina Partnership~~Division may contract with outside firms to develop and implement the standard fiscal accountability plan. All local partnerships shall be required to participate in the standard fiscal accountability plan developed and adopted by the ~~North Carolina Partnership~~Division pursuant to this subdivision.

(5) The ~~North Carolina Partnership~~Division shall develop a regional accounting and contract management system which incorporates features of the required standard fiscal accountability plan described in subdivision (4) of ~~subsection (a) of this section.~~this subsection. All local partnerships shall participate in the regional accounting and contract management system.

(6) The ~~North Carolina Partnership~~Division shall develop a formula for allocating direct services funds appropriated for this purpose to local partnerships.

(7) The ~~North Carolina Partnership~~Division may adjust its allocations by up to ten percent (10%) on the basis of local partnerships' performance assessments. In determining whether to adjust its allocations to local partnerships, the ~~North Carolina Partnership~~Division shall consider whether the local partnerships are meeting the outcome goals and objectives of the ~~North Carolina Partnership~~Division and the goals and objectives set forth by the local partnerships in their approved annual program plans.

The ~~North Carolina Partnership~~Division may use additional factors to determine whether to adjust the local partnerships' allocations. These additional factors shall be developed with input from the local partnerships and shall be communicated to the local partnerships when the additional factors are selected. These additional factors may include board involvement, family and community outreach, collaboration among public and private service agencies, and family involvement.

On the basis of performance assessments, local partnerships annually shall be rated "superior", "satisfactory", or "needs improvement".

The ~~North Carolina Partnership~~Division may contract with outside firms to conduct the performance assessments of local partnerships.

(8) The ~~North Carolina Partnership~~Division shall establish a local partnership advisory committee comprised of 15 members. Eight of the members shall be chosen from ~~past board chairs or~~ duly elected officers currently serving on local partnerships' board of directors at the time of appointment and shall serve three-year terms. Seven of the members shall be staff of local partnerships. Members shall be chosen by the ~~Chair of the North Carolina Partnership~~Secretary from a pool of candidates nominated by their respective boards of directors. The local partnership advisory committee shall serve in an advisory capacity to the ~~North Carolina Partnership~~Division and shall establish a schedule of regular meetings. Members shall be chosen from local partnerships on a rotating basis. The advisory committee shall annually elect a chair from among its members.

(9) Repealed by Session Laws 2001-424, s. 21.75(h), effective July 1, 2001.

~~(b) The North Carolina Partnership shall be subject to audit and review by the State Auditor under Article 5A of Chapter 147 of the General Statutes. The State Auditor shall conduct annual financial and compliance audits of the North Carolina Partnership.~~

(c) The ~~North Carolina Partnership~~Division shall require each local partnership to place in each of its contracts a statement that the contract is subject to monitoring by the local partnership and ~~North Carolina Partnership,~~Division, that contractors and subcontractors shall be fidelity bonded, unless the contractors or subcontractors receive less than one hundred thousand dollars ($100,000) or unless the contract is for child care subsidy services, that contractors and subcontractors are subject to audit oversight by the State Auditor, and that contractors and subcontractors shall be subject to the requirements of G.S. 143C-6-22. Organizations subject to G.S. 159-34 shall be exempt from this requirement.

(d) The ~~North Carolina Partnership for Children, Inc.,~~Division shall make a report no later than December 1 of each year to the General Assembly that shall include the following:

(1) A description of the program and significant services and initiatives.
(2) A history of Smart Start funding and the previous fiscal year's expenditures.
(3) The number of children served by type of service.
(4) The type and quantity of services provided.
(5) The results of the previous year's evaluations of the Initiatives or related programs and services.
(6) A description of significant policy and program changes.
(7) Any recommendations for legislative action.

(e) The ~~North Carolina Partnership~~ Division shall develop guidelines for local partnerships to follow in selecting capital projects to fund. The guidelines shall include assessing the community needs in relation to the quantity of child care centers, assessing the cost of purchasing or constructing new facilities as opposed to renovating existing facilities, and prioritizing capital needs such as construction, renovations, and playground equipment and other amenities.

(f) The ~~North Carolina Partnership for Children, Inc.,~~Division shall establish uniform guidelines and a reporting format for local partnerships to document the qualifying expenses occurring at the contractor level. Local partnerships shall monitor qualifying expenses to ensure they have occurred and meet the requirements prescribed in this subsection."

SECTION 10.5.(d) G.S. 143B-168.13 reads as rewritten:

"**§ 143B-168.13. Implementation of program; duties of ~~Department~~ Division and Secretary.**

(a) The ~~Department~~ Division shall:

(1) Repealed by Session Laws 1998-212, s. 12.37B(a), effective October 30, 1998.
(1a) Develop and conduct a statewide needs and resource assessment every third year, beginning in the 1997-98 fiscal year. This needs assessment shall be conducted in cooperation ~~with the North Carolina Partnership and~~ with the local partnerships. This needs assessment shall include a statewide assessment of capital needs. The data and findings of this needs assessment shall form the basis for annual program plans developed by local partnerships and approved by the ~~North Carolina Partnership.~~Division.
(2) Recodified as (a)(1a) by Session Laws 1998-212, s. 12.37B(a).
(2a) Repealed by Session Laws 1998-212, s. 12.37B(l), effective October 30, 1998.
(3) Provide technical and administrative ~~assitance~~assistance to local partnerships, particularly during the first year after they are selected under this Part to receive State funds. The ~~Department,~~Division, at any time, may authorize ~~the North Carolina Partnership or~~ a governmental or public entity to do the contracting for one or more local partnerships. After a local partnership's first year, the ~~Department~~ Division may allow the partnership to contract for itself.
(4) ~~Adopt, in cooperation with the North Carolina Partnership,~~Adopt any rules necessary to implement this Part, including rules to ensure that State leave policy is not applied to ~~the North Carolina Partnership and~~ the local partnerships. In order to allow local partnerships to focus on the development of long-range plans in their initial year of funding, the ~~Department~~ Division may adopt rules that limit the categories of direct services for young children and their families for which funds are made available during the initial year.

(5) Repealed by Session Laws 1996, Second Extra Session, c. 18, s. 24.29(c).
(6) Annually update its funding ~~formula, in collaboration with the North Carolina Partnership for Children, Inc.,~~formula using the most recent data available. These amounts shall serve as the basis for determining "full funding" amounts for each local partnership.

(b) Repealed by Session Laws 1998-212, s. 12.37B(a), effective October 30, 1998."

SECTION 10.5.(e) G.S. 143B-168.14 reads as rewritten:

"**§ 143B-168.14. Local partnerships; conditions.**

(a) In order to receive State funds, the following conditions shall be met:
(1) Each local partnership shall develop a comprehensive, collaborative, long-range plan of services to children and families in the service-delivery area. No existing local, private, nonprofit 501(c)(3) organization, other than one established on or after July 1, 1993, and that meets the guidelines for local partnerships as established under this Part, shall be eligible to apply to serve as the local partnership for the purpose of this Part. The ~~Board of the North Carolina Partnership~~Division may authorize exceptions to this eligibility requirement.
(2) Each local partnership shall agree to adopt procedures for its operations that are comparable to those of Article 33C of Chapter 143 of the General Statutes, the Open Meetings Law, and Chapter 132 of the General Statutes, the Public Records Law, and provide for enforcement by the Department. The procedures may provide for the confidentiality of personnel files comparable to Article 7 of Chapter 126 of the General Statutes.
(3) Each local partnership shall adopt procedures to ensure that all personnel who provide services to young children and their families under this Part know and understand their responsibility to report suspected child abuse, neglect, or dependency, as defined in G.S. 7B-101.
(4) Each local partnership shall participate in the uniform, standard fiscal accountability plan developed and adopted by the ~~North Carolina Partnership.~~Division.

(b) Each local partnership shall be subject to audit and review by the ~~North Carolina Partnership.~~Division. The ~~North Carolina Partnership~~Division shall contract for annual financial and compliance audits of local partnerships that are rated "needs improvement" in performance assessments authorized in G.S. 143B-168.12(a)(7). Local partnerships that are rated "superior" or "satisfactory" in performance assessments authorized in G.S. 143B-168.12(a)(7) shall undergo biennial financial and compliance audits as contracted for by the ~~North Carolina Partnership.~~Division. The ~~North Carolina Partnership~~Division shall provide the State Auditor with a copy of each audit conducted pursuant to this subsection."

SECTION 10.5.(f) G.S. 143B-168.15 reads as rewritten:

"**§ 143B-168.15. Use of State funds.**

(a) State funds allocated to local projects for services to children and families shall be used to meet assessed needs, expand coverage, and improve the quality of these services. The local plan shall address the assessed needs of all children to the extent feasible. It is the intent of the General Assembly that the needs of both young children below poverty who remain in the home, as well as the needs of young children below poverty who require services beyond those offered in child care settings, be addressed. Therefore, as local partnerships address the assessed needs of all children, they should devote an appropriate amount of their State allocations, considering these needs and other available resources, to meet the needs of children below poverty and their families.

(b) Depending on local, regional, or statewide needs, funds may be used to support activities and services that shall be made available and accessible to providers, children, and families on a voluntary basis. Of the funds allocated to local partnerships for direct services, seventy percent (70%) of the funds spent in each year shall be used in child care related activities and early childhood education programs that improve access to child care and early childhood education services, develop new child care and early childhood education services, and improve the quality of child care and early childhood education services in all settings.

(c) Long-term plans for local projects that do not receive their full allocation in the first year, other than those selected in 1993, should consider how to meet the assessed needs of low-income children and families within their neighborhoods or communities. These plans also

should reflect a process to meet these needs as additional allocations and other resources are received.

(d) State funds designated for start-up and related activities may be used for capital expenses or to support activities and services for children, families, and providers. State funds designated to support direct services for children, families, and providers shall not be used for major capital expenses unless the ~~North Carolina Partnership~~Division approves this use of State funds based upon a finding that a local partnership has demonstrated that (i) this use is a clear priority need for the local plan, (ii) it is necessary to enable the local partnership to provide services and activities to underserved children and families, and (iii) the local partnership will not otherwise be able to meet this priority need by using State or federal funds available to that local partnership. The funds approved for capital projects in any two consecutive fiscal years may not exceed ten percent (10%) of the total funds for direct services allocated to a local partnership in those two consecutive fiscal years.

(e) State funds allocated to local partnerships shall not supplant current expenditures by counties on behalf of young children and their families, and maintenance of current efforts on behalf of these children and families shall be sustained. State funds shall not be applied without the Secretary's approval where State or federal funding sources, such as Head Start, are available or could be made available to that county.

(f) Repealed by Session Laws 2001-424, s. 21.75(g), effective July 1, 2001.

(g) Not less than thirty percent (30%) of the funds spent in each year of each local partnership's direct services allocation shall be used to expand child care subsidies. To the extent practicable, these funds shall be used to enhance the affordability, availability, and quality of child care services as described in this section. The ~~North Carolina Partnership~~Division may increase this percentage requirement up to a maximum of fifty percent (50%) when, based upon a significant local waiting list for subsidized child care, the ~~North Carolina Partnership~~Division determines a higher percentage is justified.

(h) State funds allocated to local partnerships that are unexpended at the end of a fiscal year shall remain available to the ~~North Carolina Partnership for Children, Inc.,~~Division to reallocate to local partnerships."

SECTION 10.5.(g) Administrative costs shall be equivalent to, on an average statewide basis for all local partnerships, not more than four percent (4%) 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 10.5.(h) The Division of Child Development shall impose an annual salary cap limiting the amount of salary that an individual employee of a local partnership may be paid from State funds in accordance with the following schedule:

(1) For amounts received that are over ten million dollars ($10,000,000) annually in total State funds, the annual salary cap limitation is one hundred thousand dollars ($100,000).

(2) For amounts received that are over or equal to five million dollars ($5,000,000) but less than ten million dollars ($10,000,000) annually in total State funds, the annual salary cap limitation is ninety thousand dollars ($90,000).

(3) For amounts received that are over or equal to three million dollars ($3,000,000) but less than five million dollars ($5,000,000) annually in total State funds, the annual salary cap limitation is eighty thousand dollars ($80,000).

(4) For amounts received that are over or equal to one million dollars ($1,000,000) but less than three million dollars ($3,000,000) annually in total State funds, the annual salary cap limitation is seventy thousand dollars ($70,000).

(5) For amounts received that are less than one million dollars ($1,000,000) annually in total State funds, the annual salary cap limitation is sixty thousand dollars ($60,000).

Nothing in this subsection shall be construed to prohibit a local partnership from using non-State funds to supplement the salary of an individual employee employed by the local partnership.

SECTION 10.5.(i) 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 Division of Child Development.

(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 10.5.(j) All local partnerships shall, in the aggregate, be required to match one hundred percent (100%) of the total amount budgeted for the program in each fiscal year of the biennium. Of the funds the local partnerships are required to match, contributions of cash shall equal at least ten percent (10%) and in-kind donated resources shall equal no more than three percent (3%), for a total match requirement of thirteen percent (13%) for each 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 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 local partnership.

(8) Be reported to the local partnership by the contractor in the same manner as reimbursable expenses.

Failure to obtain a thirteen percent (13%) 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 Division of Child Development 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 10.5.(k) The Department of Health and Human Services shall continue to implement the performance-based evaluation system.

SECTION 10.5.(l) The Department of Health and Human Services, Division of Child Development, shall ensure that the allocation of funds for Early Childhood Education and Development Initiatives for State fiscal years 2011-2012 and 2012-2013 shall be administered and distributed in the following manner:

(1) Capital expenditures are prohibited for fiscal years 2011-2012 and 2012-2013. 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 2011-2012 and 2012-2013.

SECTION 10.5.(m) 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. 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 10.5.(n) For fiscal years 2011-2012 and 2012-2013, the local partnerships shall spend at least seventy-two million dollars ($72,000,000) for child care subsidies, of which twenty million dollars ($20,000,000) is expected to be used to reduce the number of children on the waiting list for child care subsidy.

SECTION 10.5.(o) For fiscal years 2011-2012 and 2012-2013, local partnerships shall not spend any State funds on lobbying, marketing campaigns, advertising, or any associated materials. Local partnerships may spend any private funds the local partnerships receive on those activities.

SECTION 10.5.(p) Local partnership-funded activities shall include assisting child care facilities with (i) improving quality, including helping one- and two-star-rated facilities increase their star ratings and (ii) implementing prekindergarten programs. State funding for local partnerships shall also be used for evidence-based or evidence-informed programs for children from birth to five years of age that do the following:

(1) Increase children's literacy.
(2) Increase the parents' ability to raise healthy, successful children.
(3) Improve children's health.
(4) Assist four- and five-star-rated facilities in improving and maintaining quality.

SECTION 10.5.(q) The Legislative Research Commission is authorized to study the cost, quality, consumer education, and outcomes of the local partnerships' activities funded to (i) increase early literacy, (ii) measurably improve families' abilities to raise healthy, productive, and successful children, and (iii) increase access to preventative health care for children from birth to five years of age. The Legislative Research Commission shall evaluate and report on the following:

(1) The types of activities, goals, and intended outcomes of evidence-based early literacy activities that promote phonemic awareness, letter recognition, segmenting words into sounds, and decoding print text.
(2) The types of family support and health activities supported with local partnership funds.
(3) The goal and intended outcome of the family support and health activities.
(4) The numbers served and results of the family support and health activities.
(5) Study the match requirements and what constitutes the match requirements.
(6) Any other matter the Commission deems relevant to its charge.

SECTION 10.5.(r) On or before October 1, 2012, the Legislative Research Commission shall make a report of its findings and recommendations, including any proposed legislation, to the 2012 Regular Session of the 2011 General Assembly, 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.

ADMINISTRATIVE ALLOWANCE FOR COUNTY DEPARTMENTS OF SOCIAL SERVICES

SECTION 10.6. The Division of Child Development of the Department of Health and Human Services shall fund the allowance that county departments of social services may use for administrative costs at four percent (4%) of the county's total child care subsidy funds allocated in the Child Care Development Fund Block Grant plan.

CONSOLIDATE MORE AT FOUR PROGRAM INTO DIVISION OF CHILD DEVELOPMENT

SECTION 10.7.(a) The Department of Public Instruction, Office of Early Learning, and the Department of Health and Human Services are directed to consolidate the More At Four program into the Division of Child Development. The Division of Child Development is renamed the Division of Child Development and Early Education (DCDEE). The DCDEE is directed to maintain the More At Four program's high programmatic standards.

The Department of Health and Human Services shall assume the functions of the regulation and monitoring system and payment and reimbursement system for the More At Four program.

All regulation and monitoring functions shall begin July 1, 2011. The More At Four program shall be designated as "prekindergarten" on the five-star rating scale. All references to "prekindergarten" in this section shall refer to the program previously titled the "More At Four" program. All references to "non-prekindergarten" shall refer to all four- and five-star rated facilities.

The Office of State Budget and Management shall transfer positions to the Department of Health and Human Services to assume the regulation, monitoring, and accounting functions within the Division of Child Development's Regulatory Services Section. This transfer shall have all the elements of a Type I transfer as defined in G.S. 143A-6. All funds transferred pursuant to this section shall be used for the funding of prekindergarten slots for four-year-olds and for the management of the program. The Department of Health and Human Services shall incorporate eight consultant positions into the regulation and accounting sections of DCDEE, eliminate the remaining positions, and use position elimination savings for the purpose of funding prekindergarten students. DCDEE may use funds from the transfer of the More At Four program for continuing the teacher mentoring program and contracting for the environmental rating scale assessments.

SECTION 10.7.(b) The Childcare Commission shall adopt rules for programmatic standards for regulation of prekindergarten classrooms. The Commission shall review and approve comprehensive, evidenced-based early childhood curricula with a reading component. These curricula shall be added to the currently approved "More At Four" curricula.

SECTION 10.7.(c) G.S. 143B-168.4(a) reads as rewritten:

"(a) The Child Care Commission of the Department of Health and Human Services shall consist of ~~15~~ 17 members. Seven of the members shall be appointed by the Governor and ~~eight~~ 10 by the General Assembly, ~~four~~ five upon the recommendation of the President Pro Tempore of the Senate, and ~~four~~ five upon the recommendation of the Speaker of the House of Representatives. Four of the members appointed by the Governor, two by the General Assembly on the recommendation of the President Pro Tempore of the Senate, and two by the General Assembly on the recommendation of the Speaker of the House of Representatives, shall be members of the public who are not employed in, or providing, child care and who have no financial interest in a child care facility. Two of the foregoing public members appointed by the Governor, one of the foregoing public members recommended by the President Pro Tempore of the Senate, and one of the foregoing public members recommended by the Speaker of the House of Representatives shall be parents of children receiving child care services. Of the remaining two public members appointed by the Governor, one shall be a pediatrician currently licensed to practice in North Carolina. Three of the members appointed by the Governor shall be child care providers, one of whom shall be affiliated with a for profit child care center, one of whom shall be affiliated with a for profit family child care home, and one of whom shall be affiliated with a nonprofit facility. Two of the members appointed by the General Assembly on the recommendation of the President Pro Tempore of the Senate, and two by the General Assembly on recommendation of the Speaker of the House of Representatives, shall be child care providers, one affiliated with a for profit child care facility, and one affiliated with a nonprofit child care facility. The General Assembly, upon the recommendation of the President Pro Tempore of the Senate, and the General Assembly, upon the recommendation of the Speaker of the House of Representatives, shall appoint two early childhood education specialists. None may be employees of the State."

SECTION 10.7.(d) The additional curricula approved and taught in prekindergarten classrooms shall also be taught in four- and five-star rated facilities in the non-prekindergarten four-year-old classrooms. The Child Care Commission shall increase standards in the four- and five-star-rated facilities for the purpose of placing an emphasis on early reading. The Commission shall require the four- and five-star-rated facilities to teach from the Commission's approved curricula. The Division of Child Development may use funds from the Child Care Development Fund Block Grant to assist with the purchase of curricula or adjust rates of reimbursements to cover increased costs.

SECTION 10.7.(e) The Division of Child Development and Early Education shall adopt a policy to encourage all prekindergarten classrooms to blend private pay families with prekindergarten subsidized children in the same manner that regular subsidy children are

blended with private pay children. The Division may implement a waiver or transition period for the public classrooms.

SECTION 10.7.(f) The prekindergarten program may continue to serve at-risk children identified through the existing "child find" methods in which at-risk children are currently served within the Division of Child Development. The Division of Child Development shall serve at-risk children regardless of income. However, the total number of at-risk children served shall constitute no more than twenty percent (20%) of the four-year-olds served within the prekindergarten program. Any age-eligible child who is a child of either of the following shall be eligible for the program: (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 was ordered to active duty by the proper authority within the last 18 months or is 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. Eligibility determinations for prekindergarten participants may continue through local education agencies and local North Carolina Partnership for Children, Inc., partnerships.

SECTION 10.7.(g) The Division of Child Development and Early Education (DCDEE) shall adopt policies that improve the quality of childcare for subsidized children. The DCDEE shall phase in a new policy in which child care subsidies will be paid, to the extent possible, for child care in the higher quality centers and homes only. The DCDEE shall define higher quality, and subsidy funds shall not be paid for one- or two-star-rated facilities. For those counties with an inadequate number of three-, four-, and five-star-rated facilities, the DCDEE shall establish a transition period that allows the facilities to continue to receive subsidy funds while the facilities work on the increased star ratings. The DCDEE may allow exemptions in counties where there is an inadequate number of three-, four-, and five-star-rated facilities for nonstar-rated programs, such as religious programs.

SECTION 10.7.(h) The Division of Child Development and Early Education shall implement a parent co-payment requirement for prekindergarten classrooms the same as what is required of parents subject to regular child care subsidy payments. All at-risk children and age-eligible children of military personnel as described in subsection (g) of this section are exempt from the co-payment requirements of this subsection.

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 10.7.(i) All prekindergarten classrooms regulated pursuant to this section shall be required to participate in the Subsidized Early Education for Kids (SEEK) accounting system to streamline the payment function for these classrooms with a goal of eliminating duplicative systems and streamlining the accounting and payment processes among the subsidy reimbursement systems. Prekindergarten funds transferred may be used to add these programs to SEEK.

SECTION 10.7.(j) Based on market analysis and within funds available, the Division of Child Development and Early Education shall establish reimbursement rates based on newly increased requirements of four- and five-star-rated facilities and the higher teacher standards within the prekindergarten class rooms, specifically More At Four teacher standards, when establishing the rates of reimbursements. Additionally, the prekindergarten curriculum day shall cover six and one-half to 10 hours daily and no less than 10 months per year. The public classrooms will have a one-year transition period to become licensed through the Division of Child Development and may continue to operate prekindergarten, formerly "More At Four," classrooms during the 2011-2012 fiscal year.

MENTAL HEALTH CHANGES

SECTION 10.8.(a) For the purpose of mitigating cash flow problems that many nonsingle-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 nonsingle-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 10.8.(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-nine million one hundred twenty-one thousand six hundred forty-four dollars ($29,121,644) for the 2011-2012 fiscal year and the sum of twenty-nine million one hundred twenty-one thousand six hundred forty-four dollars ($29,121,644) for the 2012-2013 fiscal year shall be allocated for the purchase of local inpatient psychiatric beds or bed days. In addition, at the discretion of the Secretary of Health and Human Services, existing funds allocated to LMEs for community-based mental health, developmental disabilities, and substance abuse services may be used to purchase additional local inpatient psychiatric beds or bed days. These beds or bed days shall be distributed across the State in 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, 2012, 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 10.8.(c) 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 thousand dollars ($5,700,000) 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.

SECTION 10.8.(d) The Department of Health and Human Services may create a midyear process by which it can reallocate State service dollars away from LMEs that do not appear to be on track to spend the LMEs' full appropriation and toward LMEs that appear able to spend the additional funds.

MH/DD/SAS HEALTH CARE INFORMATION SYSTEM PROJECT

SECTION 10.9. Of the funds appropriated to the Department of Health and Human Services for the 2011-2013 fiscal biennium, the Department may use a portion of these funds to continue to develop and implement a health care information system for State institutions operated by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services. G.S. 143C-6-5 does not apply to this section.

LME FUNDS FOR SUBSTANCE ABUSE SERVICES

SECTION 10.10.(a) 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 10.10.(b) 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 10.10.(c) 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 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 10.10.(d) 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.

MH/DD/SAS COMMUNITY SERVICE FUNDS

SECTION 10.11.(a) The Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (as used in this section "the Division") is directed to reduce the Community Service Fund by thirty million dollars ($30,000,000).

SECTION 10.11.(b) The Division is directed, through consultation with LME representatives and stakeholders, to develop a set of standardized covered benefits for recipients of LME Service Funds that shall become the only services paid for by community service funds through LMEs. These services shall be best practices for developmental disabilities, mental illness, and substance abuse.

SECTION 10.11.(c) Effective January 1, 2012, the Division shall implement a co-payment for all mental health, developmental disabilities, and substance abuse services based upon the Medicaid co-payment rates.

SECTION 10.11.(d) The Division is directed to reduce the Community Service Fund by twenty-five million dollars ($25,000,000) for the 2011-2012 fiscal year based on available fund balance reported by the LMEs' 2010 fiscal audit. The Division is directed to allocate the reduction among LMEs based on unreserved, undesignated fund balance totals, as of June 30, 2010. The LMEs are required to backfill the reduction in this subsection with fund balance availability and not further reduce services. LMEs are directed to spend their unreserved, undesignated fund balance on services, commensurate with the reduction directed by the Division pursuant to this subsection.

SECTION 10.11.(e) Quarterly reports shall be submitted to the Division by LMEs to ensure expenditures from fund balance occur at the level required by this law. Additionally, the Division shall review the designation of reserved or designated fund balance accounts to

determine whether accounts may be moved to unreserved, undesignated, in essence increasing the unreserved, undesignated fund balance available for purchase of services. If categories of funds are moved into the unreserved/undesignated categories, the affected LMEs are encouraged to spend these funds to minimize their share of the thirty million dollars ($30,000,000) in reductions to services as required in subsection (a) of this section.

SECTION 10.11.(f) The Department of Health and Human Services shall report to the House and Senate Appropriations Subcommittees by December 12, 2011, on the status of implementing this section.

CONSOLIDATION OF FORENSIC HEALTH CARE AT DOROTHEA DIX COMPLEX

SECTION 10.12. The Department of Health and Human Services, Division of State Operated Facilities, shall issue a Request for Proposal for the consolidation of forensic hospital care. The operation shall initially be located at the Dorothea Dix complex. The Secretary of Health and Human Services is authorized to proceed with contracting with a private entity if the Secretary can justify savings through the contract. The Secretary shall compare the Department's total cost to provide forensic care to proposals received and determine whether it is cost-effective to contract for this service. The Secretary may only proceed if the Secretary determines the Department will save money and ensure appropriate safety and quality of care for patients.

The Secretary shall report to the Joint Appropriations Subcommittee for Health and Human Services by October 30, 2011, with cost detail and savings identified from the proposals.

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

SECTION 10.13. 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.

THIRD-PARTY BILLING FOR STATE FACILITIES

SECTION 10.14. G.S. 122C-55 reads as rewritten:

"§ 122C-55. Exceptions; care and treatment.

...

(g) Whenever there is reason to believe that the client is eligible for financial benefits through a governmental agency, a facility may disclose confidential information to State, local, or federal government agencies. Except as provided in ~~G.S. 122C-55(a3),~~ G.S. 122C-55(a3) and G.S. 122C-55(g1), disclosure is limited to that confidential information necessary to establish financial benefits for a client. ~~After~~ Except as provided in G.S. 122C-55(g1), after establishment of these benefits, the consent of the client or his legally responsible person is required for further release of confidential information under this subsection.

(g1) A facility may disclose confidential information for the purpose of collecting payment due the facility for the cost of care, treatment, or habilitation.

...."

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

SECTION 10.15.(a) School-Based Child and Family Team Initiative Established.

(1) Purpose and duties. – There is established the School-Based Child and Family Team Initiative. The purpose of the Initiative is to identify and coordinate appropriate community services and supports for children at risk of school failure or out-of-home placement in order to address the physical, social, legal, emotional, and developmental factors that affect academic performance. The Department of Health and Human Services, the Department of Public Instruction, the State Board of Education, the

Department of Juvenile Justice and Delinquency Prevention, the Administrative Office of the Courts, and other State agencies that provide services for children shall share responsibility and accountability to improve outcomes for these children and their families. The Initiative shall be based on the following principles:

a. The development of a strong infrastructure of interagency collaboration.
b. One child, one team, one plan.
c. Individualized, strengths-based care.
d. Accountability.
e. Cultural competence.
f. Children at risk of school failure or out-of-home placement may enter the system through any participating agency.
g. Services shall be specified, delivered, and monitored through a unified Child and Family Plan that is outcome-oriented and evaluation-based.
h. Services shall be the most efficient in terms of cost and effectiveness and shall be delivered in the most natural settings possible.
i. Out-of-home placements for children shall be a last resort and shall include concrete plans to bring the children back to a stable permanent home, their schools, and their community.
j. Families and consumers shall be involved in decision making throughout service planning, delivery, and monitoring.

(2) Program goals and services. – In order to ensure that children receiving services are appropriately served, the affected State and local agencies shall do the following:

a. Increase capacity in the school setting to address the academic, health, mental health, social, and legal needs of children.
b. Ensure that children receiving services are screened initially to identify needs and assessed periodically to determine progress and sustained improvement in educational, health, safety, behavioral, and social outcomes.
c. Develop uniform screening mechanisms and a set of outcomes that are shared across affected agencies to measure children's progress in home, school, and community settings.
d. Promote practices that are known to be effective based upon research or national best practice standards.
e. Review services provided across affected State agencies to ensure that children's needs are met.
f. Eliminate cost-shifting and facilitate cost-sharing among governmental agencies with respect to service development, service delivery, and monitoring for participating children and their families.
g. Participate in a local memorandum of agreement signed annually by the participating superintendent of the local LEA, directors of the county departments of social services and health, director of the local management entity, the chief district court judge, and the chief district court counselor.

(3) Local level responsibilities. – In coordination with the North Carolina Child and Family Leadership Council (Council), established in subsection (b) of this section, the local board of education shall establish the School-Based Child and Family Team Initiative at designated schools and shall appoint the Child and Family Team Leaders, who shall be a school nurse and a school social worker. Each local management entity that has any selected schools in its catchment area shall appoint a Care Coordinator, and any department of social services that has a selected school in its catchment area shall appoint a Child and Family Teams Facilitator. The Care Coordinators and Child and Family Team Facilitators shall have as their sole responsibility working with the selected schools in their catchment areas and shall provide training to school-based personnel, as required. The Child and Family Team Leaders

shall identify and screen children who are potentially at risk of academic failure or out-of-home placement due to physical, social, legal, emotional, or developmental factors. Based on the screening results, responsibility for developing, convening, and implementing the Child and Family Team Initiative is as follows:

a. School personnel shall take the lead role for those children and their families whose primary unmet needs are related to academic achievement.

b. The local management entity shall take the lead role for those children and their families whose primary unmet needs are related to mental health, substance abuse, or developmental disabilities and who meet the criteria for the target population established by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.

c. The local department of public health shall take the lead role for those children and their families whose primary unmet needs are health-related.

d. Local departments of social services shall take the lead for those children and their families whose primary unmet needs are related to child welfare, abuse, or neglect.

e. The chief district court counselor shall take the lead for those children and their families whose primary unmet needs are related to juvenile justice issues. A representative from each named or otherwise identified publicly supported children's agency shall participate as a member of the Team as needed. Team members shall coordinate, monitor, and assure the successful implementation of a unified Child and Family Plan.

(4) Reporting requirements. – School-Based Child and Family Team Leaders shall provide data to the Council for inclusion in their report to the North Carolina General Assembly. The report shall include the following:

a. The number of and other demographic information on children screened and assigned to a team and a description of the services needed by and provided to these children.

b. The number of and information about children assigned to a team who are placed in programs or facilities outside the child's home or outside the child's county and the average length of stay in residential treatment.

c. The amount and source of funds expended to implement the Initiative.

d. Information on how families and consumers are involved in decision making throughout service planning, delivery, and monitoring.

e. Other information as required by the Council to evaluate success in local programs and ensure appropriate outcomes.

f. Recommendations on needed improvements.

(5) Local advisory committee. – In each county with a participating school, the superintendent of the local LEA shall either identify an existing cross-agency collaborative or council or shall form a new group to serve as a local advisory committee to work with the Initiative. Newly formed committees shall be chaired by the superintendent and one other member of the committee to be elected by the committee. The local advisory committee shall include the directors of the county departments of social services and health; the directors of the local management entity; the chief district court judge; the chief district court counselor; the director of a school-based or school-linked health center, if a center is located within the catchment area of the School-Based Child and Family Team Initiative; and representatives of other agencies providing services to children, as designated by the Committee. The members of the Committee shall meet as needed to monitor and support the successful implementation of the School-Based Child and Family Team Initiative. The Local Child and Family Team Advisory

Committee may designate existing cross-agency collaboratives or councils as working groups or to provide assistance in accomplishing established goals.

SECTION 10.15.(b) North Carolina Child and Family Leadership Council. –

(1) Leadership Council established; location. – There is established the North Carolina Child and Family Leadership Council (Council). The Council shall be located within the Department of Administration for organizational and budgetary purposes.

(2) Purpose. – The purpose of the Council is to review and advise the Governor in the development of the School-Based Child and Family Team Initiative and to ensure the active participation and collaboration in the Initiative by all State agencies and their local counterparts providing services to children in participating counties in order to increase the academic success of and reduce out-of-home and out-of-county placements of children at risk of academic failure.

(3) Membership. – The Superintendent of Public Instruction and the Secretary of Health and Human Services shall serve as cochairs of the Council. Council membership shall include the Secretary of the Department of Juvenile Justice and Delinquency Prevention, the Chair of the State Board of Education, the Director of the Administrative Office of the Courts, and other members as appointed by the Governor.

(4) The Council shall do the following:

a. Sign an annual memorandum of agreement (MOA) among the named State agencies to define the purposes of the program and to ensure that program goals are accomplished.

b. Resolve State policy issues, as identified at the local level, which interfere with effective implementation of the School-Based Child and Family Team Initiative.

c. Direct the integration of resources, as needed, to meet goals and ensure that the Initiative promotes the most effective and efficient use of resources and eliminates duplication of effort.

d. Establish criteria for defining success in local programs and ensure appropriate outcomes.

e. Develop an evaluation process, based on expected outcomes, to ensure the goals and objectives of this Initiative are achieved.

f. Review progress made on integrating policies and resources across State agencies, reaching expected outcomes, and accomplishing other goals.

g. Report semiannually, on January 1 and July 1, on progress made and goals achieved to the Office of the Governor, the Joint Appropriations Committees and Subcommittees on Education, Justice and Public Safety, and Health and Human Services, and the Fiscal Research Division of the Legislative Services Office. The Council may designate existing cross-agency collaboratives or councils as working groups or to provide assistance in accomplishing established goals.

SECTION 10.15.(c) Department of Health and Human Services. – The Secretary of the Department of Health and Human Services shall ensure that all agencies within the Department collaborate in the development and implementation of the School-Based Child and Family Team Initiative and provide all required support to ensure that the Initiative is successful.

SECTION 10.15.(d) Department of Juvenile Justice and Delinquency Prevention. – The Secretary of the Department of Juvenile Justice and Delinquency Prevention shall ensure that all agencies within the Department collaborate in the development and implementation of the School-Based Child and Family Team Initiative and provide all required support to ensure that the Initiative is successful.

SECTION 10.15.(e) Administrative Office of the Courts. – The Director of the Administrative Office of the Courts shall ensure that the Office collaborates in the development

and implementation of the School-Based Child and Family Team Initiative and shall provide all required support to ensure that the Initiative is successful.

SECTION 10.15.(f) Department of Public Instruction. – The Superintendent of Public Instruction shall ensure that the Department collaborates in the development and implementation of the School-Based Child and Family Team Initiative and shall provide all required support to ensure that the Initiative is successful.

DHHS POSITION ELIMINATIONS

SECTION 10.16. The Secretary of the Department of Health and Human Services is directed to eliminate 250 full-time equivalent positions that have been continuously vacant since July 1, 2010, in order to accomplish a total savings of seven million seven hundred seventy-one thousand nine hundred ninety-seven dollars ($7,771,997) in State funds. To the extent possible, the Secretary shall not eliminate positions assigned to the Division of State Operated Healthcare Facilities or the Division of Medical Assistance. In the event that eliminating 250 full-time equivalent positions that have been continuously vacant since July 1, 2010, does not achieve the savings specified in this section, the Secretary may eliminate other positions within the Department or achieve the designated savings through other administrative and operational reductions or efficiencies. By September 30, 2011, the Secretary shall submit a report to the House Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division on the positions eliminated and any other reductions or efficiencies implemented in order to achieve the savings required by this section. The report shall include the total number of positions eliminated, savings generated by each eliminated position, the impact on any federal funds previously received for the eliminated positions, and any other reductions or efficiencies implemented to achieve the savings required by this section.

REDUCE FUNDING FOR NONPROFIT ORGANIZATIONS

SECTION 10.18. For fiscal years 2011-2012 and 2012-2013, the Department of Health and Human Services shall reduce the amount of funds allocated to nonprofit organizations by ten million dollars ($10,000,000) on a recurring basis. In achieving the reductions required by this section, the Department shall not reduce funds allocated to the North Carolina High School Athletic Association by more than ten percent (10%).

PROHIBIT USE OF ALL FUNDS FOR PLANNED PARENTHOOD ORGANIZATIONS

SECTION 10.19. For fiscal years 2011-2012 and 2012-2013, the Department of Health and Human Services may not provide State funds or other funds administered by the Department for contracts or grants to Planned Parenthood, Inc., and affiliated organizations.

LIABILITY INSURANCE

SECTION 10.20.(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 10.20.(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 10.20.(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.

CHANGES TO COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 10.21.(a) Funds appropriated in this act from the General Fund to the Department of Health and Human Services (Department) for the Community-Focused Eliminating Health Disparities Initiative (CFEHDI) shall be used to provide a maximum of 12 grants-in-aid 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-in-aid shall focus on the use of measures to eliminate or reduce health disparities among minority populations in this State with respect to heart disease, stroke, diabetes, obesity, asthma, HIV/AIDS, and cancer. The Office of Minority Health shall coordinate and implement the grants-in-aid program authorized by this section.

SECTION 10.21.(b) In implementing the grants-in-aid program authorized by subsection (a) of this section, the Department shall ensure all of the following:

(1) The amount of any grant-in-aid is limited to three hundred thousand dollars ($300,000).

(2) Only community-based organizations, faith-based organizations, local health departments, hospitals, and CCNC networks located in urban and rural areas of the western, eastern, and Piedmont areas of this State are eligible to apply for these grants-in-aid. No more than four grants-in-aid shall be awarded to applicants located in any one of the three areas specified in this subdivision.

(3) Each eligible applicant shall be required to demonstrate substantial participation and involvement with all other categories of eligible applicants, in order to ensure an evidence-based medical home model that will affect change in health and geographic disparities.

(4) Eligible applicants shall select one or more of the following chronic illnesses or conditions specific to the applicant's geographic area as the basis for applying for a grant-in-aid under this section to affect change in the health status of African-Americans, Hispanics/Latinos, or American Indians:
   a. Heart Disease
   b. Stroke
   c. Diabetes
   d. Obesity
   e. Asthma
   f. HIV/AIDS
   g. Cancer

(5) The minimum duration of the grant period for any grant-in-aid is two years.

(6) The maximum duration of the grant period for any grant-in-aid is three years.

(7) If approved for a grant-in-aid, the grantee (i) shall not use more than eight percent (8%) of the grant funds for overhead costs and (ii) shall be required at the end of the grant period to demonstrate significant gains in addressing one or more of the health disparity focus areas identified in subsection (a) of this section.

(8) An independent panel with expertise in the delivery of services to minority populations, health disparities, chronic illnesses and conditions, and HIV/AIDS shall conduct the review of applications for grants-in-aid. The Department shall establish the independent panel required by this section.

SECTION 10.21.(c) The grants-in-aid awarded under this section shall be awarded in honor of the memory of the following recently deceased members of the General Assembly:

Bernard Allen, John Hall, Robert Holloman, Howard Hunter, Jeanne Lucas, Vernon Malone, William Martin, and Pete Cunningham. 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 10.21.(d) By October 1, 2012, and annually 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 on funds appropriated to the CFEHDI. The report shall 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, and shall also address all of the following:

(1) Which community-based organizations, faith-based organizations, local health departments, hospitals, and CCNC networks received CFEHDI grants-in-aid.
(2) The amount of funding awarded to each grantee.
(3) Which of the minority populations were served by each grantee.
(4) Which community-based organizations, faith-based organizations, local health departments, hospitals, and CCNC networks were involved in fulfilling the goals and activities of each grant-in-aid awarded under this section and what activities were planned and implemented by the grantee to fulfill the community focus of the CFEHDI program.
(5) How the activities implemented by the grantee fulfilled the goal of reducing health disparities among minority populations, and the specific success in reducing particular incidences.

FUNDS FOR SCHOOL NURSES

SECTION 10.22.(a) All funds appropriated in this act for the School Nurse Funding 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 to fund nurses for State agencies. These funds shall be distributed to local health departments according to a formula that includes all of the following:

(1) School nurse-to-student ratio.
(2) Percentage of students eligible for free or reduced meals.
(3) Percentage of children in poverty.
(4) Per capita income.
(5) Eligibility as a low-wealth county.
(6) Mortality rates for children between 1 and 19 years of age.
(7) Percentage of students with chronic illnesses.
(8) Percentage of county population consisting of minority persons.

SECTION 10.22.(b) The Division of Public Health shall ensure that school nurses funded with State funds (i) do not assist in any instructional or administrative duties associated with a school's curriculum and (ii) perform all of the following with respect to school health programs:

(1) Serve as the coordinator of the health services program and provide nursing care.
(2) Provide health education to students, staff, and parents.
(3) Identify health and safety concerns in the school environment and promote a nurturing school environment.
(4) Support healthy food services programs.
(5) Promote healthy physical education, sports policies, and practices.
(6) Provide health counseling, assess mental health needs, provide interventions, and refer students to appropriate school staff or community agencies.
(7) Promote community involvement in assuring a healthy school and serve as school liaison to a health advisory committee.
(8) Provide health education and counseling and promote healthy activities and a healthy environment for school staff.
(9) Be available to assist the county health department during a public health emergency.

REPLACEMENT OF RECEIPTS FOR CHILD DEVELOPMENT SERVICE AGENCIES

SECTION 10.23. Receipts earned by the Child Development Service Agencies (CDSAs) from any public or private third-party payer shall be budgeted on a recurring basis to replace reductions in State appropriations to CDSAs.

HEALTH INFORMATION TECHNOLOGY

SECTION 10.24.(a) The Department of Health and Human Services, in cooperation with the State Chief Information Officer, 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 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, physicians' 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 10.24.(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 identifying resources and available opportunities for North Carolina institutions of higher education.

(7) Ensuring that potential State plan participants are aware of HIT policies and programs and the opportunity for improved health information technology.

(8) Monitoring HIT efforts and initiatives in other states and replicating successful efforts and initiatives in North Carolina.

(9) Monitoring the development of the National Coordinator's strategic plan and ensuring that all stakeholders are aware of and in compliance with its requirements.

(10) Monitoring the progress and recommendations of the HIT Policy and Standards Committee and ensuring that all stakeholders remain informed of the Committee's recommendations.

(11) 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 10.24.(c) Beginning October 1, 2011, 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 reports due each January 1 and July 1 shall consist of updates to substantial initiatives or challenges that have occurred since the most recent comprehensive report. The reports due each October 1 and April 1 shall be comprehensive and shall include all of 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.

FUNDS FOR STROKE PREVENTION

SECTION 10.25.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, the sum of four hundred thousand dollars ($400,000) in nonrecurring funds for the 2011-2012 fiscal year and the sum of four hundred thousand dollars ($400,000) in nonrecurring funds for the 2012-2013 fiscal year is allocated to the Heart Disease and Stroke Prevention Branch for continuation of community education campaigns and communication strategies, in partnership with the American Heart Association/American Stroke Association, on stroke signs and symptoms and the importance of immediate response.

SECTION 10.25.(b) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, the sum of fifty thousand dollars ($50,000) in nonrecurring funds for the 2011-2012 fiscal year and the sum of fifty thousand dollars ($50,000) in nonrecurring funds for the 2012-2013 fiscal year is allocated for continued operations of the Stroke Advisory Council.

AIDS DRUG ASSISTANCE PROGRAM

SECTION 10.26. The Department of Health and Human Services (DHHS) shall work with the Department of Correction (DOC) to use DOC funds to purchase pharmaceuticals for the treatment of DOC inmates with HIV/AIDS in a manner that allows these funds to be accounted for as State matching funds in DHHS' drawdown of federal Ryan White funds.

MEN'S HEALTH

SECTION 10.26A. The Department of Health and Human Services, Division of Public Health, shall 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) building public health awareness, (iii) developing initiatives within existing programs, and (iv) pursuing federal and State funding for the screening, early detection, and treatment of prostate cancer and other diseases affecting men's health.

NC HEALTH CHOICE MEDICAL POLICY

SECTION 10.27. 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).

COMMUNITY CARE OF NORTH CAROLINA

SECTION 10.28.(a) The Department of Health and Human Services (Department) shall submit a report annually from a qualified entity with proven experience in conducting actuarial and health care studies 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 10.28.(b) The Department and the Division of Medical Assistance (DMA) shall enter into a three-party contract between North Carolina Community Care Networks, Inc., (NCCCN, Inc.) and each of the 14 participating local CCNC networks and shall require NCCCN, Inc., to provide standardized clinical and budgetary coordination, oversight, and reporting for a statewide Enhanced Primary Care Case Management System for Medicaid enrollees. The contracts shall require NCCCN, Inc., to build upon and expand the existing successful CCNC primary care case management model to include comprehensive statewide 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 10.28.(c) 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. NCCCN, Inc., shall submit biannual reports 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 10.28.(d) By January 1, 2012, 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 April 1, 2012. 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 10.28.(e) By July 1, 2012, 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.

MEDICAID MANAGEMENT INFORMATION SYSTEM (MMIS) FUNDS/IMPLEMENTATION OF MMIS

SECTION 10.29.(a) By August 1, 2011, the Secretary of the Department of Health and Human Services shall provide detailed cost information on the replacement Medicaid Management Information System (MMIS) 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, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management. This information shall include the following:

(1) The original total cost of MMIS, by year, to include five years of operations and maintenance.

(2) The current total cost of MMIS, to include five years of operations and maintenance.

(3) Detailed information on costs associated with each MMIS project, to include the original cost, the current cost, and the reasons for any changes.

(4) A list of change requests and amendments to the original contract, and the costs associated with each.

(5) Costs for continuing the legacy MMIS beyond the original completion date for the new MMIS, with detailed information on funding sources for those costs.

(6) Original costs for each vendor associated with the contract, the current costs for each, and the reasons for any increases in cost.

SECTION 10.29.(b) The Secretary may utilize prior year earned revenue received for the replacement MMIS in the amount of three million two hundred thirty-two thousand three hundred four dollars ($3,232,304) in fiscal year 2011-2012 and twelve million dollars ($12,000,000) in fiscal year 2012-2013. The Department shall utilize prior year earned revenues received for the procurement, design, development, and implementation of the replacement MMIS. In the event the Department does not receive prior year earned revenues in the amounts authorized by this section, or funds are insufficient to advance the project, the Department is authorized, with approval of the Office of State Budget and Management (OSBM), and after consulting with the Joint Legislative Commission on Governmental Operations, to utilize overrealized receipts and funds appropriated to the Department to achieve the level of funding specified in this section for the replacement MMIS. If the department requires funding beyond the prior year earned revenue specified in this section, the Department shall immediately report 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, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management. The report shall include the following:

(1) The amount of the shortfall.

(2) The sources of funding the Department plans to use to make up for the shortfall.

(3) The impact on the programs or operations from which the funding is to be taken.

SECTION 10.29.(c) The Department shall make full development of the replacement MMIS a top priority. During the development and implementation of the replacement 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 premiums or other payments required by law.

(2) Compatibility with the Health Information System.

SECTION 10.29.(d) The Department shall make every effort to expedite the implementation of the enhancements. The contract between the Department and each contract vendor shall contain an explicit provision requiring the replacement MMIS to 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/CC, 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 and must immediately provide that cost information 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, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management. Any sole source contract must meet all State requirements and must have the written approval of the State CIO. Any decision to sole source any portion of the contract shall immediately be 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, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management.

SECTION 10.29.(e) The Office of the State Chief Information Officer (SCIO) and the Office of Information Technology Services (ITS) shall work in cooperation with the Department to ensure the timely and effective implementation of the replacement MMIS and enhancements. The SCIO shall ensure that the replacement MMIS meets all State requirements for project management and shall immediately report any failure to meet State project management requirements 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, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management. The SCIO shall also immediately report if any replacement MMIS project, or portion of a project, is listed as red in the project portfolio management tool.

SECTION 10.29.(f) Notwithstanding G.S. 114-2.3, the Department shall engage the services of private counsel with pertinent information technology and computer law expertise to review requests for proposals and to negotiate and review contracts associated with the replacement MMIS. This shall include amendments exceeding ten million dollars ($10,000,000). The counsel engaged by the Department shall review the replacement MMIS contracts and amendments between the Department and the vendor to ensure that the requirements of subsection (d) of this section are met in their entirety, and that the terms of the contract are in the State's best interest.

SECTION 10.29.(g) By August 1, 2011, the Department shall develop a revised comprehensive schedule for the development and implementation of the replacement MMIS that fully incorporates federal and State project management and review standards. The Department shall ensure that the schedule is accurate. Any changes to the design, development, and implementation schedule shall be reported as part of the Department's monthly 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, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management. This submission shall

include a detailed explanation of schedule changes that have occurred since the initiation of the project, and the cost associated with each change. Any changes to key milestones 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, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management, with a full explanation of the reason for the change and any associated costs.

SECTION 10.29.(h) Beginning July 1, 2011, the Department shall make quarterly reports on the progress of the development and implementation of the replacement MMIS. This report shall include any changes, or anticipated changes, in the scope, functionality, or projected costs. This report shall include any changes to any replacement MMIS vendor contracts and shall provide a detailed explanation of those changes and the associated cost increases. 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, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management. A copy of the final report on each contract or amendment award shall also be submitted to the Joint Legislative Oversight Commission on Governmental Operations.

SECTION 10.29.(i) 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 reports identified in 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 State Health Plan for Teachers and State Employees. The costs for this capability shall be negotiated prior to the award of the Reporting and Analytics Project contract. The Reporting and Analytics Project solution must be completed simultaneously with the replacement MMIS.

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

SECTION 10.30. Of the funds appropriated in this act to the Department of Health and Human Services (Department), the nonrecurring sum of nine million five hundred ninety-two thousand three hundred thirty-two dollars ($9,592,332) for fiscal year 2011-2012 and the nonrecurring sum of nine million five hundred ninety-two thousand three hundred thirty-two dollars ($9,592,332) for fiscal year 2012-2013 shall be used to support the NC FAST project. These funds shall be (i) deposited to the Department's information technology budget code and (ii) used to match federal funds for the project. In addition, the Department shall utilize prior year earned revenues received in the amount of eight million seven hundred sixty-seven thousand six hundred ninety-six dollars ($8,767,696) in fiscal year 2011-2012 for the NC FAST project. Funds appropriated to the Department by this act shall be used to expedite the development and implementation of the Global Case Management and Food and Nutrition Services and the Eligibility Information System (EIS) components of the North Carolina Families Accessing Services through Technology (NC FAST) project. In the event that the Department does not receive prior year earned revenues in the amount 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 NC FAST project. The Department shall not obligate any of its overrealized receipts or funds for this purpose without (i) prior written approval from the United States Department of Agriculture Food and Nutrition Service, the United States Department of Health and Human Services Administration for Children and Families, the Centers for Medicare and Medicaid Services, and any other federal partner responsible for approving changes to the annual Advance Planning Document update (APDu) for the NC FAST Program and (ii) prior review and approval from the Office of Information Technology Services (ITS) and the Office of State Budget and Management (OSBM). The Department shall report any changes to the NC FAST Program to the Joint Legislative Oversight Committee on Information Technology, the Joint Legislative Commission on Governmental Operations, the Senate Appropriations Committee on Health and Human

Services, the House Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division not later than 30 days after receiving all the approvals required by this section.

MEDICAID

SECTION 10.31.(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 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 on 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.

(5) Medicaid as secondary payor 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 10.31.(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).

(5) Posting of notices of changes on Department Web site. – For any public notice of change required pursuant to the provisions of 42 C.F.R. § 447.205, the Department shall, no later than seven business days after the date of publication, publish the same notice on its Web site on the same Web page as it publishes State Plan amendments, and the notice shall remain on the Web site continuously for 90 days.

(6) Electronic transactions. – Medicaid providers shall follow the Department's established procedures for securing electronic payments and the Department shall not provide routine provider payments by check. Medicaid providers shall file claims electronically, except that nonelectronic claims submission may be required when it is in the best interest of the Department. 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.

Providers shall submit requests for prior authorizations electronically via the vendor's Web site. Providers shall access their authorizations via online portals rather than receiving hard copies by mail. Recipients shall continue to receive adverse decisions via certified mail. Providers shall receive copies electronically. Once Web portal is live for provider enrollment, providers shall submit their provider enrollment applications online. Thereafter, the Department shall accept electronic signatures, rather than require receipt of signed hard copies.

SECTION 10.31.(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 NEEDY – WFFA*		**MEDICALLY NEEDY**
Standard of Need & Families and Families and	WFFA*	Children &

Family Size	Children Income Level	Payment Level	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 10.31.(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. 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.

The Department of Health and Human Services (DHHS) shall operate and manage the Medicaid program within the annual State appropriation. DHHS shall establish policies, practices, rates, and expenditure procedures that are in compliance with CMS regulations and approved State Plans, State laws, and regulations.

Additionally, the Department shall be required to use the Physician's Advisory Group for review and will collaborate with other stakeholder groups in the adoption and implementation of all clinical and payment policies, including all public notice and posting provisions in use as of the effective date of this provision.

(1) **Mandatory Services.** – In order to manage the Medicaid program within the annual State appropriation, the Secretary shall have the authority to submit State Plan amendments and establish temporary rules affecting the amount of service and payment rate for the following mandatory services:

a. Hospital inpatient. – Payment for hospital inpatient services will be prescribed by the State Plan as established by the Department of Health and Human Services.

b. Hospital outpatient. – Eighty percent (80%) of allowable costs or a prospective reimbursement plan as established by the Department of Health and Human Services.

c. 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.

d. Physicians, certified nurse midwife services, nurse practitioners, physician assistants. – Fee schedules as developed by the Department of Health and Human Services.

e. EPSDT screens. – Payments in accordance with rate schedule developed by the Department of Health and Human Services.

f. Home health and related services, durable medical equipment. – Payments according to reimbursement plans developed by the Department of Health and Human Services.
g. Rural health clinical services. – Provider-based, reasonable cost, nonprovider-based, single-cost reimbursement rate per clinic visit.
h. Family planning. – Negotiated rate for local health departments. For other providers see specific services, e.g., hospitals, physicians.
i. Independent laboratory and X-ray services. – Uniform fee schedules as developed by the Department of Health and Human Services.
j. Medicare Buy-In. – Social Security Administration premium.
k. Ambulance services. – Uniform fee schedules as developed by the Department of Health and Human Services. Public ambulance providers will be reimbursed at cost.
l. 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.
m. Pregnancy-related services. – Covered services for pregnant women shall include nutritional counseling, psychosocial counseling, and predelivery and postpartum home visits as described in clinical policy.
n. Mental health services. – Coverage is limited to 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.

(2) **Optional Services.** – In order to manage the Medicaid program within the annual State appropriation, the Secretary shall have the authority to submit State Plan amendments and establish temporary rules affecting the amount of service, payment rate, or elimination of the following optional services:
a. Certified registered nurse anesthetists.
b. Community Alternative Programs.
c. Hearing aids. – Wholesale cost plus dispensing fee to provider.
d. Ambulatory surgical centers.
e. Private duty nursing, clinic services, prepaid health plans.
f. Intermediate care facilities for the mentally retarded.
g. Chiropractors, podiatrists, optometrists, dentists.
h. Dental coverage. – Dental services shall be provided on a restricted basis in accordance with criteria adopted by the Department to implement this subsection.

i. 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.

j. Physical therapy, occupational therapy, and speech therapy. – Services for adults. Payments are to be made only to qualified providers at rates negotiated by the Department of Health and Human Services.

k. Personal care services. – Payment in accordance with the State Plan developed by the Department of Health and Human Services.

l. Case management services. – Reimbursement in accordance with the availability of funds to be transferred within the Department of Health and Human Services.

m. Hospice and palliative care.

n. 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.

o. Health insurance premiums.

p. 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.

q. Bariatric surgeries. – Covered as described in clinical policy 1A-15, Surgery for Clinically Severe Obesity. In order to raise the standard of bariatric care in North Carolina, approval for these procedures shall only be granted to those providers (facilities and surgeons) who are designated as a Bariatric Surgery Center of Excellence (BSCOE) by the American Society for Metabolic and Bariatric Surgery (ASMBS). Providers must then submit to NC Medicaid documentation of their designation as a BSCOE as well as verify their continued annual participation.

r. Drugs. –

1. 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 established by the Department. In addition to the professional services fee, the Department may pay an enhanced fee for pharmacy services.

2. 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 program. The Department may impose prior authorization requirements on brand-name drugs for which the phrase "medically necessary" is written on the prescription.

3. 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).

4. Specialty drug provider network. – The Department of Health and Human Services shall work with specialty drug providers, manufacturers of specialty drugs, Medicaid recipients who are prescribed specialty drugs, and the medical professionals that treat Medicaid recipients who are prescribed specialty drugs to develop ways to ensure that best practices and the prevention of overutilization are maintained in the delivery and utilization of specialty drugs.

5. Lock controlled substances prescriptions into single pharmacy/provider. – The Department of Health and Human Services, Division of Medical Assistance, shall lock Medicaid enrollees into a single pharmacy and provider when the Medicaid enrollee's utilization of selected controlled substance medications meets the lock-in criteria approved by the NC Physicians Advisory Group, as follows:

I. Enrollees may be prescribed selected controlled substance medications by only one prescribing physician and may not change the prescribing physician at any time without prior approval or authorization by the Division.

II. Enrollees may have prescriptions for selected controlled substance medications filled at only one pharmacy and may not change to another pharmacy at any time without prior approval or authorization by the Division.

5A. Prior authorization. – 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 by providers who fail to prescribe those drugs in accordance with indications and dosage levels approved by the federal Food and Drug Administration. The Department may 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:

I. Evidence-based criteria available regarding efficacy or safety of the covered treatments; and

II. 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.

6. Preferred Drug List. – The Department of Health and Human Services shall establish and implement a preferred drug list program under the Division of Medical Assistance. Medications prescribed for the treatment of mental illness shall be included on the Preferred Drug List (PDL).

The pharmaceutical and therapeutics committee of the Physician's Advisory Group (PAG) shall provide ongoing review of the preferred drug list, including the implementation of prior authorization on identified drugs. 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.

The Department, in consultation with the PAG, shall adopt and publish policies and procedures relating to the preferred drug list, including the following:

I. Guidelines for the presentation and review of drugs for inclusion on the preferred drug list.

II. The manner and frequency of audits of the preferred drug list for appropriateness of patient care and cost-effectiveness.

III. An appeals process for the resolution of disputes.

IV. 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 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.

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 Pharmacy and Therapeutics (PAG P&T) Committee.

The Secretary shall appoint the following individuals to the review panel: (i) the Director of Pharmacy for the Division of Medical Assistance, (ii) a representative from the PAG P&T Committee, (iii) a representative from the Old North State Medical Society, (iv) a representative from the North Carolina Association of Pharmacists, (v) a representative from Community Care of North Carolina, (vi) A representative from the North Carolina Psychiatric Association, (vii) A representative from the North Carolina Pediatric Society, (viii) A representative from the North Carolina Academy of Family Physicians, (ix) a representative from the North Carolina Chapter of the American College of Physicians, (x) a representative from a research-based pharmaceutical company, (xi) a representative from a hospital-based pharmacy.

Individuals appointed to the Review Panel, except for the Division's Director of Pharmacy, shall only serve a two-year term.

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 Secretary.

The Department may establish a Preferred Drug List for the North Carolina Health Choice for Children program and pursue negotiated discounts or rebates for all prescription drugs under the program in order to achieve the lowest available price for such drugs under such program. The Department may procure a sole source contract with an outside entity or contractor to conduct negotiations for these discounts or rebates. The PAG P&T Committee and Preferred Drug List Policy Review Panel will provide recommendations on policies and procedures for the NC Health Choice Preferred Drug List.

s. Incentive Payments as outlined in the State Medicaid Health Information Plan for Electronic Health Records.

t. Other mental health services. – Unless otherwise covered by this section, coverage is limited to the following:

1. Services as established by the Division of Medical Assistance in consultation with 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 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.

2. 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.

3. Payments made for services rendered in accordance with this subdivision shall be qualified providers in accordance with approved policies and the State Plan. Nothing in sub-sub-subdivisions 1. or 2. of this sub-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-sub-subdivisions 1. or 2. of this sub-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 established by the Division of Medical Assistance in consultation with 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.

u. Experimental/investigational medical procedures. – Coverage is limited to services, supplies, drugs, or devices recognized as standard medical care for the condition, disease, illness, or injury being treated as determined by nationally recognized scientific professional organizations or scientifically based federal organizations such as the Food and Drug Administration, the National Institutes of Health, the Centers for Disease Control, or the Agency for Health Care Research and Quality.

v. Clinical trials. – The Division of Medical Assistance shall develop clinical policy for the coverage of routine costs in clinical trial services for life-threatening conditions using resources such as coverage criteria from Medicare, NC State Health Plan, and the input of the Physician Advisory Group.

w. Organ transplants.

(3) Never Events and Hospital Acquired Conditions (HACs) shall not be reimbursed. Medicaid will adhere to Medicare requirements for definition of events and conditions.

SECTION 10.31.(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 subsection 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 subsection, 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: physicians, nurse practitioners, nurse midwives, physician assistants, 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 10.31.(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 or innovation projects will result in a reduction in the total Medicaid costs.

(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.

(3) Provider enrollment fee. – Effective September 1, 2009, the Department of Health and Human Services, Division of Medical Assistance, shall charge an enrollment fee of one hundred dollars ($100.00), or the amount federally required, to each provider enrolling in the Medicaid program for the first time. The fee shall be charged to all providers at recredentialing every three years.

SECTION 10.31.(g) Rules, Reports, and Other Matters. –

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.

MEDICAID PROVIDER ASSESSMENTS

SECTION 10.31A. The Secretary of Health and Human Services may implement a Medicaid assessment program for any willing provider category allowed under federal regulations up to the maximum percentage allowed by federal regulation. The Department may retain up to sixty-five percent (65%) of the amount from an assessment program implemented after December 31, 2010, that can be used by the Department to support Medicaid expenditures. Any assessment funds not retained by the Department shall be used to draw federal Medicaid matching funds for implementing increased rates or new reimbursement plans for each provider category being assessed.

Receipts from the assessment program are hereby appropriated for the 2011-2012 fiscal year and the 2012-2013 fiscal year for the purposes set out in this section.

DMA CONTRACT SHORTFALL

SECTION 10.32.(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 10.32.(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 10.33.(a) The Department of Health and Human Services may use up to five million dollars ($5,000,000) in the 2011-2012 fiscal year and up to five million dollars ($5,000,000) in the 2012-2013 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, funding pilot programs, Health Information Exchange and Health Information Technology (HIE/HIT) administrative activities, 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 10.33.(b) The Department shall report annually on the 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. The report shall include the methods used to achieve savings and the amount saved by these methods. The report is due to the House and Senate Appropriations Subcommittees on Health and Human Services and the Fiscal Research Division not later than December 1 of each year for the activities of the previous State fiscal year.

MEDICAID SPECIAL FUND TRANSFER

SECTION 10.34. 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 2011-2012 fiscal year and the sum of forty-three million dollars ($43,000,000) for the 2012-2013 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 2011-2012 fiscal year for this purpose.

ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE

SECTION 10.35.(a) Receivables reserved at the end of the 2011-2012 and 2012-2013 fiscal years shall, when received, be accounted for as nontax revenue for each of those fiscal years.

SECTION 10.35.(b) For the 2011-2012 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred fifteen million dollars ($115,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. For the 2012-2013 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred fifteen million dollars ($115,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. These deposits shall represent the return of General Fund appropriations, nonfederal revenue, fund balances or other resources from State owned and operated hospitals which are used to provide indigent and non-indigent care services. The return from State owned and operated hospitals to DHHS will be made from nonfederal resources in an amount equal to the amount of the payments from the Division of Medical Assistance for uncompensated care. The treatment of any revenue derived from federal

programs shall be in accordance with the requirements specified in the Code of Federal Regulations, Title 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 10.36.(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 10.36.(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 10.36.(c) Implementation of this provision shall be delayed until the implementation of the new Medicaid Management Information System.

AUTHORIZE THE DIVISION OF MEDICAL ASSISTANCE TO TAKE CERTAIN STEPS TO EFFECTUATE COMPLIANCE WITH BUDGET REDUCTIONS IN THE MEDICAID PROGRAM

SECTION 10.37.(a) The Department of Health and Human Services, Division of Medical Assistance, may take the following actions, notwithstanding any other provision of this act or other State law or rule to the contrary:

(1) In-Home Care provision. – In order to enhance in-home aide services to Medicaid recipients, the Department of Health and Human Services, Division of Medical Assistance, shall:

a. No longer provide services under PCS and PCS-Plus the later of January 1, 2012, or whenever CMS approves the elimination of the PCS and PCS-Plus programs and the implementation of the following two new services:

1. In-Home Care for Children (IHCC). – Services to assist families to meet the in-home care needs of children, including those individuals under the age of 21 receiving comprehensive and preventive child health services through the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program.

2. In-Home Care for Adults (IHCA). – Services to meet the eating, dressing, bathing, toileting, and mobility needs of individuals 21 years of age or older who, because of a medical condition, disability, or cognitive impairment, demonstrate unmet needs for, at a minimum (i) three of the five qualifying activities of daily living (ADLs) with limited hands-on assistance; (ii) two ADLs, one of which requires extensive assistance; or (iii) two ADLs, one of which requires assistance at the full dependence level. The five qualifying ADLs are eating, dressing, bathing, toileting, and mobility.

IHCA shall serve individuals at the highest level of need for in-home care who are able to remain safely in the home.

b. Establish, in accordance with G.S. 108A-54.2, a Medical Coverage Policy for each of these programs to include:
   1. For IHCC, up to 60 hours per month in accordance with an assessment conducted by DMA or its designee and a plan of care developed by the service provider and approved by DMA or its designee. Additional hours may be authorized when the services are required to correct or ameliorate defects and physical and mental illnesses and conditions in this age group, as defined in 42 U.S.C. § 1396d(r)(5), in accordance with a plan of care approved by DMA or its designee.
   2. For IHCA, up to 80 hours per month in accordance with an assessment conducted by DMA or its designee and a plan of care developed by the service provider and approved by DMA or its designee.

c. Implement the following program limitations and restrictions to apply to both IHCC and IHCA:
   1. Additional services to children required under federal EPSDT requirements shall be provided to qualified recipients in the IHCC Program.
   2. Services shall be provided in a manner that supplements, rather than supplants, family roles and responsibilities.
   3. Services shall be authorized in amounts based on assessed need of each recipient, taking into account care and services provided by the family, other public and private agencies, and other informal caregivers who may be available to assist the family. All available resources shall be utilized fully, and services provided by such agencies and individuals shall be disclosed to the DMA assessor.
   4. Services shall be directly related to the hands-on assistance and related tasks to complete each qualifying ADL in accordance with the IHCC or IHCA assessment and plan of care, as applicable.
   5. Services provided under IHCC and IHCA shall not include household chores not directly related to the qualifying ADLs, nonmedical transportation, financial management, and non-hands-on assistance such as cueing, prompting, guiding, coaching, or babysitting.
   6. Essential errands that are critical to maintaining the health and welfare of the recipient may be approved on a case-by-case basis by the DMA assessor when there is no family member, other individual, program, or service available to meet this need. Approval, including the amount of time required to perform this task, shall be documented on the recipient's assessment form and plan of care.

d. Utilize the following process for admission to the IHCC and IHCA programs:
   1. The recipient shall be seen by his or her primary or attending physician, who shall provide written authorization for referral for the service and written attestation to the medical necessity for the service.
   2. All assessments for admission to IHCC and IHCA, continuation of these services, and change of status reviews for these services shall be performed by DMA or its designee. The DMA designee may not be an owner of a provider business or provider of in-home or personal care services of any type.

3. DMA or its designee shall determine and authorize the amount of service to be provided on a "needs basis," as determined by its review and findings of each recipient's degree of functional disability and level of unmet needs for hands-on personal assistance in the five qualifying ADLs.

e. Take all appropriate actions to manage the cost, quality, program compliance, and utilization of services provided under the IHCC and IHCA programs, including, but not limited to:

1. Priority independent reassessment of recipients before the anniversary date of their initial admission or reassessment for those recipients likely to qualify for the restructured IHCC and IHCA programs.
2. Priority independent reassessment of recipients requesting a change of service provider.
3. Targeted reassessments of recipients prior to their anniversary dates when the current provider assessment indicates they may not qualify for the program or for the amount of services they are currently receiving.
4. Targeted reassessment of recipients receiving services from providers with a history of program noncompliance.
5. Provider desk and on-site reviews and recoupment of all identified overpayments or improper payments.
6. Recipient reviews, interviews, and surveys.
7. The use of mandated electronic transmission of referral forms, plans of care, and reporting forms.
8. The use of mandated electronic transmission of uniform reporting forms for recipient complaints and critical incidents.
9. The use of automated systems to monitor, evaluate, and profile provider performance against established performance indicators.
10. Establishment of rules that implement the requirements of 42 C.F.R. § 441.16.

f. Time line for implementation of new IHCC and IHCA programs.

1. Subject to approvals from CMS, DMA shall make every effort to implement the new IHCC and IHCA programs by January 1, 2013.
2. DMA shall ensure that individuals who qualify for the IHCC and IHCA programs shall not experience a lapse in service and, if necessary, shall be admitted on the basis of their current provider assessment when an independent reassessment has not yet been performed and the current assessment documents that the medical necessity requirements for the IHCC or IHCA program, as applicable, have been met.
3. Prior to the implementation date of the new IHCC and IHCA programs, all recipients in the PCS and PCS-Plus programs shall be notified pursuant to 42 C.F.R. § 431.220(b) and discharged, and the Department shall no longer provide services under the PCS and PCS-Plus programs, which shall terminate. Recipients who qualify for the new IHCC and IHCA programs shall be admitted and shall be eligible to receive services immediately.

(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 Centers for Medicare and Medicaid Services (CMS) to implement the budget reductions authorized in the following clinical coverage areas in this act:

a. Eliminate or limit adult physical therapy, occupational therapy, and speech therapy visits to three visits per calendar year.

(3) MH/DD/SAS personal care and personal assistance services provision. – A denial, reduction, or termination of Medicaid-funded personal care services or in-home care services shall result in a similar denial, reduction, or termination of State-funded MH/DD/SAS personal care and personal assistance services.

(4) 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.

(5) 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, an assessment shall be completed to ensure the appropriateness of placement, and 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 facility.

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 Level 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 (i) for non-CABHAs, an independent psychological or psychiatric assessment, (ii) for CABHAs, a psychological or psychiatric assessment that may be completed by the CABHA, and (iii) for both, a Child and Family Team review of goals and treatment progress, that 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 for authorization for Level III or Level IV services to be considered complete, but the authorization approval is not conditional upon the receipt of the signature of the system of care coordinator. The LME will designate appropriate individuals who can sign the discharge plan within 24 hours of receipt of the discharge plan. 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.

(6) 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 reductions authorized by this subdivision are subject to the following additional limitations:

a. The Secretary of Health and Human Services shall reduce Medicaid provider rates for all Medicaid providers by an annualized three percent (3%) except as follows:

1. Physician services. – The provider rate for physicians shall not be reduced.

2. Hospital inpatient services. – The provider rate for inpatient hospital services shall be reduced in the aggregate by an annualized amount not to exceed nine and six-tenths percent (9.6%). The provider rates for non-State-owned free standing psychiatric and rehabilitation hospitals are not included in this exception.

3. The Secretary shall consider the impact on access to care through primary care providers and critical access hospitals and may adjust the rates accordingly. Medicaid rates predicated on Medicare fee schedules shall follow Medicare reductions but not Medicare increases unless federally required.

4. Exceptions for certain providers. – The rate reduction applies to all Medicaid private and public providers with the following exceptions:

I. Federally qualified health centers.
II. Rural health centers.
III. State institutions.
IV. Hospital outpatient.
V. Pharmacies.
VI. The State Public Health Laboratory.
VII. The noninflationary components of the case-mix reimbursement system for nursing facilities.

5. Notwithstanding any other provision of law, no inflationary increases shall be made to Medicaid provider rates during the 2011-2013 fiscal biennium, except that inflationary increases for health care providers paying provider fees or assessments may occur if the State share of the increases can be funded with provider fees or assessments.

b. The rate reductions required by this section shall take effect in accordance with the following schedule:

1. On or Before October 1, 2011. – The provider rate reductions required by sub-subdivision a. of this sub-subdivision shall take effect on or before October 1, 2011. However, the reductions shall be adjusted by a percentage sufficient to yield savings as if the reductions had taken effect on July 1, 2011.
2. July 1, 2012. – On July 1, 2012, the provider rate reductions required by sub-sub-subdivision a.2. of this sub-subdivision and any other rate reductions implemented pursuant to sub-subdivision a. of this subdivision, but not implemented by July 1, 2011, shall be adjusted to the level at which they would have been without the adjustment required by sub-sub-subdivision 1. of this sub-subdivision.

c. No other adjustments to the provider rates or payment methodologies shall be made for physician services, critical access hospital services, hospital inpatient services or hospital outpatient services, non-State-owned free standing psychiatric and rehabilitation hospitals, and adult care homes except as provided in sub-subdivision a. of this subdivision and except as authorized by Section 10.47(d) of this act.

(7) Medicaid identification cards. – The Department shall issue Medicaid identification cards to recipients on an annual basis with updates as needed.

(8) The Department of Health and Human Services shall develop a plan for the consolidation of case management services utilizing CCNC. The plan shall address the time line and process for implementation, 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, 2012, 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.

(9) 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.

(10) 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.

(11) Medicaid service modifications and eliminations. – Subject to the prior approval of the Centers for Medicare and Medicaid Services where required, the Division of Medical Assistance shall make the following eliminations of or modifications to Medicaid services:

a. Optical. –
   1. Eliminate adult routine eye exams. Eye exams shall be restricted to cases in which a specific optical problem exists.
   2. Eliminate optical services and supplies.

b. Durable medical equipment. – The Department may adjust the rate paid for incontinence supplies or reduce cost through a negotiated single source contract with a manufacturer for incontinence supply procurement, notwithstanding any other provision of law. The contract shall provide that suppliers may use the contract but are also free to take advantage of better prices available elsewhere. The Department may effectuate any combination of these options in order to achieve the lowest available cost for incontinence supply procurement.

c. Specialized therapies. – For evaluations, reevaluations, as well as physical, occupational, speech, respiratory, and audiological services, reduce the maximum number of allowable services by one per year.

d. Home health. – Restrict usage of the miscellaneous T199 code. All billing must be for a specific service.

e. Pregnancy Home Model Initiative.

f. Dental. –
   1. Eliminate composite fillings for back teeth fillings.
   2. Limit the number of surfaces that can be filled to four per tooth.
   3. Limit frequency of scaling and replaning to once every two years.
   4. Raise the threshold for eligibility for replaning to 5mm from 4mm.
   5. Eliminate cast dentures for partial dentures only and replace with acrylic dentures. Change the frequency of replacement from every 10 years to every eight years.
   6. Require prior authorization for oral excision of gum tissue.
   7. Beginning the 2012-2013 fiscal year, limit adult dental to emergency and pregnant women only.

g. Miscellaneous. –
   1. Restrict usage of evaluation and management billing as well as of unlisted codes and strengthen supporting documentation requirements. Billing shall use specific service codes for specific services as a prerequisite to reimbursement.
   2. Restrict circumcision coverage to medically necessary procedures.
   3. Utilize Bloodhound, Inc., software, or comparable software, to examine billing codes that are duplicative or inconsistent with evidence-based practices.
   4. Require prior authorization for back surgery for selective diagnoses and require that all other therapies have been exhausted prior to granting authorization.
   5. Require prior authorization for capsule endoscopy but not traditional endoscopy.
   6. Require prior authorization for selected medical procedures and services, including elective cardiac procedures, chronic pain management, and related procedures.

7. Negotiate a single source contract for genetic testing, notwithstanding any other provision of law.
8. Limit outpatient specialized therapies to three visits a year.
9. Eliminate H Codes, provisionally licensed MH billing, and reduce service limits.
10. Eliminate podiatry, except for diabetes.
11. Eliminate adult physical therapy, occupational therapy, and speech therapy.
12. Reduce nursing homes ceiling to one hundred percent (100%).
13. Eliminate respiratory therapy.
14. Eliminate chiropractic services.
15. Eliminate home infusion therapy.
16. Eliminate over-the-counter drugs.

The modifications and eliminations under sub-sub-subdivisions g.8. through g.14. become effective in the 2012-2013 fiscal year. The eliminations under sub-sub-subdivisions g.15. and g.16. become effective in the 2011-2012 fiscal year.

SECTION 10.37.(b) At least 30 days prior to the adoption of new or amended medical coverage policies necessitated by the reductions to the Medicaid program enacted in this act, the Department shall:

(1) Publish the proposed new or amended medical coverage policies via the Medicaid Bulletin published on the Department's Web site, which shall include an invitation to readers to send written comments on the proposed new or amended policies to the Department's mailing address, including e-mail.
(2) Notify via direct mail the members of the Physician Advisory Group (PAG) of the proposed policies.
(3) Update the policies published on the Web site to reflect any changes made as a result of written comments received from the PAG and others.
(4) Provide written notice to recipients about changes in policy.

SECTION 10.37.(c) The Department of Health and Human Services shall not implement any actions directed by this act if the Department determines that such actions would jeopardize the receipt of federal funds appropriated or allocated to the Department.

MEDICAID WAIVER FOR ASSISTED LIVING

SECTION 10.38.(a) The Department of Health and Human Services, Division of Medical Assistance (Division), shall develop and implement a home- and community-based services program under Medicaid State Plan 1915(i) authority in order to continue Medicaid funding of personal care services to individuals living in adult care homes. Providers who do not accept reimbursement for residents' personal care services through Medicaid or do not accept reimbursement through the State-County Special Assistance program shall not be subject to the provisions, requirements, or conditions of the Medicaid waiver pursuant to this section.

SECTION 10.38.(b) The Division shall implement the program upon approval of the application by the Centers for Medicare and Medicaid Services.

SECTION 10.38.(c) On or before April 1, 2012, the Division shall provide a report on the status of approval and implementation of the program 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.

PROGRAM INTEGRITY

SECTION 10.39. In order to ensure all claims presented by a provider for payment by the Department of Health and Human Services meet the Department's medical necessity criteria and all other applicable Medicaid, Health Choice, or other federal or State documentation requirements, a provider may be required to undergo prepayment claims review by DHHS. Claims reviews conducted pursuant to this section shall be in accordance with the

provisions of the Patient Protection and Affordable Care Act, P.L. 111-148, and any implementing regulations.

TRANSFER TO OFFICE OF ADMINISTRATIVE HEARINGS

SECTION 10.40. From funds available to the Department of Health and Human Services (Department) for the 2011-2012 fiscal year, the sum of one million dollars ($1,000,000), and for the 2012-2013 fiscal year the sum of one million dollars ($1,000,000), shall be transferred by the Department of Health and Human Services to the Office of Administrative Hearings (OAH). These funds shall be allocated by the OAH for mediation services provided for Medicaid applicant and recipient appeals and to contract for other services necessary to conduct the appeals process. OAH shall continue the Memorandum of Agreement (MOA) with the Department for mediation services provided for Medicaid recipient appeals and contracted services necessary to conduct the appeals process. The MOA will facilitate the Department's ability to draw down federal Medicaid funds to support this administrative function. Upon receipt of invoices from OAH for covered services rendered in accordance with the MOA, the Department shall transfer the federal share of Medicaid funds drawn down for this purpose.

NC HEALTH CHOICE

SECTION 10.41.(a) G.S. 108A-54.3 is amended by adding a new subdivision 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:

...

(5) Any changes in medical policy that require an amendment to the Health Choice State Plan will be submitted by the Department upon approval of the proposed policy."

SECTION 10.41.(b) G.S. 108A-70.21(b) reads as rewritten:

"(b) Benefits. – All health benefits changes of the Program shall meet the coverage requirements set forth in this subsection. Except as otherwise provided for eligibility, fees, deductibles, copayments, and other cost sharing charges, health benefits coverage provided to children eligible under the Program shall be equivalent to coverage provided for dependents under ~~the Predecessor Plan.~~ North Carolina Medicaid Program except for the following:

(1) No services for long-term care.

(2) No nonemergency medical transportation.

(3) No EPSDT.

(4) Dental services shall be provided on a restricted basis in accordance with criteria adopted by the Department to implement this subsection.

In addition to the benefits provided under the ~~Predecessor Plan,~~ North Carolina Medicaid Program, the following services and supplies are covered under the Health Insurance Program for Children established under this Part:

~~(1) Oral examinations, teeth cleaning, and topical fluoride treatments twice during a 12-month period, full mouth X-rays once every 60 months, supplemental bitewing X-rays showing the back of the teeth once during a 12-month period, sealants, extractions, other than impacted teeth or wisdom teeth, therapeutic pulpotomies, space maintainers, root canal therapy for permanent anterior teeth and permanent first molars, prefabricated stainless steel crowns, and routine fillings of amalgam or other tooth-colored filling material to restore diseased teeth.~~

~~(1a) Orthognathic surgery to correct functionally impairing malocclusions when orthodontics was approved and initiated while the child was covered by Medicaid and the need for orthognathic surgery was documented in the orthodontic treatment plan.~~

(2) Vision: Scheduled routine eye examinations once every 12 months, eyeglass lenses or contact lenses once every 12 months, routine replacement of eyeglass frames once every 24 months, and optical supplies and solutions when needed. ~~Optical~~ NCHC recipients must obtain optical services, supplies, and solutions ~~must be obtained~~ from NCHC enrolled, licensed or

certified ophthalmologists, optometrists, or ~~optical dispensing laboratories.~~ opticians. In accordance with G.S. 148-134, NCHC providers must order complete eyeglasses, eyeglass lenses, and ophthalmic frames through Nash Optical Plant. Eyeglass lenses are limited to NCHC-approved single vision, bifocal, trifocal, or other complex lenses necessary for a Plan enrollee's visual welfare. Coverage for oversized lenses and frames, designer frames, photosensitive lenses, tinted contact lenses, blended lenses, progressive multifocal lenses, coated lenses, and laminated lenses is limited to the coverage for single vision, bifocal, trifocal, or other complex lenses provided by this subsection. Eyeglass frames are limited to ~~those~~ NCHC-approved frames made of zylonite, metal, or a combination of zylonite and metal. All visual aids covered by this subsection require prior approval. Requests for medically necessary complete eyeglasses, eyeglass lenses, and ophthalmic frames outside of the NCHC-approved selection require prior approval. Requests for medically necessary fabrication of complete eyeglasses or eyeglass lenses outside of Nash Optical Plant require prior approval. Upon prior approval refractions may be covered more often than once every 12 months.

(3) ~~Hearing: Auditory diagnostic testing services and hearing aids and accessories when provided by a licensed or certified audiologist, otolaryngologist, or other approved hearing aid specialist. Prior approval is required for hearing aids, accessories, earmolds, repairs, loaners, and rental aids.~~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).

(4) Over the counter medications: Selected over the counter medications provided the medication is covered under the State Medical Assistance Plan. Coverage shall be subject to the same policies and approvals as required under the Medicaid program.

(5) Routine diagnostic examinations and tests: annual routine diagnostic examinations and tests, including x-rays, blood and blood pressure checks, urine tests, tuberculosis tests, and general health check-ups that are medically necessary for the maintenance and improvement of individual health are covered.

No benefits are to be provided for services and materials under this subsection that do not meet the standards accepted by the American Dental Association.

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~~ the per member, per month fees 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 10.41.(c) G.S. 108A-70.23 is repealed.

SECTION 10.41.(d) G.S. 108A-70.27(c) reads as rewritten:

"(c) ~~The Executive Administrator and Board of Trustees of the North Carolina Teachers' and State Employees' Major Medical Plan ("Plan")~~ The Division of Medical Assistance shall provide to the Department data required under this section that are collected by the Plan. Data shall be reported by the Plan in sufficient detail to meet federal reporting requirements under Title XXI. The Plan shall report periodically to the Joint Legislative Health Care Oversight Committee claims processing data for the Program and any other information the Plan or the Committee deems appropriate and relevant to assist the Committee in its review of the Program."

SECTION 10.41.(e) G.S. 108A-70.29 is amended by adding a new subsection to read:

"(f) Additional Rule-Making Authority. – The Department of Health and Human Services shall have the authority to adopt rules for the transition and operation of the North Carolina Health Choice Program. 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 for enrolling providers to participate in the NC Health Choice Program, for regulating provider participation in the NC Health Choice Program, and for other operational issues regarding the NC Health Choice Program."

SECTION 10.41.(f) The Department shall begin to transition all health benefit changes of the Program to meet the coverage requirements set forth in subsection (b) of this section.

MEDICATION THERAPY MANAGEMENT PILOT

SECTION 10.42.(a) The Department of Health and Human Services shall develop a two-year medication therapy management pilot program to be administered through Community Care of North Carolina (CCNC) in order to determine (i) the best method of adapting the ChecKmedsNC program to the Medicaid program and CCNC's Medical Homes and (ii) the most effective and efficient role for community-based pharmacists as active members of CCNC's care management teams. The pilot program created pursuant to this section shall consist of the following components:

(1) Identification of at least 20 community-based pharmacies that are geographically distributed and sufficiently representative to generalize pilot findings among pharmacies that dedicate pharmacist time to work with patients, their care team members, and their Medical Home practices to improve patient outcomes. To the extent that available resources allow, other types of community-based pharmacists may be involved, including those working with long-term care residents or their attending physicians.

(2) Targeting of Medicaid recipients with co-occurring illnesses or conditions that are especially susceptible to poor patient outcomes when medication is underused, misused, or poorly coordinated.

(3) Allowing pharmacists identified pursuant to subdivision (1) of this section to have access to CCNC's Web-based Pharmacy Portal, which allows CCNC to establish and monitor patients' prescriptions and to communicate with other care team members.

SECTION 10.42.(b) On January 1, 2012, and every six months thereafter, CCNC shall report to the Department of Health and Human Services, the House and Senate Appropriations Subcommittees on Health and Human Services, and the Fiscal Research Division on the development and implementation of this pilot program. This reporting requirement shall terminate with the filing of the third report on January 1, 2013. In addition to any other information, the reports required by this section shall include the following additional information:

(1) The July 1, 2012, report shall include an interim evaluation of the pharmacists' demonstrated use of the CCNC Pharmacy Home Model and the pharmacists' role in intervening and successfully managing the medication therapy of Medicaid recipients with chronic illnesses.

(2) The January 1, 2013, report shall include an evaluation of the pharmacists' role in CCNC's management of Medicaid recipients with mental health diagnoses or who receive Home Health or Nursing Home care, and a determination of the appropriate per member/per month pharmacists should receive for participating in the Medical Home Model of CCNC.

SECTION 10.42.(c) Funding for this pilot program shall be made available through the Enhanced Federal Funding for Health Homes for the Chronically Ill.

MEDICAID RECIPIENT APPEALS

SECTION 10.44.(a) G.S. 108A-70.9A reads as rewritten:

"**§ 108A-70.9A. Appeals by Medicaid recipients.**

(a) Definitions. – The following definitions apply in this Part, unless the context clearly requires otherwise.

(1) Adverse determination. – A determination by the Department to deny, terminate, suspend, or reduce a Medicaid service or an authorization for a Medicaid service.
(2) OAH. – The Office of Administrative Hearings.
(3) Recipient. – A recipient ~~and~~ or the recipient's ~~parent,~~parent or legal guardian, ~~or legal representative,~~ unless otherwise specified.

(b) General Rule. – Notwithstanding any provision of State law or rules to the contrary, this section shall govern the process used by a Medicaid recipient to appeal an adverse determination made by the Department.

(c) Adverse 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 recipient, and the provider, if applicable, in writing of the adverse determination and of the recipient's right to appeal the adverse determination. The Department shall not be required to notify a recipient's ~~parent, guardian, or legal representative~~ parent or legal guardian unless the recipient's ~~parent, guardian, or legal representative~~ parent or legal guardian has requested in writing to receive the notice. The notice shall be mailed on the date indicated on the notice as the date of the determination. The notice shall include:
(1) An identification of the recipient whose services are being affected by the adverse determination, including the recipient's full name and Medicaid identification number.
(2) An explanation of what service is being denied, terminated, suspended, or reduced and the reason for the determination.
(3) The specific regulation, statute, or medical policy that supports or requires the adverse determination.
(4) The effective date of the adverse determination.
(5) An explanation of the recipient's right to appeal the Department's adverse determination in an evidentiary hearing before an administrative law judge.
(6) An explanation of how the recipient can request a hearing and a statement that the recipient may represent himself or herself or use legal counsel, a relative, or other spokesperson.
(7) A statement that the 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 recipient, whichever is less, if the 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.
(8) The ~~name and~~ telephone number of ~~a contact person at~~ the ~~Department~~ Department's Medicaid Appeals Section and 1-800 number to respond in a timely fashion to the recipient's questions.
(9) The telephone number by which the recipient may contact a Legal Aid/Legal Services office.
(10) The individualized departmental appeal request form described in subsection (e) of this section that the recipient may use to request a hearing.

(d) Appeals. – Except as provided by this section and G.S. 108A-70.9B, 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 recipient shall request a hearing within 30 days of the mailing of the notice required by subsection (c) of this section by ~~sending an~~ properly filing a completed appeal request form ~~to OAH and the Department.~~ with OAH. Where a request for hearing concerns the reduction, modification, or termination of Medicaid services, including the failure to act upon a timely request for reauthorization with reasonable promptness, upon the receipt of ~~a timely appeal,~~ an appeal filed within 10 days of the date of the adverse notice, the Department shall reinstate or continue the services ~~to~~ at the level or manner prior to action by the Department as permitted by federal law or ~~regulation.~~regulation and as required by subdivision (c)(7) of this section. If the hearing request is submitted more than 10 days from the date of the adverse notice, and regardless of whether OAH accepts the appeal and schedules the case for hearing, the Department shall not authorize payment for services at the level provided on the day immediately preceding the Department's adverse determination or the amount requested by the recipient pending the outcome of the appeal. The Department shall immediately forward a copy

of the notice to OAH electronically. The information contained in the notice is confidential unless the recipient appeals. OAH may dispose of the records after one year. The Department may not influence, limit, or interfere with the recipient's decision to request a hearing.

(e) Appeal Request Form. – Along with the notice required by subsection (c) of this section, the Department shall also provide the recipient with an appeal request form which shall be no more than one side of one page. Only a completed individualized hearing request form provided by the Department shall be accepted for hearing by OAH. Appeal request forms filed more than 30 days from the date of the adverse notice shall not be accepted for hearing by OAH under any circumstances. Within 24 hours of receipt of a properly filed individualized Departmental appeal request form, OAH shall notify the Department by facsimile or electronic messaging. The form shall include the following:

(1) A statement that in order to request an appeal, the recipient must send the completed individualized Departmental appeal request form by mail or fax to the address or fax number listed on the form within 30 days of ~~mailing of the notice.~~ the date of the adverse notice, which is the date the notice was mailed.

(1a) A statement that the completed individualized Departmental request form must be properly filed with OAH on or before the effective date of the adverse notice for maintenance of services to continue during the pendency of the appeal.

(2) The recipient's name, address, ~~telephone number,~~ and Medicaid identification number.

(3) A preprinted statement that indicates that the recipient would like to appeal the specific adverse determination of which the recipient was notified in the notice.

(4) A statement informing the recipient that he or she may choose to be represented by a lawyer, a relative, a friend, or other spokesperson.

(5) A space for the recipient's signature and ~~date.~~date, telephone number, and current address.

(6) If the recipient designates a personal representative, a space for the personal representative's name, telephone number, and current address.

(f) Final Decision. – After a hearing before an administrative law judge, the judge shall return the decision and record to the Department in accordance with G.S. 108A-70.9B. 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 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 10.44.(b) G.S. 108A-70.9B reads as rewritten:

"**§ 108A-70.9B. Contested Medicaid cases.**

(a) Application. – This section applies only to contested Medicaid cases commenced by Medicaid recipients under G.S. 108A-70.9A. Except as otherwise provided by G.S. 108A-70.9A and this section governing time lines and procedural steps, a contested Medicaid case commenced by a Medicaid recipient is subject to the provisions of Article 3 of Chapter 150B of the General Statutes. To the extent any provision in this section or G.S. 108A-70.9A conflicts with another provision in Article 3 of Chapter 150B of the General Statutes, this section and G.S. 108A-70.9A control.

(b) 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 recipient in order to complete the case as quickly as possible.

(1) To the extent possible, OAH shall schedule and hear contested Medicaid cases within 55 days of submission of a ~~request for appeal.~~timely filed completed individualized Departmental appeal request form.

(2) Hearings shall be conducted telephonically or by video technology with all parties, however the recipient may request that the hearing be conducted in person before the administrative law judge. 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 a nearby county. Good cause shall ~~include, but is not limited to,~~be limited to

the recipient's impairments limiting ~~travel or the unavailability of the recipient's treating professional witnesses. The Department shall provide written notice to the recipient 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 county of residence.~~travel.

(3) 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 recipient who is not represented by an attorney to assure a fair hearing and to maintain a complete record of the hearing.

(4) 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 OAH 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 OAH, OAH shall immediately dismiss the contested case, unless the recipient moves to show good cause within three business days of the date of dismissal. Good cause to reopen a contested Medicaid case under these circumstances shall be limited to medical or other documented emergencies involving the recipient or his or her witnesses. A failure to answer the telephone for a properly noticed telephone hearing shall not constitute good cause sufficient to continue the case on the date of the hearing or reopen a previously dismissed contested Medicaid case.

(5) The notice of hearing provided by OAH to the recipient shall include the following information:

a. The recipient's right to examine at a reasonable time before the hearing and during the hearing the contents of the recipient's case file and documents to be used by the Department in the hearing before the administrative law judge.

b. The recipient's right to an interpreter during the appeals process.

c. Circumstances in which a medical assessment may be obtained at agency expense and be made part of the record. Qualifying circumstances include those in which (i) a hearing involves medical issues, such as a diagnosis, an examining physician's report, or a medical review team's decision; and (ii) the administrative law judge considers it necessary to have a medical assessment other than that performed by the individual involved in making the original decision.

(c) Mediation. – Upon receipt of an appeal request form as provided by G.S. 108A-70.9A(e) or other clear request for a hearing by a Medicaid recipient, OAH shall immediately notify the Mediation Network of North Carolina, which shall contact the recipient within five days 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 OAH and the Department within 24 hours of the resolution by facsimile or electronic messaging. In cases where the mediator only informs OAH of the mediation results, OAH shall transmit the mediation decision to the Department within 24 hours of receipt from the mediator. If the parties have resolved matters in the mediation, OAH shall dismiss the case. OAH shall not conduct a hearing of any contested Medicaid case 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 subsection shall restrict the right to a contested case hearing.

(d) Burden of Proof. – The recipient 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 to reduce, terminate, or suspend a previously granted benefit.~~ in all cases heard pursuant to G.S. 108A-70.9A. 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.

(e) New Evidence. – The recipient 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 adverse determination. When the 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.

(f) Issue for Hearing. – For each adverse determination, the hearing shall determine whether the Department substantially prejudiced the rights of the recipient and if the Department, based upon evidence at the hearing:

(1) Exceeded its authority or jurisdiction.
(2) Acted erroneously.
(3) Failed to use proper procedure.
(4) Acted arbitrarily or capriciously.
(5) Failed to act as required by law or rule.

(g) Decision. – The administrative law judge assigned to a contested Medicaid case shall hear and decide the case without unnecessary delay. OAH 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 shall be sent together with the record to the agency within 20 days of the conclusion of the hearing."

DEPARTMENT TO DETERMINE COST-SAVINGS FOR MEDICAID THAT WOULD RESULT FROM PROVISION OF MUSCULOSKELETAL HEALTH SERVICES

SECTION 10.45.(a) The Department of Health and Human Services shall study and determine the cost-savings that would result for Medicaid if the following measures were implemented:

(1) Healthcare providers who have expertise in musculoskeletal conditions and who are willing to assist emergency departments were identified.
(2) Evidence-based medical criteria were developed, implemented, and supported for high-cost/high-risk elective musculoskeletal procedures.
(3) Patient management services were provided to primary care and emergency department physicians who provided musculoskeletal services.

SECTION 10.45.(b) The Department shall report its findings to the House and Senate Appropriations Subcommittees on Health and Human Services and to the Fiscal Research Division on or before October 1, 2011.

DHHS SAVINGS THROUGH CCNC

SECTION 10.47.(a) The Department of Health and Human Services, in conjunction with Community Care of North Carolina (CCNC) Networks and North Carolina Community Care, Inc., shall obtain savings totaling eighty-three million seventy-one thousand five hundred eighty-one dollars ($83,071,581) for the 2011-2012 fiscal year and ninety million dollars ($90,000,000) for the 2012-2013 fiscal year through cooperation and effective cost savings on the part of various health care providers.

SECTION 10.47.(b) The Department of Health and Human Services shall monitor the performance of the CCNC Networks and the expenditures of various health care providers to determine the extent to which the savings required by subsection (a) of this section are being achieved.

SECTION 10.47.(c) On or before October 1, 2011, and quarterly thereafter, the Department shall report to the House and Senate Appropriations Subcommittees on Health and Human Services and to the Fiscal Research Division on the savings being achieved pursuant to this section.

SECTION 10.47.(d) If, by October 1, 2011, or anytime thereafter, savings are not being achieved at a rate sufficient to yield savings in the amount required by subsection (a) of

this section, the Secretary of Health and Human Services shall, to the extent required in order to achieve savings at the required rate, take whatever actions are necessary, including the following to be effective January 1, 2012:

(1) Reduce Medicaid provider rates by up to two percent (2%). This reduction shall be in addition to other provider rate reductions in this act.

(2) Eliminate or reduce the level or duration of optional Medicaid services.

INCREASE GENERIC DRUG DISPENSING RATE IN MEDICAID BY REVISING PHARMACY DISPENSING FEES FOR PHARMACISTS THAT DISPENSE HIGH PROPORTIONS OF GENERIC DRUGS

SECTION 10.48.(a) The Department of Health and Human Services shall revise its pharmacy dispensing fees under the Medicaid Program in order to encourage a greater proportion of prescriptions dispensed to be generic prescriptions and thereby achieve savings of fifteen million dollars ($15,000,000) in the 2011-2012 fiscal year and twenty-four million dollars ($24,000,000) in the 2012-2013 fiscal year.

SECTION 10.48.(b) The Department shall report its progress in achieving the savings required by subsection (a) of this section on November 1, 2011, January 1, 2012, and quarterly thereafter to the House and Senate Appropriations Subcommittees on Health and Human Services and to the Fiscal Research Division. If any report required by this subsection reveals that those savings are not being achieved, the Department shall reduce prescription drug rates by an amount sufficient to achieve the savings.

NC NOVA

SECTION 10.49. The Department of Health and Human Services, Division of Health Service Regulation, may use up to thirty-eight thousand dollars ($38,000) for fiscal year 2011-2012 and up to thirty-eight thousand dollars ($38,000) for fiscal year 2012-2013 of existing resources to continue the NC New Organizational Vision Award special licensure designation program established under G.S. 131E-154.14. The Division shall use federal civil monetary penalty receipts as a source of support for this initiative, when appropriate.

INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND PERFORMANCE ENHANCEMENTS

SECTION 10.50.(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 10.50.(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 IFPS shall provide information and data that allows for the following:

(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 IFPS. 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 IFPS compared to the ratio of their distribution in the general population involved with Child Protective Services.

SECTION 10.50.(c) The Department shall establish a 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.

FOSTER CARE AND ADOPTION ASSISTANCE PAYMENT RATES

SECTION 10.51. Part 4 of Article 2 of Chapter 108A of the General Statutes is amended by adding the following new section to read:

"**§ 108A-49.1. Foster care and adoption assistance payment rates.**

(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 from birth through five years of age.

(2) $581.00 per child per month for children six through 12 years of age.

(3) $634.00 per child per month for children 13 through 18 years of age.

(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 from birth through five years of age.

(2) $581.00 per child per month for children six through 12 years of age.

(3) $634.00 per child per month for children 13 through 18 years of age.

(c) The maximum rates for the State participation in human immunodeficiency virus (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 with confirmed HIV infection, asymptomatic.

(3) $1,200 per child per month with confirmed HIV infection, symptomatic.

(4) $1,600 per child per month when the child is terminally ill with complex care needs.

In addition to providing board payments to foster and adoptive families of HIV-infected children, any additional funds remaining that are appropriated for purposes described in this subsection shall be used to provide medical training in avoiding HIV transmission in the home.

(d) 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 placed in a family foster home or residential child care facility under an agreement with that provider as of October 31, 2008, until the child leaves foster care or experiences a placement change."

ADOPTION ASSISTANCE VENDOR PAYMENTS

SECTION 10.51A.(a) The Department of Health and Human Services, Division of Social Services, is authorized to eliminate the Adoption Assistance Vendor payments for all adoptions finalized on or after July 1, 2011. All agreements entered into prior to July 1, 2011, will remain in effect.

SECTION 10.51A.(b) Eligibility for Adoption Assistance is clarified to mean that only children who have been in foster care are eligible for Adoption Assistance.

CHILD CARING INSTITUTIONS

SECTION 10.52. 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.

REPEAL STATE ABORTION FUND

SECTION 10.53. Section 93 of Chapter 479 of the 1985 Session Laws, as amended by Section 75 of Chapter 738 of the 1987 Session Laws, Section 72 of Chapter 500 of the 1989 Session Laws, Section 79 of Chapter 1066 of the 1989 Session Laws, Section 106 of Chapter 689 of the 1991 Session Laws, Section 259.1 of Chapter 321 of the 1993 Session Laws, Section 23.27 of Chapter 324 of the 1995 Session Laws, and Section 23.8A of Chapter 507 of the 1995 Session Laws, is repealed.

CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM

SECTION 10.54.(a) Of the funds appropriated from the General Fund to the Department of Health and Human Services, the sum of one million five hundred eighty-four thousand one hundred twenty-five dollars ($1,584,125) for the 2011-2012 fiscal year and one million five hundred eighty-four thousand one hundred twenty-five dollars ($1,584,125) for the 2012-2013 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 10.54.(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 2011-2012 fiscal year and the sum of fifty thousand dollars ($50,000) for the 2012-2013 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 10.54.(c) Of the funds appropriated from the General Fund to the Department of Health and Human Services, the sum of three hundred thirty-nine thousand four hundred ninety-three dollars ($339,493) for the 2011-2012 fiscal year and the sum of three hundred thirty-nine thousand four hundred ninety-three dollars ($339,493) for the 2012-2013 fiscal year shall be used to contract with an entity to administer the child welfare postsecondary support program described under subsection (a) of this section, which administration shall include the performance of case management services.

SECTION 10.54.(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 10.55.(a) The General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan FY 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, 2010, through September 30, 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 2011 General Assembly.

SECTION 10.55.(b) The counties approved as Electing Counties in the North Carolina Temporary Assistance for Needy Families State Plan FY 2010-2012, as approved by this section are Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

SECTION 10.55.(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 year 2011 through 2012, 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, 2012.

SECTION 10.55.(d) For the 2011-2012 fiscal year, Electing Counties shall be held harmless to their Work First Family Assistance allocations for the 2010-2011 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 10.55.(e) In the event that departmental projections of Work First Family Assistance and Work First Diversion Assistance for the 2011-2012 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.

PAYMENTS FOR LIEAP/CIP

SECTION 10.56.(a) Part 1 of Article 2 of Chapter 108A of the General Statutes is amended by adding the following new section to read:

"**§ 108A-25.4. Use of payments under the Low-Income Energy Assistance Program and Crisis Intervention Program.**

(a) The Low-Income Energy Assistance Program Plan developed by the Department of Health and Human Services (Department) and submitted to the U.S. Department of Health and Human Services shall focus the annual energy assistance payments on the elderly population age 60 and above with income up to one hundred thirty percent (130%) of the federal poverty level and disabled persons receiving services through the Division of Aging and Adult Services. The energy assistance payment shall be paid directly to the service provider by the county department of social services. The Plan for Crisis Intervention Program (CIP) shall provide assistance for vulnerable populations who meet income eligibility criteria established by the Department. The CIP payment shall be paid directly to the service provider by the county department of social services and shall not exceed six hundred dollars ($600.00) per household in a fiscal year.

(b) The Department shall submit the Plan for each program to the U.S. Department of Health and Human Services no later than September 1 of each year and implement the Plan no later than October 1 of each year."

SECTION 10.56.(b) Beginning September 1, 2011, on or before September 1 of each year and for a period of three years thereafter, the Department of Health and Human Services shall submit a copy of the Plan to the House Appropriations Subcommittee on Health and Human Services and Senate Appropriations Committee on Health and Human Services.

NON-MEDICAID REIMBURSEMENT CHANGES

SECTION 10.58.(a) 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 that 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.

SECTION 10.58.(b) Subject to the prior approval of the Office of State Budget and Management, the Secretary shall reduce provider rates for services rendered for the Medical Eye Care, Independent Living, and Vocational Rehabilitation programs within the Division of Services for the Blind, and Independent Living and Vocational Rehabilitation

programs within the Division of Vocational Rehabilitation to accomplish the reduction in funds for this purpose enacted in this act.

STATE-COUNTY SPECIAL ASSISTANCE

SECTION 10.59.(a) The maximum monthly rate for residents in adult care home facilities shall be one thousand one hundred eighty-two dollars ($1,182) per month per resident unless adjusted by the Department in accordance with subsection (d) of this section. The eligibility of Special Assistance recipients residing in adult care homes on September 30, 2009, shall not be affected by an income reduction in the Special Assistance eligibility criteria resulting from the adoption of this maximum monthly rate, provided these recipients are otherwise eligible.

SECTION 10.59.(b) 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 10.59.(c) 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 10.59.(d) 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.

DHHS BLOCK GRANTS

SECTION 10.60.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2012, according to the following schedule:

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS

Local Program Expenditures

Division of Social Services		
01.	Work First Family Assistance	$ 79,840,356
02.	Work First County Block Grants	94,453,315
03.	Work First Electing Counties	2,378,213
04.	Adoption Services – Special Children's Adoption Fund	3,609,355
05.	Family Violence Prevention	2,200,000
06.	Child Protective Services – Child Welfare Workers for Local DSS	14,452,391
07.	Child Welfare Collaborative	754,115
Division of Child Development		
08.	Subsidized Child Care Program	67,439,721
Division of Public Health		
09.	Teen Pregnancy Initiatives	450,000
DHHS Administration		
10.	Division of Social Services	1,093,176
11.	Office of the Secretary	75,392
Transfers to Other Block Grants		
Division of Child Development		
12.	Transfer to the Child Care and Development Fund	82,210,675
13.	Transfer to Social Services Block Grant for Child Protective Services – Child Welfare Training in Counties	1,300,000
14.	Transfer to Social Services Block Grant for Foster Care Services	650,829
15.	Transfer to Social Services Block Grant for Child Protective Services	5,040,000
16.	Transfer to Social Services Block Grant for Adult Protective Services	1,191,925
17.	Transfer to Social Services Block Grant for County Departments of Social Services	375,000
18.	Transfer to Social Services Block Grant for Independent Living Program	1,000,000
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS		$ 358,514,463

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS

Local Program Expenditures

Division of Social Services

01.	NC FAST	$ 1,664,936
02.	Work First – Boys and Girls Clubs	2,500,000
03.	Maternity Homes	943,002

Division of Public Health

04.	Teen Pregnancy Initiatives	2,500,000

DHHS Administration

05.	Division of Social Services	1,389,084

TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS $ 8,997,022

SOCIAL SERVICES BLOCK GRANT

Local Program Expenditures

Divisions of Social Services and Aging and Adult Services

01.	County Departments of Social Services	$ 29,288,783
02.	Child Protective Services (Transfer from TANF)	5,040,000
03.	Adult Protective Services (Transfer from TANF)	1,191,925
04.	State In-Home Services Fund	2,101,113
05.	State Adult Day Care Fund	2,155,301
06.	Child Protective Services/CPS Investigative Services-Child Medical Evaluation Program	609,455
07.	Foster Care Services (Transfer from TANF $650,829)	2,147,967
08.	Special Children Adoption Incentive Fund	500,000
09.	Child Protective Services-Child Welfare Training for Counties (Transfer from TANF)	1,300,000
10.	Home and Community Care Block Grant (HCCBG)	1,834,077
11.	Child Advocacy Centers	375,000
11A.	Food Banks	1,000,000

Division of Central Management and Support

12.	ALS Association Jim "Catfish" Hunter Chapter	400,000
	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	
13.	Mental Health Services Program	422,003
14.	Developmental Disabilities Services Program	5,000,000
15.	Mental Health Services-Adult and Child/Developmental Disabilities Program/ Substance Abuse Services-Adult	3,234,601
	Division of Public Health	
16.	Prevent Blindness	150,000
	Division of Vocational Rehabilitation	
17.	Vocational Rehabilitation Services – Easter Seal Society/UCP Community Health Program	188,263
	DHHS Program Expenditures	
	Division of Aging and Adult Services	
18.	UNC-CARES Training Contract	247,920
	Division of Services for the Blind	
19.	Independent Living Program (Transfer from TANF $1,000,000)	4,633,077
20.	Accessible Electronic Information for Blind and Disabled Persons	75,000
	Division of Health Service Regulation	
21.	Adult Care Licensure Program	411,897
22.	Mental Health Licensure and Certification Program	205,668
	DHHS Administration	
23.	Division of Aging and Adult Services	688,436
24.	Division of Social Services	892,624
25.	Office of the Secretary/Controller's Office	138,058
26.	Office of the Secretary/DIRM	87,483
27.	Division of Child Development	15,000
28.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	29,665
29.	Division of Health Service Regulation	235,625

30.	Office of the Secretary-NC Interagency Council for Coordinating Homeless Programs	250,000
31.	Office of the Secretary	48,053
	Transfers to Other Block Grants	
	Division of Public Health	
32.	Transfer to Preventive Health Services Block Grant for HIV/STD Prevention and Community Planning	145,819
	TOTAL SOCIAL SERVICES BLOCK GRANT	$ 65,042,813

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

	Local Program Expenditures	
	Division of Social Services	
01.	Low-Income Energy Assistance Program (LIEAP)	$ 11,862,617
02.	Crisis Intervention Program (CIP)	48,569,233
02A.	NC FAST Implementation	4,732,667
	Local Administration	
	Division of Social Services	
03.	County DSS Administration	5,604,940
	DHHS Administration	
04.	Office of the Secretary/DIRM	276,784
05.	Office of the Secretary/Controller's Office	12,332
	Transfers to Other State Agencies	
	Department of Commerce	
06.	Weatherization Program	500,000
07.	Heating Air Repair and Replacement Program (HARRP)	4,744,344
08.	Local Residential Energy Efficiency Service Providers – Weatherization	25,000
09.	Local Residential Energy Efficiency Service Providers – HARRP	227,038
10.	Department of Commerce Administration – Weatherization	25,000
11.	Department of Commerce Administration – HARRP	227,038

Department of Administration		
12.	N.C. Commission on Indian Affairs	110,638
TOTAL LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT		$ 76,917,631
CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		
Local Program Expenditures		
Division of Child Development		
01.	Subsidized Child Care Services (CCDF)	$ 151,534,624
02.	Electronic Tracking System	3,336,345
03.	Subsidized Child Care Services (Transfer from TANF)	82,210,675
04.	Quality and Availability Initiatives (TEACH Program $3,800,000)	25,948,434
Division of Social Services		
05.	Local Subsidized Child Care Services Support (4% Administrative Allowance)	16,471,587
DHHS Administration		
Division of Child Development		
06.	DCD Administrative Expenses	6,539,277
Division of Central Administration		
07.	DHHS Central Administration – DIRM Technical Services	774,317
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		$ 286,815,255
MENTAL HEALTH SERVICES BLOCK GRANT		
Local Program Expenditures		
01.	Mental Health Services – Adult	$ 6,656,212
02.	Mental Health Services – Child	5,121,991
03.	Administration	100,000
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT		$ 11,878,203
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	$ 20,008,541
02.	Substance Abuse Treatment Alternative for Women	8,107,303
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.	Institute of Medicine	250,000
07.	Administration	250,000
	Division of Public Health	
08.	Risk Reduction Projects	633,980
09.	Aid-to-Counties	209,576
	TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT	$ 46,703,135

MATERNAL AND CHILD HEALTH BLOCK GRANT

	Local Program Expenditures	
	Division of Public Health	
01.	Children's Health Services	$ 8,528,156
02.	Women's Health	8,510,783
03.	Oral Health	42,268
	DHHS Program Expenditures	
	Division of Public Health	
04.	Children's Health Services	1,417,087
05.	Women's Health	136,628
06.	State Center for Health Statistics	164,318
07.	Quality Improvement in Public Health	1,636
08.	Health Promotion	89,374
09.	Office of Minority Health	40,141
	DHHS Administration	
	Division of Public Health	
10.	Division of Public Health Administration	631,966
	TOTAL MATERNAL AND CHILD	

HEALTH BLOCK GRANT	$ 19,562,357

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	89,152
03.	HIV/STD Prevention and Community Planning (Transfer from Social Services Block Grant)	145,819

DHHS Program Expenditures

Division of Public Health

04.	State Center for Health Statistics	55,040
05.	NC Statewide Health Promotion	947,056
06.	Oral Health	70,000
07.	State Laboratory of Public Health	16,600
08.	Services to Rape Victims	107,960

TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT	$ 3,162,280

COMMUNITY SERVICES BLOCK GRANT

Local Program Expenditures

Office of Economic Opportunity

01.	Community Action Agencies	$ 18,075,488
02.	Limited Purpose Agencies	1,004,194

DHHS Administration

03.	Office of Economic Opportunity	1,004,194

TOTAL COMMUNITY SERVICES BLOCK GRANT	$ 20,083,876

GENERAL PROVISIONS

SECTION 10.60.(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 10.60.(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 develop a plan to adjust the block grants based on reduced federal funding.

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 10.60.(d) Appropriations from federal Block Grant funds are made for the fiscal year ending June 30, 2012, according to the schedule enacted for State fiscal year 2011-2012 or until a new schedule is enacted by the General Assembly.

SECTION 10.60.(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 10.60.(e1) The sum of ninety-four million four hundred fifty-three thousand three hundred fifteen dollars ($94,453,315) appropriated in this section in TANF funds to the Department of Health and Human Services, Division of Social Services, for the 2011-2012 fiscal year shall be used for Work First County Block Grants. The Division shall certify these funds in the appropriate State level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State level services based on current year actual expenditures.

SECTION 10.60.(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 2011-2012 fiscal year shall be used to support administration of TANF-funded programs.

SECTION 10.60.(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 2011-2012 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, 2011. 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, 2011, 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, 2011. The Division of Social Services may reallocate unspent funds to counties that submit a written request for additional funds.

SECTION 10.60.(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 TANF funds for the 2011-2012 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 10.60.(i) The sum of three million six hundred nine thousand three hundred fifty-five dollars ($3,609,355) appropriated in this section in TANF funds to the Department of Health and Human Services, Special Children Adoption Fund, for the 2011-2012 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 10.60.(j) The sum of seven hundred fifty-four thousand one hundred fifteen dollars ($754,115) appropriated in this section to the Department of Health and Human Services in TANF funds for the 2011-2012 fiscal year shall be used to continue support for the Child Welfare Collaborative.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) CONTINGENCY FUNDS

SECTION 10.60.(k) 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 2011-2012 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 Contingency 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 facilitate collaboration between the Boys and Girls Clubs and Support Our Students, Communities in Schools, and similar programs and encourage them to submit joint applications for the funds if appropriate.

SECTION 10.60.(l) The sum of one million three hundred eighty-nine thousand eighty-four dollars ($1,389,084) appropriated in this section in TANF Contingency funds to the Department of Health and Human Services, Division of Social Services, for the 2011-2012 fiscal year shall be used to support administration of TANF-funded programs.

SOCIAL SERVICES BLOCK GRANT

SECTION 10.60.(l1) The sum of twenty-nine million two hundred eighty-eight thousand seven hundred eighty-three dollars ($29,288,783) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2011-2012 fiscal year shall be used for County Block Grants. The Division shall certify these funds in the appropriate State level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State level services based on current year actual expenditures.

SECTION 10.60.(m) The sum of one million three hundred thousand dollars ($1,300,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2011-2012 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 10.60.(n) The sum of two million one hundred forty-seven thousand nine hundred sixty-seven dollars ($2,147,967) appropriated in this section in the Social Services Block Grant for child caring agencies for the 2011-2012 fiscal year shall be allocated in support of State foster home children.

SECTION 10.60.(o) 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 10.60.(p) Social Services Block Grant funds appropriated for the Special Children's Adoption Incentive Fund will require a fifty percent (50%) local match.

SECTION 10.60.(q) 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 2011-2012 fiscal year shall be used to continue a Mental Health Services Program for children.

SECTION 10.60.(r) The sum of five million forty thousand dollars ($5,040,000) appropriated in this section in the Social Services Block Grant for the 2011-2012 fiscal year shall be allocated to the Department of Health and Human Services, Division of Social Services. The Division shall allocate these funds to local departments of social services to replace the loss of Child Protective Services State funds that are currently used by county government to pay for Child Protective Services staff at the local level. These funds shall be used to maintain the number of Child Protective Services workers throughout the State. These Social Services Block Grant funds shall be used to pay for salaries and related expenses only and are exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five percent (25%).

SECTION 10.60.(s) The sum of four hundred thousand dollars ($400,000) appropriated in this section in the Social Services Block Grant for the 2011-2012 fiscal year to the Department of Health and Human Services, Division of Central Management and Support, shall be allocated to the ALS Association, Jim "Catfish" Hunter Chapter, to be used to provide patient care and community services to persons with ALS and their families. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.60.(t) The sum of one hundred fifty thousand dollars ($150,000) appropriated in this section in the Social Services Block Grant for the 2011-2012 fiscal year to the Department of Health and Human Services, Division of Public Health, shall be allocated to Prevent Blindness North Carolina to be used for direct service programs. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.60.(u) The sum of seventy-five thousand dollars ($75,000) appropriated in this section in the Social Services Block Grant for the 2011-2012 fiscal year to the Department of Health and Human Services, Division of Services for the Blind, shall be used to provide accessible electronic information for blind and disabled persons. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.60.(v) The sum of three hundred seventy-five thousand dollars ($375,000) appropriated in this section in the Social Services Block Grant for the 2011-2012 fiscal year to the Department of Health and Human Services, Division of Social Services, shall

be used to continue support for the Child Advocacy Centers and are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.60.(w) Social Services Block Grant funds allocated to the North Carolina Inter-Agency Council for 2011-2012 fiscal year for coordinating homeless programs and child medical evaluations are exempt from the provisions of 10A NCAC 71R .0201(3).

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

SECTION 10.60.(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.

SECTION 10.60.(y) The sum of eleven million eight hundred sixty-two thousand six hundred seventeen dollars ($11,862,617) appropriated in this section in the Low-Income Home Energy Assistance Block Grant for the 2011-2012 fiscal year to the Department of Health and Human Services, Division of Social Services, shall be used for energy assistance payments for the households of (i) elderly persons age 60 and above with income up to one hundred thirty percent (130%) of the federal poverty level and (ii) disabled persons eligible for services funded through the Division of Aging and Adult Services. County departments of social services shall submit to the Division of Social Services an outreach plan for targeting households with 60-year-old household members no later than August 1 of each year.

SECTION 10.60.(y1) The sum of four million seven hundred thirty-two thousand six hundred sixty-seven dollars ($4,732,667) appropriated in this section in the Low-Income Home Energy Assistance Block Grant for the 2011-2012 fiscal year to the Department of Health and Human Services, Central Management and Support Division, shall be used to continue the implementation of the NCFAST program. The U.S. Department of Health and Human Services has authorized the use of the LIEAP program service funds to continue the implementation of the NCFAST program. This meets the required participation based on the federally approved cost allocation plan. In order to advance the implementation of NCFAST, which creates a single portal of entry for the Department Health and Human Services programs, these federal funds are critical, otherwise State funds will have to be identified.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 10.60.(z) 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 10.60.(aa) 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.

SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

SECTION 10.60.(bb) 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 2011-2012 fiscal year for the North Carolina Institute of Medicine (NCIOM) shall be used to continue its Task Force on the mental health, social, and emotional needs of young children and their families. In addition to the issues identified in Section 16.1 of S.L. 2010-152, the Task Force shall study the impact of parents' substance use problems on the mental health and social and emotional well-being of children from conception through age five. The NCIOM shall make an interim report to the General Assembly no later than January 15, 2012, which may include legislative and other recommendations, and shall issue its final report with findings, recommendations, and any proposed legislation to the 2013 General Assembly upon its convening.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 10.60.(cc) The sum of one million four hundred ninety-seven thousand dollars ($1,497,000) appropriated in this section in the Maternal and Child Health Block Grant for the 2011-2012 fiscal year to the Department of Health and Human Services, Division of Public Health, shall be used to fund the following activities as indicated:

(1) March of Dimes to provide folic acid and education for women before pregnancy to reduce birth defects and infant mortality, the sum of three hundred fifty thousand dollars ($350,000).

(2) Teen Pregnancy Prevention, the sum of six hundred fifty thousand dollars ($650,000).

(3) Healthy Start/Safe Sleep, the sum of two hundred forty-seven thousand dollars ($247,000).

(4) Perinatal Quality Collaborative of North Carolina, the sum of two hundred fifty thousand dollars ($250,000).

SECTION 10.60.(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 2011-2012 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 10.60.(ee) 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

REPEAL BOARD OF AGRICULTURE REVIEW OF FEE SCHEDULES

SECTION 11.2. G.S. 106-6.1(b) is repealed.

RECLASSIFY THREE VACANT POSITIONS WITHIN DACS TO ANIMAL WELFARE PROGRAM

SECTION 11.7. The Department of Agriculture and Consumer Services shall reclassify three vacant positions within the Department and shall fill these reclassified positions in a timely manner in order to provide support for the Animal Welfare Program within the Department.

PART XII. DEPARTMENT OF LABOR

LABOR/REPEAL STATUTE REQUIRING BIENNIAL REVIEW OF FEES BY DEPARTMENT

SECTION 12.1. G.S. 95-14.1 is repealed.

PART XIII. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

ABOLISH, TRANSFER TO OTHER DEPARTMENTS, OR CONSOLIDATE WITHIN DENR ALL ENVIRONMENTAL HEALTH PROGRAMS UNDER DENR

SECTION 13.3.(a) The Vector Control Program and the Tick Control Program within the Division of Environmental Health of the Department of Environment and Natural Resources are abolished. Further, any equipment that the State loaned to any local health department as part of the Vector Control Program that is in the possession of the local health department shall be retained by that local health department, and the ownership of that equipment shall be transferred from the State to that local health department.

SECTION 13.3.(b) All functions, powers, duties, and obligations previously vested in the Sleep Products Program within the Public Health Pest Management Section of the Division of Environmental Health of the Department of Environment and Natural Resources are transferred to and vested in the Department of Agriculture and Consumer Services by a Type I transfer, as defined in G.S. 143A-6.

SECTION 13.3.(c) 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, subject to subsection (b) of this section, 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) Grade "A" Milk Sanitation Program.
(3) On-Site Water Protection Section.
(4) Office of Education and Training.

SECTION 13.3.(d) All functions, powers, duties, and obligations previously vested in the Radiation Protection Section within the Division of Environmental Health of the Department of Environment and Natural Resources are transferred to and vested in the Division of Health Safety Regulation of the Department of Health and Human Services by a Type I transfer, as defined in G.S. 143A-6.

SECTION 13.3.(e) The Public Water Supply Section of the Division of Environmental Health of the Department of Environment and Natural Resources shall be transferred to the Division of Water Resources of the Department of Environment and Natural Resources with all the elements of a Type I transfer, as defined by G.S. 143A-6.

SECTION 13.3.(f) The Shellfish Sanitation and Recreational Water Quality Section of the Division of Environmental Health of the Department of Environment and Natural Resources shall be transferred to the Division of Marine Fisheries of the Department of Environment and Natural Resources with all the elements of a Type I transfer, as defined by G.S. 143A-6.

SECTION 13.3.(g) The Division of Environmental Health of the Department of Environment and Natural Resources is abolished, and the Public Health Pest Management Section of the Division of Environmental Health of the Department of Environment and Natural Resources is abolished.

SECTION 13.3.(h) G.S. 143B-279.3(c)(3) is repealed.

SECTION 13.3.(i) Part 1 of Article 12 of Chapter 130A of the General Statutes is repealed.

SECTION 13.3.(j) G.S. 143-300.8 reads as rewritten:

"**§ 143-300.8. Defense of local sanitarians.**

Any local health department sanitarian enforcing rules of the Commission for Public Health ~~or of the Environmental Management Commission~~ under the supervision of the Department of ~~Environment and Natural Resources~~Health and Human Services pursuant to G.S. 130A-4 shall be defended by the Attorney General, subject to the provisions of G.S. 143-300.4, and shall be protected from liability in accordance with the provisions of this Article in any civil or criminal action or proceeding brought against the sanitarian in his official or individual capacity, or both, on account of an act done or omission made in the scope and course of enforcing the rules of the Commission for Public ~~Health or of the Environmental Management Commission.~~Health. The Department of Environment and Natural Resources shall pay any judgment against the sanitarian, or any settlement made on his behalf, subject to the provisions of G.S. 143-300.6."

SECTION 13.3.(k) 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."

SECTION 13.3.(l) Part 8 of Article 8 of Chapter 130A of the General Statutes is recodified as Article 4H of Chapter 106 of the General Statutes, to be entitled "Bedding"; G.S. 130A-261 is recodified as G.S. 106-65.95; G.S. 130A-262 is recodified as G.S. 106-65.96; G.S. 130A-263 is recodified as G.S. 106-65.97; G.S. 130A-264 is recodified as G.S. 106-65.98; G.S. 130A-265 is recodified as G.S. 106-65.99; G.S. 130A-266 is recodified as G.S. 106-65.100; G.S. 130A-267 is recodified as G.S. 106-65.101; G.S. 130A-268 is recodified as G.S. 106-65.102; G.S. 130A-269 is recodified as G.S. 106-65.103; G.S. 130A-270 is

recodified as G.S. 106-65.104; G.S. 130A-271 is recodified as G.S. 106-65.105; G.S. 130A-272 is recodified as G.S. 106-65.106; and G.S. 130A-273 is recodified as G.S. 106-65.107.

SECTION 13.3.(m) G.S. 106-65.95, as recodified under subsection (l) of this section, reads as rewritten:

"**§ 106-65.95. Definitions.**

The following definitions shall apply throughout this ~~Part:~~Article:

...."

SECTION 13.3.(n) G.S. 106-65.96, as recodified under subsection (l) of this section, reads as rewritten:

"**§ 106-65.96. Sanitizing.**

(a) No person shall sell any renovated bedding or secondhand bedding unless it is sanitized in accordance with rules adopted by the ~~Commission.~~Board of Agriculture.

(b) A sanitizing apparatus or process shall not be used for sanitizing bedding or material required to be sanitized under this ~~Part~~ Article until the apparatus is approved by the ~~Department.~~Department of Agriculture and Consumer Services.

(c) A person who sanitizes bedding shall attach to the bedding a yellow tag containing information required by the rules of the ~~Commission.~~Board of Agriculture.

(d) A person who sanitizes material or bedding for another person shall keep a complete record of the kind of material and bedding which has been sanitized. The record shall be subject to inspection by the ~~Department.~~Department of Agriculture and Consumer Services.

(e) A person who receives used bedding for renovation or storage shall attach to the bedding a tag on which is legibly written the date of receipt and the name and address of the owner."

SECTION 13.3.(o) G.S. 106-65.98, as recodified under subsection (l) of this section, reads as rewritten:

"**§ 106-65.98. Storage of used materials.**

No establishment shall store any unsanitized previously used materials in the same room with bedding or materials that are new or have been sanitized unless the new or sanitized bedding or materials are completely segregated from the unsanitized materials in a manner approved by the rules of the ~~Commission.~~Board of Agriculture."

SECTION 13.3.(p) G.S. 106-65.99, as recodified under subsection (l) of this section, reads as rewritten:

"**§ 106-65.99. Tagging requirements.**

(a) A tag of durable material approved by the ~~Commission~~ Board of Agriculture shall be sewed securely to all bedding. The tag shall be at least two inches by three inches in size.

(b) The following shall be plainly stamped or printed upon the tag with ink in English:

(1) The name and kind of material or materials used to fill the bedding which are listed in the order of their predominance;

(2) A registration number obtained from the ~~Department;~~Department of Agriculture and Consumer Services; and

(3) In letters at least one-eighth inch high the words "made of new material", if the bedding contains no previously used material; or the words "made of previously used materials", if the bedding contains any previously used material; or the word "secondhand" on any bedding which has been used but not remade.

(4) Repealed by Session Laws 1987, c. 456, s. 4.

(c) A white tag shall be used for manufactured bedding and a yellow tag for renovated or sanitized bedding.

(d) The tag must be sewed to the outside covering before the filling material has been inserted. No trade name, advertisement nor any other wording shall appear on the tag."

SECTION 13.3.(q) G.S. 106-65.100, as recodified under subsection (l) of this section, reads as rewritten:

"**§ 106-65.100. Altering tags prohibited.**

No person, other than one purchasing bedding for personal use or a representative of the Department of Agriculture and Consumer Services shall remove, deface or alter the tag required by this ~~Part.~~Article."

SECTION 13.3.(r) G.S. 106-65.101, as recodified under subsection (l) of this section, reads as rewritten:

"**§ 106-65.101. Selling regulated.**

(a) No person shall sell any bedding in this State (whether manufactured within or without this State) which has not been manufactured, tagged, and labeled in the manner required by this ~~Part~~ Article and which does not otherwise comply with the provisions of this ~~Part.~~Article.

(b) This ~~Part~~ Article shall not apply to bedding sold by the owner and previous user from the owner's home directly to a purchaser for the purchaser's own personal use unless the bedding has been exposed to an infectious or communicable disease.

(c) Possession of any bedding in any store, warehouse, itinerant vendor's conveyance or place of business, other than a private home, hotel or other place where these articles are ordinarily used, shall constitute prima facie evidence that the item is possessed with intent to sell. No secondhand bedding shall be possessed with intent to sell for a period exceeding 60 days unless it has been sanitized."

SECTION 13.3.(s) G.S. 106-65.102, as recodified under subsection (l) of this section, reads as rewritten:

"**§ 106-65.102. Registration numbers.**

(a) All persons manufacturing or sanitizing bedding in this State or manufacturing bedding to be sold in this State shall apply for a registration number on a form prescribed by the ~~Secretary.~~Commissioner of Agriculture. Upon receipt of the completed application and applicable fees, the Department of Agriculture and Consumer Services shall issue to the applicant a certificate of registration showing the person's name and address, registration number and other pertinent information required by the rules of the ~~Commission.~~Board of Agriculture."

SECTION 13.3.(t) G.S. 106-65.103, as recodified under subsection (l) of this section, reads as rewritten:

"**§ 106-65.103. Payment of fees; licenses.**

(c) The Department of Agriculture and Consumer Services shall administer and enforce this ~~Part.~~Article. A person who has done business in this State throughout the preceding calendar year shall obtain a license by paying a fee to the Department of Agriculture and Consumer Services in an amount determined by the total number of bedding units manufactured, sold, or sanitized in this State by the applicant during the calendar year immediately preceding, at the rate of five and two tenths cents (5.2¢) per bedding unit. However, if this amount is less than fifty dollars ($50.00), a minimum fee of fifty dollars ($50.00) shall be paid to the ~~Department.~~Department of Agriculture and Consumer Services.

(d) A person who has not done business in this State throughout the preceding calendar year shall obtain a license by paying an initial fee to the Department of Agriculture and Consumer Services in the amount of seven hundred twenty dollars ($720.00) for the first year in which business is done in this State, prorated in accordance with the quarter of the calendar year in which the person begins doing business. After submission of proof of business volume in accordance with subsection (h) of this section for the part of the preceding calendar year in which the person did business in this State, the Department of Agriculture and Consumer Services shall determine the amount of fee for which the person is responsible for that time period by using a rate of five and two tenths cents (5.2¢) for each bedding unit. However, if this amount is less than fifty dollars ($50.00), then the amount of the fee for which the person is responsible shall be fifty dollars ($50.00). If the person's initial payment is more than the amount of the fee for which the person is responsible, the Department of Agriculture and Consumer Services shall make a refund or adjustment to the cost of the fee due for the next year in the amount of the difference. If the initial payment is less than the amount of the fee for which the person is responsible, the person shall pay the difference to the ~~Department.~~Department of Agriculture and Consumer Services.

(d1) Payments, refunds, and adjustments shall be made in accordance with rules adopted by the ~~Commission.~~Board of Agriculture.

(d2) Upon payment of the fees charged pursuant to subsections (c) and (d), or the first installment thereof as provided by rules adopted by the ~~Commission,~~Board of Agriculture, the Department of Agriculture and Consumer Services shall issue a license to the person. Licenses shall be kept conspicuously posted in the place of business of the licensee at all times. The ~~Secretary~~ Commissioner of Agriculture may suspend a license for a maximum of six months for two or more serious violations of this ~~Part~~ Article or of the rules of the ~~Commission,~~Board of Agriculture within any 12-month period.

(e) A maximum fee of seven hundred fifty dollars ($750.00) shall be charged for units of bedding manufactured in this State but not sold in this State.

(f) For the sole purpose of computing fees for which a person is responsible, the following definitions shall apply: One mattress is defined as one bedding unit; one upholstered spring is defined as one bedding unit; one pad is defined as one bedding unit; one sleeping bag is defined as one bedding unit; five comforters, pillows or decorative pillows are defined as one bedding unit; and any other item is defined as one bedding unit.

(g) An application for license must be submitted on a form prescribed by the ~~Secretary.~~Commissioner of Agriculture. No license may be issued to a person unless the person complies with the rules of the ~~Commission~~ Board of Agriculture governing the granting of licenses.

(h) The ~~Commission~~ Board of Agriculture shall adopt rules for the proper enforcement of this section. The rules shall include provisions governing the type and amount of proof which must be submitted by the applicant to the Department of Agriculture and Consumer Services in order to establish the number of bedding units that were, during the preceding calendar year:

(1) Manufactured and sold in this State;
(2) Manufactured outside of this State and sold in this State; and
(3) Manufactured in this State but not sold in this State.

(i) The ~~Commission~~ Board of Agriculture may provide in its rules for additional proof of the number of bedding units sold during the preceding calendar year when it has reason to believe that the proof submitted by the manufacturer is incomplete, misleading or incorrect."

SECTION 13.3.(u) G.S. 106-65.104, as recodified under subsection (l) of this section, reads as rewritten:

"**§ 106-65.104. Bedding Law Account.**

The Bedding Law Account is established as a nonreverting account within the ~~Department.~~Department of Agriculture and Consumer Services. All fees collected under this ~~Part~~ Article shall be credited to the Account and applied to the following costs:

(1) Salaries and expenses of inspectors and other employees who enforce this ~~Part.~~Article.
(2) Expenses directly connected with the enforcement of this ~~Part,~~Article, including attorney's fees, which are expressly authorized to be incurred by the ~~Secretary~~ Commissioner of Agriculture without authority from any other source when in the ~~Secretary's opinion~~opinion of the Commissioner of Agriculture it is advisable to employ an attorney to prosecute any persons."

SECTION 13.3.(v) G.S. 106-65.105, as recodified under subsection (l) of this section, reads as rewritten:

"**§ 106-65.105. Enforcement by the ~~Department.~~Department of Agriculture and Consumer Services.**

(a) The Department of Agriculture and Consumer Services shall enforce the provisions of this ~~Part~~ Article and the rules adopted by the ~~Commission.~~Board of Agriculture.

(b) The ~~Secretary~~ Commissioner of Agriculture may prohibit sale and place an "off sale" tag on any bedding which is not made, sanitized, or tagged as required by this ~~Part~~ Article and the rules of the ~~Commission.~~Board of Agriculture. The bedding shall not be sold or otherwise removed until the violation is remedied and the ~~Secretary~~ Commissioner of Agriculture has reinspected it and removed the "off sale" tag.

(c) A person supplying material to a bedding manufacturer shall furnish an itemized invoice of all furnished material. Each material entering into willowed or other mixtures shall be shown on the invoice. The bedding manufacturer shall keep the invoice on file for one year subject to inspection by the ~~Department.~~Department of Agriculture and Consumer Services.

(d) When the ~~Secretary~~ Commissioner of Agriculture has reason to believe that bedding is not tagged or filled as required by this ~~Part,~~Article, the ~~Secretary~~ Commissioner of Agriculture shall have authority to open a seam of the bedding to examine the filling, and, if unable after this examination to determine if the filling is of the kind stated on the tag, shall have the authority to examine purchase or other records necessary to determine definitely the kind of material used in the bedding. The ~~Secretary~~ Commissioner of Agriculture shall have authority to seize and hold for evidence any records and any bedding or bedding material which in the ~~Secretary's opinion~~opinion of the Commissioner of Agriculture is made, possessed or offered for sale in violation of this ~~Part~~ Article or the rules of the ~~Commission.~~Board of

Agriculture. The ~~Secretary~~ Commissioner of Agriculture shall have authority to take a sample of any bedding or bedding material for the purpose of examination or for evidence."

SECTION 13.3.(w) G.S. 106-65.106, as recodified under subsection (l) of this section, reads as rewritten:

"**§ 106-65.106. Exemptions for blind persons and State institutions.**

(a) In cases where bedding is manufactured, sanitized or renovated in a plant or place of business which has qualified as a nonprofit agency for the blind or severely handicapped under P.L. 92-28, as amended, the responsible person shall satisfy the provisions of this ~~Part~~ Article and the rules of the ~~Commission.~~Board of Agriculture. However, the responsible persons at these plants or places of business shall not be required to pay fees in accordance with ~~G.S. 130A-269.~~G.S. 106-65.103.

(b) State institutions engaged in the manufacture, renovation or sanitizing of bedding for their own use or that of another State institution are exempted from all provisions of this ~~Part.~~Article."

SECTION 13.3.(x) G.S. 106-65.107, as recodified under subsection (l) of this section, reads as rewritten:

"**§ 106-65.107. Rules.**

The ~~Commission~~ Board shall adopt rules required by this ~~Part~~ Article in order to protect the public health."

SECTION 13.3.(y) 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 13.3.(z) 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~~ 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 13.3.(aa) 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 13.3.(bb) G.S. 90A-71(4) reads as rewritten:

"(4) "Department" means the Department of ~~Environment and Natural Resources.~~Health and Human Services."

SECTION 13.3.(cc) G.S. 90A-73(a)(3) reads as rewritten:

"(3) One member appointed by the Governor who is ~~an employee of the Division of Environmental Health of the Department~~a registered professional engineer licensed under Chapter 89C of the General Statutes and whose work experience includes the design of on-site wastewater systems to a term that expires on 1 July of years that follow by one year those years that are evenly divisible by three."

SECTION 13.3.(dd) 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 13.3.(ee) 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 13.3.(ff) G.S. 130A-4(c) reads as rewritten:

"(c) The Secretary of Environment and Natural Resources shall administer and enforce the provisions of ~~Part 4 of Article 5 and Articles 8, 9, 10, 11, and 12~~Articles 9 and 10 of this Chapter and the rules of the Commission."

SECTION 13.3.(gg) G.S. 130A-12 reads as rewritten:

"**§ 130A-12. Confidentiality of records.**

All records containing privileged patient medical information, information protected under 45 Code of Federal Regulations Parts 160 and 164, and information collected under the authority of Part 4 of Article 5 of this Chapter that are in the possession of the Department of Health and Human ~~Services, the Department of Environment and Natural Resources,~~Services or local health departments shall be confidential and shall not be public records pursuant to G.S. 132-1. Information contained in the records may be disclosed only when disclosure is authorized or required by State or federal law. Notwithstanding G.S. 8-53 or G.S. 130A-143, the information contained in the records may be disclosed for purposes of treatment, payment, or health care operations. For purposes of this section, the terms "treatment," "payment," and "health care operations" have the meanings given those terms in 45 Code of Federal Regulations § 164.501."

SECTION 13.3.(hh) G.S. 130A-17(b) reads as rewritten:

"(b) The Secretary of Environment and Natural Resources and a local health director shall have the same rights enumerated in subsection (a) of this section to enforce the provisions of ~~Part 4 of Article 5 and Articles 8, 9, 10, 11, and 12~~Articles 9 and 10 of this Chapter."

SECTION 13.3.(ii) G.S. 130A-18(b) reads as rewritten:

"(b) The Secretary of Environment and Natural Resources and a local health director shall have the same rights enumerated in subsection (a) of this section to enforce the provisions of ~~Part 4 of Article 5 and Articles 8, 9, 10, 11, and 12~~Articles 9 and 10 of this Chapter."

SECTION 13.3.(jj) G.S. 130A-19(b) reads as rewritten:

"(b) The Secretary of Environment and Natural Resources and a local health director shall have the same rights enumerated in subsection (a) of this section to enforce the provisions of ~~Part 4 of Article 5 and Articles 8, 9, 10, 11, and 12~~Articles 9 and 10 of this Chapter."

SECTION 13.3.(kk) G.S. 130A-20(b) reads as rewritten:

"(b) The Secretary of Environment and Natural Resources and a local health director shall have the same rights enumerated in subsection (a) of this section to enforce the provisions of ~~Part 4 of Article 5 and Articles 8, 9, 10, 11, and 12~~Articles 9 and 10 of this Chapter."

SECTION 13.3.(ll) G.S. 130A-21(a) reads as rewritten:

"(a) In addition to the authority of the Department of Agriculture and Consumer Services pursuant to G.S. 106-125, the Secretary ~~of Environment and Natural Resources~~ or a local health

director has authority to exercise embargo authority concerning food or drink pursuant to G.S. 106-125(a), (b) and (c) when the food or drink is in an establishment that is subject to regulation by the Department of ~~Environment and Natural Resources~~Health and Human Services pursuant to this Chapter, that is subject to rules adopted by the Commission, or that is the subject of an investigation pursuant to G.S. 130A-144; however, no such action shall be taken in any establishment or part of an establishment that is under inspection or otherwise regulated by the Department of Agriculture and Consumer Services or the United States Department of Agriculture other than the part of the establishment that is subject to regulation by the Department of ~~Environment and Natural Resources~~Health and Human Services pursuant to this Chapter. Any action under this section shall only be taken by, or after consultation with, Department of ~~Environment and Natural Resources~~Health and Human Services regional environmental health specialists, or the Director of the Division of ~~Environmental~~ Public Health or the Director's designee, in programs regulating food and drink pursuant to this Chapter or in programs regulating food and drink that are subject to rules adopted by the Commission. Authority under this section shall not be delegated to individual environmental health specialists in local health departments otherwise authorized and carrying out laws and rules pursuant to G.S. 130A-4. When any action is taken pursuant to this section, the Department of ~~Environment and Natural Resources~~Health and Human Services or the local health director shall immediately notify the Department of Agriculture and Consumer Services. For the purposes of this subsection, all duties and procedures in G.S. 106-125 shall be carried out by the Secretary of ~~the Department of Environment and Natural Resources~~Health and Human Services or the local health director and shall not be required to be carried out by the Department of Agriculture and Consumer Services. It shall be unlawful for any person to remove or dispose of the food or drink by sale or otherwise without the permission of a Department of ~~Environment and Natural Resources~~Health and Human Services regional environmental health specialist, the Director of the Division of ~~Environmental~~ Public Health or the Director's designee, the local health director, or a duly authorized agent of the Department of Agriculture and Consumer Services, or by the court in accordance with the provisions of G.S. 106-125."

SECTION 13.3.(mm) G.S. 130A-21(d) reads as rewritten:

"(d) Nothing in this section is intended to limit the embargo authority of the Department of Agriculture and Consumer Services. The Department of ~~Environment and Natural Resources~~Health and Human Services and the Department of Agriculture and Consumer Services are authorized to enter agreements respecting the duties and responsibilities of each agency in the exercise of their embargo authority."

SECTION 13.3.(nn) G.S. 130A-22(c) reads as rewritten:

"(c) The Secretary ~~of Environment and Natural Resources~~ may impose an administrative penalty on a person who willfully violates Article 11 of this Chapter, rules adopted by the Commission pursuant to Article 11 or any condition imposed upon a permit issued under Article 11. An administrative penalty may not be imposed upon a person who establishes that neither the site nor the system may be improved or a new system installed so as to comply with Article 11 of this Chapter. Each day of a continuing violation shall constitute a separate violation. The penalty shall not exceed fifty dollars ($50.00) per day in the case of a wastewater collection, treatment and disposal system with a design daily flow of no more than 480 gallons or in the case of any system serving a single one-family dwelling. The penalty shall not exceed three hundred dollars ($300.00) per day in the case of a wastewater collection, treatment and disposal system with a design daily flow of more than 480 gallons which does not serve a single one-family dwelling."

SECTION 13.3.(oo) G.S. 130A-23(e) reads as rewritten:

"(e) The Secretary of Environment and Natural Resources shall have all of the applicable rights enumerated in this section to enforce the provisions of ~~Articles 8, 9, 10, 11, and 12~~Articles 9 and 10 of this Chapter."

SECTION 13.3.(pp) G.S. 130A-34.1(a) reads as rewritten:

"(a) The Local Health Department Accreditation Board is established within the North Carolina Institute for Public Health. The Board shall be composed of 17 members appointed by the Secretary of the Department of Health and Human Services as follows:

(1) Four shall be county commissioners recommended by the North Carolina Association of County Commissioners, and four shall be members of a local

board of health as recommended by the Association of North Carolina Boards of Health.

(2) Three local health directors.

(3) ~~Two~~ Three staff members from the Division of Public Health, Department of Health and Human Services.

~~(4) One staff member from the Division of Environmental Health, recommended by the Secretary of Environment and Natural Resources.~~

(5) Three at large."

SECTION 13.3.(qq) G.S. 130A-227(b) reads as rewritten:

"(b) The following definitions shall apply throughout this Article:

(1) "Department" means the Department of ~~Environment and Natural Resources.~~Health and Human Services.

(2) "Secretary" means the Secretary of ~~Environment and Natural Resources.~~Health and Human Services."

SECTION 13.3.(rr) G.S. 130A-21(b) reads as rewritten:

"(b) If the Secretary ~~of Environment and Natural Resources~~ or a local health director has probable cause to believe that any milk designated as Grade "A" milk is misbranded or does not satisfy the milk sanitation rules adopted pursuant to G.S. 130A-275, the Secretary ~~of Environment and Natural Resources~~ or a local health director may detain or embargo the milk by affixing a tag to it and warning all persons not to remove or dispose of the milk until permission for removal or disposal is given by the official by whom the milk was detained or embargoed or by the court. It shall be unlawful for any person to remove or dispose of the detained or embargoed milk without that permission."

SECTION 13.3.(ss) G.S. 130A-334(1a) reads as rewritten:

"(1a) "Department" means the Department of ~~Environment and Natural Resources.~~Health and Human Services."

SECTION 13.3.(tt) 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 13.3.(uu) G.S. 104E-8(c) 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~~ Health Safety Regulation of the Department.

...."

SECTION 13.3.(vv) 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~~ Health Safety Regulation 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 13.3.(ww) 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~~ Health Safety Regulation 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 13.3.(xx) G.S. 159G-20 reads as rewritten:

"**§ 159G-20. Definitions.**

The following definitions apply in this Chapter:

...

~~(4) Division of Environmental Health. – The Division of Environmental Health of the Department of Environment and Natural Resources.~~

(5) Division of Water Quality. – The Division of Water Quality of the Department of Environment and Natural Resources.

(5a) Division of Water Resources. – The Division of Water Resources of the Department of Environment and Natural Resources.

...."

SECTION 13.3.(yy) G.S. 159G-23 reads as rewritten:

"**§ 159G-23. Common criteria for loan or grant from Wastewater Reserve or Drinking Water Reserve.**

The criteria in this section apply to a loan or grant from the Wastewater Reserve or the Drinking Water Reserve. The Division of Water Quality and the Division of ~~Environmental Health~~Water Resources must each establish a system of assigning points to applications based on the following criteria:

...."

SECTION 13.3.(zz) G.S. 159G-26(a) reads as rewritten:

"(a) Requirement. – The Department must publish a report each year on the accounts in the Water Infrastructure Fund that are administered by the Division of Water Quality or the Division of ~~Environmental Health.~~Water Resources. The report must be published by 1 November of each year and cover the preceding fiscal year. The Department must make the report available to the public and must give a copy of the report to the Environmental Review Commission and the Fiscal Research Division of the General Assembly."

SECTION 13.3.(aaa) G.S. 159G-30 reads as rewritten:

"**§ 159G-30. Department's responsibility.**

The Department, through the Division of Water Quality and the Division of ~~Environmental Health,~~Water Resources, administers loans and grants made from the CWSRF, the DWSRF, the Wastewater Reserve, and the Drinking Water Reserve. The Division of Water Quality administers loans and grants from the CWSRF and the Wastewater Reserve. The Division of ~~Environmental Health~~Water Resources administers loans and grants from the DWSRF and the Drinking Water Reserve."

SECTION 13.3.(bbb) G.S. 159G-37 reads as rewritten:

"**§ 159G-37. Application to CWSRF, Wastewater Reserve, DWSRF, and Drinking Water Reserve.**

An application for a loan or grant from the CWSRF or the Wastewater Reserve must be filed with the Division of Water Quality of the Department. An application for a loan or grant from the DWSRF or the Drinking Water Reserve must be filed with the Division of ~~Environmental Health~~Water Resources of the Department. An application must be submitted on a form prescribed by the Division and must contain the information required by the Division. An applicant must submit to the Division any additional information requested by the Division to enable the Division to make a determination on the application. An application that does not contain information required on the application or requested by the Division is incomplete and is not eligible for consideration. An applicant may submit an application in as many categories as it is eligible for consideration under this Article."

SECTION 13.3.(ccc) G.S. 159G-38(b) reads as rewritten:

"(b) Division Review. – If, after reviewing an application, the Division of Water Quality or the Division of ~~Environmental Health,~~Water Resources, as appropriate, determines that a project requires an environmental assessment, the assessment must be submitted before the Division continues its review of the application. If, after reviewing an environmental assessment, the Division concludes that an environmental impact statement is required, the Division may not continue its review of the application until a final environmental impact

statement has been completed and approved as provided in the North Carolina Environmental Policy Act."

SECTION 13.3.(ddd) G.S. 159G-38(c) reads as rewritten:

"(c) Hearing. – The Division of Water Quality or the Division of ~~Environmental Health,~~Water Resources, as appropriate, may hold a public hearing on an application for a loan or grant under this Article if it determines that holding a hearing will serve the public interest. An individual who is a resident of any county in which a proposed project is located may submit a written request for a public hearing. The request must set forth each objection to the proposed project or other reason for requesting a hearing and must include the name and address of the individual making the request. The Division may consider all written objections to the proposed project, any statement submitted with the hearing request, and any significant adverse effects the proposed project may have on the environment. The Division's decision on whether to hold a hearing is conclusive. The Division must keep all written requests for a hearing on an application as part of the records pertaining to the application."

SECTION 13.3.(eee) G.S. 159G-39(a) reads as rewritten:

"(a) Point Assignment. – The Division of Water Quality or the Division of ~~Environmental Health,~~Water Resources, as appropriate, must review all applications filed for a loan or grant under this Article for an application period. The Division must rank each application in accordance with the points assigned to the evaluation criteria. The Division must make a written determination of an application's rank and attach the determination to the application. The Division's determination of rank is conclusive."

SECTION 13.3.(fff) G.S. 166A-6.1(b) reads as rewritten:

"(b) Every person, firm, corporation or municipality who is licensed to construct or who is operating a fixed nuclear facility for the production of electricity shall pay to the Department of Crime Control and Public Safety, for the use of the ~~Division of Environmental Health of the Department of Environment and Natural Resources,~~Radiation Protection Section of the Division of Public Health of the Department of Health and Human Services, an annual fee of thirty-six thousand dollars ($36,000) for each fixed nuclear facility that is located within this State or that has a Plume Exposure Pathway Emergency Planning Zone any part of which is located within this State. This fee shall be applied only to the costs of planning and implementing emergency response activities as required by the Federal Emergency Management Agency for the operation of nuclear facilities. This fee is to be paid no later than July 31 of each year."

SECTION 13.3.(ggg) Part 3 of Article 8 of Chapter 130A of the General Statutes is repealed, except G.S. 130A-230 is recodified as G.S. 113-221.2 in Article 17 of Chapter 113 of the General Statutes.

SECTION 13.3.(hhh) G.S. 113-221.2, as recodified in subsection (ggg) of this section, reads as rewritten:

"**§ 113-221.2. ~~Commission to adopt rules; enforcement of rules.~~Additional rules to establish sanitation requirements for scallops, shellfish, and crustacea.**

For the protection of the public health, the Marine Fisheries Commission shall adopt rules establishing sanitation requirements for the harvesting, processing and handling of scallops, ~~shellfish~~ shellfish, and crustacea of in-State origin. The rules of the Marine Fisheries Commission may also regulate scallops, ~~shellfish~~ shellfish, and crustacea shipped into North Carolina. The Department is authorized to enforce the rules and may issue and revoke permits according to the rules."

SECTION 13.3.(iii) Part 3A of Article 8 of Chapter 130A of the General Statutes is repealed, except G.S. 130A-233.1 is recodified as G.S. 113-221.3 in Article 17 of Chapter 113 of the General Statutes.

SECTION 13.3.(jjj) G.S. 113-221.3, as recodified in subsection (iii) of this section, reads as rewritten:

"**§ 113-221.3. Monitoring program for State coastal fishing and recreation waters; ~~development and implementation of program.~~removal or destruction of warning signs.**

(a) For the protection of the public health of swimmers and others who use the State's coastal fishing waters for recreational activities, the Department shall develop and implement a program to monitor the State's coastal fishing waters for contaminants. The monitoring program shall cover all coastal fishing waters up to the point where those waters are classified as inland fishing waters.

(b) The Marine Fisheries Commission shall adopt rules to provide for a water quality monitoring program for the coastal recreation waters of the State and to allow the Department to implement the federal Beaches Environmental Assessment and Coastal Health Act of 2000 (Pub. L. No. 106-284; 114 Stat. 870, 875; 33 U.S.C. §§ 1313, 1362). The rules shall address, but are not limited to, definitions, surveys, sampling, action standards, and posting of information on the water quality of coastal recreation waters.

(c) No person shall remove, destroy, damage, deface, mutilate, or otherwise interfere with any sign posted by the Department pursuant to subsection (b) of this section. No person, without just cause or excuse, shall have in his or her possession any sign posted by the Department pursuant to subsection (b) of this section. Any person who violates this section is guilty of a Class 2 misdemeanor.

(d) As used in this section, coastal recreation waters has the same meaning as in 33 U.S.C. § 1362."

SECTION 13.3.(kkk) G.S. 130A-21(c) is recodified as a new section G.S. 113-221.4 in Article 17 of Chapter 113 of the General Statutes to be entitled "Embargo."

SECTION 13.3.(lll) G.S. 113-221.4, as recodified in subsection (kkk) of this section, reads as rewritten:

"**§ 113-221.4. Embargo.**

(a) If the Secretary of Environment and Natural Resources or a local health director has probable cause to believe that any scallops, ~~shellfish~~ shellfish, or crustacea is adulterated or misbranded, the Secretary of Environment and Natural Resources or a local health director may detain or embargo the article by affixing a tag to it and warning all persons not to remove or dispose of the article until permission for removal or disposal is given by the official by whom it was detained or embargoed or by the court. It shall be unlawful for any person to remove or dispose of the detained or embargoed article without that permission.

(b) The official by whom the scallops, ~~shellfish~~ shellfish, or crustacea was detained or embargoed shall petition a judge of the district or superior court in whose jurisdiction the article is detained or embargoed for an order for condemnation of the article. If the court finds that the article is adulterated or misbranded, that article shall be destroyed under the supervision of the petitioner. All court costs and fees, storage and other expense shall be taxed against the claimant of the article. If, the article, by proper labelling can be properly branded, the court, after the payment of all costs, fees, expenses, and an adequate bond, may order that the article be delivered to the claimant for proper labelling under the supervision of the petitioner. The bond shall be returned to the claimant after the petitioner represents to the court that the article is no longer mislabelled and that the expenses of supervision have been paid."

SECTION 13.3.(mmm) The Revisor of Statutes shall make the conforming statutory changes necessary to reflect the transfers under this section. The Revisor of Statutes may correct any reference in the General Statutes to the statutes that are recodified by this section and make any other conforming changes necessitated by this section.

SECTION 13.3.(nnn) The transfers under this section become effective July 1, 2011, and funds transferred shall be net of any changes enacted by this section. Any references in this act to any program, office, section, division, or department that is transferred under this section shall be construed to be consistent with the transfer under this section.

REQUIRE DENR TO USE DWQ'S GROUNDWATER INVESTIGATION UNIT'S WELL DRILLING SERVICES IN OTHER DENR DIVISIONS

SECTION 13.4.(a) The purposes of this section are (i) to assure that the Groundwater Investigation Unit well drilling staff are fully utilized by establishing a procedure whereby the Groundwater Investigation Unit may bid to contract to provide well drilling services to other divisions of the Department of Environment and Natural Resources and by providing funding support by these divisions for the Unit's costs and travel expenses and (ii) to reduce the need for the Department of Environment and Natural Resources to enter into contracts with private well drilling companies.

SECTION 13.4.(b) During the 2011-2012 fiscal year and the 2012-2013 fiscal year, the Groundwater Investigation Unit of the Division of Water Quality of the Department of Environment and Natural Resources shall bid to contract to perform well drilling services for any division within the Department of Environment and Natural Resources that needs to have wells drilled to monitor groundwater, as part of remediating a contaminated site, or as part of any other division or program responsibility, except for a particular instance when this would

be impracticable. The provisions of Article 3 of Chapter 143 of the General Statutes apply to any contract entered into under this section.

SECTION 13.4.(c) The terms of any contract entered into under this section may include a provision whereby the division within the Department of Environment and Natural Resources that contracts for the well drilling services of the Groundwater Investigation Unit may use available receipts for the 2011-2012 fiscal year and for the 2012-2013 fiscal year, as applicable, for the costs of the Groundwater Investigation Unit well drilling staff that are incurred to perform the well drilling services under the contract.

DENR CIVIL PENALTY ASSESSMENTS

SECTION 13.6. Part 1 of Article 7 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-279.16. Civil penalty assessments.**

(a) The purpose of this section is to provide to the person receiving a notice of violation of an environmental statute or an environmental rule a greater opportunity to understand what corrective action is needed, receive technical assistance from the Department of Environment and Natural Resources, and to take the needed corrective action. It is also the purpose of this section to provide to the person receiving the notice of violation a greater opportunity for informally resolving matters involving any such violation.

(b) In order to fulfill the purpose set forth in subsection (a) of this section, the Department of Environment and Natural Resources shall, effective July 1, 2011, extend the period of time by 10 days between the time the violator is sent a notice of violation of an environmental statute or an environmental rule and the subsequent date the violator is sent an assessment of the civil penalty for the violation."

WATER AND AIR QUALITY ACCOUNT REVERTS

SECTION 13.7. G.S. 143-215.3A(a) reads as rewritten:

"(a) The Water and Air Quality Account is established as ~~a nonrevertingan~~ account within the Department. Revenue in the Account shall be applied to the costs of administering the programs for which the fees were collected. Revenue credited to the Account pursuant to G.S. 105-449.43, G.S. 105-449.125, and G.S. 105-449.136 shall be used to administer the air quality program. Any funds credited to the Account from fees collected for laboratory facility certifications under G.S. 143-215.3(a)(10) that are not expended at the end of each fiscal year for the purposes for which these fees may be used under G.S. 143-215.3(a)(10) shall revert. Any other funds credited to the Account that are not expended at the end of each fiscal year shall not revert. Except for the following fees, all application fees and permit administration fees collected by the State for permits issued under Articles 21, 21A, 21B, and 38 of this Chapter shall be credited to the Account:

(1) Fees collected under Part 2 of Article 21A and credited to the Oil or Other Hazardous Substances Pollution Protection Fund.
(2) Fees credited to the Title V Account.
(3) Repealed by Session Laws 2005-454, s. 7, effective January 1, 2006.
(4) Fees collected under G.S. 143-215.28A.
(5) Fees collected under G.S. 143-215.94C shall be credited to the Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund."

CHANGE EFFECTIVE DATE REGARDING WELL TESTING

SECTION 13.10. Section 4 of S.L. 2009-124 reads as rewritten:

"**SECTION 4.** Section 1 of this act becomes effective October 1, ~~2010.~~2012. The remainder of the act is effective when it becomes law."

FUNDS FOR CLEANUP AND MONITORING OF TEXFI SITE CONTAMINATION

SECTION 13.10A. Reduce the operating expenditures of the Solid Waste Management Trust Fund by the sum of fifty thousand dollars ($50,000) for the 2011-2012 fiscal year and provide funding in the sum of fifty thousand dollars ($50,000) to be used for the 2011-2012 fiscal year for the cleanup and monitoring of the groundwater and other contamination located at the Texfi site in Fayetteville and for any emergency cleanup activities needed at that site.

FUNDS FOR RECYCLING PROGRAMS FOR PRODUCTS THAT CONTAIN MERCURY

SECTION 13.10B.(a) Effective July 1, 2011, until December 31, 2017, G.S. 130A-310.54 reads as rewritten:

"**§ 130A-310.54. Mercury ~~Switch Removal Account.~~Pollution Prevention Fund.**

(a) The Mercury ~~Switch Removal Account~~Pollution Prevention Fund is established in the Department. Revenue is credited to the ~~Account~~ Fund from the certificate of title fee under G.S. 20-85.

(b) Revenue in the Mercury ~~Switch Removal Account~~Pollution Prevention Fund shall be used ~~to~~ for the following purposes:

(1) To reimburse the Department and others for costs incurred in implementing the mercury switch removal program.

(2) To establish and implement recycling programs for products containing mercury, including at least recycling programs for light bulbs and thermostats.

(b1) The reimbursable costs under subdivision (1) of subsection (b) of this section are:

(1) Five dollars ($5.00) for each mercury switch removed by a vehicle crusher, vehicle dismantler, vehicle recycler, or scrap vehicle processing facility pursuant to this Article and sent to destination facilities in accordance with the NVMSRP for recycling or disposal.

(2) Costs incurred by the Department in administering the program.

(c) The Department shall reimburse vehicle crushers, vehicle dismantlers, vehicle recyclers, and scrap vehicle processing facilities based on a reimbursement request that attests to the number of switches sent to destination facilities for recycling or disposal in accordance with the NVMSRP. Each reimbursement request shall be verified against information posted on the Internet site provided by the vehicle manufacturers in accordance with the NVMSRP, or against other information that verifies the reimbursement requested to the satisfaction of the Department. The vehicle crusher, vehicle dismantler, vehicle recycler, or scrap vehicle processing facility shall provide the Department with any information requested by the Department to verify the accuracy of a reimbursement request. Each vehicle crusher, vehicle dismantler, vehicle recycler, or scrap vehicle processing facility shall maintain accurate records that support each reimbursement request for a minimum of three years from the date the reimbursement request is approved."

SECTION 13.10B.(b) Effective December 31, 2017, G.S. 130A-310.54, as amended by Sections 4 and 9 of S.L. 2007-142, reads as rewritten:

"**§ 130A-310.54. Funds to implement plan.**

(a) The Mercury Pollution Prevention ~~Account~~ Fund is established in the Department. Revenue is credited to the ~~Account~~ Fund from the certificate of title fee under G.S. 20-85.

(b) Revenue in the Mercury Pollution Prevention ~~Account~~ Fund shall be used ~~to~~ for the following purposes:

(1) To reimburse the Department and others for costs incurred in implementing the mercury minimization plan.

(2) To establish and implement recycling programs for products containing mercury, including at least recycling programs for light bulbs and thermostats.

(b1) The reimbursable costs under subdivision (1) of subsection (b) of this section are:

(1) Five dollars ($5.00) for each mercury switch removed by a vehicle recycler or scrap metal recycling facility pursuant to this Article.

(2) Costs incurred by the Department in administering the plan.

(c) The Department shall reimburse vehicle recyclers and scrap metal recycling facilities based on the quarterly reports submitted under G.S. 130A-310.53. The Department may request any information needed to determine the accuracy of the reports."

FUNDS FOR DENR STUDY OF ONSHORE SHALE GAS RESOURCES IN NC

SECTION 13.10D. Notwithstanding any other provision of this act, if Senate Bill 709, 2011 Regular Session becomes law, the Department of Environment and Natural Resources shall, notwithstanding the provisions of G.S. 130A-310.54, use one hundred thousand dollars ($100,000) from the Mercury Switch Removal Account for the 2011-2012

fiscal year to study the issue of onshore shale gas resources in the State as provided in Senate Bill 709.

REPEAL DENR REVIEW OF FEE SCHEDULES

SECTION 13.11. G.S. 143B-279.2(4) is repealed.

DWSRF LOANS AND GRANTS TO INVESTOR-OWNED DRINKING WATER CORPORATIONS

SECTION 13.11A.(a) G.S. 159G-20 reads as rewritten:

"**§ 159G-20. Definitions.**

The following definitions apply in this Chapter:

...

(10a) Investor-owned drinking water corporation. – A corporation owned by investors and incorporated solely for the purpose of providing drinking water services for profit.

...."

SECTION 13.11A.(b) G.S. 159G-31 reads as rewritten:

"**§ 159G-31. Entities eligible to apply for loan or grant.**

A local government unit or a nonprofit water corporation is eligible to apply for a loan or grant from the CWSRF, the DWSRF, the Wastewater Reserve, or the Drinking Water Reserve. An investor-owned drinking water corporation is also eligible to apply for a loan or grant from the DWSRF. Other entities are not eligible for a loan or grant from these accounts."

SECTION 13.11A.(c) G.S. 159G-40 reads as rewritten:

"**§ 159G-40. Terms of loan and execution of loan documents.**

(a) Approval by Local Government Commission. – The Department may not award a loan under this Article unless the Local Government Commission approves the award of the loan and the terms of the loan. The terms of a loan awarded from the CWSRF and the DWSRF must be consistent with federal law. In reviewing a proposed loan to a local government unit, the Local Government Commission must consider the loan as if it were a bond proposal and review the proposed loan in accordance with the factors set out in G.S. 159-52 for review of a proposed bond issue. The Local Government Commission must review a proposed loan to a nonprofit water corporation and to an investor-owned drinking water corporation in accordance with the factors set out in G.S. 159-153.

...

(d) Debt Instrument. – A local government ~~unit and~~unit, a nonprofit water ~~corporation~~ corporation, and an investor-owned drinking water corporation may execute a debt instrument payable to the State to evidence an obligation to repay the principal of and interest on a loan awarded under this Article. The Treasurer, with the assistance of the Local Government Commission, must develop debt instruments for use by local government ~~units and~~units, nonprofit water ~~corporations~~ corporations, and investor-owned drinking water corporations under this section. The Local Government Commission must develop procedures for loan recipients to deliver debt instruments to the State without public bidding."

SECTION 13.11A.(d) G.S. 159G-43(b) reads as rewritten:

"(b) Disqualification. – An individual may not perform an inspection of a project under this section if the individual meets any of the following criteria:

(1) Is an officer or employee of the local government ~~unit or~~unit, nonprofit water ~~corporation~~ corporation, or investor-owned drinking water corporation that received the loan or grant award for the project.

(2) Is an owner, officer, employee, or agent of a contractor or subcontractor engaged in the construction of the project for which the loan or grant was made."

SECTION 13.11A.(e) G.S. 159-153 is amended by adding a new subsection to read:

"(a2) Investor-Owned Drinking Water Corporation. – A loan from the DWSRF, an account within the Water Infrastructure Fund, to an investor-owned drinking water corporation, as defined in G.S. 159G-20, is subject to approval by the Commission under this section."

REGULATORY REFORM FOR DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES, DEPARTMENT OF LABOR, AND DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

SECTION 13.11B.(a) Article 1 of Chapter 95 of the General Statutes is amended by adding a new section to read:

"**§ 95-14.2. Limitation on rule-making authority.**

(a) Federal Analog. – The Department may not adopt a rule that imposes a more restrictive standard or limitation than those imposed by federal law or rule if a federal law or rule pertaining to the same subject matter has been adopted, unless adoption of the rule is permitted by this subsection. It is the intent of the General Assembly that the standards and limitations adopted by the Department shall be no more restrictive than the most nearly applicable federal standards and limitations. Adoption of a rule with more restrictive standards or limitations is permitted to respond to at least one of the following:

(1) A serious and unforeseen threat to the public health, safety, or welfare.

(2) An act of the General Assembly or United States Congress that expressly requires the Department to adopt rules.

(3) A change in federal or State budgetary policy.

(4) A federal regulation required by an act of the United States Congress to be adopted or administered by the State.

(5) A court order.

(b) No Federal Analog. – Before the Department publishes in the North Carolina Register the proposed text of a permanent rule change with no federal analog, the Department shall prepare and submit into the record of the rule making an evaluation of costs and benefits. The evaluation shall include estimates of the economic and social costs of compliance with the proposed rule to commerce and industry, units of local government, and any other entities affected by the rule, as well as estimates of the benefits of the proposed rule to public health, safety, and welfare and to the environment. The evaluation shall present relevant data, assumptions, analyses, and calculations in sufficient detail to allow the calculation of a ratio of quantifiable costs to quantifiable benefits for the proposed rule. Benefits and costs which cannot be quantified may be expressed in qualitative terms. For purposes of this subsection "no federal analog" means that there is no federal regulation, standard, or requirement pertaining to the same subject matter or activity. This subsection does not apply to a rule required by an act of the General Assembly or the United States Congress that expressly requires the Department to adopt rules."

SECTION 13.11B.(b) Part 3 of Article 1 of Chapter 106 of the General Statutes is amended by adding a new section to read:

"**§ 106-22.6. Limitation on rule-making authority.**

(a) Federal Analog. – The Department may not adopt a rule that imposes a more restrictive standard or limitation than those imposed by federal law or rule if a federal law or rule pertaining to the same subject matter has been adopted, unless adoption of the rule is permitted by this subsection. It is the intent of the General Assembly that the standards and limitations adopted by the Department shall be no more restrictive than the most nearly applicable federal standards and limitations. Adoption of a rule with more restrictive standards or limitations is permitted to respond to at least one of the following:

(1) A serious and unforeseen threat to the public health, safety, or welfare.

(2) An act of the General Assembly or United States Congress that expressly requires the Department to adopt rules.

(3) A change in federal or State budgetary policy.

(4) A federal regulation required by an act of the United States Congress to be adopted or administered by the State.

(5) A court order.

(b) No Federal Analog. – Before the Department publishes in the North Carolina Register the proposed text of a permanent rule change with no federal analog, the Department shall prepare and submit into the record of the rule making an evaluation of costs and benefits. The evaluation shall include estimates of the economic and social costs of compliance with the proposed rule to commerce and industry, units of local government, and any other entities affected by the rule, as well as estimates of the benefits of the proposed rule to public health, safety, and welfare and to the environment. The evaluation shall present relevant data, assumptions, analyses, and calculations in sufficient detail to allow the calculation of a ratio of

quantifiable costs to quantifiable benefits for the proposed rule. Benefits and costs which cannot be quantified may be expressed in qualitative terms. For purposes of this subsection "no federal analog" means that there is no federal regulation, standard, or requirement pertaining to the same subject matter or activity. This subsection does not apply to a rule required by an act of the General Assembly or the United States Congress that expressly requires the Department to adopt rules."

SECTION 13.11B.(c) Article 7 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-279.16. Limitation on rule-making authority.**

(a) Federal Analog. – An agency, as defined in G.S. 150B-2 and created under this Article, may not adopt a rule that imposes a more restrictive standard or limitation than those imposed by federal law or rule if a federal law or rule pertaining to the same subject matter has been adopted, unless adoption of the rule is permitted by this subsection. It is the intent of the General Assembly that the standards and limitations adopted by such agency shall be no more restrictive than the most nearly applicable federal standards and limitations. Adoption of a rule with more restrictive standards or limitations is permitted to respond to at least one of the following:

(1) A serious and unforeseen threat to the public health, safety, or welfare.
(2) An act of the General Assembly or United States Congress that expressly requires such agency to adopt rules.
(3) A change in federal or State budgetary policy.
(4) A federal regulation required by an act of the United States Congress to be adopted or administered by the State.
(5) A court order.

(b) No Federal Analog. – Before the agency publishes in the North Carolina Register the proposed text of a permanent rule change with no federal analog, the agency shall prepare and submit into the record of the rule making an evaluation of costs and benefits. The evaluation shall include estimates of the economic and social costs of compliance with the proposed rule to commerce and industry, units of local government, and any other entities affected by the rule, as well as estimates of the benefits of the proposed rule to public health, safety, and welfare and to the environment. The evaluation shall present relevant data, assumptions, analyses, and calculations in sufficient detail to allow the calculation of a ratio of quantifiable costs to quantifiable benefits for the proposed rule. Benefits and costs which cannot be quantified may be expressed in qualitative terms. For purposes of this subsection "no federal analog" means that there is no federal regulation, standard, or requirement pertaining to the same subject matter or activity. This subsection does not apply to a rule required by an act of the General Assembly or the United States Congress that expressly requires the agency to adopt rules."

PARKS AND RECREATION TRUST FUND; ALLOCATION OF DEED STAMP TAX PROCEEDS CREDITED TO FUND

SECTION 13.14.(a) Notwithstanding the provisions of G.S. 113-44.15(b), effective for taxes levied during the 2011-2012 fiscal year, the net tax proceeds that are credited to the Parks and Recreation Trust Fund by the Secretary of Revenue pursuant to G.S. 105-228.30(b) shall be allocated as follows:

(1) Six million dollars ($6,000,000) shall be used for the operating expenses of the Division of Parks and Recreation of the Department of Environment and Natural Resources;
(2) Up to nine million seven hundred fifty thousand dollars ($9,750,000) shall be used 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;
(3) Up to six million three hundred forty-five thousand dollars ($6,345,000) shall be used for grants to local government units consistent with the match and other requirements set forth in G.S. 113-44.14(b)(2); and
(4) Up to one million fifty-seven thousand five hundred dollars ($1,057,500) shall be used for the Coastal and Estuarine Water Beach Access Program.

SECTION 13.14.(b) Any funds that become available to the Parks and Recreation Trust Fund during the 2011-2012 fiscal year that are in excess of the funds allocated under subsection (a) of this section shall be used as provided in G.S. 113-44.15(b).

NATURAL HERITAGE TRUST FUND USED FOR COSTS TO ADMINISTER PLANT CONSERVATION PROGRAM/CONSERVATION PLANNING & COMMUNITY AFFAIRS PROGRAM

SECTION 13.16. G.S. 113-77.9(c) reads as rewritten:

"(c) Other Purposes. – The Trustees may authorize expenditures from the Fund to pay for the inventory of natural areas conducted under the Natural Heritage Program established pursuant to the Nature Preserves Act, Article 9A of Chapter 113A of the General Statutes. The Trustees may also authorize expenditures from the Fund to pay for conservation and protection planning and for informational programs for owners of natural areas, as defined in G.S. 113A-164.3. The Trustees shall authorize expenditures from the Fund not to exceed seventy-five thousand dollars ($75,000) to pay the cost of the Department of Agriculture and Consumer Services to administer the Plant Conservation Program. The Trustees shall authorize expenditures from the Fund not to exceed three hundred twenty-five thousand dollars ($325,000) to pay the cost of supporting staff in the Office of Conservation Planning and Community Affairs of the Department of Environment and Natural Resources."

OYSTER SANCTUARY PROGRAM SUPPORT

SECTION 13.18. G.S. 113-175.1(c) reads as rewritten:

"(c) The Marine Fisheries Commission and the Wildlife Resources Commission may authorize the disbursement of the principal of the Marine Resources Fund and marine resources investment income only to manage, protect, restore, develop, cultivate, conserve, and enhance the marine resources of the State. The Marine Fisheries Commission and the Wildlife Resources Commission are encouraged to consider supporting the Oyster Sanctuary Program managed by the Division of Marine Fisheries. The Marine Fisheries Commission and the Wildlife Resources Commission may not authorize the disbursement of the principal of the Marine Resources Fund and marine resources investment income to establish positions without specific authorization from the General Assembly. All proposals to the Marine Fisheries Commission and the Wildlife Resources Commission for the disbursement of funds from the Marine Resources Fund shall be made by and through the Fisheries Director. Expenditure of the assets of the Marine Resources Fund shall be made through the State budget accounts of the Division of Marine Fisheries in accordance with the provisions of the Executive Budget Act. The Marine Resources Fund is subject to the oversight of the State Auditor pursuant to Article 5A of Chapter 147 of the General Statutes."

MARINE FISHERIES ENCOURAGED TO CONTRACT WITH PRIVATE SECTOR FOR OYSTER SANCTUARY RESTORATION

SECTION 13.18A. The Division of Marine Fisheries of the Department of Environment and Natural Resources is encouraged to contract with private sector businesses for any oyster sanctuary restoration projects in the Pamlico Sound that are funded in whole or in part with State funds, State fees, State grants, or revenue generated from any license issued by the State.

DIVISION OF MARINE FISHERIES TO USE DIVISION OF FOREST RESOURCES MECHANICS FOR AIRCRAFT MAINTENANCE

SECTION 13.18B.(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 13.18B.(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.

END PILOT PROGRAM FOR ANNUAL INSPECTIONS OF CERTAIN ANIMAL OPERATIONS

SECTION 13.21.(a) Section 15.4(a) of S.L. 1997-443, as amended by Section 3.1 of S.L. 1999-329, Section 5 of S.L. 2001-254, Section 1.1 of S.L. 2002-176, Section 6.1 of S.L. 2003-340, Section 12.7(a) of S.L. 2005-276, Section 2 of S.L. 2007-536, and Section 1 of S.L. 2009-84, reads as rewritten:

"**SECTION 1.** Section 15.4(a) of S.L. 1997-443, as amended by Section 3.1 of S.L. 1999-329, Section 5 of S.L. 2001-254, Section 1.1 of S.L. 2002-176, Section 6.1 of S.L. 2003-340, Section 12.7(a) of S.L. 2005-276, and Section 2 of S.L. 2007-536, reads as rewritten:

'(a) The Department of Environment and Natural Resources shall develop and implement a pilot program to begin no later than 1 November 1997, and to terminate ~~1 September 2011,~~June 30, 2011, regarding the annual inspections of animal operations that are subject to a permit under Article 21 of Chapter 143 of the General Statutes. The Department shall select two counties located in a part of the State that has a high concentration of swine farms to participate in this ~~pilot~~ program. In addition, Brunswick County and Pender County shall be added to the program. Notwithstanding G.S. 143-215.10F, the Division of Soil and Water Conservation of the Department of Environment and Natural Resources shall conduct inspections of all animal operations that are subject to a permit under Article 21 of Chapter 143 of the General Statutes in these four counties at least once a year to determine whether any animal waste management system is causing a violation of water quality standards and whether the system is in compliance with its animal waste management plan or any other condition of the permit. The personnel of the Division of Soil and Water Conservation who are to conduct these inspections in each of these four counties shall be located in an office in the county in which that person will be conducting inspections. As part of this ~~pilot~~ program, the Department of Environment and Natural Resources shall establish procedures whereby resources within the local Soil and Water Conservation Districts serving the four counties are used for the quick response to complaints and reported problems previously referred only to the Division of Water Quality of the Department of Environment and Natural Resources.'"

SECTION 13.21.(b) The section becomes effective June 30, 2011.

END DSWC ROLE REGARDING ANIMAL WASTE MANAGEMENT SYSTEMS

SECTION 13.22.(a) G.S. 143-215.10A reads as rewritten:

"**§ 143-215.10A. Legislative findings and intent.**

The General Assembly finds that animal operations provide significant economic and other benefits to this State. The growth of animal operations in recent years has increased the importance of good animal waste management practices to protect water quality. It is critical that the State balance growth with prudent environmental safeguards. It is the intention of the State to promote a cooperative and coordinated approach to animal waste management among the agencies of the State with a primary emphasis on technical assistance to farmers. To this end, the General Assembly intends to establish a permitting program for animal waste management systems that will protect water quality and promote innovative systems and practices while minimizing the regulatory burden. Technical ~~assistance, through operations reviews,~~assistance will be provided by the Division of Soil and Water Conservation. ~~Permitting, inspection,~~Inspection and enforcement will be ~~vested in~~provided by the Division of Water Quality."

SECTION 13.22.(b) G.S. 143-215.10D is repealed.

TRANSFER DIVISION OF SOIL AND WATER CONSERVATION AND SOIL AND WATER CONSERVATION COMMISSION TO DACS

SECTION 13.22A.(a) The Division of Soil and Water Conservation is transferred from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services with all the elements of a Type I transfer, as defined by G.S. 143A-6.

SECTION 13.22A.(b) All functions, powers, duties, and obligations previously vested in the State Soil and Water Conservation Commission are transferred to and vested in the Department of Agriculture and Consumer Services by a Type II transfer, as defined in G.S. 143A-6.

SECTION 13.22A.(c) G.S. 143B-279.3(a) reads as rewritten:

"(a) All functions, powers, duties, and obligations previously vested in the following subunits of the following departments are transferred to and vested in the Department of Environment and Natural Resources by a Type I transfer, as defined in G.S. 143A-6:

...

~~(10) Soil and Water Conservation Division, Department of Natural Resources and Community Development.~~

...."

SECTION 13.22A.(d) G.S. 143B-279.3(b) reads as rewritten:

"(b) All functions, powers, duties, and obligations previously vested in the following commissions, boards, councils, and committees of the following departments are transferred to and vested in the Department of Environment and Natural Resources by a Type II transfer, as defined in G.S. 143A-6:

...

~~(21) State Soil and Water Conservation Commission, Department of Natural Resources and Community Development.~~

...."

SECTION 13.22A.(e) Part 7 of Article 7 of Chapter 143B of the General Statutes is recodified as Article 71 of Chapter 106 of the General Statutes, and accordingly G.S. 143B-294 through G.S. 143B-297.1 are recodified as G.S. 106-840 through G.S. 106-844.

SECTION 13.22A.(f) G.S. 106-840, as recodified by subsection (e) of this section, reads as rewritten:

"§ 106-840. Soil and Water Conservation Commission – creation; powers and duties; compliance inspections.

(a) There is hereby created the Soil and Water Conservation Commission of the Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services with the power and duty to adopt rules to be followed in the development and implementation of a soil and water conservation program.

(1) The Soil and Water Conservation Commission has all of the following powers and duties:

a. To approve petitions for soil conservation districts.

b. To approve application for watershed plans.

c. Such other duties as specified in Chapter 139.

d. To conduct any inspections in accordance with subsection (b) of this section.

(2) The Commission shall adopt rules consistent with the provisions of this Chapter. All rules not inconsistent with the provisions of this Chapter heretofore adopted by the Soil and Water Conservation Committee shall remain in full force and effect unless and until repealed or superseded by action of the Soil and Water Conservation Commission. All rules adopted by the Commission shall be enforced by the Department of ~~Environment and Natural Resources.~~Agriculture and Consumer Services.

(b) An employee or agent of the Soil and Water Conservation Commission or the Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services may enter property, with the consent of the owner or person having control over property, at reasonable times for the purposes of investigating compliance with Commission or Department programs when the investigation is reasonably necessary to carry out the duties of the Commission. If the Commission or Department is unable to obtain the consent of the owner of the property, the Commission or Department may obtain an administrative search warrant pursuant to G.S. 15-27.2.

(c) Any person who refuses entry or access to property by an employee or agent of the Commission or the Department or who willfully resists, delays, or obstructs an employee or agent of the Commission or the Department while the employee or agent is in the process of carrying out official duties after the employee or agent has obtained the consent of the owner or person having control of the property or, if consent is not obtained, after the employee or agent has obtained an administrative search warrant, shall be guilty of a Class 1 misdemeanor."

SECTION 13.22A.(g) G.S. 106-841, as recodified by subsection (e) of this section, reads as rewritten:

"§ 106-841. Soil and Water Conservation Commission – members; selection; removal; compensation; quorum; services.

(a) The Soil and Water Conservation Commission of the Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services shall be composed of seven members appointed by the Governor. The Commission shall be composed of the following members:

...

(g) All clerical and other services required by the Commission shall be supplied by the ~~Secretary of Environment and Natural Resources.~~ Department of Agriculture and Consumer Services."

SECTION 13.22A.(h) G.S. 139-3(4) reads as rewritten:

"(4) "Commission" or "Soil and Water Conservation Commission" means the Soil and Water Conservation Commission created by G.S. ~~143B-294.~~106-840."

SECTION 13.22A.(i) G.S. 139-4(d) reads as rewritten:

"(d) In addition to the duties and powers hereinafter conferred upon the Soil and Water Conservation Commission, it shall have the following duties and powers:

...

(9) To create, implement, and supervise the Agriculture Cost Share Program for Nonpoint Source Pollution Control created pursuant to ~~Part 9 of Article 21 of Chapter 143~~Article 72 of Chapter 106 of the General Statutes and the Community Conservation Assistance Program created pursuant to Part 11 of Article 21 of Chapter 143 of the General Statutes.

(10) To review and approve or disapprove the application of a district supervisor for a grant under the Agriculture Cost Share Program for Nonpoint Source Pollution Control or the Community Conservation Assistance Program as provided by G.S. 139-8(b).

(11) To develop and implement a program for the approval of water quality and animal waste management systems technical specialists.

(12) To develop and approve best management practices for the Agriculture Cost Share Program for Nonpoint Source Pollution Control and for use in the water quality protection programs of the Department of Environment and Natural Resources and to adopt rules that establish criteria governing approval of these best management practices."

SECTION 13.22A.(j) G.S. 139-4(e) reads as rewritten:

"(e) A member of the Commission may apply for and receive a grant under the Agriculture Cost Share Program for Nonpoint Source Pollution Control and the Community Conservation Assistance Program if:

(1) The member does not vote on the application or attempt to influence the outcome of any action on the application; and

(2) The application is approved by the ~~Secretary of Environment and Natural Resources.~~Commissioner of Agriculture."

SECTION 13.22A.(k) G.S. 139-5(d) reads as rewritten:

"(d) The Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services shall pay all expenses for the issuance of such notices and the conduct of such hearings and referenda, and shall supervise the conduct of such hearings and referenda. It shall issue appropriate regulations governing the conduct of such hearings and referenda, and providing for the registration prior to the date of the referendum of all eligible voters, or prescribing some other appropriate procedure for the determination of those eligible as voters in such referendum. No informality in the conduct of such referendum or in any matters relating thereto shall invalidate said referendum or the result thereof if notice thereof shall have been given substantially as herein provided and said referendum shall have been fairly conducted."

SECTION 13.22A.(l) G.S. 139-5(e) reads as rewritten:

"(e) The Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services shall publish the results of such referendum and shall thereafter consider and determine whether the operation of the district within the defined boundaries is administratively practicable and feasible. If the Commission shall determine that the operation of such district is not administratively practicable and feasible, it shall record such determination and deny the petition. If the Commission shall determine that the operation of such district is administratively practicable and feasible, it shall record such in the manner hereinafter

provided. In making such determination the Commission shall give due regard and weight to the attitudes of the occupiers of lands lying within the defined boundaries, the number of land occupiers eligible to vote in such referendum who shall have voted, the proportion of the votes cast in such referendum in favor of the creation of the district to the total number of votes cast, the approximate wealth and income of the land occupiers of the proposed district, the probable expense of carrying on erosion control operations within such district, and such other economic and social factors as may be relevant to such determination, having due regard to the legislative determination set forth in G.S. 139-2: Provided, however, that the Commission shall not have authority to determine that the operations of the proposed district within the defined boundaries is administratively practicable and feasible unless at least a majority of the votes cast in the referendum upon the proposition of creation of the district shall have been cast in favor of the creation of such district."

SECTION 13.22A.(m) G.S. 139-7 reads as rewritten:

"**§ 139-7. District board of supervisors – appointive members; organization of board; certain powers and duties.**

The governing body of a soil and water conservation district shall consist of the three elective supervisors from the county or counties in the district, together with the appointive members appointed by the Soil and Water Conservation Commission pursuant to this section, and shall be known as the district board of supervisors. When a district is composed of less than four counties, the board of supervisors of each county shall on or before October 31, 1978, and on or before October 31 as the terms of the appointive supervisors expire, recommend in writing two persons from the district to the Commission to be appointed to serve with the elective supervisors. If the names are not submitted to the Commission as required, the office shall be deemed vacant on the date the term is set to expire and the Commission shall appoint two persons of the district to the district board of supervisors to serve with the elected supervisors. The Commission shall make its appointments prior to or at the November meeting of the Commission. Appointive supervisors shall take office on the first Monday in December following their appointment. Such appointive supervisors shall serve for a term of four years, and thereafter, as their terms expire, their successors shall serve for a term of four years. The terms of office of all appointive supervisors who have heretofore been lawfully appointed for terms the final year of which presently extends beyond the first Monday in December are hereby terminated on the first Monday in December of the final year of appointment. Vacancies for any reason in the appointive supervisors shall be filled for the unexpired term by the appointment of a person by the Commission from the district in which the vacancy occurs. Vacancies for any reason in the elected supervisors shall be filled for the unexpired term by appointment by the Commission of a person from the county in the district in which the vacancy occurs.

In those districts composed of four or more counties, the Commission may, but is not required to, appoint two persons from the district without recommendation from the board of supervisors, to serve as district supervisors along with the elected members of the board of supervisors. Such appointments shall be made at the same time other appointments are made under this section, and the persons appointed shall serve for a term of four years.

The supervisors shall designate a chairman and may, from time to time, change such designation. A simple majority of the board shall constitute a quorum for the purpose of transacting the business of the board, and approval by a majority of those present shall be adequate for a determination of any matter before the board, provided at least a quorum is present. Supervisors of soil and water conservation districts shall be compensated for their services at the per diem rate and allowed travel, subsistence and other expenses, as provided for State boards, commissions and committees generally, under the provisions of G.S. 138-5; provided, that when per diem compensation and travel, subsistence, or other expense is claimed by any supervisor for services performed outside the district for which such supervisor ordinarily may be appointed or elected to serve, the same may not be paid unless prior written approval is obtained from the Department of ~~Environment and Natural Resources.~~Agriculture and Consumer Services.

The supervisors may employ a secretary, technical experts, whose qualifications shall be approved by the Department, and such other employees as they may require, and shall determine their qualifications, duties and compensation. The supervisors may call upon the Attorney General of the State for such legal services as they may require. The supervisors may delegate to their chairman, to one or more supervisors, or to one or more agents, or employees

such powers and duties as they may deem proper. The supervisors shall furnish to the Soil and Water Conservation Commission, upon request, copies of such ordinances, rules, regulations, orders, contracts, forms, and other documents as they shall adopt or employ, and such other information concerning their activities as it may require in the performance of its duties under this Chapter.

The supervisors shall provide for the execution of surety bonds for all employees and officers who shall be entrusted with funds or property; shall provide for the keeping of a full and accurate record of all proceedings and of all resolutions, regulations, and orders issued or adopted; and shall provide for an annual audit of the accounts of receipts and disbursements. In any given year, if the supervisors provide for an internal audit, and the supervisor serving as chairman certifies, under oath, that this internal audit is a true and accurate reflection of the accounts of receipts and disbursements, then the supervisors shall not be required, notwithstanding the provisions of G.S. 159-34, to provide for an audit of the accounts of receipts and disbursements by a certified public accountant or by an accountant certified by the Local Government Commission. Any supervisor may be removed by the Soil and Water Conservation Commission upon notice and hearing, for neglect of duty, incompetence or malfeasance in office, but for no other reason.

The supervisors may invite the legislative body of any municipality or county located near the territory comprised within the district to designate a representative to advise and consult with the supervisors of the district on all questions of program and policy which may affect the property, water supply, or other interests of such municipality or county.

~~All district supervisors whose terms of office expire prior to the first Monday in January, 1948, shall hold over and remain in office until supervisors are elected or appointed and qualify as provided in this Chapter, as amended. The terms of office of all district supervisors, who have heretofore been elected or appointed for terms extending beyond the first Monday in January, 1948, are hereby terminated on the first Monday in January, 1948.~~"

SECTION 13.22A.(n) G.S. 139-8(a)(13) reads as rewritten:

"(13) To assist the Commission in the implementation and supervision of the Agriculture Cost Share Program for Nonpoint Source Pollution Control created pursuant to ~~G.S. 143-215.74~~G.S. 106-850 and to assist in the implementation and supervision of any other program intended to protect water quality or quantity administered by the Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services by providing technical assistance, allocating available grant monies, and providing any other assistance that may ~~by~~ be required or authorized by any provision of federal or State law."

SECTION 13.22A.(o) G.S. 139-13 reads as rewritten:

"**§ 139-13. Discontinuance of districts.**

At any time after five years after the organization of a district under the provisions of this Chapter, any 25 occupiers of land lying within the boundaries of such districts may file a petition with the Soil and Water Conservation Commission praying that the operations of the district be terminated and the existence of the district discontinued. The Commission may conduct such public meetings and public hearings upon such petition as may be necessary to assist it in the consideration thereof. Within 60 days after such a petition has been received by the Commission it shall give due notice of the holding of a referendum, and shall supervise such referendum, and issue appropriate regulations governing the conduct thereof, the question to be submitted by ballots upon which the words "For terminating the existence of the _____ (name of the soil and water conservation district to be here inserted)" and "Against terminating the existence of the _____ (name of the soil and water conservation district to be here inserted)" shall appear with a square before each proposition and a direction to insert an X mark in the square before one or the other of said propositions as the voter may favor or oppose discontinuance of such district. All occupiers of lands lying within the boundaries of the district shall be eligible to vote in such referendum. Only such land occupiers shall be eligible to vote. No informalities in the conduct of such referendum or in any matters relating thereto shall invalidate said referendum or the result thereof if notice thereof shall have been given substantially as herein provided and said referendum shall have been fairly conducted.

The Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services shall publish the result of such referendum and shall thereafter consider and determine whether the continued operation of the district within the defined boundaries is administratively

practicable and feasible. If the Commission shall determine that the continued operation of such district is administratively practicable and feasible, it shall record such determination and deny the petition. If the Commission shall determine that the continued operation of such district is not administratively practicable and feasible, it shall record such determination and shall certify such determination to the supervisors of the district. In making such determination the Commission shall give due regard and weight to the attitudes of the occupiers of lands lying within the district, the number of land occupiers eligible to vote in such referendum who shall have voted, the proportion of the votes cast in such referendum in favor of the discontinuance of the district to the total number of votes cast, the approximate wealth and income of the land occupiers of the district, the probable expense of carrying on erosion control operations within such district, and such other economic and social factors as may be relevant to such determination, having due regard to the legislative findings set forth in G.S. 139-2: Provided, however, that the Commission shall not have authority to determine that the continued operation of the district is administratively practicable and feasible unless at least a majority of the votes cast in the referendum shall have been cast in favor of the continuance of such district.

Upon receipt from the Soil and Water Conservation Commission of a certification that the Commission has determined that the continued operation of the district is not administratively practicable and feasible, pursuant to the provisions of this section, the supervisors shall forthwith proceed to terminate the affairs of the district. The supervisors shall dispose of all property belonging to the district at public auction and shall pay over the proceeds of such sale to be covered into the State treasury. The supervisors shall thereupon file an application, duly verified, with the Secretary of State for the discontinuance of such district, and shall transmit with such application the certificates of the Soil and Water Conservation Commission setting forth the determination of the Commission that the continued operation of such district is not administratively practicable and feasible. The application shall recite that the property of the district has been disposed of and the proceeds paid over as in this section provided, and shall set forth a full accounting of such properties and proceeds of the sale. The Secretary of State shall issue to the supervisors a certificate of dissolution and shall record such certificate in an appropriate book of record in his office.

Upon issuance of a certificate of dissolution under the provisions of this section, all ordinances and regulations theretofore adopted and in force within such districts shall be of no further force and effect. All contracts theretofore entered into, to which the district or supervisors are parties, shall remain in force and effect for the period provided in such contracts. The Soil and Water Conservation Commission shall be substituted for the district or supervisors as party to such contracts. The Commission shall be entitled to all benefits and subject to all liabilities under such contracts and shall have the same right and liability to perform, to require performance, to sue and be sued thereon, and to modify or terminate such contracts by mutual consent or otherwise as the supervisors of the district would have had. Such dissolution shall not affect the lien of any judgment entered under the provisions of G.S. 139-11, nor the pendency of any action instituted under the provisions of such section, and the Commission shall succeed to all the rights and obligations of the district or supervisors as to such liens and actions.

The Soil and Water Conservation Commission shall not entertain petitions for the discontinuance of any district nor conduct referenda upon such petitions, nor make determinations pursuant to such petitions, in accordance with the provisions of this Chapter, more often than once in five years."

SECTION 13.22A.(p) G.S. 143-215.10A reads as rewritten:

"§ 143-215.10A. Legislative findings and intent.

The General Assembly finds that animal operations provide significant economic and other benefits to this State. The growth of animal operations in recent years has increased the importance of good animal waste management practices to protect water quality. It is critical that the State balance growth with prudent environmental safeguards. It is the intention of the State to promote a cooperative and coordinated approach to animal waste management among the agencies of the State with a primary emphasis on technical assistance to farmers. To this end, the General Assembly intends to establish a permitting program for animal waste management systems that will protect water quality and promote innovative systems and practices while minimizing the regulatory burden. Technical assistance, through operations reviews, will be provided by the Division of Soil and Water ~~Conservation.~~Conservation of the

Department of Agriculture and Consumer Services. Permitting, inspection, and enforcement will be vested in the Division of Water Quality."

SECTION 13.22A.(q) G.S. 143-215.10C(e)(6) reads as rewritten:

"(6) Provisions regarding periodic testing of waste products used as nutrient sources as close to the time of application as practical and at least within 60 days of the date of application and periodic testing, at least annually, of soils at crop sites where the waste products are applied. Nitrogen shall be a rate-determining element. Phosphorus shall be evaluated according to the nutrient management standard approved by the Soil and Water Conservation Commission of the Department of Agriculture and Consumer Services and the Natural Resources Conservation Service of the United States Department of Agriculture for facilities that are required to be permitted under 40 Code of Federal Regulations § 122, as amended at 73 Federal Register 70418 (November 20, 2008). If the evaluation demonstrates the need to limit the application of phosphorus in order to comply with the nutrient management standard, then phosphorus shall be a rate-determining element. Zinc and copper levels in the soils shall be monitored, and alternative crop sites shall be used when these metals approach excess levels."

SECTION 13.22A.(r) G.S. 143-215.10D reads as rewritten:

"**§ 143-215.10D. Operations review.**

(a) The Division, in cooperation with the Division of Soil and Water ~~Conservation,~~Conservation of the Department of Agriculture and Consumer Services, shall develop a reporting procedure for use by technical specialists who conduct operations reviews of animal operations. The reporting procedure shall be consistent with the Division's inspection procedure of animal operations and with this Part. The report shall include any corrective action recommended by the technical specialist to assist the owner or operator of the animal operation in complying with all permit requirements. The report shall be submitted to the Division within 10 days following the operations review unless the technical specialist observes a violation described in G.S. 143-215.10E. If the technical specialist finds a violation described in G.S. 143-215.10E, the report shall be filed with the Division immediately.

(b) As part of its animal waste management plan, each animal operation shall have an operations review at least once a year. The operations review shall be conducted by a technical specialist employed by the Division of Soil and Water Conservation of the ~~Department,~~Department of Agriculture and Consumer Services, a local Soil and Water Conservation District, or the federal Natural Resources Conservation Services working under the direction of the Division of Soil and Water Conservation.

(c) Operations reviews shall not be performed by technical specialists with a financial interest in any animal operation."

SECTION 13.22A.(s) G.S. 143-215.10M(a) reads as rewritten:

"(a) The Department shall report to the Environmental Review Commission and the Fiscal Research Division on or before 1 October of each year as required by this section. Each report shall include:

...

(2) The number of operations reviews of animal waste management systems that the Division of Soil and Water Conservation of the Department of Agriculture and Consumer Services has conducted since the last report.

(3) The number of operations reviews of animal waste management systems conducted by agencies other than the Division of Soil and Water Conservation of the Department of Agriculture and Consumer Services that have been conducted since the last report.

(4) The number of reinspections associated with operations reviews conducted by the Division of Soil and Water Conservation of the Department of Agriculture and Consumer Services since the last report.

(5) The number of reinspections associated with operations reviews conducted by agencies other than the Division of Soil and Water Conservation of the Department of Agriculture and Consumer Services since the last report.

...."

SECTION 13.22A.(t) Part 9 of Article 21 of Chapter 143 of the General Statutes is recodified as Article 72 of Chapter 106 of the General Statutes, and accordingly

G.S. 143-215.74, 143-215.74A, and 143-215.74B are recodified as G.S. 106-850, 106-851, and 106-852.

SECTION 13.22A.(u) G.S. 106-850(b)(9), as recodified under subsection (t) of this section, reads as rewritten:

"(9) When the applicant is either (i) a limited-resource farmer, (ii) a beginning farmer, or (iii) a person farming land that is located in an enhanced voluntary agricultural district and is subject to a conservation agreement under G.S. 106-743.2 that remains in effect, State funding shall be limited to ninety percent (90%) of the average cost for each practice with the assisted farmer providing ten percent (10%) of the cost, which may include in-kind support of the practice, with a maximum of one hundred thousand dollars ($100,000) per year to each applicant. The following definitions apply in this subdivision:

a. Beginning farmer. – A farmer who has not operated a farm or who has operated a farm for not more than 10 years and who will materially and substantially participate in the operation of the farm.

a1. Enhanced voluntary agricultural district. – A district established by a county or a city by ordinance under Part 3 of Article 61 of ~~Chapter 106 of the General Statutes.~~this Chapter.

...."

SECTION 13.22A.(v) G.S. 106-850(c), as recodified under subsection (t) of this section, reads as rewritten:

"(c) The program shall be reviewed, prior to implementation, by the Committee created by ~~G.S. 143-215.74B.~~G.S. 106-852. The Technical Review Committee shall meet quarterly to review the progress of this program."

SECTION 13.22A.(w) G.S. 106-850(e), as recodified under subsection (t) of this section, reads as rewritten:

"(e) The Soil and Water Conservation Commission shall report on or before 31 January of each year to the Environmental Review ~~Commission~~Commission, the Department of Agriculture and Consumer Services, and the Fiscal Research Division. This report shall include a list of projects that received State funding pursuant to the program, the results of the evaluations conducted pursuant to subdivision (7) of subsection (b) of this section, findings regarding the effectiveness of each of these projects to accomplish its primary purpose, and any recommendations to assure that State funding is used in the most cost-effective manner and accomplishes the greatest improvement in water quality."

SECTION 13.22A.(x) Part 11 of Article 21 of Chapter 143 of the General Statutes is recodified as Article 73 of Chapter 106 of the General Statutes, and accordingly G.S. 143-215.74M is recodified as G.S. 106-860.

SECTION 13.22A.(y) G.S. 106-860(a), as recodified under subsection (x) of this section, reads as rewritten:

"(a) Program Established. – There is established the Community Conservation Assistance Program. The Program shall be implemented and supervised by the Soil and Water Conservation ~~Commission.~~Commission of the Department of Agriculture and Consumer Services."

SECTION 13.22A.(z) G.S. 106-860(d), as recodified under subsection (x) of this section, reads as rewritten:

"(d) Advisory Committee. – The Program shall be reviewed, prior to implementation, by the Community Conservation Assistance Program Advisory Committee. The Advisory Committee shall meet quarterly to review the progress of the Program. The Advisory Committee shall consist of the following members:

(1) The Director of the Division of Soil and Water Conservation of the Department of Agriculture and Consumer Services or the Director's designee, who shall serve as the Chair of the Advisory Committee.

(2) The President of the North Carolina Association of Soil and Water Conservation Districts or the President's designee.

(3) The Director of the Cooperative Extension Service at North Carolina State University or the Director's designee.

(4) The Executive Director of the North Carolina Association of County Commissioners or the Executive Director's designee.

(5) The Executive Director of the North Carolina League of Municipalities or the Executive Director's designee.
(6) The State Conservationist of the Natural Resources Conservation Service of the United States Department of Agriculture or the State Conservationist's designee.
(7) The Executive Director of the Wildlife Resources Commission or the Executive Director's designee.
(8) The President of the North Carolina Conservation District Employees Association or the President's designee.
(9) The President of the North Carolina Association of Resource Conservation and Development Councils or the President's designee.
(10) The Director of the Division of Water Quality of the Department of Environment and Natural Resources or the Director's designee.
(11) The Director of the Division of Forest Resources of the Department of Environment and Natural Resources or the Director's designee.
(12) The Director of the Division of Land Resources of the Department of Environment and Natural Resources or the Director's designee.
(13) The Director of the Division of Coastal Management of the Department of Environment and Natural Resources or the Director's designee.
(14) The Director of the Division of Water Resources of the Department of Environment and Natural Resources or the Director's designee.
(15) The President of the Carolinas Land Improvement Contractors Association or the President's designee."

SECTION 13.22A.(aa) G.S. 106-860(e), as recodified under subsection (x) of this section, reads as rewritten:

"(e) Report. – The Soil and Water Conservation Commission shall report no later than 31 January of each year to the Environmental Review ~~Commission~~Commission, the Department of Agriculture and Consumer Services, and the Fiscal Research Division. The report shall include a summary of projects that received State funding pursuant to the Program, the results of the evaluation conducted pursuant to subdivision (5) of subsection (b) of this section, findings regarding the effectiveness of each project to accomplish its primary purpose, and any recommendations to assure that State funding is used in the most cost-effective manner and accomplishes the greatest improvement in water quality."

SECTION 13.22A.(bb) G.S. 113-291.10(a) reads as rewritten:

"(a) There is established the Beaver Damage Control Advisory Board. The Board shall consist of nine members, as follows:

...

(4) The Director of the Division of Soil and Water Conservation of the Department of ~~Environment and Natural Resources,~~Agriculture and Consumer Services, or a designee;

...."

SECTION 13.22A.(cc) G.S. 106-743.4(b) reads as rewritten:

"(b) A person who farms land that is subject to a conservation agreement under G.S. 106-743.2 that remains in effect is eligible under G.S. ~~143-215.74(b)~~106-850(b) to receive the higher percentage of cost-share funds for the benefit of that farmland under the Agriculture Cost Share Program established pursuant to ~~Part 9 of Article 21 of Chapter 143 of the General Statutes~~Article 72 of this Chapter for funds to benefit that farmland."

SECTION 13.22A.(dd) The Revisor of Statutes shall make the conforming statutory changes necessary to reflect the transfers under subsections (a) and (b) of this section. The Revisor of Statutes may correct any reference in the General Statutes to the statutes that are recodified by this section and any other conforming changes necessitated by this section.

AGRICULTURAL WATER RESOURCES ASSISTANCE PROGRAM/CONFORMING CHANGES; FUNDS TO PROMOTE WATER SUPPLY DEVELOPMENT

SECTION 13.23.(a) Chapter 139 of the General Statutes is amended by adding a new Article to read:

"Article 5.
"Agricultural Water Resources Assistance Program.
"**§ 139-60. Agricultural Water Resources Assistance Program.**

(a) Program Established. – The Agricultural Water Resources Assistance Program is established. The purpose of the Program shall be to assist farmers and landowners in doing any one or more of the following:

(1) Identify opportunities to increase water use efficiency, availability, and storage.

(2) Implement best management practices to conserve and protect water resources.

(3) Increase water use efficiency.

(4) Increase water storage and availability for agricultural purposes.

(b) Program Administration. – The Agricultural Water Resources Assistance Program shall be implemented by the Soil and Water Conservation Commission through the soil and water conservation districts in the same manner as the Agriculture Cost Share Program for Nonpoint Source Pollution Control under Part 9 of Article 21 of Chapter 143 of the General Statutes. The Soil and Water Conservation Commission shall supervise and administer this Program as provided in this section and as provided in Part 9 of Article 21 of Chapter 143 of the General Statutes for the Agriculture Cost Share Program for Nonpoint Source Pollution Control. At least once each calendar year, the Director of the Division of Soil and Water Conservation of the Department of Environment and Natural Resources and the Commissioner of Agriculture shall meet with stakeholders for the purpose of advising the Soil and Water Conservation Commission on the development and administration of the Program, including the development of annual goals for the Program.

(c) Program Functions. – Under the Agricultural Water Resources Assistance Program, the Soil and Water Conservation Commission shall do the following:

(1) Within funds available for this Program, provide cost-share funds subject to all of the following limitations and requirements:

a. Except as provided in G.S. 143-215.74(b)(9), State funding shall be limited to:

1. Seventy-five percent (75%) of the average cost for each project, with the assisted person providing twenty-five percent (25%) of the project cost, which may include in-kind support of the project.

2. A maximum of seventy-five thousand dollars ($75,000) per year to each applicant.

b. Applicants shall be limited to farmers who have an adjusted gross income in each of the previous two years that is at or below two hundred fifty thousand dollars ($250,000), unless at least seventy-five percent (75%) of this adjusted gross income is derived directly from farming, ranching, or forestry operations.

c. The requirements and limitations under subdivisions (1), (2), (5), (7), and (8) of subsection (b) of G.S. 143-215.74 do not apply. All other limitations and requirements set out in Part 9 of Article 21 of Chapter 143 of the General Statutes, as modified by this section, apply.

(2) Approve best management practices eligible for cost-share funds under this Program.

(3) Establish criteria to allocate funds to local soil and water conservation districts.

(4) Develop a process for soliciting and reviewing applications and for selecting farmers to participate in the Program.

(5) Investigate and pursue other funding sources to supplement State funds, including federal, local, and private funding sources.

(6) Provide technical assistance to participating persons to assist with the projects that are eligible for cost-share funds under subsection (a) of this section and to facilitate the timely transfer of technology among participating persons.

(7) Adopt temporary and permanent rules as necessary to implement this Program.

(d) Report. – No later than January 31 of each year, the Division of Soil and Water Conservation of the Department of Environment and Natural Resources shall prepare a comprehensive report on the implementation of subsections (a) through (c) of this section. The

report shall be submitted to the Environmental Review Commission as a part of the report required by G.S. 143-215.74(e)."

SECTION 13.23.(b) G.S. 14-234(d3) reads as rewritten:

"(d3) Subsection (a) of this section does not apply to an application for or the receipt of a grant under the Agriculture Cost Share Program for Nonpoint Source Pollution Control created pursuant to Part 9 of Article 21 of Chapter 143 of the General ~~Statutes or~~Statutes, the Community Conservation Assistance Program created pursuant to Part 11 of Article 21 of Chapter 143 of the General ~~Statutes~~ Statutes, or the Agricultural Water Resources Assistance Program created pursuant to Article 5 of Chapter 139 of the General Statutes by a member of the Soil and Water Conservation Commission if the requirements of G.S. 139-4(e) are met, and does not apply to a district supervisor of a soil and water conservation district if the requirements of G.S. 139-8(b) are met."

SECTION 13.23.(c) G.S. 139-4(d) reads as rewritten:

"(d) In addition to the duties and powers hereinafter conferred upon the Soil and Water Conservation Commission, it shall have the following duties and powers:

...

(9) To create, implement, and supervise the Agriculture Cost Share Program for Nonpoint Source Pollution Control created pursuant to Part 9 of Article 21 of Chapter 143 of the General ~~Statutes and~~ Statutes, the Community Conservation Assistance Program created pursuant to Part 11 of Article 21 of Chapter 143 of the General ~~Statutes.~~Statutes, and the Agricultural Water Resources Assistance Program created pursuant to Article 5 of this Chapter.

(10) To review and approve or disapprove the application of a district supervisor for a grant under the Agriculture Cost Share Program for Nonpoint Source Pollution ~~Control or~~Control, the Community Conservation Assistance ~~Program~~ Program, or the Agricultural Water Resources Assistance Program as provided by G.S. 139-8(b)."

SECTION 13.23.(d) G.S. 139-4(e) reads as rewritten:

"(e) A member of the Commission may apply for and receive a grant under the Agriculture Cost Share Program for Nonpoint Source Pollution ~~Control and~~Control, the Community Conservation Assistance ~~Program~~ Program, or the Agricultural Water Resources Assistance Program if:

(1) The member does not vote on the application or attempt to influence the outcome of any action on the application; and

(2) The application is approved by the Secretary of Environment and Natural Resources."

SECTION 13.23.(e) G.S. 139-8(b) reads as rewritten:

"(b) A district supervisor may apply for and receive a grant under the Agriculture Cost Share Program for Nonpoint Source Pollution Control created pursuant to Part 9 of Article 21 of Chapter 143 of the General ~~Statutes or~~Statutes, the Community Conservation Assistance Program created pursuant to Part 11 of Article 21 of Chapter 143 of the General ~~Statutes~~ Statutes, or the Agricultural Water Resources Assistance Program created pursuant to Article 5 of this Chapter if:

1. The district supervisor does not vote on the application or attempt to influence the outcome of any action on the application; and
2. The application is approved by the Commission."

SECTION 13.23.(f) The stakeholders that the Director of the Division of Soil and Water Conservation of the Department of Environment and Natural Resources and the Commissioner of Agriculture shall meet with, as required under G.S. 139-60, as enacted by subsection (a) of this section, shall be the stakeholders involved in identifying and developing best management practices for water conservation and water efficiency by agricultural water users pursuant to S.L. 2010-149.

SECTION 13.23.(g) The first report required by G.S. 139-60, as enacted by subsection (a) of this section, shall be submitted to the Environmental Review Commission no later than January 31, 2013.

SECTION 13.23.(h) Of the funds available to the Department of Environment and Natural Resources for Water Resource Projects, the sum of one million dollars ($1,000,000) shall be transferred to the Department of Environment and Natural Resources, Division of Soil and Water Conservation, for the 2011-2012 fiscal year to implement the Agricultural Water

Resources Assistance Program established in Article 5 of Chapter 139 of the General Statutes, as enacted by subsection (a) of this section. The Soil and Water Conservation Commission may use up to fifteen percent (15%) of these funds for the costs of the Division of Soil and Water Conservation and the costs of the Soil and Water Conservation Districts to provide engineering assistance, to provide technical assistance, and to administer the Agricultural Water Resources Assistance Program. Any of these funds that are not expended or encumbered as of June 30, 2012, shall not revert and shall remain available for purposes set forth in this subsection until expended.

CONTRACT TO OUTSOURCE GIFT SHOPS AT NC ZOO TO DIRECT PROFITS TO ZOO FUND

SECTION 13.24. The Department of Environment and Natural Resources shall enter into a contract for the operation of at least three of the gift shops located at the North Carolina Zoological Park during the 2011-2012 fiscal year and the 2012-2013 fiscal year, and this contract shall provide that any profits that result from operating these gift shops during the 2011-2012 fiscal year and the 2012-2013 fiscal year are credited at the end of each quarter to the Special Zoo Fund created under G.S. 143B-336.1. The provisions of Article 3 and Article 8 of Chapter 143 of the General Statutes apply to any contract entered into under this section.

TRANSFER FORESTRY DIVISION AND FORESTRY COUNCIL FROM DENR TO DACS

SECTION 13.25.(a) The Division of Forest Resources is transferred from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services with all the elements of a Type I transfer as defined by G.S. 143A-6.

SECTION 13.25.(b) G.S. 143B-279.3(a) reads as rewritten:

"(a) All functions, powers, duties, and obligations previously vested in the following subunits of the following departments are transferred to and vested in the Department of Environment and Natural Resources by a Type I transfer, as defined in G.S. 143A-6:

...

~~(6) Forest Resources Division, Department of Natural Resources and Community Development.~~

...."

SECTION 13.25.(c) Article 7 of Chapter 143A of the General Statutes is amended by adding a new section to read:

"**§ 143A-65.1. Division of Forest Resources.**

The Department of Agriculture and Consumer Services shall have charge of the work of forest maintenance, forest fire prevention, reforestation, and the protection of lands and water supplies by the preservation of forests; it shall also have the care of State forests."

SECTION 13.25.(d) All functions, powers, duties, and obligations previously vested in the Forestry Council are transferred from the Department of Environment and Natural Resources to and vested in the Department of Agriculture and Consumer Services by a Type II transfer, as defined in G.S. 143A-6.

SECTION 13.25.(e) G.S. 143B-279.3(b) reads as rewritten:

"(b) All functions, powers, duties, and obligations previously vested in the following commissions, boards, councils, and committees of the following departments are transferred to and vested in the Department of Environment and Natural Resources by a Type II transfer, as defined in G.S. 143A-6:

...

~~(13) Forestry Council, Department of Natural Resources and Community Development.~~

...."

SECTION 13.25.(f) Part 12 of Article 7 of Chapter 143B of the General Statutes (G.S. 143B-308, 143B-309, and 143B-310) is recodified in Article 7 of Chapter 143A of the General Statutes as G.S. 143A-66.1, 143A-66.2, and 143A-66.3.

SECTION 13.25.(g) G.S. 143A-66.1, as recodified in subsection (f) of this section, reads as rewritten:

"**§ 143A-66.1. Forestry Council – creation; powers and duties.**

There is hereby created the Forestry Council of the Department of ~~Environment and Natural Resources.~~Agriculture and Consumer Services. The Forestry Council shall have the following functions and duties:

(1) To advise the ~~Secretary of Environment and Natural Resources~~Commissioner of Agriculture with respect to all matters concerning the protection, management, and preservation of State-owned, privately owned, and municipally owned forests in the State, including but not limited to:

a. Profitable use of the State's forests consistent with the principles of sustained productivity.

b. Best management practices, including those for protection of soil, water, wildlife, and wildlife habitat, to be used in managing the State's forests and their resources.

c. Restoration of forest ecosystems and protection of rare and endangered species occurring in the State's private forests consistent with principles of private ownership of land.

(2) To maintain oversight of a continuous monitoring and planning process, to provide a long-range, comprehensive plan for the use, management, and sustainability of North Carolina's forest resources, and to report regularly on progress made toward meeting the objectives of the plan.

(3) To provide a forum for the identification, discussion, and development of recommendations for the resolution of conflicts in the management of North Carolina's forests.

(4) To undertake any other studies, make any reports, and advise the ~~Secretary of Environment and Natural Resources~~Commissioner of Agriculture on any matter as the ~~Secretary~~ Commissioner may direct."

SECTION 13.25.(h) G.S. 143A-66.2, as recodified in subsection (f) of this section, reads as rewritten:

"**§ 143A-66.2. Forestry Council – members; chairperson; selection; removal; compensation; quorum.**

(a) The Forestry Advisory Council of the Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services shall consist of 18 members appointed as follows:

(1) Three persons who are registered foresters and who represent the primary forest products industry, one each from the Mountains, Piedmont and Coastal Plain.

(2) One person who represents the secondary wood-using industry.

(3) One person who represents the logging industry.

(4) Four persons who are nonindustrial woodland owners actively involved in forest management, one of whom has agricultural interests, and at least one each from the Mountains, Piedmont, and Coastal Plain.

(5) Three persons who are members of statewide environmental or wildlife conservation organizations.

(6) One consulting forester.

(7) Two persons who are forest scientists with knowledge of the functioning and management of forest ecosystems.

(8) One person who represents a banking institution that manages forestland.

(9) One person with expertise in urban forestry.

(10) One person with active experience in city and regional planning.

...

(h) All clerical and other services required by the Council, including the support required to carry out studies it is requested to make, shall be supplied by the ~~Secretary of Environment and Natural Resources.~~Commissioner of Agriculture."

SECTION 13.25.(i) G.S. 106-22 is amended by adding two new subdivisions to read:

"(18) Forests. – Have charge of forest maintenance, forest fire protection, reforestation, and the protection of the forests.

(19) State forests. – Have charge of all State forests and measures for forest fire prevention."

SECTION 13.25.(j) G.S. 113-8 reads as rewritten:

"**§ 113-8. Powers and duties of the Department.**

The Department shall make investigations of the natural resources of the State, and take such measures as it may deem best suited to promote the conservation and development of such resources.

It shall have ~~charge of the work of forest maintenance, forest fire prevention, reforestation, and~~ the protection of lands and water ~~supplies by the preservation of forests;~~supplies; it shall also have the care of State ~~forests and~~ parks, and other recreational areas now owned or to be acquired by the State, including the lakes referred to in G.S. 146-7.

It shall make such examination, survey and mapping of the geology, mineralogy and topography of the State, including their industrial and economic utilization, as it may consider necessary; make investigations of water supplies and water powers, prepare and maintain a general inventory of the water resources of the State, and take such measures as it may consider necessary to promote their development.

It shall have the duty of enforcing all laws relating to the conservation of marine and estuarine resources.

The Department may take such other measures as it may deem advisable to obtain and make public a more complete knowledge of the State and its resources, and it is authorized to cooperate with other departments and agencies of the State in obtaining and making public such information.

The Department may acquire such real and personal property as may be found desirable and necessary for the performance of the duties and functions of the Department and pay for same out of any funds appropriated for the Department or available unappropriated revenues of the Department, when such acquisition is approved by the Governor and Council of State. The title to any real estate acquired shall be in the name of the State of North Carolina for the use and benefit of the Department."

SECTION 13.25.(k) G.S. 113-22 is repealed.

SECTION 13.25.(l) G.S. 106-22 is amended by adding three new subdivisions to read:

"(18) Forests. – Have charge of forest maintenance, forest fire protection, reforestation, and the protection of the forests.

(19) State forests. – Have charge of all State forests and measures for forest fire prevention.

(20) Property for State forests. – Acquire real and personal property as desirable and necessary for the performance of the duties and functions of the Department under subdivision (19) of this section and pay for the property out of any funds appropriated for the Department or available unappropriated revenues of the Department, when such acquisition is approved by the Governor and Council of State. The title to any real estate acquired under this subdivision shall be in the name of the State of North Carolina for the use and benefit of the Department."

SECTION 13.25.(m) The title of Subchapter II of Chapter 113 of the General Statutes reads as rewritten:

"**SUBCHAPTER II. STATE ~~FORESTS AND~~ PARKS.**"

SECTION 13.25.(n) Article 2 of Chapter 113 of the General Statutes reads as rewritten:

"Article 2.

"Acquisition and Control of State ~~Forests and~~ Parks.

"**§ 113-29. ~~Policy and plan to be inaugurated by Department of Environment and Natural Resources.~~Definitions.**

~~(a)~~ In this Article, unless the context requires otherwise, "Department" means the Department of Environment and Natural Resources; and "Secretary" means the Secretary of Environment and Natural Resources.

~~(b) The Department of Environment and Natural Resources shall inaugurate the following policy and plan looking to the cooperation with private and public forest owners in this State insofar as funds may be available through legislative appropriation, gifts of money or land, or such cooperation with landowners and public agencies as may be available:~~

~~(1) The extension of the forest fire prevention organization to all counties in the State needing such protection.~~

~~(2) To cooperate with federal and other public agencies in the restoration of forest growth on land unwisely cleared and subsequently neglected.~~

~~(3) To furnish trained and experienced experts in forest management, to inspect private forestlands and to advise with forest landowners with a view to the general observance of recognized and practical rules of growing, cutting and marketing timber. The services of such trained experts of the Department must naturally be restricted to those landowners who agree to carry out so far as possible the recommendations of said Department.~~

~~(4) To prepare and distribute printed and other material for the use of teachers and club leaders and to provide instruction to schools and clubs and other groups of citizens in order to train the younger generation in the principles of wise use of our forest resources.~~

~~(5) To acquire small areas of suitable land in the different regions of the State on which to establish small, model forests which shall be developed and used by the said Department as State demonstration forests for experiment and demonstration in forest management.~~

~~**"§ 113-29.1. Growing of timber on unused State lands authorized.**~~

~~The Department of Administration may allocate to the Department, for management as a State forest, any vacant and unappropriated lands, any marshlands or swamplands, and any other lands title to which is vested in the State or in any State agency or institution, where such lands are not being otherwise used and are not suitable for cultivation. Lands under the supervision of the Wildlife Resources Commission and designated and in use as wildlife management areas, refuges, or fishing access areas and lands used as research stations shall not be subject to the provisions of this section. The Department shall plant timber producing trees on all lands allocated to it for that purpose by the Department of Administration. The Secretary may contract with the appropriate prison authorities for the furnishing, upon such conditions as may be agreed upon from time to time between such prison authorities and the Secretary, of prison labor for use in the planting, cutting, and removal of timber from State forests which are under the management of the Department.~~

~~**"§ 113-30. Use of lands acquired by counties through tax foreclosures as demonstration forests.**~~

~~The boards of county commissioners of the various counties of North Carolina are herewith authorized to turn over to the said Department title to such tax delinquent lands as may have been acquired by said counties under tax sale and as in the judgment of the Secretary may be suitable for the purposes named in G.S. 113-29, subdivision (5).~~

~~**"§ 113-31. Procedure for acquisition of delinquent tax lands from counties.**~~

~~In the carrying out of the provisions of G.S. 113-30, the several boards of county commissioners shall furnish forthwith on written request of the Department a complete list of all properties acquired by the county under tax sale and which have remained unredeemed for a period of two years or more. On receipt of this list the Secretary shall have the lands examined and if any one or more of these properties is in his judgment suitable for the purposes set forth in G.S. 113-30, request shall be made to the county commissioners for the acquisition of such land by the Department at a price not to exceed the actual amount of taxes due without penalties. On receipt of this request the county commissioners shall make permanent transfer of such tract or tracts of land to the Department through fee simple deed or other legal transfer, said deed to be approved by the Attorney General of North Carolina, and shall then receive payment from the Department as above outlined.~~

~~**"§ 113-32. Purchase of lands for use as demonstration forests.**~~

~~Where no suitable tax delinquent lands are available and in the judgment of the Department the establishment of a demonstration forest is advisable, the Department may purchase sufficient land for the establishment of such a demonstration forest at a fair and agreed upon price, the deed for such land to be subject to approval of the Attorney General, but nothing in G.S. 113-29 to 113-33 shall allow the Department to acquire land under the right of eminent domain.~~

~~**"§ 113-33. Forest management appropriation.**~~

~~Necessary funds for carrying out the provisions of G.S. 113-29 and 113-30 to 113-33 shall be set up in the regular budget as an item entitled "forest management.~~

"§ 113-34. Power to acquire lands as State ~~forests,~~ parks, and other recreational areas; donations or leases by United States; leases for recreational purposes.

(a) ~~The Governor may, upon recommendation of the Department, accept gifts of land to the State to be held, protected, and administered by the Department as State forests, and to be used so as to demonstrate the practical utility of timber culture and water conservation, and as refuges for game. The gifts of land must be absolute except in cases where the mineral interest on the land has previously been sold. The Department may purchase lands in the name of the State, suitable chiefly for the production of timber, as State forests, for experimental, demonstration, educational, park, and protection purposes, using for these purposes any special appropriations or funds available.~~ The Department may acquire by gift, purchase, or condemnation under the provisions of Chapter 40A of the General Statutes, areas of land in different sections of the State that may in the opinion of the Department be necessary for the purpose of establishing or developing ~~State forests,~~ State parks, and other areas and developments essential to the effective operation of the ~~State forestry and~~ State park activities under its charge. Condemnation proceedings shall be instituted and prosecuted in the name of the State, and any property so acquired shall be administered, developed, and used ~~for experiment and demonstration in forest management,~~ for public ~~recreation,~~recreation and for other purposes authorized or required by law. Before any action or proceeding under this section can be exercised, the approval of the Governor and Council of State shall be obtained and filed with the clerk of the superior court in the county or counties where the property is located. The Attorney General shall ensure that all deeds to the State for land acquired under this section are properly executed before the gift is accepted or payment of the purchase money is made.

(b) The Department may accept as gifts to the State any ~~forest and~~ submarginal farmland acquired by the federal government that is suitable for the purpose of creating and maintaining ~~State forests,~~ game refuges, public shooting grounds, State parks, State lakes, and other recreational areas, or to enter into longtime leases with the federal government for the areas and administer them with funds secured from their administration in the best interest of longtime public use, supplemented by any appropriations made by the General Assembly. The Department may segregate revenue derived from State hunting and fishing licenses, use permits, and concessions and other proper revenue secured through the administration of State ~~forests,~~ game refuges, public shooting grounds, State parks, State lakes, and other recreational areas to be deposited in the State treasury to the credit of the Department to be used for the administration of these areas.

(c) The Department, with the approval of the Governor and Council of State, may enter into leases of lands and waters for State parks, State lakes, and recreational purposes.

(d), (e) Repealed by Session Laws 2003-284, s. 35.1(a), effective July 1, 2003.

(f) The authority granted to the Department under this section is in addition to any authority granted to the Department under any other provision of law.

"§ 113-34.1. Power to acquire conservation lands not included in the State Parks System.

The Department of Administration may acquire and allocate to the Department of Environment and Natural Resources for management by the Division of Parks and Recreation lands that the Department of Environment and Natural Resources finds are important for conservation purposes but which are not included in the State Parks System. Lands acquired pursuant to this section are not subject to Article 2C of Chapter 113 of the General Statutes and may be traded or transferred as necessary to protect, develop, and manage the Mountains to Sea State Park Trail, other State parks, or other conservation lands. This section does not expand the power granted to the Department of Environment and Natural Resources under G.S. 113-34(a) to acquire land by condemnation.

"§ 113-35. ~~State timber may be sold by Department; forest nurseries; control~~Control over State parks; operation of public service facilities; concessions to private concerns; authority to charge fees and adopt rules.

(a) ~~Timber and other products of State forests may be sold, cut, and removed under rules of the Department. The Department may establish and operate forest tree nurseries and forest tree seed orchards. Forest tree seedlings and seed from these nurseries and seed orchards may be sold to landowners of the State for purposes of forestation under rules adopted by the Department. When the Secretary determines that a surplus of seedlings or seed exists, this surplus may be sold, and the sale shall be in conformity with the following priority of sale: first, to agencies of the federal government for planting in the State of North Carolina; second, to commercial nurseries and nurserymen within this State; and third, without distinction, to federal agencies, to other states, and to recognized research organizations for planting either~~

~~within or outside of this State.~~ The Department shall make reasonable rules governing the use by the public of ~~State forests,~~ State ~~parks, State lakes, game refuges, and public shooting grounds~~parks and State lakes under its charge. These rules shall be posted in conspicuous places on and adjacent to the properties of the State and at the courthouse of the county or counties in which the properties are located. A violation of these rules is punishable as a Class 3 misdemeanor.

(a1) The Department may adopt rules under which the Secretary may issue a special-use permit authorizing the use of pyrotechnics in State parks in connection with public exhibitions. The rules shall require that experts supervise the use of pyrotechnics and that written authorization for the use of pyrotechnics be obtained from the board of commissioners of the county in which the pyrotechnics are to be used, as provided in G.S. 14-410. The Secretary may impose any conditions on a permit that the Secretary determines to be necessary to protect public health, safety, and welfare. These conditions shall include a requirement that the permittee execute an indemnification agreement with the Department and obtain general liability insurance covering personal injury and property damage that may result from the use of pyrotechnics with policy limits determined by the Secretary.

(b) The Department may construct, operate, and maintain within the ~~State forests,~~ State parks, State lakes, and other areas under its charge suitable public service facilities and conveniences, and may charge and collect reasonable fees for the use of these facilities and conveniences. The Department may also charge and collect reasonable fees for each of the following:

(1) The erection, maintenance, and use of docks, piers, and any other structures permitted in or on State lakes under rules adopted by the Department.

(2) ~~Hunting privileges on State forests and fishing~~Fishing privileges in ~~State forests,~~ State ~~parks,~~parks and State lakes, provided that these privileges shall be extended only to holders of State hunting and fishing licenses who comply with all State game and fish laws.

(3) Vehicle access for off-road driving at the beach at Fort Fisher State Recreation Area.

(4) The erection, maintenance, and use of a marina at Carolina Beach.

(b1) Members of the public who pay a fee under subsection (b) of this section for access to Fort Fisher State Recreation Area may have 24-hour access to Fort Fisher State Recreation Area from September 15 through March 15 of each year.

(c) The Department may make reasonable rules for the operation and use of boats or other craft on the surface of the waters under its charge. The Department may charge and collect reasonable fees for the use of boats and other watercraft that are purchased and maintained by the Department; however, the Department shall not charge a fee for the use or operation of any other boat or watercraft on these waters.

(d) The Department may grant to private individuals or companies concessions for operation of public service facilities for such periods and upon such conditions as the Department deems to be in the public interest. The Department may adopt reasonable rules for the regulation of the use by the public of the lands and waters under its charge and of the public service facilities and conveniences authorized under this section. A violation of these rules is punishable as a Class 3 misdemeanor.

(e) The authority granted to the Department under this section is in addition to any authority granted to the Department under any other provision of law.

~~**"§ 113-36. Applications of proceeds from sale of products.**~~

~~(a) Application of Proceeds Generally. Except as provided in this section, all money received from the sale of wood, timber, minerals, or other products from the State forests shall be paid into the State treasury and to the credit of the Department; and such money shall be expended in carrying out the purposes of this Article and of forestry in general, under the direction of the Secretary.~~

~~(b) Tree Cone and Seed Purchase Fund. A percentage of the money obtained from the sale of seedlings and remaining unobligated at the end of a fiscal year, shall be placed in a special, continuing and nonreverting Tree Cone and Seed Purchase Fund under the control and direction of the Secretary. The percentage of the sales placed in the fund shall not exceed ten percent (10%). At the beginning of each fiscal year, the Secretary shall select the percentage for the upcoming fiscal year depending upon the anticipated costs of tree cones and seeds which the department must purchase. Money in this fund shall not be allowed to accumulate in excess~~

~~of the amount needed to purchase a four-year supply of tree cones and seed, and shall be used for no purpose other than the purchase of tree cones and seeds.~~

~~(c) Forest Seedling Nursery Program Fund. The Forest Seedling Nursery Program Fund is created within the Department of Environment and Natural Resources, Division of Forest Resources, as a special revenue fund. Except as provided in subsection (b) of this section, this Fund shall consist of receipts from the sale of seed and seedlings as authorized in G.S. 113-35 and any gifts, bequests, or grants for the benefit of this Fund. No General Fund appropriations shall be credited to this Fund. Any balance remaining in this Fund at the end of any fiscal year shall not revert. The Department may use this Fund only to develop, improve, repair, maintain, operate, or otherwise invest in the Forest Seedling Nursery Program.~~

~~(d) Bladen Lakes State Forest Fund. The Bladen Lakes State Forest Fund is created within the Department of Environment and Natural Resources, Division of Forest Resources, as a special revenue fund. This Fund shall consist of receipts from the sale of forest products from Bladen Lakes State Forest as authorized in G.S. 113-35 and any gifts, bequests, or grants for the benefit of this Fund. No General Fund appropriations shall be credited to this Fund. Any balance remaining in this Fund at the end of any fiscal year shall not revert. The Department may use this Fund only to develop, improve, repair, maintain, operate, or otherwise invest in the Bladen Lakes State Forest.~~

"§ 113-37. Legislative authority necessary for payment.

Nothing in this Article shall operate or be construed as authority for the payment of any money out of the State treasury for the purchase of lands or for other purposes unless by appropriation for said purpose by the General Assembly.

~~"§ 113-38. Distribution of funds from sale of forestlands.~~

~~All funds paid by the National Forest Commission, by authority of act of Congress, approved May 23, 1908 (35 Stat., 260), for the Counties of Avery, Buncombe, Burke, Craven, Haywood, Henderson, Hyde, Jackson, Macon, Montgomery, Swain, Transylvania, Watauga, and Yancey, shall be paid to the proper county officers, and said funds shall, when received, be placed in the account of the general county funds: Provided, however, that in Buncombe County said funds shall be entirely for the use and benefit of the school district or districts in which said national forestlands shall be located.~~

~~All funds which may hereafter come into the hands of the State Treasurer from like sources shall be likewise distributed.~~

"§ 113-39. License fees for hunting and fishing on government-owned property unaffected.

No wording in G.S. 113-307.1(a), or any other North Carolina statute or law, or special act, shall be construed to abrogate the vested rights of the State of North Carolina to collect fees for license for hunting and fishing on any government-owned land or in any government-owned stream in North Carolina including the license for county, State or nonresident hunters or fishermen; or upon any lands or in any streams hereafter acquired by the federal government within the boundaries of the State of North Carolina. The lands and streams within the boundaries of the Great Smoky Mountains National Park to be ~~excepted~~ exempt from this section.

"§ 113-40. Donations of property for ~~forestry or~~ park purposes; agreements with federal government or agencies for acquisition.

The Department is hereby authorized and empowered to accept gifts, donations or contributions of land suitable for ~~forestry or~~ park purposes and to enter into agreements with the federal government or other agencies for acquiring by lease, purchase or otherwise such lands as in the judgment of the Department are desirable for ~~State forests or~~ State parks.

"§ 113-41. Expenditure of funds for development, etc.; disposition of products from lands; rules.

When lands are acquired or leased under G.S. 113-40, the Department is hereby authorized to make expenditures from any funds not otherwise obligated, for the management, development and utilization of such areas; to sell or otherwise dispose of products from such lands, and to make such rules as may be necessary to carry out the purposes of G.S. 113-40 to 113-44.

"§ 113-42. Disposition of revenues received from lands acquired.

All revenues derived from lands now owned or later acquired under the provisions of G.S. 113-40 to 113-44 shall be set aside for the use of the Department in acquisition, management, development and use of such lands until all obligations incurred have been paid

in full. Thereafter, fifty percent (50%) of all net profits accruing from the administration of such lands shall be applicable for such purposes as the General Assembly may prescribe, and fifty percent (50%) shall be paid into the school fund to be used in the county or counties in which lands are located.

"§ 113-43. State not obligated for debts created hereunder.

Obligations for the acquisition of land incurred by the Department under the authority of G.S. 113-40 to 113-44 shall be paid solely and exclusively from revenues derived from such lands and shall not impose any liability upon the general credit and taxing power of the State.

"§ 113-44. Disposition of lands acquired.

The Department shall have full power and authority to sell, exchange or lease lands under its jurisdiction when in its judgment it is advantageous to the State to do so in the highest orderly development and management of ~~State forests and~~ State parks: Provided, however, said sale, lease or exchange shall not be contrary to the terms of any contract which it has entered into."

SECTION 13.25.(o) Chapter 106 of the General Statutes is amended by adding a new Article to read:

"Article 71.

"Acquisition and Control of State Forests.

"§ 106-840. Policy and plan to be inaugurated by Department of Agriculture and Consumer Services.

(a) In this Article, unless the context requires otherwise, "Department" means the Department of Agriculture and Consumer Services and "Commissioner" means Commissioner of Agriculture.

(b) The Department shall inaugurate the following policy and plan looking to the cooperation with private and public forest owners in this State insofar as funds may be available through legislative appropriation, gifts of money or land, or such cooperation with landowners and public agencies as may be available:

(1) The extension of the forest fire prevention organization to all counties in the State needing such protection.

(2) To cooperate with federal and other public agencies in the restoration of forest growth on land unwisely cleared and subsequently neglected.

(3) To furnish trained and experienced experts in forest management, to inspect private forestlands and to advise with forest landowners with a view to the general observance of recognized and practical rules of growing, cutting, and marketing timber. The services of such trained experts of the Department must naturally be restricted to those landowners who agree to carry out so far as possible the recommendations of said Department.

(4) To prepare and distribute printed and other material for the use of teachers and club leaders and to provide instruction to schools and clubs and other groups of citizens in order to train the younger generation in the principles of wise use of our forest resources.

(5) To acquire small areas of suitable land in the different regions of the State on which to establish small, model forests which shall be developed and used by the said Department as State demonstration forests for experiment and demonstration in forest management.

"§ 106-841. Growing of timber on unused State lands authorized.

The Department of Administration may allocate to the Department, for management as a State forest, any vacant and unappropriated lands, any marshlands or swamplands, and any other lands title to which is vested in the State or in any State agency or institution, where such lands are not being otherwise used and are not suitable for cultivation. Lands under the supervision of the Wildlife Resources Commission and designated and in use as wildlife management areas, refuges, or fishing access areas and lands used as research stations shall not be subject to the provisions of this section. The Department shall plant timber-producing trees on all lands allocated to it for that purpose by the Department of Administration. The Commissioner may contract with the appropriate prison authorities for the furnishing, upon such conditions as may be agreed upon from time to time between such prison authorities and the Commissioner, of prison labor for use in the planting, cutting, and removal of timber from State forests which are under the management of the Department.

"**§ 106-842. Use of lands acquired by counties through tax foreclosures as demonstration forests.**

The boards of county commissioners of the various counties of North Carolina are herewith authorized to turn over to the said Department title to such tax-delinquent lands as may have been acquired by said counties under tax sale and as in the judgment of the Commissioner may be suitable for the purposes named in subdivision (5) of subsection (b) of G.S. 106-840.

"**§ 106-843. Procedure for acquisition of delinquent tax lands from counties.**

In the carrying out of the provisions of G.S. 106-842, the several boards of county commissioners shall furnish forthwith on written request of the Department a complete list of all properties acquired by the county under tax sale and which have remained unredeemed for a period of two years or more. On receipt of this list, the Commissioner shall have the lands examined and, if any one or more of these properties is in the Commissioner's judgment suitable for the purposes set forth in G.S. 106-842, request shall be made to the county commissioners for the acquisition of such land by the Department at a price not to exceed the actual amount of taxes due without penalties. On receipt of this request, the county commissioners shall make permanent transfer of such tract or tracts of land to the Department through fee-simple deed or other legal transfer, said deed to be approved by the Attorney General of North Carolina, and shall then receive payment from the Department as above outlined.

"**§ 106-844. Purchase of lands for use as demonstration forests.**

Where no suitable tax-delinquent lands are available and, in the judgment of the Department, the establishment of a demonstration forest is advisable, the Department may purchase sufficient land for the establishment of such a demonstration forest at a fair and agreed-upon price, the deed for such land to be subject to approval of the Attorney General, but nothing in G.S. 106-840 to G.S. 106-845 shall allow the Department to acquire land under the right of eminent domain.

"**§ 106-845. Forest management appropriation.**

Necessary funds for carrying out the provisions of G.S. 106-840 and G.S. 106-842 to G.S. 106-845 shall be set up in the regular budget as an item entitled "forest management."

"**§ 106-846. Power to acquire lands as State forests; donations or leases by United States; leases for recreational purposes.**

(a) The Governor may, upon recommendation of the Department, accept gifts of land to the State to be held, protected, and administered by the Department as State forests, and to be used so as to demonstrate the practical utility of timber culture and water conservation, and as refuges for game. The gifts of land must be absolute except in cases where the mineral interest on the land has previously been sold. The Department may purchase lands in the name of the State, suitable chiefly for the production of timber, as State forests, for experimental, demonstration, educational, and protection purposes, using for these purposes any special appropriations or funds available. The Department may acquire by condemnation under the provisions of Chapter 40A of the General Statutes areas of land in different sections of the State that may in the opinion of the Department be necessary for the purpose of establishing or developing State forests and other areas and developments essential to the effective operation of the State forestry activities under its charge. Condemnation proceedings shall be instituted and prosecuted in the name of the State, and any property so acquired shall be administered, developed, and used for experiment and demonstration in forest management, for public recreation, and for other purposes authorized or required by law. Before any action or proceeding under this section can be exercised, the approval of the Governor and Council of State shall be obtained and filed with the clerk of the superior court in the county or counties where the property is located. The Attorney General shall ensure that all deeds to the State for land acquired under this section are properly executed before the gift is accepted or payment of the purchase money is made.

(b) The Department may accept as gifts to the State any forest and submarginal farmland acquired by the federal government that is suitable for the purpose of creating and maintaining State forests or enter into longtime leases with the federal government for the areas and administer them with funds secured from their administration in the best interest of longtime public use, supplemented by any appropriations made by the General Assembly. The Department may segregate revenue derived from State hunting and fishing licenses, use permits, and concessions, and other proper revenue secured through the administration of State

forests, to be deposited in the State treasury to the credit of the Department to be used for the administration of these areas.

(c) The authority granted to the Department under this section is in addition to any authority granted to the Department under any other provision of law.

"**§ 106-847. State timber may be sold by Department; forest nurseries; operation of public service facilities; concessions to private concerns; authority to charge fees and adopt rules.**

(a) Timber and other products of State forests may be sold, cut, and removed under rules of the Department. The Department may establish and operate forest tree nurseries and forest tree seed orchards. Forest tree seedlings and seed from these nurseries and seed orchards may be sold to landowners of the State for purposes of forestation under rules adopted by the Department. When the Commissioner determines that a surplus of seedlings or seed exists, this surplus may be sold, and the sale shall be in conformity with the following priority of sale: first, to agencies of the federal government for planting in the State of North Carolina; second, to commercial nurseries and nurserymen within this State; and third, without distinction, to federal agencies, to other states, and to recognized research organizations for planting either within or outside of this State. The Department shall make reasonable rules governing the use by the public of State forests under its charge. These rules shall be posted in conspicuous places on and adjacent to the properties of the State and at the courthouse of the county or counties in which the properties are located. A violation of these rules is punishable as a Class 3 misdemeanor.

(b) The Department may construct, operate, and maintain within the State forests and other areas under its charge suitable public service facilities and conveniences, and may charge and collect reasonable fees for the use of these facilities and conveniences. The Department may also charge and collect reasonable fees for hunting privileges on State forests and fishing privileges in State forests, provided that these privileges shall be extended only to holders of State hunting and fishing licenses who comply with all State game and fish laws.

(c) The Department may grant to private individuals or companies concessions for operation of public service facilities for such periods and upon such conditions as the Department deems to be in the public interest. The Department may adopt reasonable rules for the regulation of the use by the public of the lands and waters under its charge and of the public service facilities and conveniences authorized under this section. A violation of these rules is punishable as a Class 3 misdemeanor.

(d) The authority granted to the Department under this section is in addition to any authority granted to the Department under any other provision of law.

"**§ 106-848. Applications of proceeds from sale of products.**

(a) Application of Proceeds Generally. – Except as provided in this section, all money received from the sale of wood, timber, minerals, or other products from the State forests shall be paid into the State treasury and to the credit of the Department; and such money shall be expended in carrying out the purposes of this Article and of forestry in general, under the direction of the Commissioner.

(b) Tree Cone and Seed Purchase Fund. – A percentage of the money obtained from the sale of seedlings and remaining unobligated at the end of a fiscal year shall be placed in a special, continuing, and nonreverting Tree Cone and Seed Purchase Fund under the control and direction of the Commissioner. The percentage of the sales placed in the Fund shall not exceed ten percent (10%). At the beginning of each fiscal year, the Commissioner shall select the percentage for the upcoming fiscal year depending upon the anticipated costs of tree cones and seeds which the Department must purchase. Money in this Fund shall not be allowed to accumulate in excess of the amount needed to purchase a four-year supply of tree cones and seed and shall be used for no purpose other than the purchase of tree cones and seeds.

(c) Forest Seedling Nursery Program Fund. – The Forest Seedling Nursery Program Fund is created within the Department of Environment and Natural Resources, Division of Forest Resources, as a special revenue fund. Except as provided in subsection (b) of this section, this Fund shall consist of receipts from the sale of seed and seedlings as authorized in G.S. 106-847 and any gifts, bequests, or grants for the benefit of this Fund. No General Fund appropriations shall be credited to this Fund. Any balance remaining in this Fund at the end of any fiscal year shall not revert. The Department may use this Fund only to develop, improve, repair, maintain, operate, or otherwise invest in the Forest Seedling Nursery Program.

(d) Bladen Lakes State Forest Fund. – The Bladen Lakes State Forest Fund is created within the Department of Environment and Natural Resources, Division of Forest Resources, as a special revenue fund. This Fund shall consist of receipts from the sale of forest products from Bladen Lakes State Forest as authorized in G.S. 106-847 and any gifts, bequests, or grants for the benefit of this Fund. No General Fund appropriations shall be credited to this Fund. Any balance remaining in this Fund at the end of any fiscal year shall not revert. The Department may use this Fund only to develop, improve, repair, maintain, operate, or otherwise invest in the Bladen Lakes State Forest.

"**§ 106-849. Legislative authority necessary for payment.**

Nothing in this Article shall operate or be construed as authority for the payment of any money out of the State treasury for the purchase of lands or for other purposes unless by appropriation for said purpose by the General Assembly.

"**§ 106-850. Distribution of funds from sale of forestlands.**

All funds paid by the National Forest Commission, by authority of an act of Congress, approved May 23, 1908, (35 Stat. 260), for the Counties of Avery, Buncombe, Burke, Craven, Haywood, Henderson, Hyde, Jackson, Macon, Montgomery, Swain, Transylvania, Watauga, and Yancey, shall be paid to the proper county officers, and said funds shall, when received, be placed in the account of the general county funds: Provided, however, that in Buncombe County said funds shall be entirely for the use and benefit of the school administrative unit in which said national forestlands shall be located.

All funds which may hereafter come into the hands of the State Treasurer from like sources shall be likewise distributed.

"**§ 106-851. License fees for hunting and fishing on government-owned property unaffected.**

No wording in G.S. 113-307.1(a), or any other North Carolina public, local, or special act, shall be construed to abrogate the vested rights of the State of North Carolina to collect fees for license for hunting and fishing on any government-owned land or in any government-owned stream in North Carolina including the license for county, State, or nonresident hunters or fishermen; or upon any lands or in any streams hereafter acquired by the federal government within the boundaries of the State of North Carolina. The lands and streams within the boundaries of the Great Smoky Mountains National Park are exempt from this section.

"**§ 106-852. Donations of property for forestry purposes; agreements with federal government or agencies for acquisition.**

The Department may accept gifts, donations, or contributions of land suitable for forestry purposes and to enter into agreements with the federal government or other agencies for acquiring by lease, purchase, or otherwise such lands as in the judgment of the Department are desirable for State forests.

"**§ 106-853. Expenditure of funds for development, etc.; disposition of products from lands; rules.**

When lands are acquired or leased under G.S. 106-852, the Department may make expenditures from any funds not otherwise obligated, for the management, development, and utilization of such areas; to sell or otherwise dispose of products from such lands, and to make such rules as may be necessary to carry out the purposes of G.S. 106-852 to G.S. 106-856.

"**§ 106-854. Disposition of revenues received from lands acquired.**

All revenues derived from lands now owned or later acquired under the provisions of G.S. 106-852 to G.S. 106-856 shall be set aside for the use of the Department in acquisition, management, development, and use of such lands until all obligations incurred have been paid in full. Thereafter, fifty percent (50%) of all net profits accruing from the administration of such lands shall be applicable for such purposes as the General Assembly may prescribe and fifty percent (50%) shall be paid into the school fund to be used in the county or counties in which lands are located.

"**§ 106-855. State not obligated for debts created hereunder.**

Obligations for the acquisition of land incurred by the Department under the authority of G.S. 106-852 to G.S. 106-856 shall be paid solely and exclusively from revenues derived from such lands and shall not impose any liability upon the general credit and taxing power of the State.

"**§ 106-856. Disposition of lands acquired.**

The Department shall have full power and authority to sell, exchange, or lease lands under its jurisdiction when in its judgment it is advantageous to the State to do so in the highest

orderly development and management of State forests: Provided, however, said sale, lease, or exchange shall not be contrary to the terms of any contract which it has entered into."

SECTION 13.25.(p) Article 4 of Chapter 113 of the General Statutes (G.S. 113-51, 113-52, 113-53.1, 113-54, 113-55, 113-55.1, 113-55.2, 113-56, 113-56.1, 113-57, 113-58, 113-59, 113-60, 113-60.1, 113-60.2, and 113-60.3) is recodified as a new Article 72 of Chapter 106 of the General Statutes, G.S. 106-860 through G.S. 106-875.

SECTION 13.25.(q) Article 72 of Chapter 106 of the General Statutes, as recodified under subsection (p) of this section, reads as rewritten:

"Article 72.

"Protection and Development of Forests; Fire Control.

"§ 106-860. Powers of Department of ~~Environment and Natural Resources.~~Agriculture and Consumer Services.

(a) The Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services may take such action as it may deem necessary to provide for the prevention and control of forest fires in any and all parts of this State, and it is hereby authorized to enter into an agreement with the Secretary of Agriculture of the United States for the protection of the forested watersheds of streams in this State.

(b) In this Article, unless the context requires otherwise:

(1) "Commissioner" means the Commissioner of Agriculture.

~~(1)~~(2) "Department" means the Department of ~~Environment and Natural Resources.~~Agriculture and Consumer Services.

~~(2) "Secretary" means the Secretary of Environment and Natural Resources.~~

"§ 106-861. Forest rangers.

The ~~Secretary~~ Commissioner may appoint one county forest ranger and one or more deputy forest rangers in each county of the State in which, after careful investigation, the amount of forestland and the risks from forest fires shall, in his judgment, warrant the establishment of a forest fire organization.

"§ 106-862. Forest laws defined.

The forest laws consist of:

(1) G.S. 14-136 to G.S. 14-140;

(2) Articles ~~2, 4, 4A, 4C, and 6A~~71 through 79 of this Chapter;

(3) G.S. 77-13 and G.S. 77-14;

(4) Other statutes enacted for the protection of forests and woodlands from fire, insects, or disease and concerning obstruction of streams and ditches in forests and woodlands; and

(5) Regulations and ordinances adopted under the authority of the above statutes.

"§ 106-863. Duties of forest rangers; payment of expenses by State and counties.

Forest rangers shall have charge of measures for controlling forest fires, protection of forests from pests and diseases, and the development and improvement of the forests for maximum production of forest products; shall post along highways and in other conspicuous places copies of the forest fire laws and warnings against fires, which shall be supplied by the ~~Secretary;~~Commissioner; shall patrol and man lookout towers and other points during dry and dangerous seasons under the direction of the ~~Secretary;~~Commissioner; and shall perform such other acts and duties as shall be considered necessary by the ~~Secretary~~ Commissioner in the protection, development and improvement of the forested area of each of the counties within the State. No county may be held liable for any part of the expenses thus incurred unless specifically authorized by the board of county commissioners under prior written agreement with the ~~Secretary;~~Commissioner; appropriations for meeting the county's share of such expenses so authorized by the board of county commissioners shall be provided annually in the county budget. For each county in which financial participation by the county is authorized, the ~~Secretary~~ Commissioner shall keep or cause to be kept an itemized account of all expenses thus incurred and shall send such accounts periodically to the board of county commissioners of said county; upon approval by the board of the correctness of such accounts, the county commissioners shall issue or cause to be issued a warrant on the county treasury for the payment of the county's share of such expenditures, said payment to be made within one month after receipt of such statement from the ~~Secretary.~~Commissioner. Appropriations made by a county for the purposes set out in Articles ~~4, 4A, 4C and 6A~~72, 73, 75, and 79 of this Chapter in the cooperative forest protection, development and improvement work are not to replace

State and federal funds which may be available to the ~~Secretary~~ Commissioner for the work in said county, but are to serve as a supplement thereto. Funds appropriated to the Department for a fiscal year for the purposes set out in Articles ~~4, 4A, 4C and 6A~~72, 73, 75, and 79 of this Chapter shall not be expended in a county unless that county shall contribute at least twenty-five percent (25%) of the total cost of the forestry program.

"§ 106-864. Powers of forest rangers to prevent and extinguish fires; authority to issue citations and warning tickets.

(a) Forest rangers shall prevent and extinguish forest fires and shall have control and direction of all persons and equipment while engaged in the extinguishing of forest fires. During a season of drought, the ~~Secretary~~ Commissioner or his designate may establish a fire patrol in any district, and in case of fire in or threatening any forest or woodland, the forest ranger shall attend forthwith and use all necessary means to confine and extinguish such fire. The forest ranger or deputy forest ranger may summon any resident between the ages of 18 and 45 years, inclusive, to assist in extinguishing fires and may require the use of crawler tractors and other property needed for such purposes; any person so summoned and who is physically able who refuses or neglects to assist or to allow the use of equipment and such other property required shall be guilty of a Class 3 misdemeanor and upon conviction shall only be subject to a fine of not less than fifty dollars ($50.00) nor more than one hundred dollars ($100.00). No action for trespass shall lie against any forest ranger, deputy forest ranger, or person summoned by him for crossing lands, backfiring, burning out or performing his duties as a forest ranger or deputy forest ranger.

(b) Forest rangers are authorized to issue and serve citations under the terms of G.S. 15A-302 and warning tickets under the terms of ~~G.S. 113-55.2~~G.S. 106-866 for offenses under the forest laws. This subsection may not be interpreted to confer the power of arrest on forest rangers, and does not make them criminal justice officers within the meaning of G.S. 17C-2.

"§ 106-865. Powers of forest law-enforcement officers.

The ~~Secretary~~ Commissioner is authorized to appoint as many forest law-enforcement officers as he deems necessary to carry out the forest law-enforcement responsibilities of the Department. Forest law-enforcement officers shall have all the powers and the duties of a forest ranger enumerated in ~~G.S. 113-54 and 113-55.~~G.S. 106-863 and G.S. 106-864. Forest law-enforcement officers shall, in addition to their other duties, have the powers of peace officers to enforce the forest laws. Any forest law-enforcement officer may arrest, without warrant, any person or persons committing any crime in his presence or whom such officer has probable cause for believing has committed a crime in his presence and bring such person or persons forthwith before a district court or other officer having jurisdiction. Forest law-enforcement officers shall also have authority to obtain and serve warrants including warrants for violation of any duly promulgated rule of the Department.

"§ 106-866. Warning tickets for violations of the forest laws.

(a) To encourage the cooperation of the public in achieving the objectives of the forest laws, the ~~Secretary~~ Commissioner may provide for the issuance of warning tickets instead of the initiation of criminal prosecution by forest rangers and forest law-enforcement officers. Issuance of the warning tickets shall be in accordance with criteria administratively promulgated by the ~~Secretary~~ Commissioner within the requirements of this section. These criteria are exempt from Article 2A of Chapter 150B of the General Statutes.

(b) No warning ticket may be issued unless all of the following conditions are met:

(1) The forest ranger or the forest law-enforcement officer must be convinced that the offense was not committed intentionally.

(2) The offense is not one, or a type of offense, for which the ~~Secretary~~ Commissioner has prohibited the issuance of warning tickets.

(3) At the time of the violation it was not reasonably foreseeable that the conduct of the offender could result in any significant destruction of forests or woodlands or constitute a hazard to the public.

(c) A warning ticket may not be issued if the offender has previously been charged with, or issued a warning ticket for, the same or a similar offense within the preceding three years. A list of persons who have been issued warning tickets under this section within the preceding three years shall be maintained and periodically updated by the ~~Secretary.~~Commissioner.

(d) This section does not entitle any person who has committed an offense to the right to be issued a warning ticket, and the issuance of a warning ticket does not prohibit the later initiation of criminal prosecution for the same offense for which the warning ticket was issued.

"§ 106-867. Compensation of forest rangers.

Forest rangers shall receive compensation from the Department at a reasonable rate to be fixed by said Department for the time actually engaged in the performance of their duties; and reasonable expenses for equipment, transportation, or food supplies incurred in the performance of their duties, according to an itemized statement to be rendered the ~~Secretary~~ Commissioner every month, and approved by him. Forest rangers shall render to the ~~Secretary~~ Commissioner a statement of the services rendered by the men employed by them or their deputy rangers, as provided in this Article, within one month of the date of service, which bill shall show in detail the amount and character of the service performed, the exact duration thereof, the name of each person employed, and any other information required by the ~~Secretary.~~Commissioner. If said bill be duly approved by the ~~Secretary,~~Commissioner, it shall be paid by direction of the Department out of any funds provided for that purpose.

"§ 106-868. Overtime compensation for forest fire fighting.

The Department shall, within funds appropriated to the Department, provide overtime compensation to the professional employees of the Division of Forest Resources involved in fighting forest fires.

"§ 106-869. Woodland defined.

For the purposes of this Article, woodland is taken to include all forest areas, both timber and cutover land, and all second-growth stands on areas that have at one time been cultivated.

"§ 106-870. Misdemeanor to destroy posted forestry notice.

Any person who shall maliciously or willfully destroy, deface, remove, or disfigure any sign, poster, or warning notice, posted by order of the ~~Secretary,~~Commissioner, under the provisions of this Article, or any other act which may be passed for the purpose of protecting and developing the forests in this State, shall be guilty of a Class 3 misdemeanor.

"§ 106-871. Cooperation between counties and State in forest protection and development.

The board of county commissioners of any county is hereby authorized and empowered to cooperate with the Department in the protection, reforestation, and promotion of forest management of their own forests within their respective counties, and to appropriate and pay out of the funds under their control such amount as is provided in ~~G.S. 113-54.~~G.S. 106-863.

"§ 106-872. Instructions on forest preservation and development.

(a) It shall be the duty of all district, county, township rangers, and all deputy rangers provided for in this Chapter to distribute in all of the public schools and high schools of the county in which they are serving as such fire rangers all such tracts, books, periodicals and other literature that may, from time to time, be sent out to such rangers by the State and federal forestry agencies touching or dealing with forest preservation, development, and forest management.

(b) It shall be the duty of the various rangers herein mentioned under the direction of the ~~Secretary,~~Commissioner, and the duty of the teachers of the various schools, both public and high schools, to keep posted at some conspicuous place in the various classrooms of the school buildings such appropriate bulletins and posters as may be sent out from the forestry agencies herein named for that purpose and keep the same constantly before their pupils; and said teachers and rangers shall prepare lectures or talks to be made to the pupils of the various schools on the subject of forest fires, their origin and their destructive effect on the plant life and tree life of the forests of the State, the development and scientific management of the forests of the State, and shall be prepared to give practical instruction to their pupils from time to time and as often as they shall find it possible so to do.

"§ 106-873. Authority of Governor to close forests and woodlands to hunting, fishing and trapping.

During periods of protracted drought or when other hazardous fire conditions threaten forest and water resources and appear to require extraordinary precautions, the Governor of the State, upon the joint recommendation of the ~~Secretary~~ Commissioner and the Executive Director of the North Carolina Wildlife Resources Commission, may by official proclamation:

(1) Close any or all of the woodlands and inland waters of the State to hunting, fishing and trapping for the period of the emergency.

(2) Forbid for the period of the emergency the building of campfires and the burning of brush, grass or other debris within 500 feet of any woodland in any county, counties, or parts thereof.

(3) Close for the period of the emergency any or all of the woodlands of the State to such other persons and activities as he deems proper under the circumstances, except to the owners or tenants of such property and their agents and employees, or persons holding written permission from any owner or his recognized agent to enter thereon for any lawful purpose other than hunting, fishing or trapping.

"§ 106-874. Publication of proclamation; annulment thereof.

Such proclamation shall become effective 24 hours after certified time of issue, and shall be published in such newspapers and posted in such places and in such manner as the Governor may direct. It shall be annulled in the same manner by another proclamation by the Governor when he is satisfied, upon joint recommendation of the ~~Secretary~~ Commissioner and the Executive Director of the North Carolina Wildlife Resources Commission, that the period of the emergency has passed.

"§ 106-875. Violation of proclamation a misdemeanor.

Any person, firm or corporation who enters upon any woodlands or inland waters of the State for the purpose of hunting, fishing or trapping, or who builds a campfire or burns brush, grass or other debris within 500 feet of any woodland, after a proclamation has been issued by the Governor forbidding such activities, or who violates any other provisions of the Governor's proclamation with regard to permissible activities in closed woodlands shall be guilty of a Class 1 misdemeanor."

SECTION 13.25.(r) Article 4A of Chapter 113 of the General Statutes (G.S. 113-60.4, 113-60.5, 113-60.6, 113-60.7, 113-60.8, 113-60.9, 113-60.10) is recodified as a new Article 73 of Chapter 106 of the General Statutes, G.S. 106-880 through G.S. 106-886.

SECTION 13.25.(s) Article 73 of Chapter 106 of the General Statutes, as recodified under subsection (r) of this section, reads as rewritten:

"Article 73.

"Protection of Forest Against Insect Infestation and Disease.

"§ 106-880. Purpose and intent.

(a) The purpose of this Article is to place within the Department of ~~Environment and Natural Resources,~~Agriculture and Consumer Services the authority and responsibility for investigating insect infestations and disease infections which affect stands of forest trees, the devising of control measures for interested landowners and others, and taking measures to control, suppress, or eradicate outbreaks of forest insect pests and tree diseases.

(b) In this Article, unless the context requires otherwise, the expression "Department" means the Department of ~~Environment and Natural Resources; "Secretary"~~Agriculture and Consumer Services, and "Commissioner" means the ~~Secretary of Environment and Natural Resources.~~Commissioner of Agriculture.

"§ 106-881. Authority of the Department.

The authority and responsibility for carrying out the purpose, intent and provisions of this Article are hereby delegated to the Department. The administration of the provisions of this Article shall be under the general supervision of the ~~Secretary.~~Commissioner. ~~The provisions of this Article shall not abrogate or change any power or authority as may be vested in the North Carolina Department of Agriculture and Consumer Services under existing statutes.~~

"§ 106-882. Definitions.

As used in this Article, unless the context clearly requires otherwise:

(1) "Control zone" means an area of potential or actual infestation or infection, boundaries of which are fixed and clearly described in a manner to definitely identify the zone.

(2) "Forestland" means land on which forest trees occur.

(3) "Forest trees" means only those trees which are a part and constitute a stand of potential immature or mature commercial timber trees, provided that the term "forest trees" shall be deemed to include shade trees of any species around houses, along highways, and within cities and towns, if the same constitute insect and disease menaces to nearby timber trees or timber stands.

(4) "Infection" means attack by any disease affecting forest trees which is declared by the ~~Secretary~~ Commissioner to be dangerously injurious thereto.

(5) "Infestation" means attack by means of any insect, which is by the ~~Secretary~~ Commissioner declared to be dangerously injurious to forest trees.

"§ 106-883. Action against insects and diseases.

Whenever the ~~Secretary,~~Commissioner, or his agent, determines that there exists an infestation of forest insect pests or an infection of forest tree diseases, injurious or potentially injurious to the timber or forest trees within the State of North Carolina, and that said infestation or infection is of such a character as to be a menace to the timber or forest growth of the State, the ~~Secretary~~ Commissioner shall declare the existence of a zone of infestation or infection and shall declare and fix boundaries so as to definitely describe and identify said zone of infestation or infection, and the ~~Secretary~~ Commissioner or his agent shall give notice in writing by mail or otherwise to each forest landowner within the designated control zone advising him of the nature of the infestation or infection, the recommended control measures, and offer him technical advice on methods of carrying out controls.

"§ 106-884. Authority of ~~Secretary~~ Commissioner and his agents to go upon private land within control zones.

The ~~Secretary~~ Commissioner or his agents shall have the power to go upon the land within any zone of infestation or infection and take measures to control, suppress or eradicate the insect, infestation or disease infection. If any person refuses to allow the ~~Secretary~~ Commissioner or his agents to go upon his land, or if any person refuses to adopt adequate means to control or eradicate the insect, infestation or disease infection, the ~~Secretary~~ Commissioner may apply to the superior court of the county in which the land is located for an injunction or other appropriate remedy to restrain the landowner from interfering with the ~~Secretary~~ Commissioner or his agents in entering the control zone and adopting measures to control, suppress or eradicate the insect infestation or disease infection, provided the cost of court or control thereof shall not be a liability against the forest landowner nor constitute a lien upon the real property of such infested area.

"§ 106-885. Cooperative agreements.

In order to more effectively carry out the purposes of this Article, the Department is ~~hereby~~ authorized to enter into cooperative agreement with the federal government and other public and private agencies, and with the owners of forestland.

"§ 106-886. Annulment of control zone.

Whenever the ~~Secretary~~ Commissioner determines that the forest insect or disease control work within a designated control zone is no longer necessary or feasible, then the ~~Secretary~~ Commissioner shall declare the zone of infestation or infection no longer pertinent to the purposes of this Article and such zone will then no longer be recognized."

SECTION 13.25.(t) Article 4B of Chapter 113 of the General Statutes (G.S. 113-60.11, 113-60.12, 113-60.13, 113-60.14, and 113-60.15) is recodified as a new Article 74 of Chapter 106 of the General Statutes, G.S. 106-890 through G.S. 106-894.

SECTION 13.25.(u) G.S. 106-893, as recodified in subsection (t) of this section, reads as rewritten:

"§ 106-893. Compact Administrator; North Carolina members of advisory committee.

The ~~Secretary of Environment and Natural Resources~~Commissioner of Agriculture is hereby designated as Compact Administrator for this State and shall consult with like officials of the other member states and shall implement cooperation between such states in forest fire prevention and control.

At some time before the adjournment of each regular session of the General Assembly, the Governor shall choose one person from the membership of the House of Representatives, and shall choose one person from the membership of the Senate, who shall serve on the advisory committee of the Southeastern Interstate Forest Fire Protection Compact as provided for in Article III of said Compact. At the time of the selection of the House and Senate members of such advisory committee, the Governor shall choose one alternate member from the House of Representatives and one from the Senate who shall serve on such advisory committee in case of the death, absence or disability of the regular members so chosen."

SECTION 13.25.(v) G.S. 106-894, as recodified in subsection (t) of this section, reads as rewritten:

"§ 106-894. Agreements with noncompact states.

The Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services is hereby authorized to enter into written agreements with the State forest fire control agency of any other state or any province of Canada which is party to a regional forest fire protection compact. The provisions of any written agreement entered into pursuant to this Article shall be substantially in the form of the authority heretofore granted under the provisions of this Article, Southeastern Interstate Forest Fire Protection Compact."

SECTION 13.25.(w) Article 4C of Chapter 113 of the General Statutes (G.S. 113-60.21, 113-60.22, 113-60.23, 113-60.24, 113-60.25, 113-60.26, 113-60.27, 113-60.28, 113-60.29, 113-60.30, and 113-60.31) is recodified as a new Article 75 of Chapter 106 of the General Statutes, G.S. 106-900 through G.S. 106-910.

SECTION 13.25.(x) Article 75 of Chapter 106 of the General Statutes, as recodified by subsection (w) of this section, reads as rewritten:

"Article 75.

"Regulation of Open Fires.

"§ 106-900. Purpose and findings.

The purpose of this Article is to regulate certain open burning in order to protect the public from the hazards of forest fires and air pollution and to adapt such regulation to the needs and circumstances of the different areas of North Carolina. The General Assembly finds that open burning in proximity to woodlands must be regulated in all counties to protect against forest fires and air pollution. The General Assembly further finds that in certain counties a high percentage of the land area contains organic soils or forest types which may pose greater problems of forest fire and air pollution controls, and that in counties in which a great amount of land-clearing operations is taking place on these organic soils or these forest types, additional control of open burning is required. The counties subject to the need for additional control are classified as high hazard counties for purpose of this Article.

"§ 106-901. Definitions.

As used in this Article:

(1) "Department" means the Department of ~~Environment and Natural Resources.~~Agriculture and Consumer Services.

(2) "Forest ranger" means the county forest ranger or deputy forest ranger designated under ~~G.S. 113-52.~~G.S. 106-861.

(3) "Person" means any individual, firm, partnership, corporation, association, public or private institution, political subdivision, or government agency.

(4) "Woodland" means woodland as defined in ~~G.S. 113-57.~~G.S. 106-869.

"§ 106-902. High hazard counties; permits required; standards.

(a) The provisions of this section apply only to the counties of Beaufort, Bladen, Brunswick, Camden, Carteret, Chowan, Craven, Currituck, Dare, Duplin, Gates, Hyde, Jones, Onslow, Pamlico, Pasquotank, Perquimans, Tyrrell, and Washington which are classified as high hazard counties in accordance with ~~G.S. 113-60.21.~~G.S. 106-900.

(b) It is unlawful for any person to willfully start or cause to be started any fire in any woodland under the protection of the Department or within 500 feet of any such woodland without first having obtained a permit from the Department. Permits for starting fires may be obtained from forest rangers or other agents authorized by the county forest ranger to issue such permits in the county in which the fire is to be started. Such permits shall be issued by the ranger or other agent unless permits for the area in question have been prohibited or cancelled in accordance with ~~G.S. 113-60.25 or 113-60.27.~~G.S. 106-904 or G.S. 106-906.

(c) It is unlawful for any person to willfully burn any debris, stumps, brush or other flammable materials resulting from ground clearing activities and involving more than five contiguous acres, regardless of the proximity of the burning to woodland and on which such materials are placed in piles or windrows without first having obtained a special permit from the Department. Areas less than five acres in size will require a regular permit in accordance with ~~G.S. 113-60.23(b).~~G.S. 106-902(b).

(1) Prevailing winds at the time of ignition must be away from any city, town, development, major highway, or other populated area, the ambient air of which may be significantly affected by smoke, fly ash, or other air contaminates from the burning.

(2) The location of the burning must be at least 1,000 feet from any dwelling or structure located in a predominately residential area other than a dwelling or

structure located on the property on which the burning is conducted unless permission is granted by the occupants.

(3) The amount of dirt or organic soil on or in the material to be burned must be minimized and the material arranged in a way suitable to facilitate rapid burning.

(4) Burning may not be initiated when it is determined by a forest ranger, based on information supplied by a competent authority that stagnant air conditions or inversions exist or that such conditions may occur during the duration of the burn.

(5) Heavy oils, asphaltic material, or items containing natural or synthetic rubber may not be used to ignite the material to be burned or to promote the burning of such material.

(6) Initial burning may be commenced only between the hours of 9:00 A.M. and 3:00 P.M. and no combustible material may be added to the fire between 3:00 P.M. on one day and 9:00 A.M. on the following day, except that when favorable meteorological conditions exist, any forest ranger authorized to issue the permit may authorize in writing a deviation from the restrictions.

"§ 106-903. Open burning in non-high hazard counties; permits required; standards.

(a) The provisions of this section apply only to the counties not designated as high hazard counties in ~~G.S. 113-60.23(a).~~G.S. 106-902(a).

(b) It shall be unlawful for any person to start or cause to be started any fire or ignite any material in any woodland under the protection of the Department or within 500 feet of any such woodland during the hours starting at midnight and ending at 4:00 P.M. without first obtaining a permit from the Department. Permits may be obtained from forest rangers or other agents authorized by the forest ranger to issue such permits in the county in which the fire is to be started. Such permits shall be issued by the ranger or other agent unless permits for the area in question have been prohibited or cancelled under ~~G.S. 113-60.25 or 113-60.27.~~G.S. 106-904 or G.S. 106-906.

"§ 106-904. Open burning prohibited statewide.

During periods of hazardous forest fire conditions or during air pollution episodes declared pursuant to Article 21B of Chapter 143 of the General Statutes, the ~~secretary~~ Commissioner is authorized to prohibit all open burning regardless of whether a permit is required under ~~G.S. 113-60.23 or 113-60.24.~~G.S. 106-902 or G.S. 106-903. The ~~secretary~~ Commissioner shall issue a press release containing relevant details of the prohibition to news media serving the area affected.

"§ 106-905. Permit conditions.

Permits issued under this Article shall be issued in the name of the person undertaking the burning and shall specify the specific area in which the burning is to occur, the type and amount of material to be burned, the duration of the permit, and such other factors as are necessary to identify the burning which is allowed under the permit.

"§ 106-906. Permit suspension and cancellation.

Upon a determination that hazardous forest fire conditions exist the ~~secretary~~ Commissioner is authorized to cancel any permit issued under this Article and suspend the issuance of any new permits. Upon a determination by the Environmental Management Commission or its agent that open burning permitted under this Article is causing significant contravention of ambient air quality standards or that an air pollution episode exists pursuant to Article 21B of Chapter 143 of the General Statutes, the ~~secretary~~ Commissioner shall cancel any permits issued under authority of this Article and shall suspend the issuance of any new permits.

"§ 106-907. Control of existing fires.

(a) If a fire is set without a permit required by ~~G.S. 113-60.23, 113-60.24 or 113-60.25~~G.S. 106-902, 106-903, or 106-904, and is set in an area in which permits are prohibited or cancelled at the time the fire is set, the person responsible for setting the fire or causing the fire to be set shall immediately extinguish the fire or take such other action as directed by any forest ranger authorized to issue permits under ~~G.S. 113-60.23(c).~~G.S. 106-902(c). In the event that the person responsible does not immediately undertake efforts to extinguish the fire or take such other action as directed by the forest ranger, the Department may enter the property and take reasonable steps to extinguish or control the fire and the person responsible for setting the fire shall reimburse the Department

for the expenses incurred by the Department. A showing that a fire is associated with land-clearing activities is prima facie evidence that the person undertaking the land clearing is responsible for setting the fire or causing the fire to be set.

(b) If a fire requiring a permit under ~~G.S. 113-60.23(c)~~G.S. 106-902(c) is set without a permit and a forest ranger authorized to issue such permits determines that a permit would not have been issued for the fire at the time it was set, the person responsible for setting the fire or causing the fire to be set shall immediately take such action as the forest ranger directs to extinguish or control the fire. In the event the person responsible does not immediately undertake efforts to extinguish the fire or take such other action as directed by the forest ranger, the Department may enter the property and take reasonable steps to extinguish or control the fire and the person responsible for setting the fire shall reimburse the Department for the expenses incurred by the Department. A showing that a fire is associated with land-clearing activities is prima facie evidence that the person undertaking the land clearing is responsible for setting the fire or causing the fire to be set.

(c) If a fire is set in accordance with a permit but the burning is taking place contrary to the conditions of the permit, any forest ranger with authority to issue permits in the area in question may order the permittee in writing to undertake the steps necessary to comply with the conditions of his permit. If the permittee is not making a reasonable effort to comply with the order, the forest ranger may enter the property and take reasonable steps to extinguish or control the fire and the permittee shall reimburse the Department for the expenses incurred by the Department.

"§ 106-908. Penalties.

Any person violating the provisions of this Article or of any permit issued under the authority of this Article shall be guilty of a Class 3 misdemeanor. The penalties imposed by this section shall be separate and apart and not in lieu of any civil or criminal penalties which may be imposed by G.S. 143-215.114A or G.S. 143-215.114B. The penalties imposed are also in addition to any liability the violator incurs as a result of actions taken by the Department under ~~G.S. 113-60.28.~~G.S. 106-907.

"§ 106-909. Effect on other laws.

This Article shall not be construed as affecting or abridging the lawful authority of local governments to pass ordinances relating to open burning within their boundaries. Nothing in this Article shall relieve any person from compliance with the provisions of Article 21B of Chapter 143 of the General Statutes and regulations adopted thereunder. In the event that permits are required for open burning associated with land clearing under the authority of Article 21B of Chapter 143 of the General Statutes, the authority to issue such permits shall be delegated to forest rangers who are authorized to issue permits under ~~G.S. 113-60.23(c).~~G.S. 106-902(c).

"§ 106-910. Exempt fires; no permit fees.

(a) This Article shall not apply to any fires started, or caused to be started, within 100 feet of an occupied dwelling house if such fire shall be confined (i) within an enclosure from which burning material may not escape or (ii) within a protected area upon which a watch is being maintained and which is provided with adequate fire protection equipment.

(b) No charge shall be made for the granting of any permit required by this Article."

SECTION 13.25.(y) Article 4D of Chapter 113 of the General Statutes (G.S. 113-60.32 and G.S. 113-60.33) is recodified as a new Article 76 of Chapter 106 of the General Statutes, G.S. 106-911 and G.S. 106-912.

SECTION 13.25.(z) Article 76 of Chapter 106 of the General Statutes, as recodified by subsection (y) of this section, reads as rewritten:

"Article 76.

"Fire Fighters on Standby Duty.

"§ 106-911. Definitions.

As used in this Article:

(1) "Fire fighter" means an employee of the Division of Forest Resources of the Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services who engages in fire suppression duties.

(2) "Fire suppression duties" means involvement in on-site fire suppression, participation in Project Fire Team while it is mobilized, Operations Room duty during on-going fires or when required by high readiness plans, mop-up activities to secure fire sites, scouting and detecting forest fires, performance

of standby duty, and any other activity that directly contributes to the detection, response to, and control of fires.

"**§ 106-912. Standby duty.**

(a) Standby duty is time during which a fire fighter is required to remain within 25 miles of his duty station and be available to return to the duty station on call. The Department of Agriculture and Consumer Services shall provide each fire fighter on standby duty with an electronic paging device that makes the wearer accessible to his duty station.

(b) Notwithstanding subsection (a) of this section, for at least two out of 14 consecutive days that a fire fighter is on duty, the Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services shall permit the fire fighter to be more than 25 miles from his duty station so long as the fire fighter gives the Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services a telephone number where he can be reached; each month, the days the fire fighter is permitted to be more than 25 miles from his duty station shall include one full weekend. On the days the fire fighter is permitted to be more than 25 miles from his duty station, the Department of ~~Environment and Natural Resources~~ Agriculture and Consumer Services may call him only when there is a bona fide emergency."

SECTION 13.25.(aa) Article 4E of Chapter 113 of the General Statutes (G.S. 113-60.40, 113-60.41, 113-60.42, 113-60.43, 113-60.44, and 113-60.45) is recodified as a new Article 77 of Chapter 106 of the General Statutes, G.S. 106-920 through G.S. 106-925.

SECTION 13.25.(bb) Article 77 of Chapter 106 of the General Statutes, as recodified by subsection (aa) of this section, reads as rewritten:

"Article 77.

"North Carolina Prescribed Burning Act.

"**§ 106-920. Legislative findings.**

The General Assembly finds that prescribed burning of forestlands is a management tool that is beneficial to North Carolina's public safety, forest and wildlife resources, environment, and economy. The General Assembly finds that the following are benefits that result from prescribed burning of forestlands:

(1) Prescribed burning reduces the naturally occurring buildup of vegetative fuels on forestlands, thereby reducing the risk and severity of wildfires and lessening the loss of life and property.

(2) The State's ever-increasing population is resulting in urban development directly adjacent to fire-prone forestlands, referred to as a woodland-urban interface area. The use of prescribed burning in these woodland-urban interface areas substantially reduces the risk of wildfires that cause damage.

(3) Many of North Carolina's natural ecosystems require periodic fire for their survival. Prescribed burning is essential to the perpetuation, restoration, and management of many plant and animal communities. Prescribed burning benefits game, nongame, and endangered wildlife species by increasing the growth and yield of plants that provide forage and an area for escape and brooding and that satisfy other habitat needs.

(4) Forestlands are economic, biological, and aesthetic resources of statewide significance. In addition to reducing the frequency and severity of wildfires, prescribed burning of forestlands helps to prepare sites for replanting and natural seeding, to control insects and diseases, and to increase productivity.

(5) Prescribed burning enhances the resources on public use lands, such as State and national forests, wildlife refuges, nature preserves, and game lands. Prescribed burning enhances private lands that are managed for wildlife refuges, nature preserves, and game lands. Prescribed burning enhances private lands that are managed for wildlife, recreation, and other purposes.

As North Carolina's population grows, pressures resulting from liability issues and smoke complaints discourage or limit prescribed burning so that these numerous benefits to forestlands often are not attainable. By recognizing the benefits of prescribed burning and by adopting requirements governing prescribed burning, the General Assembly helps to educate the public, avoid misunderstandings, and reduce complaints about this valuable management tool.

"**§ 106-921. Definitions.**

As used in this Article:

(1) "Certified prescribed burner" means an individual who has successfully completed a certification program approved by the Division of Forest Resources of the Department of ~~Environment and Natural Resources.~~Agriculture and Consumer Services.

(2) "Prescribed burning" means the planned and controlled application of fire to naturally occurring vegetative fuels under safe weather and safe environmental and other conditions, while following appropriate precautionary measures that will confine the fire to a predetermined area and accomplish the intended management objectives.

(3) "Prescription" means a written plan prepared by a certified prescribed burner for starting, controlling, and extinguishing a prescribed burning.

"106-922. Immunity from liability.

(a) Any prescribed burning conducted in compliance with ~~G.S. 113-60.43~~G.S. 106-923 is in the public interest and does not constitute a public or private nuisance.

(b) A landowner or the landowner's agent who conducts a prescribed burning in compliance with ~~G.S. 113-60.43~~G.S. 106-923 shall not be liable in any civil action for any damage or injury caused by or resulting from smoke.

(c) Notwithstanding subsections (a) and (b), this section does not apply when a nuisance or damage results from a negligently or improperly conducted prescribed burning.

"§ 106-923. Prescribed burning.

(a) Prior to conducting a prescribed burning, the landowner shall obtain a prescription for the prescribed burning prepared by a certified prescribed burner and filed with the Division of Forest Resources, Department of ~~Environment and Natural Resources.~~Agriculture and Consumer Services. A copy of the prescription shall be provided to the landowner. A copy of this prescription shall be in the possession of the responsible burner on site throughout the duration of the prescribed burning. The prescription shall include:

(1) The landowner's name and address.

(2) A description of the area to be burned.

(3) A map of the area to be burned.

(4) An estimate in tons of the fuel located on the area.

(5) The objectives of the prescribed burning.

(6) A list of the acceptable weather conditions and parameters for the prescribed burning sufficient to minimize the likelihood of smoke damage and fire escaping onto adjacent areas.

(7) The name of the certified prescribed burner responsible for conducting the prescribed burning.

(8) A summary of the methods that are adequate for the particular circumstances involved to be used to start, control, and extinguish the prescribed burning.

(9) Provision for reasonable notice of the prescribed burning to be provided to nearby homes and businesses to avoid effects on health and property.

(b) The prescribed burning shall be conducted by a certified prescribed burner in accordance with a prescription that satisfies subsection (a) of this section. The certified prescribed burner shall be present on the site and shall be in charge of the burning throughout the period of the burning. A landowner may conduct a prescribed burning without being a certified prescribed burner if the landowner is burning a tract of forestland of 50 acres or less owned by that landowner and is following all conditions established in a prescription prepared by a certified prescribed burner.

(c) Prior to conducting a prescribed burning, the landowner or the landowner's agent shall obtain an open-burning permit under Article 4C of this Chapter from the Division of Forest Resources, Department of ~~Environment and Natural Resources.~~Agriculture and Consumer Services. This open-burning permit must remain in effect throughout the period of the prescribed burning. The prescribed burning shall be conducted in compliance with all the following:

(1) The terms and conditions of the open-burning permit under ~~Article 4C~~Article 75 of this Chapter.

(2) The State's air pollution control statutes under Article 21 and Article 21B of Chapter 143 of the General Statutes and any rules adopted pursuant to these statutes.

(3) Any applicable local ordinances relating to open burning.

(4) The voluntary smoke management guidelines adopted by the Division of Forest Resources, Department of ~~Environment and Natural Resources.~~Agriculture and Consumer Services.

(5) Any rules adopted by the Division of Forest Resources, Department of ~~Environment and Natural Resources,~~Agriculture and Consumer Services, to implement this Article.

"§ 106-924. Adoption of rules.

The Division of Forest Resources, Department of ~~Environment and Natural Resources,~~Agriculture and Consumer Services, may adopt rules that govern prescribed burning under this Article.

"§ 106-925. Exemption.

This Article does not apply when the ~~Secretary of Environment and Natural Resources~~Commissioner of Agriculture has cancelled burning permits pursuant to ~~G.S. 113-60.27~~G.S. 106-906 or prohibited all open burning pursuant to ~~G.S. 113-60.25.~~G.S. 106-904."

SECTION 13.25.(cc) Article 5 of Chapter 113 of the General Statutes (G.S. 113-61, 113-62, 113-63, 113-64, 113-65, 113-66, 113-67, 113-68, 113-69, 113-70, 113-71, 113-72, 113-73, 113-74, 113-75, 113-76, and 113-77) is recodified as a new Article 78 of Chapter 106 of the General Statutes, G.S. 106-930 through G.S. 106-946.

SECTION 13.25.(dd) Article 78 of Chapter 106 of the General Statutes, as recodified by subsection (cc) of this section, reads as rewritten:

"Article 78.

"Corporations for Protection and Development of Forests.

"§ 106-930. Private limited dividend corporations may be formed.

(a) In this Article, unless the context requires otherwise, "Department" means the Department of ~~Environment and Natural Resources; and "Secretary"~~Agriculture and Consumer Services, and "Commissioner" means the ~~Secretary of Environment and Natural Resources.~~Commissioner of Agriculture.

(b) Three or more persons, who associate themselves by an agreement in writing for the purpose, may become a private limited dividend corporation to finance and carry out projects for the protection and development of forests and for such other related purposes as the Secretary shall approve, subject to all the duties, restrictions and liabilities, and possessing all the rights, powers, and privileges, of corporations organized under the general corporation laws of the State of North Carolina, except where such provisions are in conflict with this Article.

"§ 106-931. Manner of organizing.

A corporation formed under this Article shall be organized and incorporated in the manner provided for organization of corporations under the general corporation laws of the State of North Carolina, except where such provisions are in conflict with this Article. The certificate of organization of any such corporation shall contain a statement that it is organized under the provisions of this Article and that it consents to be and shall be at all times subject to the rules and supervision of the Secretary, and shall set forth as or among its purposes the protection and development of forests and the purchase, acquisition, sale, conveyance and other dealing in the same and the products therefrom, subject to the rules from time to time imposed by the Secretary.

"§ 106-932. Directors.

There shall not be less than three directors, one of whom shall always be a person designated by the Secretary, which one need not be a stockholder.

"§ 106-933. Duties of supervision by ~~Secretary of Environment and Natural Resources.~~Commissioner.

Corporations formed under this Article shall be regulated by the ~~Secretary~~ Commissioner in the manner provided in this Article. Traveling and other expenses incurred by him in the discharge of the duties imposed upon him by this Article shall be charged to, and paid by, the particular corporation or corporations on account of which such expenses are incurred. His general expenses incurred in the discharge of such duties which cannot be fairly charged to any particular corporation or corporations shall be charged to, and paid by, all the corporations then organized and existing under this Article pro rata according to their respective stock capitalizations. The ~~Secretary~~ Commissioner shall:

(1) Adopt rules to implement this Article and to protect and develop forests subject to its jurisdiction.

(2) Order all corporations organized under this Article to do such acts as may be necessary to comply with the provisions of law and the rules adopted by the ~~Secretary,~~Commissioner, or to refrain from doing any acts in violation thereof.

(3) Keep informed as to the general condition of all such corporations, their capitalization and the manner in which their property is permitted, operated or managed with respect to their compliance with all provisions of law and orders of the ~~Secretary.~~Commissioner.

(4) Require every such corporation to file with the ~~Secretary~~ Commissioner annual reports and, if the ~~Secretary~~ Commissioner shall consider it advisable, other periodic and special reports, setting forth such information as to its affairs as the ~~Secretary~~ Commissioner may require.

"§ 106-934. Powers of ~~Secretary.~~Commissioner.

The ~~Secretary~~ Commissioner may:

(1) Examine at any time all books, contracts, records, documents and papers of any such corporation.

(2) In his discretion prescribe uniform methods and forms of keeping accounts, records and books to be observed by such corporation, and prescribe by order accounts in which particular outlays and receipts are to be entered, charged or credited. The ~~Secretary~~ Commissioner shall not, however, have authority to require any revaluation of the real property or other fixed assets of such corporations, but he shall allow proper charges for the depletion of timber due to cutting or destruction.

(3) Enforce the provisions of this Article, a rule implementing this Article, or an order issued under this Article by filing a petition for a writ of mandamus or application for an injunction in the superior court of the county in which the respondent corporation has its principal place of business. The final judgment in any such proceeding shall either dismiss the proceeding or direct that a writ of mandamus or an injunction, or both, issue as prayed for in the petition or in such modified or other form as the court may determine will afford appropriate relief.

"§ 106-935. Provision for appeal by corporations to Governor.

If any corporation organized under this Article is dissatisfied with or aggrieved at any rule or order imposed upon it by the ~~Secretary,~~Commissioner, or any valuation or appraisal of any of its property made by the ~~Secretary,~~Commissioner, or any failure of or refusal by the ~~Secretary~~ Commissioner to approve of or consent to any action which it can take only with such approval or consent, it may appeal to the Governor by filing with him a claim of appeal upon which the decision of the Governor shall be final. Such determination, if other than a dismissal of the appeal, shall be set forth by the Governor in a written mandate to the ~~Secretary,~~Commissioner, who shall abide thereby and take such actions as the same may direct.

"§ 106-936. Limitations as to dividends.

The shares of stock of corporations organized under this Article shall have a par value and, except as provided in ~~G.S. 113-69~~G.S. 106-938 in respect to distributions in kind upon dissolution, no dividend shall be paid thereon at a rate in excess of six per centum (6%) per annum on stock having a preference as to dividends, or eight per centum (8%) per annum on stock not having a preference as to dividends, except that any such dividends may be cumulative without interest.

"§ 106-937. Issuance of securities restricted.

No such corporation shall issue stock, bonds or other securities except for money, timberlands, or interests therein, located in the State of North Carolina or other property, actually received, or services rendered, for its use and its lawful purposes. Timberlands, or interests therein, and other property or services so accepted therefor, shall be upon a valuation approved by the ~~Secretary.~~Commissioner.

"§ 106-938. Limitation on bounties to stockholders.

Stockholders shall at no time receive or accept from any such corporation in repayment of their investment in its stock any sums in excess of the par value of the stock together with cumulative dividends at the rate set forth in ~~G.S. 113-67~~G.S. 106-936 except that nothing in this section contained shall be construed to prohibit the distribution of the assets of such corporation in kind to its stockholders upon dissolution thereof.

"§ 106-939. Earnings above dividend requirements payable to State.

Any earnings of such corporation in excess of the amounts necessary to pay dividends to stockholders at the rate set forth in ~~G.S. 113-67~~G.S. 106-936 shall be paid over to the State of North Carolina prior to the dissolution of such corporation. Net income or net losses (determined in such manner as the ~~Secretary~~ Commissioner shall consider properly to show such income or losses) from the sale of the capital assets of such corporation, whether such sale be upon dissolution or otherwise, shall be considered in determining the earnings of such corporation for the purposes of this section. In determining such earnings unrealized appreciation or depreciation of real estate or other fixed assets shall not be considered.

"§ 106-940. Dissolution of corporation.

Any such corporation may be dissolved at any time in the manner provided by and under the provisions of the general corporation laws of the State of North Carolina, except that the court shall dismiss any petition for dissolution of any such corporation filed within 20 years of the date of its organization unless the same is accompanied by a certificate of the ~~Secretary~~ Commissioner consenting to such dissolution.

"§ 106-941. Cutting and sale of timber.

Any such corporation may cut and sell the timber on its land or permit the cutting thereof, but all such cuttings shall be in accordance with the rules, restrictions and limitations imposed by the ~~Secretary,~~Commissioner, who shall impose such rules, restrictions and limitations with respect thereto as may reasonably conform to the accepted custom and usage of good forestry and forest economy, taking into consideration the situation, nature and condition of the tract so cut or to be cut, and the financial needs of such corporation from time to time.

"§ 106-942. Corporation may not sell or convey without consent of ~~Secretary,~~Commissioner, or pay higher interest rate than 6%.

No such corporation ~~shall:~~shall do any of the following:

(1) Sell, assign or convey any real property owned by it or any right, title or interest therein, except upon notice to the ~~Secretary~~ Commissioner of the terms of such sale, transfer or assignment, and unless the ~~Secretary~~ Commissioner shall consent thereto, and if the ~~Secretary~~ Commissioner shall require it, unless the purchaser thereof shall agree that such real estate shall remain subject to the rules and supervision of the ~~Secretary~~ Commissioner for such period as the latter may ~~require;~~require.

(2) Pay interest returns on its mortgage indebtedness at a higher rate than six per centum (6%) per annum without the consent of the ~~Secretary;~~Commissioner.

(3) Mortgage any real property without first having obtained the consent of the ~~Secretary.~~Commissioner.

"§ 106-943. Power to borrow money limited.

Any such corporation formed under this Article may, subject to the approval of the ~~Secretary,~~Commissioner, borrow funds and secure their payment thereof by note or notes and mortgage or by the issue of bonds under a trust indenture. The notes or bonds so issued and secured and the mortgage or trust indenture relating thereto may contain such clauses and provisions as shall be approved by the ~~Secretary,~~Commissioner, including the right to enter into possession in case of default; but the operations of the mortgagee or receiver entering in such event or of the purchaser of the property upon foreclosure shall be subject to the rules of the ~~Secretary~~ Commissioner for such period as the mortgage or trust indenture may specify.

"§ 106-944. ~~Secretary~~ Commissioner to approve development of forests.

No project for the protection and development of forests proposed by any such corporation shall be undertaken without the approval of the ~~Secretary,~~Commissioner, and such approval shall not be given unless:

(1) The ~~Secretary~~ Commissioner shall have received a statement duly executed and acknowledged on behalf of the corporation proposing such project, in such adequate detail as the ~~Secretary~~ Commissioner shall require of the activities to be included in the project, such statement to set forth the proposals as to

a. Fire prevention and protection,

b. Protection against insects and tree diseases,

c. Protection against damage by livestock and game,

d. Means, methods and rate of, and restrictions upon, cutting and other utilization of the forests, and

e. Planting and spacing of trees.

(2) There shall be submitted to the ~~Secretary~~ Commissioner a financial plan satisfactory to him setting forth in detail the amount of money needed to carry out the entire project, and how such sums are to be allocated, with adequate assurances to the ~~Secretary~~ Commissioner as to where such funds are to be secured.

(3) The ~~Secretary~~ Commissioner shall be satisfied that the project gives reasonable assurance of the operation of the forests involved on a sustained-yield basis except insofar as the ~~Secretary~~ Commissioner shall consider the same impracticable.

(4) The corporation proposing such project shall agree that the project shall at all times be subject to the supervision and inspection of the ~~Secretary,~~Commissioner, and that it will at all times comply with such rules concerning the project as the ~~Secretary~~ Commissioner shall from time to time impose.

"§ 106-945. Application of corporate income.

The gross annual income of any such corporation, whether received from sales of timber, timber operations, stumpage permits or other sources, shall be applied as follows: first, to the payment of all fixed charges, and all operating and maintenance charges and expenses including taxes, assessments, insurance, amortization charges in amounts approved by the ~~Secretary~~ Commissioner to amortize mortgage or other indebtedness and reserves essential to operation; second, to surplus, and/or to the payment of dividends not exceeding the maximum fixed by this Article; third, the balance, if any, in reduction of debts.

"§ 106-946. Reorganization of corporations.

Reorganization of corporations organized under this Article shall be subject to the supervision of the ~~Secretary~~ Commissioner and no such reorganization shall be had without the authorization of the ~~Secretary.~~Commissioner."

SECTION 13.25.(ee) Article 6A of Chapter 113 of the General Statutes (G.S. 113-81.1, 113-81.2, and 113-81.3) is recodified as a new Article 79 of Chapter 106 of the General Statutes, G.S. 106-950 through G.S. 106-952.

SECTION 13.25.(ff) Article 79 of Chapter 106 of the General Statutes, as recodified by subsection (ee) of this section, reads as rewritten:

"Article 79.

"Forestry Services and Advice for Owners and Operators of Forestland.

"§ 106-950. Authority to render scientific forestry services.

(a) In this Article, unless the context requires otherwise:

(1) "Commissioner" means the Commissioner of Agriculture.

~~(1)~~(2) "Department" means the Department of ~~Environment and Natural Resources.~~Agriculture and Consumer Services.

~~(2) "Secretary" means the Secretary of Environment and Natural Resources.~~

(b) The Department is hereby authorized to designate, upon request, forest trees of forest landowners and forest operators for sale or removal, by blazing or otherwise, and to measure or estimate the volume of same under the terms and conditions hereinafter provided. The Department is also authorized to cooperate with landowners of the State and with counties, municipalities and State agencies by making available forestry services consisting of specialized equipment and operators, or by renting such equipment, and to perform such labor and services as may be necessary to carry out approved forestry practices, including site preparation, forest planting, prescribed burning, and other appropriate forestry practices. For such services or rentals, a reasonable fee representing the ~~Secretary's~~ Commissioner's estimate of not less than the costs of such services or rentals shall be charged, provided however, when the ~~Secretary~~ Commissioner deems it in the public interest, said services may be provided without charge, for the purpose of encouraging the use of approved scientific forestry practice on the private or other forestlands within the State, or for the purpose of providing practical demonstrations of said practices. Receipts from these activities and rentals shall be credited to the budget of the Department for the furtherance of these activities.

"§ 106-951. Services under direction of ~~Secretary;~~Commissioner; compensation; when services without charge.

(a) The administration of the provisions of this Article shall be under the direction of the ~~Secretary.~~Commissioner. The ~~Secretary,~~Commissioner, or his authorized agent, upon

receipt of a request from a forest landowner or operator for technical forestry assistance or service, may designate forest trees for removal for lumber, veneer, poles, piling, pulpwood, cordwood, ties, or other forest products by blazing, spotting with paint or otherwise designating in an approved manner; he may measure or estimate the commercial volume contained in the trees designated; he may furnish the landowner or operator with a statement of the volume of the trees so designated and estimated; he may assist in finding a suitable market for the products so designated, and he may offer general forestry advice concerning the management of the forest.

(b) For such designating, measuring or estimating services the ~~Secretary~~ Commissioner may make a charge, on behalf of the Department, in an amount not to exceed five percent (5%) of the sale price or fair market value of the stumpage so designated and measured or estimated. Upon receipt from the ~~Secretary~~ Commissioner of a statement of such charges, the landowner or operator or his agent shall make payment to the ~~Secretary~~ Commissioner within 30 days.

(c) In those cases where the ~~Secretary~~ Commissioner deems it desirable to so designate and measure or estimate trees without charge, such services shall be given for the purpose of encouraging the use of approved scientific forestry principles on the private or other forestlands within the State, and to establish practical demonstrations of said principles.

"§ 106-952. Deposit of receipts with State treasury.

All moneys paid to the ~~Secretary~~ Commissioner for services rendered under the provisions of this Article shall be deposited into the State treasury to the credit of the Department."

SECTION 13.25.(gg) Article 11 of Chapter 113A of the General Statutes (G.S. 113A-176, 113A-177, 113A-178, 113A-179, 113A-180, 113A-180.1, 113A-181, 113A-182, and 113A-183) is recodified as a new Article 80 of Chapter 106 of the General Statutes, G.S. 106-955 through G.S. 106-963.

SECTION 13.25.(hh) Article 80 of Chapter 106 of the General Statutes, as recodified by subsection (gg) of this section, reads as rewritten:

"Article 80.

"Forest Development Act.

"§ 106-955. Title.

This Article shall be known as the "Forest Development Act."

"§ 106-956. Statement of purpose.

(a) The General Assembly finds that:

(1) It is in the public interest of the State to encourage the development of the State's forest resources and the protection and improvement of the forest environment.

(2) Unfavorable environmental impacts, particularly the rapid loss of forest land to urban development, are occurring as a result of population growth. It is in the State's interest that corrective action be developed now to offset forest land losses in the future.

(3) Regeneration of potentially productive forest land is a high-priority problem requiring prompt attention and action. Private forest land will become more important to meet the needs of the State's population.

(4) Growing demands on forests and related land resources cannot be met by intensive management of public and industrial forest lands alone.

(b) The purpose of this Article is to direct the ~~Secretary~~ Commissioner of Agriculture to implement a forest development program to:

(1) Provide financial assistance to eligible landowners to increase the productivity of the privately owned forests of the State through the application of forest renewal practices and other practices that improve tree growth and overall forest health.

(2) Insure that forest operations in the State are conducted in a manner designed to protect the soil, air, and water resources, including but not limited to streams, lakes and estuaries through actions of landowners on lands for which assistance is sought under provisions in this Article.

(3) Implement a program of voluntary landowner participation through the use of a forest development fund to meet the above goals.

(c) It is the intent of the General Assembly that in implementing the program under this Article, the ~~Secretary~~ Commissioner will cause it to be coordinated with other related programs in such a manner as to encourage the utilization of private agencies, firms and individuals

furnishing services and materials needed in the application of practices included in the forest development program.

"§ 106-957. Definitions.

As used in this Article:

(1) "Approved forest management plan" means the forest management plan submitted by the eligible landowner and approved by the ~~Secretary.~~Commissioner. Such plan shall include forest management practices to insure both maximum forest productivity and environmental protection of the lands to be treated under the management plan.

(2) "Approved practices"' mean those silvicultural practices approved by the Secretary for the purpose of commercially growing timber through the establishment of forest stands, of insuring the proper regeneration of forest stands to commercial production levels following the harvest of mature timber, or of insuring maximum growth potential of forest stands to commercial production levels. Such practices shall include those required to accomplish site preparation, natural and artificial forestation, noncommercial removal of residual stands for silvicultural purposes, cultivation of established young growth of desirable trees for silvicultural purposes, and improvement of immature forest stands for silvicultural purposes. In each case, approved practices will be determined by the needs of the individual forest stand. These practices shall include existing practices and such practices as are developed in the future to insure both maximum forest productivity and environmental protection.

(2a) "Commissioner" means the Commissioner of Agriculture.

(3) "Department" means the Department of ~~Environment and Natural Resources.~~Agriculture and Consumer Services.

(3a) "Eligible land" means land owned by an eligible landowner.

(4) "Eligible landowner" means a private individual, group, association or corporation owning land suitable for forestry purposes. Where forest land is owned jointly by more than one individual, group, association or corporation, as tenants in common, tenants by the entirety, or otherwise, the joint owners shall be considered, for the purpose of this Article, as one eligible landowner and entitled to receive cost-sharing payments as provided herein only once during each fiscal year.

(5) Recodified as § 113A-178(3a).

(6) "Forest development assessment" means an assessment on primary forest products from timber severed in North Carolina for the funding of the provisions of this Article, as authorized by the General Assembly.

(7) "Forest development cost-sharing payment" means financial assistance to partially cover the costs of implementing approved practices in such amounts as the ~~Secretary~~ Commissioner shall determine, subject to the limitations of this Article.

(8) "Forest development fund" means the Forest Development Fund created by ~~G.S. 113A-183.~~G.S. 106-963.

(8a) "Maintain" means to retain the reforested area as forestland for a 10-year period and to comply with the provisions in the approved forest management plan.

~~(9) "Secretary" means the Secretary of Environment and Natural Resources.~~

"§ 106-958. Powers and duties.

(a) The ~~Secretary~~ Commissioner shall have the powers and duties to administer the provisions of this Article.

(b) The Department shall serve as the disbursing agency for funds to be expended from and deposited to the credit of the Forest Development Fund.

(c) Subject to the limitations set forth in ~~G.S. 113A-183(d),~~G.S. 106-963(d), the ~~Secretary~~ Commissioner is authorized to employ administrative, clerical and field personnel to support the program created by this Article and to compensate such employees from the Forest Development Fund for services rendered in direct support of the program.

(d) The ~~Secretary~~ Commissioner is authorized to purchase equipment for the implementation of this program from the Forest Development Fund subject to the limitations of

~~G.S. 113A-183(e).~~G.S. 106-963(e). All equipment purchased with these funds will be assigned to and used only for the forest development program, except for emergency use in forest fire suppression and other activities relating to the protection of life or property. The Forest Development Fund will be reimbursed from other program funds for equipment costs incurred during such emergency use.

"§ 106-959. Administration of cost sharing.

The ~~Secretary~~ Commissioner shall have authority to administer the cost sharing provisions of this Article, including but not limited to the following:

(1) Prescribe the manner and requirements of making application for cost sharing funds.

(2) Identify those approved forestry practices as defined in ~~G.S. 113A-178(2)~~G.S. 106-957(2) which shall be approved for cost sharing under the provisions of this Article.

(3) Review periodically the cost of forest development practices and establish allowable ranges for cost sharing purposes for approved practices under varying conditions throughout the State.

(4) Determine, prior to approving forest development cost sharing payments to any landowner, that all proposed practices are appropriate and are comparable in cost to the prevailing cost of those practices in the general area in which the land is located. Should the ~~Secretary~~ Commissioner determine that the submitted cost of any practice is excessive, he shall approve forest development cost sharing payments based upon an allowable cost established under ~~G.S. 113A-180(3).~~G.S. 106-959(3).

(5) Determine, prior to approving forest development cost sharing payments, that an approved forest management plan as defined in ~~G.S. 113A-178(1)~~G.S. 106-957(1) for the eligible land has been filed with the ~~Secretary~~ Commissioner and that the landowner has indicated in writing his intent to comply with the terms of such management plan.

(6) Determine, prior to approving forest development cost sharing payments, that the approved practices for which payment is requested have been completed in a satisfactory manner, conform to the approved forest management plan submitted under ~~G.S. 113A-180(5),~~G.S. 106-959(5), and otherwise meet the requirements of this Article.

(7) Disburse from the Forest Development Fund to eligible landowners cost sharing payments for satisfactory completion of practices provided for by this Article and the ~~Secretary~~ Commissioner shall, insofar as is practicable, disburse the funds from the State's appropriation on a matching basis with the funds generated by the Primary Forest Product Assessment.

"§ 106-960. Cost-share agreements.

(a) In order to receive forest development cost-share payments, an eligible landowner shall enter into a written agreement with the Department describing the eligible land, setting forth the approved practices implemented for the area and covered by the approved forest management plan, and agreeing to maintain those practices for a 10-year period.

(b) In the absence of Vis major or Act of God or other factors beyond the landowner's control, a landowner who fails to maintain the practice or practices for a 10-year period in accordance with the agreement set forth in subsection (a) of this section shall repay to the Fund all cost-sharing funds received for that area.

(c) If the landowner voluntarily relinquishes control or title to the land on which the approved practices have been established, the landowner shall:

(1) Obtain a written statement, or a form approved by the Department, from the new owner or transferee in which the new owner or transferee agrees to maintain the approved practices for the remainder of the 10-year period; or

(2) Repay to the Fund all cost-sharing funds received for implementing the approved practices on the land.

If a written statement is obtained from the new owner or transferee, the original landowner will no longer be responsible for maintaining the approved practices or repaying the cost-sharing funds. The responsibility for maintaining those practices for the remainder of the 10 years shall devolve to the new owner or transferee.

"§ 106-961. Limitation of payments.

(a) An eligible landowner may receive forest development cost sharing payments for satisfactory completion of approved practices as determined by the ~~Secretary;~~Commissioner, except that the ~~Secretary~~ Commissioner shall approve no assistance in an amount exceeding the lesser of (i) a sum equal to sixty percent (60%) of the landowner's actual per acre cost incurred in implementing the approved practice or (ii) a sum equal to sixty percent (60%) of the prevailing per acre cost as determined by the ~~Secretary~~ Commissioner under ~~G.S. 113A-180(3)~~G.S. 106-959(3) for implementing that approved practice.

(b) The maximum amount of forest development cost sharing funds allowed to any landowner in one fiscal year will be the amount required to complete all approved practices on 100 acres of land at the prevailing cost sharing rate established under ~~G.S. 113A-181(a).~~G.S. 106-961(a).

(c) Eligible landowners may not use State cost sharing funds if funds from any federal cost sharing program are used on the same acreage for forestry practices during the same fiscal year.

"§ 106-962. Participation by government political subdivisions.

No governmental agency, federal, State or local, will be eligible for forest development payments under the provision of this Article.

"§ 106-963. Forest Development Fund.

(a) The Forest Development Fund is created in the Department ~~of Environment and Natural Resources~~ as a special fund. Revenue in the Fund does not revert at the end of a fiscal year, and interest and other investment income earned by the Fund accrues to it. The Fund is created to provide revenue to implement this Article. The Fund consists of the following revenue:

(1) Assessments on primary forest products collected under ~~Article 12 of Chapter 113A~~Article 81 of Chapter 106 of the General Statutes.
(2) General Fund appropriations.
(3) Gifts and grants made to the Fund.

(d) In any fiscal year, no more than five percent (5%) of the available funds generated by the Primary Forest Product Processor Assessment Act may be used for program support under the provisions of ~~G.S. 113A-179(c).~~G.S. 106-958(c).

(e) Funds used for the purchase of equipment under the provisions of ~~G.S. 113A-179(d)~~ G.S. 106-958(d) shall be limited to appropriations from the General Fund to the Forest Development Fund designated specifically for equipment purchase."

SECTION 13.25.(ii) Article 12 of Chapter 113A of the General Statutes (G.S. 113A-189, 113A-190, 113A-191, 113A-192, 113A-193, 113A-194, 113A-195, and 113A-196) is recodified as a new Article 81 of Chapter 106 of the General Statutes, G.S. 106-965 through G.S. 106-972.

SECTION 13.25.(jj) Article 81 of Chapter 106 of the General Statutes, as recodified by subsection (ii) of this section, reads as rewritten:

"Article 81.

"Primary Forest Product Assessment Act.

"§ 106-965. Short title.

This Article shall be known as the Primary Forest Product Assessment Act.

"§ 106-966. Statement of purpose.

(a) The purpose of this Article is to create an assessment on primary forest products processed from North Carolina timber to provide a source of funds to finance the forestry operations provided for in the Forest Development Act of 1977.

(b) All assessments levied under the provisions of this Article shall be used only for the purposes specified in ~~G.S. 113A-193(c)~~G.S. 106-969(c) and in the Forest Development ~~Act.~~Act, Article 11 of this Chapter.

"§ 106-967. Definitions.

The following words, terms and phrases hereinafter used for the purpose of this Article are defined as follows:

(1) "Primary forest product" shall include those products of the tree after it is severed from the stump and cut to its first roundwood product for further conversion. These products include but are not limited to whole trees for chipping, whole tree logs, sawlogs, pulpwood, veneer bolts, and posts, poles and piling.

(2) "Processor" shall mean the individual, group, association, or corporation that procures primary forest products at their initial point of concentration for conversion to secondary products or for shipment to others for such conversion.

(3) "Forest Development Fund" shall mean the special fund established by ~~the Forest Development Act of 1977.~~G.S. 106-963.

(4) For the purpose of this Article, the following are not considered "primary forest products":

a. Christmas trees and associated greens;

b. Material harvested from an individual's own land and used on said land for the construction of fences, buildings or other personal use developments;

c. Fuel wood harvested for personal use or use in individual homes.

"§ 106-968. Operation of assessment system.

(a) The General Assembly hereby levies an assessment on all primary forest products harvested from lands within the State of North Carolina.

(b) This assessment shall be at the rates as established in ~~G.S. 113A-194(b)~~G.S. 106-970(b) and the proceeds of such assessment shall be deposited in the Forest Development Fund.

"§ 106-969. Duties.

(a) The Secretary, Department of Revenue, shall:

(1) Develop the necessary administrative procedures to collect the assessment;

(2) Collect the assessment from the primary forest product processors;

(3) Deposit funds collected from the assessment in the Forest Development Fund;

(4) Audit the records of processors to determine compliance with the provisions of this Article.

(b) The ~~Secretary of Environment and Natural Resources~~Commissioner of Agriculture shall:

(1) Provide to the Secretary, Department of Revenue, lists of processors subject to the assessment;

(2) Advise the Secretary, Department of Revenue, of the appropriate methods to convert measurements of primary forest products by other systems to those authorized in this Article;

(3) Establish in November prior to those sessions in which the General Assembly considers the State budget, the estimated total assessment that will be collectible in the next budget period and so inform the General Assembly;

(4) Within 30 days of certification of the State budget, notify the Secretary, Department of Revenue, of the need to collect the assessment for those years covered by the approved budget.

(5) By January 15 of each odd-numbered year, report to the General Assembly on the number of acres reforested, type of owners assisted, geographic distribution of funds, the amount of funds encumbered and other matters. The report shall include the information by forestry district and statewide and shall be for the two fiscal years prior to the date of the report.

(c) The Secretary of Revenue shall be reimbursed for those actual expenditures incurred as a cost of collecting the assessment for the Forest Development Fund. This amount shall be transferred from the Forest Development Fund in equal increments at the end of each quarter of the fiscal year to the Department of Revenue. This amount shall not exceed five percent (5%) of the total assessments collected on primary forest products during the preceding fiscal year.

"§ 106-970. Assessment rates.

(a) The assessment rates shall be based on the following standards:

(1) For primary forest products customarily measured in board feet, the "International 1/4 Inch Log Rule" or equivalent will be used;

(2) For primary forest products customarily measured in cords, the standard cord of 128 cubic feet or equivalent will be used;

(3) For any other type of forest product separated from the soil, the ~~Secretary of Environment and Natural Resources~~Commissioner of Agriculture shall determine a fair unit assessment rate, based on the cubic foot volume of one

thousand foot board measure, International 1/4 Inch Log Rule or one standard cord, 128 cubic feet.

(b) The assessment levied on primary forest products shall be at the following rates:

(1) Fifty cents (50¢) per thousand board feet for softwood sawtimber, veneer logs and bolts, and all other softwood products normally measured in board feet;

(2) Forty cents (40¢) per thousand board feet for hardwood and bald cypress sawtimber, veneer, and all other hardwood and bald cypress products normally measured in board feet;

(3) Twenty cents (20¢) per cord for softwood pulpwood and other softwood products normally measured in cords;

(4) Twelve cents (12¢) per cord for hardwood pulpwood and other hardwood and bald cypress products normally measured in 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.

"**§ 106-971. Collection of assessment.**

(a) The assessment shall be levied against the processor of the primary forest product.

(b) The assessment shall be submitted on a quarterly basis of the State's fiscal year due and payable the last day of the month following the end of each quarter.

(c) The assessment shall be remitted to the Secretary, Department of Revenue, by check or money order, with such production reports as may be required by said Secretary.

(d) The processor shall maintain for a period of three fiscal years and make available to the Secretary, Department of Revenue, such production records necessary to verify proper reporting and payment of revenue due the Forest Development Fund.

(e) The production reports of the various processors shall be used only for assessment purposes. Production information will not be made a part of the public record on an individual processor basis.

(f) Any official or employee of the State who discloses information obtained from a production report, except as may be necessary for administration and collection of the assessment, or in the performance of official duties, or in administration or judicial proceedings related to the levy or collection of the assessment, shall be guilty of a Class 3 misdemeanor punishable only by a fine not to exceed fifty dollars ($50.00).

"**§ 106-972. Enforcement of collection.**

The Secretary of Revenue shall enforce collection of the primary forest product assessment in accordance with the remedies and procedures contained in Article 9 of Chapter 105 of the General Statutes."

SECTION 13.25.(kk) G.S. 1-339.17(c1) reads as rewritten:

"(c1) When the public sale is a sale of timber by sealed bid, the notice shall also be given in writing, not less than 21 days before the date on which bids are opened, to a reasonable number of prospective timber buyers, which in all cases shall include the timber buyers listed in the office of the Division of Forest Resources <u>of the Department of Agriculture and Consumer Services</u> for the county or counties in which the timber to be sold is located."

SECTION 13.25.(ll) G.S. 20-81.12(b35) reads as rewritten:

"(b35) First in Forestry. – The Division must receive 300 or more applications for the First in Forestry plate before the plate may be developed. The Division shall transfer quarterly one-half of the money in the Collegiate and Cultural Attraction Plate Account derived from the sale of the First in Forestry plates to the Division of Forest Resources <u>of the Department of Agriculture and Consumer Services</u> for a State forests and forestry education program and shall transfer quarterly one-half of the money in the Collegiate and Cultural Attraction Plate Account derived from the sale of the First in Forestry plates to the Forest Education and Conservation Foundation for their programs."

SECTION 13.25.(mm) G.S. 97-2(2) reads as rewritten:

"(2) Employee. – The term "employee" means every person engaged in an employment under any appointment or contract of hire or apprenticeship, express or implied, oral or written, including aliens, and also minors, whether lawfully or unlawfully employed, but excluding persons whose employment is both casual and not in the course of the trade, business,

profession, or occupation of his employer, and as relating to those so employed by the State, the term "employee" shall include all officers and employees of the State, including such as are elected by the people, or by the General Assembly, or appointed by the Governor to serve on a per diem, part-time or fee basis, either with or without the confirmation of the Senate; as relating to municipal corporations and political subdivisions of the State, the term "employee" shall include all officers and employees thereof, including such as are elected by the people. The term "employee" shall include members of the North Carolina National Guard while on State active duty under orders of the Governor and members of the North Carolina State Defense Militia while on State active duty under orders of the Governor. The term "employee" shall include deputy sheriffs and all persons acting in the capacity of deputy sheriffs, whether appointed by the sheriff or by the governing body of the county and whether serving on a fee basis or on a salary basis, or whether deputy sheriffs serving upon a full-time basis or a part-time basis, and including deputy sheriffs appointed to serve in an emergency, but as to those so appointed, only during the continuation of the emergency. The sheriff shall furnish to the board of county commissioners a complete list of all deputy sheriffs named or appointed by him immediately after their appointment and notify the board of commissioners of any changes made therein promptly after such changes are made. Any reference to an employee who has been injured shall, when the employee is dead, include also his legal representative, dependents, and other persons to whom compensation may be payable: Provided, further, that any employee, as herein defined, of a municipality, county, or of the State of North Carolina, while engaged in the discharge of his official duty outside the jurisdictional or territorial limits of the municipality, county, or the State of North Carolina and while acting pursuant to authorization or instruction from any superior officer, shall have the same rights under this Article as if such duty or activity were performed within the territorial boundary limits of his employer.

Every executive officer elected or appointed and empowered in accordance with the charter and bylaws of a corporation shall be considered as an employee of such corporation under this Article.

Any such executive officer of a corporation may, notwithstanding any other provision of this Article, be exempt from the coverage of the corporation's insurance contract by such corporation's specifically excluding such executive officer in such contract of insurance, and the exclusion to remove such executive officer from the coverage shall continue for the period such contract of insurance is in effect, and during such period such executive officers thus exempted from the coverage of the insurance contract shall not be employees of such corporation under this Article.

All county agricultural extension service employees who do not receive official federal appointments as employees of the United States Department of Agriculture and who are field faculty members with professional rank as designated in the memorandum of understanding between the North Carolina Agricultural Extension Service, North Carolina State University, A & T State University, and the boards of county commissioners shall be deemed to be employees of the State of North Carolina. All other county agricultural extension service employees paid from State or county funds shall be deemed to be employees of the county board of commissioners in the county in which the employee is employed for purposes of workers' compensation.

The term "employee" shall also include members of the Civil Air Patrol currently certified pursuant to G.S. 143B-491(a) when performing duties in the course and scope of a State-approved mission pursuant to Article 11 of Chapter 143B of the General Statutes.

"Employee" shall not include any person performing voluntary service as a ski patrolman who receives no compensation for such services other than

meals or lodging or the use of ski tow or ski lift facilities or any combination thereof.

Any sole proprietor or partner of a business or any member of a limited liability company may elect to be included as an employee under the workers' compensation coverage of such business if he is actively engaged in the operation of the business and if the insurer is notified of his election to be so included. Any such sole proprietor or partner or member of a limited liability company shall, upon such election, be entitled to employee benefits and be subject to employee responsibilities prescribed in this Article.

"Employee" shall include an authorized pickup firefighter of the Division of Forest Resources of the Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services when that individual is engaged in emergency fire suppression activities for the Division of Forest Resources. As used in this section, "authorized pickup firefighter" means an individual who has completed required fire suppression training as a wildland firefighter and who is available as needed by the Division of Forest Resources for emergency fire suppression activities, including immediate dispatch to wildfires and standby for initial attack on fires during periods of high fire danger.

It shall be a rebuttable presumption that the term "employee" shall not include any person performing services in the sale of newspapers or magazines to ultimate consumers under an arrangement whereby the newspapers or magazines are to be sold by that person at a fixed price and the person's compensation is based on the retention of the excess of the fixed price over the amount at which the newspapers or magazines are charged to the person."

SECTION 13.25.(nn) G.S. 105-259(b)(41) reads as rewritten:

"(41) To furnish the Division of Forest Resources of the Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services 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."

SECTION 13.25.(oo) G.S. 105-277.7(a)(2) reads as rewritten:

"(2) A representative of the Division of Forest Resources of the Department of ~~Environment and Natural Resources,~~Agriculture and Consumer Services, designated by the Director of that Division."

SECTION 13.25.(pp) G.S. 105-296(j) reads as rewritten:

"(j) The assessor must annually review at least one eighth of the parcels in the county classified for taxation at present-use value to verify that these parcels qualify for the classification. By this method, the assessor must review the eligibility of all parcels classified for taxation at present-use value in an eight-year period. The period of the review process is based on the average of the preceding three years' data. The assessor may request assistance from the Farm Service Agency, the Cooperative Extension Service, the Division of Forest Resources of the Department of ~~Environment and Natural Resources,~~Agriculture and Consumer Services, or other similar organizations.

The assessor may require the owner of classified property to submit any information, including sound management plans for forestland, needed by the assessor to verify that the property continues to qualify for present-use value taxation. The owner has 60 days from the date a written request for the information is made to submit the information to the assessor. If the assessor determines the owner failed to make the information requested available in the time required without good cause, the property loses its present-use value classification and the property's deferred taxes become due and payable as provided in G.S. 105-277.4(c). If the property loses its present-use value classification for failure to provide the requested information, the assessor must reinstate the property's present-use value classification when the owner submits the requested information within 60 days after the disqualification unless the information discloses that the property no longer qualifies for present-use value classification. When a property's present-use value classification is reinstated, it is reinstated retroactive to the date the classification was revoked and any deferred taxes that were paid as a result of the

revocation must be refunded to the property owner. The owner may appeal the final decision of the assessor to the county board of equalization and review as provided in G.S. 105-277.4(b1).

In determining whether property is operating under a sound management program, the assessor must consider any weather conditions or other acts of nature that prevent the growing or harvesting of crops or the realization of income from cattle, swine, or poultry operations. The assessor must also allow the property owner to submit additional information before making this determination."

SECTION 13.25.(qq) G.S. 106-202.14(b)(3) reads as rewritten:

"(3) The Division of Forest Resources, Department of ~~Environment and Natural Resources;~~Agriculture and Consumer Services;".

SECTION 13.25.(rr) G.S. 113-291.10(a)(3) reads as rewritten:

"(3) The Director of the Division of Forest Resources of the Department of ~~Environment and Natural Resources,~~Agriculture and Consumer Services, or a designee;"

SECTION 13.25.(ss) G.S. 143-166.2(d) reads as rewritten:

"(d) The term "law-enforcement officer", "officer", or "fireman" shall mean a sheriff and all law-enforcement officers employed full-time, permanent part-time, or temporarily by a sheriff, the State of North Carolina or any county or municipality thereof, whether paid or unpaid; and all full-time custodial employees and probation and parole officers of the North Carolina Department of Correction; and all full time institutional and full-time, permanent part-time, and temporary detention employees of the Department of Juvenile Justice and Delinquency Prevention and full-time, permanent part-time, and temporary detention officers employed by any sheriff, county or municipality, whether paid or unpaid. The term "firemen" shall mean both "eligible firemen" as defined in G.S. 58-86-25 and all full-time, permanent part-time and temporary employees of the ~~North Carolina~~ Division of Forest Resources, Department of ~~Environment and Natural Resources,~~Agriculture and Consumer Services, during the time they are actively engaged in fire-fighting activities; and shall mean all full-time employees of the North Carolina Department of Insurance during the time they are actively engaged in fire-fighting activities, during the time they are training fire fighters or rescue squad workers, and during the time they are engaged in activities as members of the State Emergency Response Team, when the Team has been activated; and shall mean all otherwise eligible persons who, while actively engaged as firefighters or rescue squad workers, are acting in the capacity of a fire or rescue instructor outside their own department or squad. The term "rescue squad worker" shall mean a person who is dedicated to the purpose of alleviating human suffering and assisting anyone who is in difficulty or who is injured or becomes suddenly ill by providing the proper and efficient care or emergency medical services. In addition, this person must belong to an organized rescue squad which is eligible for membership in the North Carolina Association of Rescue Squads, Inc., and the person must have attended a minimum of 36 hours of training and meetings in the last calendar year. Each rescue squad belonging to the North Carolina Association of Rescue Squads, Inc., must file a roster of those members meeting the above requirements with the State Treasurer on or about January 1 of each year, and this roster must be certified to by the secretary of said association. In addition, the term "rescue squad worker" shall mean a member of an ambulance service certified by the Department of Health and Human Services pursuant to Article 7 of Chapter 131E of the General Statutes. The Department of Health and Human Services shall furnish a list of ambulance service members to the State Treasurer on or about January 1 of each year. The term "Civil Air Patrol members" shall mean those senior members of the North Carolina Wing-Civil Air Patrol 18 years of age or older and currently certified pursuant to G.S. 143B-491(a). The term "fireman" shall also mean county fire marshals when engaged in the performance of their county duties. The term "rescue squad worker" shall also mean county emergency services coordinators when engaged in the performance of their county duties."

SECTION 13.25.(tt) G.S. 143-166.7 reads as rewritten:

"**§ 143-166.7. Applicability of Article.**

The provisions of this Article shall apply and be in full force and effect with respect to any law-enforcement officer, fireman, rescue squad worker or senior Civil Air Patrol member killed in the line of duty on or after May 13, 1975. The provisions of this Article shall apply with respect to full-time, permanent part-time and temporary employees of ~~North Carolina~~ Division of Forest Resources, Department of ~~Environment and Natural Resources,~~Agriculture and Consumer Services, killed in line of duty on or after July 1, 1975. The provisions of this Article

shall apply to county fire marshals and emergency services coordinators killed in the line of duty on and after July 1, 1988."

SECTION 13.25.(uu) G.S. 143-214.25A(a) reads as rewritten:

"(a) The Division of Water Quality of the Department shall develop a program to train and certify individuals to determine the presence of surface waters that would require the application of rules adopted by the Commission for the protection of riparian buffers. The Division may train and certify employees of the Division as determined by the Director of the Division of Water Quality; employees of units of local government to whom responsibility for the implementation and enforcement of the riparian buffer protection rules is delegated pursuant to G.S. 143-214.23; and Registered Foresters under Chapter 89B of the General Statutes who are employees of the Division of Forest Resources of the Department of Agriculture and Consumer Services as determined by the Director of the Division of Forest Resources. The Director of the Division of Water Quality may review the determinations made by individuals who are certified pursuant to this section, may override a determination made by an individual certified under this section, and, if the Director of the Division of Water Quality determines that an individual is failing to make correct determinations, revoke the certification of that individual."

SECTION 13.25.(vv) G.S. 143-215.74M(d)(11) reads as rewritten:

"(11) The Director of the Division of Forest Resources of the Department of Agriculture and Consumer Services or the Director's designee."

SECTION 13.25.(ww) G.S. 166A-18 reads as rewritten:

"**§ 166A-18. Division of Forest Resources designated as emergency response agency.**

The Division of Forest Resources of the Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services is designated an emergency response agency of the State of North Carolina for purposes of:

(1) Supporting the Division of Emergency Management of the Department of Crime Control and Public Safety in responding to all-risk incidents.
(2) Receipt of any applicable State or federal funding.
(3) Training of other State and local agencies in disaster and emergency management.
(4) Any other disaster and emergency response roles for which the Division has special training or qualifications."

SECTION 13.25.(xx) The Revisor of Statutes shall make the conforming statutory changes necessary to reflect the transfers under this section. The Revisor of Statutes may correct any reference in the General Statutes to the statutes that are recodified by this section and make any other conforming changes necessitated by this section.

SECTION 13.25.(yy) The transfers under this section become effective July 1, 2011, and funds transferred shall be net of any changes enacted by this section.

SECTION 13.25.(zz) Any references in this act to the Division of Forest Resources of the Department of Environment and Natural Resources shall be construed to refer to the Division of Forest Resources of the Department of Agriculture and Consumer Services. Any references in this act to the Forestry Council of the Department of Environment and Natural Resources shall be construed to refer to the Forestry Council of the Department of Agriculture and Consumer Services.

CLEAN WATER MANAGEMENT TRUST FUND

SECTION 13.26.(a) G.S. 113A-253.1 is repealed.

SECTION 13.26.(b) G.S. 113A-253(a) reads as rewritten:

"(a) Fund Established. – The Clean Water Management Trust Fund is established as a special revenue fund. The Fund receives revenue from the following sources and may receive revenue from other sources:

(1) Annual ~~appropriations under G.S. 143-15.3B.~~appropriations.
(2) Scenic River special registration plates under G.S. 20-81.12."

SECTION 13.26.(c) The funds appropriated in this act to the Clean Water Management Trust Fund shall be allocated as follows:

(1) Notwithstanding the provisions of G.S. 113A-253(d), the sum of three million dollars ($3,000,000) shall be used for the 2011-2012 fiscal year and for the 2012-2013 fiscal year for the costs of administering the Clean Water Management Trust Fund, including costs to support the Board of Trustees of

the Clean Water Management Trust Fund and its staff, the operating costs of the Board of Trustees of the Clean Water Management Trust Fund and its staff, and the costs of making debt payments to retire debt as provided under G.S. 113A-253(c);

(2) Notwithstanding the provisions of G.S. 113A-253(c) and G.S. 113A-254, the sum of one million five hundred thousand dollars ($1,500,000) shall be used for the 2011-2012 fiscal year and for the 2012-2013 fiscal year for State matching funds for the Readiness and Environmental Protection Initiative and any other United States Department of Defense program that provides for military buffers and protects the overall military training mission; and

(3) The sum of eight million dollars ($8,000,000) shall be used for the 2011-2012 fiscal year and for the 2012-2013 fiscal year for the costs for wastewater projects, water quality restoration projects, minigrants, conservation easements, and stormwater projects consistent with the provisions of Article 18 of Chapter 113A of the General Statutes.

SECTION 13.26.(d) The funds allocated under subdivision (1) and subdivision (3) of subsection (c) of this section shall not be used for land acquisition; however, the funds allocated under subdivision (3) of subsection (c) of this section may be used to purchase conservation easements. Notwithstanding the provisions of G.S. 113A-253(c) and G.S. 113A-254, the funds allocated under subdivision (2) of subsection (c) of this section may be used for land acquisition.

SECTION 13.26.(e) Any funds that become available to the Clean Water Management Trust Fund during the 2011-2012 fiscal year and the 2012-2013 fiscal year that are in excess of the funds allocated under subsection (c) of this section for that fiscal year shall be used as provided in subdivision (1) and subdivision (3) of subsection (c) of this section.

NEW FUNDING SOURCE FOR WILDLIFE RESOURCE COMMISSION OPERATING BUDGET

SECTION 13.27.(a) G.S. 105-164.44B is repealed.

SECTION 13.27.(b) The Office of State Budget and Management, the State Controller, and the Wildlife Resources Commission shall jointly effectuate, beginning with the Wildlife Resources Commission's operating budget for the 2011-2012 fiscal year, the transition from the Wildlife Resources Commission receiving sales tax proceeds to fund its operating budget to the Wildlife Resources Commission receiving an appropriation of sixteen million dollars ($16,000,000) from the General Fund to fund its operating budget.

ANNUAL REPORT TO GOV OPS ON WILDLIFE RESOURCES FUND EXPENDITURES

SECTION 13.28.(a) G.S. 143-250 reads as rewritten:

"**§ 143-250. Wildlife Resources Fund.**

All moneys in the game and fish fund or any similar State fund when this Article becomes effective shall be credited forthwith to a special fund in the office of the State Treasurer, and the State Treasurer shall deposit all such moneys in said special fund, which shall be known as the Wildlife Resources Fund.

All unexpended appropriations made to the Department of Conservation and Development, the Board of Conservation and Development, the Division of Game and Inland Fisheries or to any other State agency for any purpose pertaining to wildlife and wildlife resources shall also be transferred to the Wildlife Resources Fund.

Except as otherwise specifically provided by law, all moneys derived from hunting, fishing, trapping, and related license fees, exclusive of commercial fishing license fees, including the income received and accruing from the investment of license revenues, and all funds thereafter received from whatever sources shall be deposited to the credit of the Wildlife Resources Fund and made available to the Commission until expended subject to the provisions of this Article. License revenues include the proceeds from the sale of hunting, fishing, trapping, and related licenses, from the sale, lease, rental, or other granting of rights to real or personal property acquired or produced with license revenues, and from federal aid project reimbursements to the extent that license revenues originally funded the project for which the reimbursement is being made. For purposes of this section, real property includes lands, buildings, minerals, energy resources, timber, grazing rights, and animal products. Personal property includes equipment,

vehicles, machines, tools, and annual crops. The Wildlife Resources Fund herein created shall be subject to the provisions of the State Budget Act, Chapter 143C of the General Statutes of North Carolina as amended, and the provisions of the General Statutes of North Carolina as amended, and the provisions of the Personnel Act, Chapter 143, Article 2 of the General Statutes of North Carolina as amended.

All moneys credited to the Wildlife Resources Fund shall be made available to carry out the intent and purposes of this Article in accordance with plans approved by the North Carolina Wildlife Resources Commission, and all such funds are hereby appropriated, reserved, set aside and made available until expended, for the enforcement and administration of this Article, Chapter 75A, Article 1, and Chapter 113, Subchapter IV of the General Statutes of North Carolina. ~~The~~ No later than October 1 of each year, the Wildlife Resources Commission shall report to the Joint Legislative Commission on Governmental Operations ~~before expending from the Wildlife Resources Fund more than the amount authorized in the budget enacted by the General Assembly for the fiscal period.~~ on the expenditures from the Wildlife Resources Fund during the fiscal year that ended the previous July 1 of that year and on the planned expenditures for the current fiscal year.

In the event any uncertainty should arise as to the funds to be turned over to the North Carolina Wildlife Resources Commission the Governor shall have full power and authority to determine the matter and his recommendation shall be final and binding to all parties concerned."

SECTION 13.28.(b) The first report required under G.S. 143-250, as amended by subsection (a) of this section, is due no later than October 1, 2011.

ANNUAL APPROPRIATIONS FOR BEAVER DAMAGE CONTROL PROGRAM FROM FUNDS AVAILABLE TO THE WILDLIFE RESOURCES COMMISSION

SECTION 13.29. 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)~~ Funds, as appropriated for this program each fiscal year of the ~~biennium~~ 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

NER BLOCK GRANTS

SECTION 14.1.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2012, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01.	State Administration	$ 1,000,000
02.	State Technical Assistance	450,000
03.	Scattered Site Housing	8,000,000
04.	Economic Development	7,210,000
05.	Small Business/Entrepreneurship	3,000,000
06.	NC Catalyst	5,000,000
07.	Infrastructure	19,740,000
08.	Capacity Building	600,000

TOTAL COMMUNITY DEVELOPMENT
BLOCK GRANT – 2012 Program Year $ 45,000,000

SECTION 14.1.(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 14.1.(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 14.1.(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 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 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; up to five million dollars ($5,000,000) shall be used for NC Catalyst; up to nineteen million seven hundred forty thousand dollars ($19,740,000) may be used for Infrastructure; up to 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 14.1.(e) 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 14.1.(f) By September 1, 2011, 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. The report shall include the following:

(1) A discussion of each of the categories of funding and how the categories were selected, including information on how a determination was made that there was a statewide need in each of the categories.

(2) Information on the number of applications that were received in each category and the total dollar amount requested in each category.

(3) A list of grantees, including the grantee's name, county, category under which the grant was funded, the amount awarded, and a narrative description of the project.

SECTION 14.1.(g) For purposes of this section, eligible activities under the category of Infrastructure in subsection (a) of this section are limited to the installation of public water or sewer lines and improvements to water or sewer treatment plants that have specific problems such as being under moratoriums or special orders of consent.

Notwithstanding the provisions of subsection (e) of this section, funds allocated to the Infrastructure category in subsection (a) of this section shall not be reallocated to any other category.

ONE NORTH CAROLINA FUND

SECTION 14.2.(a) Of the funds appropriated in this act to the One North Carolina Fund for the 2011-2012 fiscal year, the Department of Commerce may use up to two hundred fifty thousand dollars ($250,000) to cover its expenses in administering the One North Carolina Fund and other economic development incentive grant programs during the 2011-2012 fiscal year. The Department of Commerce shall not use more than two hundred fifty thousand dollars ($250,000) for administrative costs in any one fiscal year.

SECTION 14.2.(b) G.S. 143B-437.07 reads as rewritten:

"**§ 143B-437.07. Economic development grant reporting.**

(a) Report. – The Department of Commerce must publish on or before March 1 of each year the ~~following information,~~ information required by this subsection, itemized by business entity, ~~for all grant programs administered by the Department that disbursed or awarded grant monies to businesses during the previous calendar year:~~for each business or joint private venture to which the State has, in whole or in part, granted one or more economic development incentives during the previous five calendar years. The Department must provide the General Assembly with updated supplemental information consistent with this subsection on a quarterly basis in the form and manner requested by the General Assembly. The information in the report must include all of the following:

~~(1) The amount of grant monies awarded during the previous year.~~

~~(2) The amount of grant monies disbursed during the previous year.~~

~~(3) The amount of grant monies that were disbursed in earlier years to business entities that received grant monies during the previous year.~~

~~(4) The amount of potential future liability under the grant program.~~

~~(5) The number, type, and wage level of jobs created or retained during the previous year as a result of a grant.~~

~~(6) A description of any other financial assistance received during the previous year from all economic development incentive programs administered by the Department.~~

~~(7) Any amount recaptured from the business entity during the previous year for failure to comply with the grant agreement or applicable law.~~

(1) A unique project identification number and a unique descriptor or title.

(2) The date of the award agreement.

(3) The name, mailing address, telephone number, and Web site of the business recipient, or recipients if a joint venture, and the physical location of the site receiving the incentive. If the physical location of the site is undecided, then the name of the county in which the site will be located.

(4) The development tier designation of the county in which the site is located on the date the incentive is awarded.

(5) The NAICS six-digit code and NAICS category of business receiving the incentive. The term 'NAICS' has the same meaning as defined in G.S. 105-164.3.

(6) The sources and dollar value of eligible State incentives by program name.

(7) The sources and dollar value of local government funds provided by any locality and the nature of the local funding. Examples of the nature of local funding include cash, fee-waivers, in-kind services, and donation of land, buildings, or other assets.

(8) The intended use of the incentive by any category or categories to which State law restricts or limits uses of incentive funds. If the use of the incentive funds is not restricted, then the intended purpose of the funds.

(9) The amount of incentive monies disbursed taken during the period.

(10) The amount of potential future liability under the applicable incentive program.

(11) The number, type, and wage level of jobs required to be created or retained to receive a disbursement of incentive monies.

(12) The actual full-time equivalent jobs employed by the recipient during the period.

(13) The projected cost per job created or retained, including State and local funds.

(14) Any amount recaptured from the business entity during the period for failure to satisfy the terms of the grant agreement.

(b) Online Posting. – The Department of Commerce must post on its Internet Web site a summary of the report compiled in subsection (a) of this section. The summary report must include the information required by subdivisions (2), (9), (11), and (12) of subsection (a) of this section.

(c) Economic Development Incentive. – An economic development incentive includes any grant program administered by the Department of Commerce that disburses or awards monies to businesses. Examples of these grant programs include the Job Development Investment Grant Program, the Job Maintenance and Capital Development Fund, One North Carolina Fund, and the Industrial Development Fund, including the Utility Account. The State also incents economic development through the use of tax expenditures in the form of tax credits and refunds. The Department of Revenue must report annually on these statutory economic development incentives, as required under G.S. 105-256."

SECTION 14.2.(c) Notwithstanding G.S. 143B-437.07, as amended by this act, the Department of Commerce is not required to include information in its annual report relating to economic development incentives provided by local governments prior to July 1, 2011.

EXTEND DEADLINE FOR TWENTY PERCENT REDUCTION ON PETROLEUM PRODUCTS USE FOR STATE FLEETS/CLARIFY REPORTING REQUIREMENT

SECTION 14.2B.(a) Section 19.5(a) of S.L. 2005-276, as amended by Section 14.14(a) of S.L. 2009-451, reads as rewritten:

"**SECTION 19.5.(a)** All State agencies, universities, and community colleges that have State-owned vehicle fleets shall develop and implement plans to improve the State's use of alternative fuels, synthetic lubricants, and efficient vehicles. The plans shall achieve a twenty percent (20%) reduction or displacement of the current petroleum products consumed by ~~July 1, 2011.~~July 1, 2016. Before implementation of any plan, all affected agencies shall report their plan to the State Energy Office within the Department of Commerce. The State Energy Office shall compile a report on the plans submitted and report to the Joint Legislative Commission on Governmental Operations. Agencies shall implement their plans by January 1, 2006. Reductions may be met by petroleum or oils displaced through the use of biodiesel, ethanol, synthetic oils or lubricants, other alternative fuels, the use of hybrid electric vehicles, other fuel-efficient or low-emission vehicles, or additional methods as may be approved by the State Energy Office, thereby reducing the amount of harmful emissions. The plan shall not impede mission fulfillment of the agency and shall specifically address a long-term cost-benefit analysis, allowances for changes in vehicle usage, total miles driven, and exceptions due to technology, budgetary limitations, and emergencies."

SECTION 14.2B.(b) Section 19.5(c) of S.L. 2005-276, as amended by Section 14.14(b) of S.L. 2009-451, reads as rewritten:

"**SECTION 19.5.(c)** Agencies shall report by September 1, 2006, and annually thereafter through ~~September 1, 2011,~~September 1, 2016, to the State Energy Office within the Department of Commerce on the efforts undertaken to achieve the reductions. The State Energy Office shall compile and forward a report to the Joint Legislative Commission on Governmental Operations by November 1, 2006, and annually thereafter through ~~November 1, 2011,~~November 1, 2016, on the agencies' progress in meeting their plans."

STATUS OF TRAVEL AND TOURISM INDUSTRY IN NC/ANNUAL REPORT

SECTION 14.3. G.S. 143B-434.2(d) reads as rewritten:

"(d) The Department of Commerce, and the Division of Tourism, Film, and Sports Development within that Department, shall implement the policies set forth in this section. The Division of Tourism, Film, and Sports Development shall make an annual report to the General Assembly regarding the status of the travel and tourism industry in North Carolina; the report shall be submitted to the General Assembly by ~~January 15~~October 15 of each year beginning ~~January 15, 1992.~~October 15, 2011. The duties and responsibilities of the Department of Commerce through the Division of Tourism, Film, and Sports Development shall be to:

...."

WINE AND GRAPE GROWERS COUNCIL ELIMINATED

SECTION 14.3B. Part 2J of Article 10 of Chapter 143B of the General Statutes is repealed.

21ST CENTURY COMMUNITIES PROGRAM ELIMINATED/CONFORMING CHANGES

SECTION 14.3C. Part 2K of Article 10 of Chapter 143B of the General Statutes reads as rewritten:

"Part 2K. North Carolina Certified Retirement Community Program.

"**§ 143B-437.100. North Carolina Certified Retirement Community Program – creation; powers and duties.**

(a) Program. – There is established the North Carolina Certified Retirement Community Program as part of the ~~21st Century Communities program of the~~ North Carolina Department of Commerce. The Department shall coordinate the development and planning of the North Carolina Certified Retirement Community Program with other State and local groups interested in participating in and promoting the North Carolina Certified Retirement Community Program. The Department shall adopt administrative rules to implement the provisions of this Part. For purposes of this Part, "Department" means the North Carolina Department of Commerce, and "Program" means the North Carolina Certified Retirement Community Program.

(b) Purpose. – The purpose of the Program is to encourage retirees and those planning to retire to make their homes in North Carolina. In order to further this purpose, the Department shall engage in the following activities:

(1) Promote the State as a retirement destination to retirees and those persons and families who are planning retirement both in and outside of North Carolina.

(2) Assist North Carolina communities in their efforts to market themselves as retirement locations and to develop communities that retirees would find attractive for a retirement lifestyle.

(3) Assist in the development of retirement communities and continuing care facilities under Article 64 of Chapter 58 of the General Statutes in order to promote economic development and a potential workforce to enrich North Carolina communities.

(4) Encourage mature market travel and tourism to North Carolina to evaluate future retirement desirability and to visit those who have chosen to retire in North Carolina.

(c) Factors. – The Department shall identify factors that are of interest to retirees or potential retirees in order to inform them of the benefits of living in North Carolina. These factors shall be used to develop a scoring system to determine whether an applicant will qualify as a North Carolina certified retirement community and may include the following:

(1) North Carolina's State and local tax structure.
(2) Housing opportunities and cost.
(3) Climate.
(4) Personal safety.
(5) Working opportunities.
(6) Health care and continuing care services.
(7) Transportation.
(8) Continuing education.
(9) Leisure living.
(10) Recreation.
(11) The performing arts.
(12) Festivals and events.
(13) Sports.
(14) Other services and facilities necessary to enable persons to age in the community with a minimum of restrictions.

(d) Certification. – The Department shall establish criteria for qualifying as a North Carolina certified retirement community. To be eligible to obtain certification as a North

Carolina certified retirement community, the community shall meet each of the following requirements:

(1) Be located within 30 miles of a hospital and of emergency medical services.

(2) Take steps to gain the support of churches, clubs, businesses, media, and other entities whose participation will increase the Program's success in attracting retirees or potential retirees.

(3) Establish a retiree attraction committee. The retiree attraction committee shall fulfill or create subcommittees to fulfill each of the following:

a. Conduct a retiree desirability assessment analyzing the community with respect to each of the factors identified by the Department and submit a report of the analysis to the Department.

b. Send a representative of the retirement attraction committee to attend State training meetings conducted by the ~~21st Century Communities program~~ Department during the certification process.

c. Raise funds necessary to run the Program, organize special events, and promote and coordinate the Program with local entities.

d. Establish a community image, evaluate target markets, and develop a marketing and public relations plan designed to accomplish the purpose of the Program.

e. Develop a system that identifies and makes contact with existing and prospective retirees, that provides tour guides when prospects visit the community, and that responds to inquiries, logs contacts made, invites prospects to special community events, and maintains continual contact with prospects until the prospect makes a retirement location decision.

(4) Remit an application fee to the ~~21st Century Communities program~~Department equal to the greater of ten thousand dollars ($10,000) or the product of fifty cents (50¢) multiplied by the population of the community, as determined by the most recent census.

(5) Submit the completed marketing and public relations plan designed to accomplish the purpose of the Program to the Department.

(6) Submit a long-term plan outlining the steps the community will undertake to maintain or improve its desirability as a destination for retirees, including corrections to any services or facilities identified in the retiree desirability assessment.

"§ 143B-437.101. North Carolina Certified Retirement Community Program – administration.

(a) Administration and Support. – Upon being certified as a North Carolina certified retirement community, the ~~21st Century Communities program~~Department shall provide the following assistance to the community:

(1) Assistance in the training of local Program staff and volunteers.

(2) Ongoing oversight and guidance in marketing and updating on national retirement trends.

(3) Inclusion in the State's national advertising and public relations campaigns and travel show promotions, including a prominent feature on the Department's Web site.

(4) Eligibility for State financial assistance for brochures, support material, and advertising.

(5) An annual evaluation and progress assessment on maintaining and improving the community's desirability as a home for retirees.

(b) Expiration. – A community's certification under this section expires on the fifth anniversary of the date the initial certification is issued. To be considered for recertification by the ~~21st Century Communities program,~~Department, an applicant community shall submit the following:

(1) A completed new application in accordance with the requirements of this Part.

(2) Data demonstrating the success or failure of the community's efforts to market and promote itself as a desirable location for retirees and potential retirees.

(3) The fee required by G.S. 143B-437.100(d)(4)."

EMPLOYMENT SECURITY COMMISSION FUNDS

SECTION 14.4.(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 2011-2012 fiscal year shall not exceed two million five hundred thousand dollars ($2,500,000).

SECTION 14.4.(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 2011-2012 fiscal year to be used for the following purposes:

(1) $19,500,000 for the operation and support of local Employment Security Commission offices.

(2) $200,000 to operate the system that tracks former participants in State education and training programs.

(3) $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 14.4.(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 2011-2012 fiscal year to fund State initiatives not currently funded through federal grants.

SECTION 14.4.(d) 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 2011-2012 fiscal year to fund "Opportunity NC," which provides work-based training opportunities to recipients of unemployment insurance benefits. Opportunity NC must meet all of the following factors:

(1) The training, even though it includes actual operation of the facilities of the employer, is similar to what would be given in a vocational school or academic educational instruction.

(2) The training is for the benefit of the trainee.

(3) The trainees do not displace regular employees, but work under their close observation.

(4) The employer who provides the training derives no immediate advantage from the activities of the trainees, and, on occasion, the employer's operations may actually be impeded.

(5) The trainees are not necessarily entitled to a job at the conclusion of the training period.

(6) The employer and the trainees understand that the trainees are not entitled to wages for the time spent in training.

SECTION 14.4.(e) 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 Division B 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 million dollars ($100,000,000) 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.

TRANSFER EMPLOYMENT SECURITY COMMISSION TO DEPARTMENT OF COMMERCE

SECTION 14.5. The statutory authority, powers, duties, functions, records, personnel, property, and unexpended balances of appropriations, allocations, or other funds of

the Employment Security Commission are transferred to the Department of Commerce with all of the elements of a Type I transfer as defined by G.S. 143A-6.

EXTEND UNEMPLOYMENT INSURANCE BENEFITS

SECTION 14.5A.(a) G.S. 96-12.01(a1)(4)c. is amended by adding a new sub-sub-subdivision to read:

"3. This section applies as provided under the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312) as it existed on December 17, 2010, and is applicable to compensation for weeks of unemployment beginning after December 17, 2010, and ending on or before December 31, 2011, provided that:

I. The average rate of (i) insured unemployment, not seasonally adjusted, equaled or exceeded one hundred twenty percent (120%) of the average of such rates for the corresponding 13-week period ending in all of the preceding three calendar years and equaled or exceeded five percent (5%) or (ii) total unemployment, seasonally adjusted, as determined by the United States Secretary of Labor, for the period consisting of the most recent three months for which data for all states are published before the close of the week equals or exceeds six and one-half percent (6.5%); and

II. The average rate of total unemployment in this State, seasonally adjusted, as determined by the United States Secretary of Labor, for the three-month period referred to in this subsection, equals or exceeds one hundred ten percent (110%) of the average for any of the corresponding three-month periods ending in the three preceding calendar years."

SECTION 14.5A.(b) G.S. 96-12.01(a1)(4)e. reads as rewritten:

"(4) There is an "on indicator" for this State for a week if the Commission determines, in accordance with the regulations of the United States Secretary of Labor, that for the period consisting of such week and the immediate preceding 12 weeks, the rate of insured unemployment (not seasonally adjusted) under this Chapter:

...

e. Total extended benefit amount.

1. The total extended benefit amount payment to any eligible individual with respect to the applicable benefit year shall be the least of the following amounts:

I. Fifty percent (50%) of the total amount of regular benefits which were payable to the individual under this Chapter in the individual's applicable benefit year; or

II. Thirteen times the individual's weekly benefit amount that was payable to the individual under this Chapter for a week of total unemployment in the applicable benefit year.

2. I. Effective with respect to weeks beginning in a high unemployment period, sub-subdivision e.1. of this subdivision shall be applied by substituting:

A. "Eighty percent (80%)" for "fifty percent (50%)" in sub-subdivision e.1.I., and

B. "Twenty" for "thirteen" in sub-subdivision e.1.II.

II. For purposes of sub-subdivision 2.I., the term "high unemployment period" means any period during

which an extended benefit period would be in effect if sub-subdivision c. of this subdivision were applied by substituting "eight percent (8%)" for six and one-half percent (6.5%)".

3. This subdivision applies as provided under the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312) as it existed on December 17, 2010, and is applicable to compensation for weeks of unemployment beginning after December 17, 2010, and ending on or before December 31, 2011, provided that:

I. The average rate of total unemployment, seasonally adjusted, as determined by the United States Secretary of Labor, for the period consisting of the most recent three months for which data for all states are published before the close of the week equals or exceeds eight percent (8%); and

II. The average rate of total unemployment in this State, seasonally adjusted, as determined by the United States Secretary of Labor, for the three-month period referred to in this subdivision equals or exceeds one hundred ten percent (110%) of the average for any of the corresponding three-month periods ending in the three preceding calendar years."

SECTION 14.5A.(c) The intent of this section is to allow extended benefits to be paid as provided under the Federal Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 so long as the payment of the benefits does not hinder the State's ability to reduce the debt it owes the federal government to pay unemployment benefits. It is not the intent of this section to pay for the extended benefits with contributions paid by employers under Chapter 96 of the North Carolina General Statutes or with contributions paid by employers under the federal payroll tax that would otherwise be used to pay down the amount borrowed from the federal government by the State to pay unemployment benefits. Nothing in this section obligates the State to pay extended benefits provided by this section with contributions payable under Chapter 96 of the General Statutes or with any other State funds. This section is null and void if the payment of the benefits would divert federal payroll tax revenue payable by North Carolina employers that would otherwise be used to pay down the amount borrowed from the federal government by the State to pay unemployment benefits.

SECTION 14.5A.(d) This section becomes effective April 16, 2011, and expires January 1, 2012.

AGRICULTURAL EMPLOYEES/UNEMPLOYMENT INSURANCE

SECTION 14.5B. G.S. 96-8(5)n. reads as rewritten:

"n. With respect to employment on and after January 1, 1978, any person or employing unit who (a) during any calendar quarter in the current calendar year or the preceding calendar year paid wages of ~~twenty thousand dollars ($20,000)~~fifty thousand dollars ($50,000) or more for agricultural labor, or (b) on each of some 20 days during the current or preceding calendar year, each day being in a different calendar week, employed at least 10 individuals in employment in agricultural labor for some portion of the day. Provided, that with respect to agricultural labor performed by a crew on and after January 1, 1978, the crew leader shall be deemed an employer if (1) either of the requirements set forth in the first sentence of this paragraph are met; and (2) the crew members are not employed by another person within the meaning of the first sentence of this paragraph; (3) and if the crew leader holds a valid certificate of registration under the Migrant and Seasonal Agricultural Worker Protection Act; or substantially all the members of the crew operate or maintain tractors, mechanized harvesting or crop dusting equipment, or any other mechanized equipment, which is provided

by the crew leader. For purposes of this paragraph, the term "crew leader" means an individual who (1) furnishes individuals to perform agricultural labor for any other person, (2) pays (either on his behalf or on behalf of such other person) the individuals so furnished by him for the agricultural labor performed by them, and (3) has not entered into a written agreement with such other person under which such individual is designated as an employee of such other person. The farm operator shall be deemed to be the employer of any worker hired by the farm operator; any assignment to work with a crew or under a crew leader notwithstanding. All the workers shall be deemed the employees of the farm operator when the crew leader does not qualify as the employer under the provisions set out in this paragraph."

DEPARTMENT OF COMMERCE/CONTRACTS RELATED TO EMPLOYMENT SECURITY ORGANIZATIONAL REFORM

SECTION 14.5C. Notwithstanding any other provision of law to the contrary, the Department of Commerce may enter into contracts or, as necessary, enter into sole source contracts to timely obtain recommendations to achieve employment security organizational reform recommendations and savings.

TRANSFER STATE PORTS AUTHORITY FROM DEPARTMENT OF COMMERCE TO DEPARTMENT OF TRANSPORTATION

SECTION 14.6.(a) The North Carolina State Ports Authority, as contained in Part 10 of Article 10 of Chapter 143B of the General Statutes, is hereby transferred by a Type II transfer to the Department of Transportation. The North Carolina State Ports Authority shall use the State's budgeting, accounting, and human resources systems and shall comply with laws and policies related to submitting budget requests to the Office of State Budget and Management.

SECTION 14.6.(b) Part 10 of Article 10 of Chapter 143B of the General Statutes is recodified as Article 20 of Chapter 136 of the General Statutes, G.S. 136-260 through G.S. 136-275.

SECTION 14.6.(c) G.S. 120-123 reads as rewritten:

"**§ 120-123. Service by members of the General Assembly on certain boards and commissions.**

No member of the General Assembly may serve on any of the following boards or commissions:

...

(26) The North Carolina State Ports Authority, as established by ~~G.S. 143B-452.~~ G.S. 136-260.

...."

SECTION 14.6.(d) G.S. 143-166.13 reads as rewritten:

"**§ 143-166.13. Persons entitled to benefits under Article.**

(a) The following persons who are subject to the Criminal Justice Training and Standards Act are entitled to benefits under this Article:

...

(15) North Carolina Ports Authority Police, Department of ~~Commerce;~~Transportation;

...."

SECTION 14.6.(e) G.S. 143B-346 reads as rewritten:

"**§ 143B-346. Department of Transportation – purpose and functions.**

The general purpose of the Department of Transportation is to provide for the necessary planning, construction, maintenance, and operation of an integrated statewide transportation system for the economical and safe transportation of people and goods as provided for by law. The Department shall also provide and maintain an accurate register of transportation vehicles as provided by statutes, and the Department shall enforce the laws of this State relating to transportation safety assigned to the Department. The Department of Transportation shall be responsible for all of the transportation functions of the executive branch of the State as provided by law except those functions delegated to the Utilities ~~Commission, the State Ports~~

~~Authority,~~ Commission and the Commissioners of Navigation and Pilotage as provided for by Chapter 76. The major transportation functions include aeronautics, highways, mass transportation, motor vehicles, and transportation safety as provided for by State law. The Department of Transportation shall succeed to all functions vested in the Board of Transportation and the Department of Motor Vehicles on July 1, 1977."

SECTION 14.6.(f) G.S. 143B-431 reads as rewritten:

"**§ 143B-431. Department of Commerce – functions.**

(a) The functions of the Department of Commerce, except as otherwise expressly provided by Article 1 of this Chapter or by the Constitution of North Carolina, shall include:

(1) All of the executive functions of the State in relation to economic development including by way of enumeration and not of limitation, the expansion and recruitment of environmentally sound industry, labor force development, the promotion of and assistance in the orderly development of North Carolina counties and communities, the promotion and growth of the travel and tourism industries, ~~the development of our State's ports,~~and energy resource management and energy policy development;

(2) All functions, powers, duties and obligations heretofore vested in an agency enumerated in Article 15 of Chapter 143A, to wit:

a. The State Board of Alcoholic Control,
b. The North Carolina Utilities Commission,
c. The Employment Security Commission,
d. The North Carolina Industrial Commission,
e. State Banking Commission and the Commissioner of Banks,
f. Savings Institutions Division,
g. Repealed by Session Laws 2001-193, s. 10, effective July 1, 2001.
h. Credit Union Commission,
i. Repealed by Session Laws 2004-199, s. 27(c), effective August 17, 2004.
j. The North Carolina Mutual Burial Association Commission,
k. The North Carolina Rural Electrification Authority,
~~l. The North Carolina State Ports Authority,~~

all of which enumerated agencies are hereby expressly transferred by a Type II transfer, as defined by G.S. 143A-6, to this recreated and reconstituted Department of Commerce; and

(3) All other functions, powers, duties and obligations as are conferred by this Chapter, delegated or assigned by the Governor and conferred by the Constitution and laws of this State. Any agency transferred to the Department of Commerce by a Type II transfer, as defined by G.S. 143A-6, shall have the authority to employ, direct and supervise professional and technical personnel, and such agencies shall not be accountable to the Secretary of Commerce in their exercise of quasi-judicial powers authorized by statute, notwithstanding any other provisions of this ~~Chapter, provided that the authority of the North Carolina State Ports Authority to employ, direct and supervise personnel shall be as provided in Part 10 of this Article.~~Chapter.

...."

SECTION 14.6.(g) G.S. 143B-433 reads as rewritten:

"**§ 143B-433. Department of Commerce – organization.**

The Department of Commerce shall be organized to include:

(1) The following agencies:

a. The North Carolina Alcoholic Beverage Control Commission.
b. The North Carolina Utilities Commission.
c. The Employment Security Commission.
d. The North Carolina Industrial Commission.
e. State Banking Commission.
f. Savings Institutions Division.
g. Repealed by Session Laws 2001-193, s. 11, effective July 1, 2001.
h. Credit Union Commission.

i. Repealed by Session Laws 2004-199, s. 27(d), effective August 17, 2004.
j. The North Carolina Mutual Burial Association Commission.
k. North Carolina Cemetery Commission.
l. The North Carolina Rural Electrification Authority.
m. Repealed by Session Laws 1985, c. 757, s. 179(d).
n. North Carolina Science and Technology Research Center.
~~o. The North Carolina State Ports Authority.~~
p. Repealed by Session Laws 2010-180, s. 7(f), effective August 2, 2010.
q. Economic Development Board.
r. Labor Force Development Council.
s., t. Repealed by Session Laws 2000, c. 140, s. 76.(j), effective September 30, 2000.
u. Navigation and Pilotage Commissions established by Chapter 76 of the General Statutes.
v. Repealed by Session Laws 1993, c. 321, s. 313b.

...."

SECTION 14.6.(h) G.S. 143B-452, recodified as G.S. 136-260 in subsection (b) of this section, reads as rewritten:

"**§ 136-260. Creation of Authority. – membership; appointment, terms and vacancies; officers; meetings and quorum; compensation.**

(a) The North Carolina State Ports Authority is hereby ~~created.~~created within the Department of Transportation and shall be subject to and under the direct supervision of the Secretary of Transportation. It shall be governed by a board composed of nine members and hereby designated as the Authority. Effective July 1, 1983, it shall be governed by a board composed of 11 members and hereby designated as the Authority. The General Assembly suggests and recommends that no person be appointed to the Authority who is domiciled in the district of the North Carolina House of Representatives or the North Carolina Senate in which a State port is located. Members of the North Carolina Board of Transportation may be appointed to the Authority. The Governor shall appoint seven members to the Authority, and the General Assembly shall appoint two members of the Authority. Effective July 1, 1983, the Authority shall consist of seven persons appointed by the Governor, and four persons appointed by the General Assembly. Effective ~~July 1, 1989,~~July 1, 2011, the Governor shall appoint six members to the Authority, in addition to the Secretary of ~~Commerce,~~Transportation, who shall serve as a voting member of the Authority by virtue of his office. The Secretary of ~~Commerce~~ Transportation shall fill the first vacancy occurring after ~~July 1, 1989,~~July 1, 2011, in a position on the Authority over which the Governor has appointive power.

...."

SECTION 14.6.(i) G.S. 146-65 reads as rewritten:

"**§ 146-65. Exemptions from Chapter.**

This Chapter does not apply to any of the following:

(1) The acquisition of highway rights-of-way, borrow pits, or other interests or estates in land acquired for the same or similar purposes, or to the disposition thereof, by the Board of Transportation or the North Carolina Turnpike Authority.
(2) The North Carolina State Ports Authority in exercising its powers under ~~G.S. 143B-452 through G.S. 143B-467.~~G.S. 136-260 through G.S. 136-275."

SECTION 14.6.(j) G.S. 150B-1(d) reads as rewritten:

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

...

(11) The North Carolina State Ports Authority with respect to fees established pursuant to ~~G.S. 143B-454(a)(11).~~G.S. 136-262(a)(11).

...."

SECTION 14.6.(k) The Revisor of Statutes shall make any other conforming statutory changes that are necessary to reflect the transfer under subsection (a) of this section.

STUDY COSTS OF SERVICES PROVIDED BY DEPARTMENT OF COMMERCE TO AGENCIES IN THE DEPARTMENT OF COMMERCE

SECTION 14.7.(a) In consultation with the Fiscal Research Division, the Department of Commerce and the ABC Commission, State Banking Commission, Credit Union Division, Cemetery Commission, Utilities Commission, Utilities Commission Public Staff, and the Rural Electrification Authority shall study the following: (i) the types of services provided by the Department of Commerce to each of the agencies during each fiscal year; and (ii) formulas or methods to be used to determine the costs of the services, including the advantages and disadvantages of each formula or method. The Department of Commerce and each of the agencies shall prepare a joint recommendation as to which formula or method to determine the costs of the services should be used. In addition, the Department of Commerce and each of the agencies shall develop a memorandum of understanding that details the services to be provided by the Department of Commerce during each fiscal year.

SECTION 14.7.(b) By May 1, 2012, the Department of Commerce shall report the results of the study, including formula or method recommendations, required under subsection (a) of this section, to the Senate Appropriations Committee on Natural and Economic Resources, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research Division. By May 1, 2012, the Department of Commerce shall also submit a copy of each memorandum of understanding required under subsection (a) of this section to the Fiscal Research Division.

INDUSTRIAL COMMISSION FEES/COMPUTER SYSTEM REPLACEMENT

SECTION 14.8. 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.

UTILITIES COMMISSION/TERMS OF COMMISSIONERS

SECTION 14.8A.(a) G.S. 62-10 reads as rewritten:

"**§ 62-10. Number; appointment; terms; qualifications; chairman; vacancies; compensation; other employment prohibited.**

(a) The North Carolina Utilities Commission shall consist of seven commissioners who shall be appointed by the Governor subject to confirmation by the General Assembly by joint resolution. The names of commissioners to be appointed by the Governor shall be submitted by the Governor to the General Assembly for confirmation by the General Assembly on or before May 1, of the year in which the terms for which the appointments are to be made are to expire. Upon failure of the Governor to submit names as herein provided, the Lieutenant Governor and Speaker of the House jointly shall submit the names of a like number of commissioners to the General Assembly on or before May 15 of the same year for confirmation by the General Assembly. Regardless of the way in which names of commissioners are submitted, confirmation of commissioners must be accomplished prior to adjournment of the then current session of the General Assembly. This subsection shall be subject to the provisions of subsection (c) of this section.

(b) The terms of the commissioners now serving shall expire at the conclusion of the term for which they were appointed which shall remain as before with two regular eight-year terms expiring on July 1 of each fourth year after July 1, 1965, and the fifth term expiring on July 1 of each eighth year after July 1, 1963. The terms of office of utilities commissioners thereafter shall be ~~eight~~ four years commencing on July 1 of the year in which the predecessor terms expired, and ending on July 1 of the ~~eighth~~ fourth year thereafter.

(c) In order to increase the number of commissioners to seven, the names of two additional commissioners shall be submitted to the General Assembly on or before May 27, 1975, for confirmation by the General Assembly as provided in G.S. 62-10(a). The commissioners so appointed and confirmed shall serve new terms commencing on July 1, 1975,

one of which shall be for a period of two years (with the immediate successor serving for a period of six years), and one of which shall be for a period of two years.

Thereafter, the terms of office of the additional commissioners shall be for ~~eight~~ four years as provided in G.S. 62-10(b).

(d) A commissioner in office shall continue to serve until his successor is duly confirmed and qualified but such holdover shall not affect the expiration date of such succeeding term.

(e) On July 1, 1965, and every four years thereafter, one of the commissioners shall be designated by the Governor to serve as chairman of the Commission for the succeeding four years and until his successor is duly confirmed and qualifies. Upon death or resignation of the commissioner appointed as chairman, the Governor shall designate the chairman from the remaining commissioners and appoint a successor as hereinafter provided to fill the vacancy on the Commission.

(f) In case of death, incapacity, resignation or vacancy for any other reason in the office of any commissioner prior to the expiration of his term of office, the name of his successor shall be submitted by the Governor within four weeks after the vacancy arises to the General Assembly for confirmation by the General Assembly. Upon failure of the Governor to submit the name of the successor, the Lieutenant Governor and Speaker of the House jointly shall submit the name of a successor to the General Assembly within six weeks after the vacancy arises. Regardless of the way in which names of commissioners are submitted, confirmation of commissioners must be accomplished prior to the adjournment of the then current session of the General Assembly.

(g) If a vacancy arises or exists pursuant to either subsection (a) or (c) or (f) of this section when the General Assembly is not in session, and the appointment is deemed urgent by the Governor, the commissioner may be appointed and serve on an interim basis pending confirmation by the General Assembly.

(h) The salary of each commissioner and that of the commissioner designated as chairman shall be set by the General Assembly in the Current Operations Appropriations Act. In lieu of merit and other increment raises paid to regular State employees, each commissioner, including the commissioner designated as chairman, shall receive as longevity pay an amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, and nine and six-tenths percent (9.6%) after 10 years of service. "Service" means service as a member of the Utilities Commission.

(h1) In addition to compensation for their services, each member of the Commission who lives at least 50 miles from the City of Raleigh shall be paid a weekly travel allowance for each week the member travels to the City of Raleigh from the member's home for business of the Commission. The allowance shall be calculated for each member by multiplying the actual round-trip mileage from that member's home to the City of Raleigh by the rate-per-mile which is the business standard mileage rate set by the Internal Revenue Service in Rev. Proc. 93-51, December 27, 1993.

(i) The standards of judicial conduct provided for judges in Article 30 of Chapter 7A of the General Statutes shall apply to members of the Commission. Members of the Commission shall be liable to impeachment for the causes and in the manner provided for judges of the General Court of Justice in Chapter 123 of the General Statutes. Members of the Commission shall not engage in any other employment, business, profession, or vocation while in office.

(j) Except as provided in subsection (h1) of this section, members of the Commission shall be reimbursed for travel and subsistence expenses at the rates allowed to State officers and employees by G.S. 138-6(a)."

SECTION 14.8A.(b) This section becomes effective July 1, 2011, and applies to all vacancies on the Utilities Commission occurring on or after that date.

STATE-AID REPORTING REQUIREMENTS

SECTION 14.10.(a) The North Carolina Association of Community Development Corporations, North Carolina Institute of Minority Economic Development, Inc., FFA Foundation, Ag in the Classroom, Land Loss Prevention Project, North Carolina Minority Support Center, North Carolina Community Development Initiative, Inc., Councils of Government, High Point Market Authority, 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 14.10.(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.

SECTION 14.10.(c) No more than one hundred thousand dollars ($100,000) in State funds shall be used for the annual salary of any one employee of an entity named in subsection (a) of this section.

GRASSROOTS SCIENCE PROGRAM

SECTION 14.11.(a) The Grassroots Science Program within the Department of Environment and Natural Resources is transferred to the Department of Commerce.

SECTION 14.11.(b) Of the funds appropriated in this act to the Department of Commerce for State Aid, the sum of two million eight hundred ninety-nine thousand eight hundred eighty-five dollars ($2,899,885) for the 2011-2012 fiscal year and the sum of two million eight hundred ninety-nine thousand eight hundred eighty-five dollars ($2,899,885) for the 2012-2013 fiscal year is allocated as grants-in-aid for each fiscal year as follows:

	2011-2012	2012-2013
Aurora Fossil Museum	$49,000	$49,000
Cape Fear Museum	$132,125	$132,125
Carolina Raptor Center	$92,050	$92,050
Catawba Science Center	$120,100	$120,100
Colburn Earth Science Museum, Inc.	$61,170	$61,170
Core Sound Waterfowl Museum	$49,000	$49,000
Discovery Place	$543,945	$543,945
Eastern NC Regional Science Center	$49,000	$49,000
Fascinate-U	$66,530	$66,530
Granville County Museum Commission, Inc.–Harris Gallery	$49,000	$49,000
Greensboro Children's Museum	$110,845	$110,845
The Health Adventure Museum of Pack Place Education, Arts and Science Center, Inc.	$127,695	$127,695
Highlands Nature Center	$65,050	$65,050
Imagination Station	$70,600	$70,600
The Iredell Museums, Inc.	$50,310	$50,310
Kidsenses	$66,700	$66,700
Museum of Coastal Carolina	$64,025	$64,025
The Natural Science Center of Greensboro, Inc.	$152,920	$152,920
North Carolina Museum of Life and Science	$311,685	$311,685
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	$59,290	$59,290
Schiele Museum of Natural History and Planetarium, Inc.	$188,370	$188,370
Sci Works Science Center and Environmental Park of Forsyth County	$120,215	$120,215
Sylvan Heights Waterfowl Park and Eco-Center	$49,000	$49,000

Western North Carolina Nature Center	$92,630	$92,630
Wilmington Children's Museum	$60,630	$60,630
Total	$2,899,885	$2,899,885

SECTION 14.11.(c) No later than March 1, 2012, the Department of Commerce 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 2010-2011 fiscal year.
(2) The proposed operating budget for the 2011-2012 fiscal year.
(3) The total attendance at the museum during the 2011 calendar year.

SECTION 14.11.(d) No later than March 1, 2013, the Department of Commerce 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 2011-2012 fiscal year.
(2) The proposed operating budget for the 2012-2013 fiscal year.
(3) The total attendance at the museum during the 2012 calendar year.

SECTION 14.11.(e) 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 2011-2013 fiscal biennium, be submitted for each museum under this section to the Department of Commerce for fiscal years ending between July 1, 2009, and June 30, 2010, 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 14.11.(f) As used in subsection (e) 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.

SECTION 14.11.(g) No more than one hundred thousand dollars ($100,000) in State funds shall be used for the annual salary of any one employee of an entity named in subsection (b) of this section.

WAKE FOREST INSTITUTE FOR REGENERATIVE MEDICINE/PROFIT SHARING WITH STATE

SECTION 14.12.(a) Wake Forest University Health Sciences (hereinafter "Wake Forest") shall reimburse the State for State funds appropriated to the Wake Forest Institute of Regenerative Medicine (hereinafter "Institute") by returning to the State five percent (5%) of

the royalty revenue received by the Institute from inventions arising under those research projects to which State funds were allocated by the Institute, subject to the following:

(1) The total amount to be reimbursed to the State shall be limited to the amount of State funds appropriated to the Institute plus simple interest at the rate of four percent (4%) annually from the time of disbursement until reimbursement commences;

(2) Wake Forest shall be entitled to deduct the expenses reasonably incurred in prosecuting, defending, and enforcing patent rights for the invention, except to the extent the expenses are recovered from a third party, before calculating the amount to be paid to the State;

(3) Calculation of the payments to the State shall be based upon royalty revenue proportionate to the State funds used in the research, with budgets developed consistent with federal research funding accounting guidelines; and

(4) Payments shall be used by the State in a manner consistent with Title 35 of the United States Code, section 202, subdivision (c)(7).

SECTION 14.12.(b) The Institute shall comply with the following reporting requirements:

(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 Institute's annual audited financial statement within 30 days of issuance of the statement.

SECTION 14.12.(c) Remaining allotments after September 1 shall not be released to the Institute if it does not satisfy the reporting requirements provided in subsection (b) of this section.

SECTION 14.12.(d) No more than one hundred thousand dollars ($100,000) in State funds shall be used for the annual salary of any one employee of the Institute.

COUNCIL OF GOVERNMENT FUNDS

SECTION 14.12A.(a) Of the funds appropriated in this act to the Department of Commerce, the sum of three hundred forty-three thousand one hundred eighty-seven dollars ($343,187) for the 2011-2012 fiscal year and the sum of two hundred forty-three thousand one hundred eighty-seven dollars ($243,187) for the 2012-2013 fiscal year shall be used only 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 2011-2012 and the 2012-2013 fiscal years.

SECTION 14.12A.(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 14.12A.(c) Funds allocated by this section shall be paid by electronic transfer in two equal installments each fiscal year. Upon receipt of the report required by subsection (e) of this section, the first installment shall be paid no later than September 15 of each year.

SECTION 14.12A.(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 14.12A.(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.

RTI INTERNATIONAL/REPORTING REQUIREMENTS; USE OF STATE FUNDS

SECTION 14.12B.(a) RTI International 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 14.12B.(b) Remaining allotments after September 1 shall not be released to RTI International if the organization does not satisfy the reporting requirements provided in subsection (a) of this section.

SECTION 14.12B.(c) Funds appropriated in this act to RTI International shall be used to support new research that is conducted in the State of North Carolina. Funds appropriated to RTI International for the 2011-2012 fiscal year that are unexpended and unencumbered as of June 30, 2012, shall revert to the General Fund on June 30, 2012.

SECTION 14.12B.(d) No more than one hundred thousand dollars ($100,000) in State funds shall be used for the annual salary of any one employee of RTI International.

E-NC AUTHORITY TO TRANSFER FEDERAL GRANT FOR BROADBAND MAPPING TO NC CENTER FOR GEOGRAPHIC INFORMATION AND ANALYSIS

SECTION 14.12C. The e-NC Authority shall consult with the National Telecommunications and Information Administration to determine the manner in which an orderly transfer of grant funds awarded to the e-NC Authority under the State Broadband Data and Development grant program may be made to the NC Center for Geographic Information and Analysis. The e-NC Authority and the NC Center for Geographic Information and Analysis shall comply with the requirements of the National Telecommunications and Information Administration to ensure that the grant funds are transferred as quickly and as efficiently as possible to prevent any significant disruption in the North Carolina mapping and planning project currently titled NC BRIM, NC Broadband-Rigor in Mapping.

BIOFUELS CENTER OF NORTH CAROLINA

SECTION 14.14.(a) Of the funds appropriated in this act to the Biofuels Center of North Carolina (Center), the sum of four million dollars ($4,000,000) for each fiscal year in the 2011-2013 biennium shall be allocated as follows:

	2011-2012	2012-2013
General Administration	$897,953	$897,953
Administration – Projects & Program Delivery	$650,767	$650,767
Communications & Public Information	$127,200	$127,200
Grant Program	$1,434,480	$1,434,480
Targeted Projects & Accelerated Initiatives	$889,600	$889,600

SECTION 14.14.(b) The Center shall comply with the following reporting requirements:

(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 Center's annual audited financial statement within 30 days of issuance of the statement.

SECTION 14.14.(c) Remaining allotments after September 1 shall not be released to the Center if it does not satisfy the reporting requirements provided in subsection (b) of this section.

SECTION 14.14.(d) No more than one hundred thousand dollars ($100,000) in State funds shall be used for the annual salary of any one employee of the Center.

NORTH CAROLINA BIOTECHNOLOGY CENTER

SECTION 14.15.(a) Of the funds appropriated in this act to the North Carolina Biotechnology Center (Center), the sum of sixteen million five hundred seventy-six thousand six hundred fifteen dollars ($16,576,615) for each fiscal year in the 2011-2013 biennium shall be allocated as follows:

(1) Job Creation: Ag Biotech Initiative, Economic and Industrial Development, Regional Offices and Statewide Development, and related activities – $3,569,736;

(2) Science and Commercialization: Science and Technology Development, Centers of Innovation, Business and Technology Development, Education and Training, and related activities – $10,729,550; and

(3) Center Operations: Administration, Professional and Technical Assistance and Oversight, Corporate Communications, Human Resource Management, Financial and Grant Administration, Legal, and Accounting – $2,277,329.

SECTION 14.15.(b) Except to provide administrative flexibility, up to ten percent (10%) of each of the allocations in subsection (a) of this section may be reallocated to one or more of the other allocations in subsection (a) of this section if, in the judgment of Center management, the reallocation will advance the mission of the Center.

SECTION 14.15.(c) The Center shall comply with the following reporting requirements:

(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 Center's annual audited financial statement within 30 days of issuance of the statement.

SECTION 14.15.(d) Remaining allotments after September 1 shall not be released to the Center if it does not satisfy the reporting requirements provided in subsection (b) of this section.

SECTION 14.15.(e) No more than one hundred thousand dollars ($100,000) in State funds shall be used for the annual salary of any one employee of the Center.

RURAL ECONOMIC DEVELOPMENT CENTER

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 three million three hundred eighty-four thousand six hundred dollars ($3,384,600) for each year in the 2011-2013 biennium shall be allocated as follows:

	2011-2012	2012-2013
Center Administration, Technical Assistance, & Oversight	$1,229,830	$1,229,830
Research and Demonstration Grants	$277,780	$277,780
Institute for Rural Entrepreneurship	$108,205	$108,205
Community Development Grants	$797,360	$797,360
Microenterprise Loan Program	$146,965	$146,965
Water/Sewer/Business Development Matching Grants	$662,960	$662,960
Statewide Water/Sewer Database	$ 75,098	$ 75,098
Agricultural Advancement Consortium	$ 86,402	$ 86,402.

SECTION 14.16.(b) Funds allocated in subsection (a) of this section for community development grants shall support development projects and activities within the State's 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 14.16.(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 and Tier 1 counties 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 14.16.(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 14.16.(e) In awarding grants under this section, the Rural Center shall give preference to a resident company. For purposes of this section, the term "resident company" means a company that has paid unemployment taxes or income taxes in this State and whose principal place of business is located in this State. An application for a project that serves an economically distressed area shall have priority over a project that does not. A grant to assist with water infrastructure needs is not subject to the provisions of G.S. 143-355.4.

SECTION 14.16.(f) 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.

SECTION 14.16.(g) No more than one hundred thousand dollars ($100,000) in State funds shall be used for the annual salary of any one employee of the Rural Center.

RURAL ECONOMIC DEVELOPMENT CENTER/INFRASTRUCTURE PROGRAM

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 fifteen million five hundred eighty-eight thousand seven hundred seventy-two dollars ($15,588,772) for each year in the 2011-2013 fiscal biennium 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. The grants under this Program shall not be subject to the provisions of G.S. 143-355.4.
(2) To provide matching grants or loans to local governments in distressed areas 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 grants and technical assistance to reinvigorate the economies of towns with populations of less than 7,500 and to invest in economic innovation that stimulates business and job growth in distressed areas.
(4) Recipients of grant funds appropriated under this section shall contribute a cash match for the grant that is equivalent to at least five percent (5%) of the grant amount. The cash match shall come from local resources and may not be derived from other State or federal grant funds or from funds provided by the Rural Center.

SECTION 14.17.(b) In awarding grants under this section, the Rural Center shall give preference to a resident company. For purposes of this section, the term "resident company" means a company that has paid unemployment taxes or income taxes in this State and whose principal place of business is located in this State. An application for a project that serves an economically distressed area shall have priority over a project that does not. A grant to assist with water infrastructure needs is not subject to the provisions of G.S. 143-355.4.

SECTION 14.17.(c) During each year of the 2011-2013 fiscal biennium, the Rural Center may use up to three hundred twenty-nine thousand one hundred seventy-eight dollars

($329,178) of the funds appropriated in this act to cover its expenses in administering the North Carolina Economic Infrastructure Program.

SECTION 14.17.(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 14.18.(a) Of the funds appropriated in this act to the North Carolina Rural Economic Development Center, Inc. (Rural Center), the sum of two hundred seventy-one thousand three hundred twenty dollars ($271,320) for each year in the 2011-2013 fiscal biennium shall be equally distributed among the certified Opportunities Industrialization Centers (OI Centers).

SECTION 14.18.(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 OI Centers receiving funds pursuant to subsection (a) of this section. The report shall include data for each OI Center on all itemized expenditures and all fund sources for the prior State fiscal year. The report shall also contain a written narrative on prior fiscal year program activities, objectives, and accomplishments that were funded with funds appropriated in subsection (a) of this section.

SECTION 14.18.(c) The Rural Center shall ensure that each OI Center complies with the audit and reporting requirements prescribed by G.S. 143C-6-23 and Section 09 North Carolina Administrative Code 03M .0101.

SECTION 14.18.(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.

NC SMALL BUSINESS LENDING ENHANCEMENTS

SECTION 14.19.(a) Income-Producing Property Program. – There is created, as a component of the North Carolina Capital Access Program, the Income-Producing Property Program. The purpose of the Income-Producing Property Program is to leverage public investment, along with private sector resources, to stimulate additional financing opportunities for new and existing buildings used for business purposes in North Carolina. The Income-Producing Property Program must require that at least fifty percent (50%) of the commercial property to be financed by it is occupied, as evidenced by lease agreements. The leveraged resources available through the Program will encourage financial institutions to provide additional access to debt capital. Small businesses will be able to use that capital to provide economic opportunity, create jobs, enhance productivity, and spur innovation.

The Income-Producing Property Program must comply with the current guidelines established under the State Small Business Credit Initiative, section 3002 of the 2010 Small Business Jobs Act, Title III, as ratified by the United States Congress, with the exception that Income-Producing property will be eligible for enrollment under the program.

The North Carolina Rural Economic Development Center, Inc., may enter into participating agreements with a financial institution determined to have sufficient lending experience and financial and managerial capacity to participate in the North Carolina Capital Access Program. A financial institution that enters into a participating agreement with the Rural Center becomes eligible to enroll loans under the North Carolina Capital Access Program. To enroll a loan under the Income-Producing Property Program, the borrower of the funds being loaned must have a place of business in North Carolina and the loan proceeds must be used for a business purpose in North Carolina.

The following definitions apply in this subsection:

(1) Financial institution. – An insured depository institution, insured credit union, or community development financial institution (CDFI) that lends capital in the State of North Carolina.

(2) Income-producing property. – Real property held in order to earn income by leasing or letting. Examples of income-producing property include shopping centers, office buildings, and manufacturing plants.

(3) North Carolina Capital Access Program. – Created by the State of North Carolina under authority granted by Section 28.1 of Chapter 769 of the 1993

Session Laws as ratified by the North Carolina General Assembly to provide loan insurance to increase capital to businesses, particularly small- and medium-sized businesses, to foster economic development in North Carolina. The North Carolina Rural Economic Development Center, Inc., was designated to administer the Program.

SECTION 14.19.(b) The North Carolina Small Business Express Loan Fund. – There is established the North Carolina Small Business Express Loan Fund. The purpose of the Fund is to provide small loans, ranging from five thousand dollars ($5,000) to twenty-five thousand dollars ($25,000), for the start-up or expansion of small businesses. The Fund will complement the existing Microenterprise Loan Program. To be eligible to borrow money from the Fund, the borrower must have a place of business in North Carolina; meet strict credit requirements determined by the North Carolina Rural Economic Development Center, Inc.; receive approved technical assistance; and plan to use the borrowed funds for a business purpose in North Carolina.

The following definitions apply in this subsection:

(1) Approved technical assistance. – Business planning and assessment services provided by a counselor associated with a program approved by the North Carolina Rural Economic Development Center, Inc. The Rural Center must approve the counseling programs offered by the Small Business & Technology Development Centers, the community college Small Business Centers, and SCORE chapters.

(2) Microenterprise Loan Program. – The program initially funded as a pilot program through the North Carolina General Assembly in 1987 that provides loans ranging up to twenty-five thousand dollars ($25,000) to individuals who have sound ideas for starting or expanding a small business but may not qualify for bank loans.

SECTION 14.19.(c) Program Conditions. – The North Carolina Rural Economic Development Center, Inc., will administer the Income-Producing Property Program and the North Carolina Small Business Express Loan Fund. The Rural Center may use up to four percent (4%) of the funds appropriated for these purposes to administer the programs. The Rural Center may not use the funds appropriated for these purposes to compete with financial institutions in making loans to small business borrowers. Based upon actual demand for the programs, the Rural Center Board of Directors may reallocate the funds appropriated for these purposes between the two programs. By September 1 of each year, and more frequently as requested, the Rural Center must report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division concerning the progress of the North Carolina Small Business Lending Enhancements authorized by this section.

PART XV. JUDICIAL DEPARTMENT

GRANT FUNDS

SECTION 15.1. 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.

TRANSFER OF EQUIPMENT AND SUPPLY FUNDS

SECTION 15.2. Funds appropriated to the Judicial Department in the 2011-2013 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.

REIMBURSEMENT FOR USE OF PERSONAL VEHICLES

SECTION 15.3. Notwithstanding the provisions of G.S. 138-6(a)(1), the Judicial Department, during the 2011-2013 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.

COLLECTION OF WORTHLESS CHECK FUNDS

SECTION 15.4. 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, 2011, for the purchase or repair of office or information technology equipment during the 2011-2012 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 15.5. G.S. 7A-38.2(d) reads as rewritten:

"(d) An administrative fee, not to exceed two hundred dollars ($200.00), may be charged by the Administrative Office of the Courts to applicants for certification and annual renewal of certification for mediators and mediation training programs operating under this Article. The fees collected may be used by the Director of the Administrative Office of the Courts to establish and maintain the operations of the Commission and its staff. 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."

WORKLOAD FORMULA FOR SUPERIOR COURT JUDGES/MINUTES MAINTAINED BY THE CLERK OF SUPERIOR COURT TO RECORD CONVENING AND ADJOURNMENT OR RECESS OF COURT

SECTION 15.6.(a) The Administrative Office of the Courts shall use funds available to contract with the National Center for State Courts to develop a workload formula for superior court judges. The results of this formula shall be submitted to the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety by December 1, 2011.

SECTION 15.6.(b) G.S. 7A-109 is amended by adding a new section to read:

"(a1) The minutes maintained by the clerk pursuant to this subsection shall record the date and time of each convening of court, as well as the date and time of each recess or adjournment of court with no further business before the court."

SECTION 15.6.(c) The Administrative Office of the Courts shall provide on a monthly basis the records of the dates and times of convening, recess, and adjournment of court collected by each clerk of superior court pursuant to G.S. 7A-109, as enacted by subsection (b) of this section, to the National Center for State Courts, the Fiscal Research Division, and the Study Committee on Consolidation of Judicial and Prosecutorial Districts created in Section 15.11 of this act.

STUDY FEASIBILITY OF OFFICE OF PROSECUTORIAL SERVICES

SECTION 15.7.(a) The School of Government at the University of North Carolina at Chapel Hill shall study the feasibility and cost of creating an Office of Prosecutorial Services within the judicial branch. The study shall compare North Carolina's judicial branch structure to that of other states in terms of organizational placement of prosecutorial and defense services within the context of the unified court system and shall also determine the necessary resources and costs required to make an Office of Prosecutorial Services viable as an independent agency under the judicial branch. The School of Government shall submit the report by April 1, 2012, to the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety.

SECTION 15.7.(b) The Conference of District Attorneys may use funds available during the 2011-2012 fiscal year to contract for fiscal management and analysis services to analyze the differences between budgeted and actual position and associated costs in prosecutors' offices.

ENSURE MINIMUM NUMBER OF CLERK OF COURT STAFF

SECTION 15.8. G.S. 7A-102(a) reads as rewritten:

"(a) The numbers and salaries of assistant clerks, deputy clerks, and other employees in the office of each clerk of superior court shall be determined by the Administrative Officer of the Courts after consultation with the clerk concerned. However, no office of clerk of superior court shall have fewer than five total staff positions in addition to the elected clerk of superior court. All personnel in the clerk's office are employees of the State. The clerk appoints the assistants, deputies, and other employees in the clerk's office to serve at his or her pleasure. Assistant and deputy clerks shall take the oath of office prescribed for clerks of superior court, conformed to the office of assistant or deputy clerk, as the case may be. Except as provided by subsection (c2) of this section, the job classifications and related salaries of each employee within the office of each superior court clerk shall be subject to the approval of the Administrative Officer of the Courts after consultation with each clerk concerned and shall be subject to the availability of funds appropriated for that purpose by the General Assembly."

STUDY INFRACTIONS AND WAIVABLE OFFENSES

SECTION 15.9. The Revenue Laws Study Committee shall study the penalties and fines for infractions and waivable offenses and determine whether the current amounts are at a level appropriate for the associated offenses. The Committee shall report its findings, together with any recommended legislation, to the 2012 Regular Session of the 2011 General Assembly upon its convening.

WAIVER OF CRIMINAL COURT COSTS ONLY WHEN JUDGE MAKES FINDING OF JUST CAUSE TO GRANT WAIVER

SECTION 15.10.(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~~collected. No costs may be assessed when a case is dismissed. Costs under this section may not be waived unless the judge makes a written finding of just cause to grant such a waiver.

...."

SECTION 15.10.(b) The Administrative Office of the Courts shall make the necessary modifications to its information systems to maintain records of all cases in which the judge makes a finding of just cause to grant a waiver of criminal court costs under G.S. 7A-304(a) and shall report on those waivers to the Joint Legislative Commission on Governmental Operations by October 1 of each year.

STUDY CONSOLIDATION OF JUDICIAL AND PROSECUTORIAL DISTRICTS

SECTION 15.11.(a) Creation. – There is created the Study Committee on Consolidation of Judicial and Prosecutorial Districts. The Committee shall consist of 10 members to be appointed as follows:

(1) Four members of the House of Representatives appointed by the Speaker of the House of Representatives.

(2) Four members of the Senate appointed by the President Pro Tempore of the Senate.

(3) Two members who are knowledgeable about the operations of district attorneys' offices, one appointed by the Speaker of the House of Representatives and one appointed by the President Pro Tempore of the Senate.

The Speaker of the House of Representatives shall designate one representative as cochair, and the President Pro Tempore of the Senate shall designate one senator as cochair. Vacancies on the Committee shall be filled by the same appointing authority making the initial appointment.

The Committee, while in the discharge of its official duties, may exercise all powers provided for under G.S. 120-19 and G.S. 120-19.1 through G.S. 120-19.4. The Committee may meet at any time upon the joint call of the cochairs. The Committee may meet in the Legislative Building or the Legislative Office Building.

The Legislative Services Commission, through the Legislative Services Officer, shall assign professional staff to assist the Committee in its work. The House of

Representatives and the Senate's Directors of Legislative Assistants shall assign clerical staff to the Committee, and the expenses relating to the clerical employees shall be borne by the Committee. Members of the Committee shall receive subsistence and travel expenses at the rates set forth in G.S. 120-3.1, 138-5, or 138-6, as appropriate.

SECTION 15.11.(b) Duties. – The Committee shall study the number and structure of judicial and prosecutorial districts in the State and shall make recommendations to reduce those districts by consolidation to increase efficiency and improve the quality of justice. Those recommendations shall, to the extent deemed feasible by the Committee, provide for judicial and prosecutorial district plans that are identical.

SECTION 15.11.(c) Report. – The Committee may make a final report, including any proposed legislation, to the 2012 Regular Session of the 2011 General Assembly upon its convening. The Committee shall terminate upon filing its final report or upon the convening of the 2012 Regular Session of the 2011 General Assembly, whichever is earlier.

STATEWIDE ADMINISTRATIVE COURT SESSIONS

SECTION 15.11A. The Administrative Office of the Courts shall develop protocols to offer regular Administrative Court sessions in each district court district in the State for the purpose of hearing Chapter 20 infractions. Each district shall offer Administrative Court regularly by October 1, 2011. The Administrative Office of the Courts shall report to the Joint Legislative Commission on Governmental Operations on the scheduling and deployment of resources by February 1, 2012.

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

SECTION 15.16.(a) The Judicial Department, Office of Indigent Defense Services, may use up to the sum of two million one hundred fifty thousand dollars ($2,150,000) in appropriated funds during the 2011-2012 fiscal year for the expansion of existing offices currently providing legal services to the indigent population under the oversight of the Office of Indigent Defense Services, for the creation of new public defender offices within existing public defender programs, or for the establishment of regional public defender programs. Notwithstanding the defender districts established by G.S. 7A-498.7, the Office of Indigent Defense Services may use a portion of these funds to create positions within existing public defender programs to handle cases in adjacent counties or districts. These funds may be used to create up to 50 new attorney positions and 25 new support staff positions during the 2011-2012 fiscal year and for the salaries, benefits, equipment, and related expenses for these positions in both years of the biennium. Positions creation will be staggered across the two years of the biennium. 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.

SECTION 15.16.(b) G.S. 7A-498.7(b) reads as rewritten:

"(b) For each new term, and to fill any vacancy, public defenders shall be appointed from a list of not less than two and not more than three names nominated by written ballot of the attorneys resident in the defender district who are licensed to practice law in North Carolina. The balloting shall be conducted pursuant to rules adopted by the Commission on Indigent Defense Services. The appointment shall be made by the ~~senior resident superior court judge of the superior court district or set of districts as defined in G.S. 7A-41.1 that includes the county or counties of the defender district for which the public defender is being appointed.~~Commission on Indigent Defense Services."

SECTION 15.16.(c) The Office of Indigent Defense Services shall issue a request for proposals from private law firms or not-for-profit legal representation organizations for the provision of all legal services for indigent clients in all judicial districts. The Office of Indigent Defense Services shall report on the issuance of this request for proposals to the Joint Legislative Commission on Governmental Operations by October 1, 2011. In cases where the proposed contract can provide representation services more efficiently than current costs, the Office of Indigent Defense Services shall use private assigned counsel funds to enter into contracts for this purpose.

OFFICE OF INDIGENT DEFENSE SERVICES REPORT

SECTION 15.17. 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.

AUDIT OF FARMWORKER LEGAL AID PROGRAM

SECTION 15.18. The State Auditor shall conduct a financial audit of the Farmworker Legal Aid program of Legal Aid of North Carolina. The audit shall include assessments of compliance with all State and federal mandates regarding use of funds under the Access to Civil Justice Act and shall assess whether State and federal funds are commingled in the administration and operation of this legal aid program. The State Auditor shall publish this audit not later than October 1, 2011.

LIMIT COMPENSATION RATE PAID TO EXPERT WITNESSES BY THE OFFICE OF INDIGENT DEFENSE SERVICES

SECTION 15.20. G.S. 7A-498.5(f) reads as rewritten:

"(f) The Commission shall establish policies and procedures with respect to the distribution of funds appropriated under this Article, including rates of compensation for appointed counsel, schedules of allowable expenses, appointment and compensation of expert witnesses, and procedures for applying for and receiving compensation. The rate of compensation set for expert witnesses may be no greater than the rate set by the Administrative Office of the Courts under G.S. 7A-314(d)."

TRIAL COURT ADMINISTRATOR POSITIONS

SECTION 15.21. Notwithstanding any other provision of this act, there shall be a trial court administrator position in the following judicial districts: 4, 5, 7B/7C, 10, 12, 14, 18, 21, 26, and 28.

PART XVI. DEPARTMENT OF JUSTICE

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

SECTION 16.1.(a) Assets transferred to the Departments of Justice, Correction, and Crime Control and Public Safety during the 2011-2013 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 16.1.(b) The General Assembly finds that the use of assets transferred pursuant to federal law for new personnel positions, new projects, acquisition of real property, repair of buildings where the repair includes structural change, and construction of or additions to buildings may result in additional expenses for the State in future fiscal periods. Therefore, the Department of Justice, the Department of Correction, and the Department of Crime Control and Public Safety are prohibited from using these assets for such purposes without the prior approval of the General Assembly.

SECTION 16.1.(c) Nothing in this section prohibits North Carolina law enforcement agencies from receiving funds from the United States Department of Justice, the

United States Department of the Treasury, and the United States Department of Health and Human Services.

PURCHASE OF TIME MANAGEMENT SOFTWARE

SECTION 16.2. The Department of Justice shall use funds available to purchase, or purchase licenses for, time management software to be used to ensure adequate record keeping and management of Department attorneys' time. The software shall be of a quality and type generally used by attorneys in the private sector.

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

SECTION 16.3.(a) G.S. 74C-4 is amended by adding a new subsection to read:

"(h) The Board shall pay the appropriate State agency for the use of physical facilities and services provided to it by the State."

SECTION 16.3.(b) G.S. 74D-4 is amended by adding a new subsection to read:

"(h) The Board shall pay the appropriate State agency for the use of physical facilities and services provided to it by the State."

CERTAIN LITIGATION EXPENSES TO BE PAID BY CLIENTS

SECTION 16.4. G.S. 114-8.2 reads as rewritten:

"**§ 114-8.2. Charges for legal services.**

The Department of Justice shall charge State boards and commissions that are totally supported by receipts from fees or surcharges for legal services rendered by the Department to the board or commission. Client State departments, agencies, boards, and commissions 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."

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.

CRIMINAL INFORMATION DATABASE STUDY

SECTION 16.6. The Department of Justice shall issue a request for information to determine the cost to have a private company maintain the software required for criminal information databases managed by the Criminal Information Division. The Department of Justice shall report the results of this request for information to the Chairs of the House and Senate Appropriations Subcommittees on Justice and Public Safety and to the Fiscal Research Division by March 1, 2012.

PART XVII. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION

STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS

SECTION 17.1. Funds appropriated in this act to the Department of Juvenile Justice and Delinquency Prevention for the 2011-2012 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 2011-2012 fiscal year, the amount of funds anticipated for the 2012-2013 fiscal year, and the allocation of funds by program and purpose.

ANNUAL EVALUATION OF COMMUNITY PROGRAMS

SECTION 17.2. The Department of Juvenile Justice and Delinquency Prevention shall conduct an evaluation of the 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.

ALLOCATE REALIZED SAVINGS OF WILDERNESS CAMPS TO FUND CERTAIN LEVEL 2 INTERMEDIATE DISPOSITIONAL ALTERNATIVES FOR JUVENILES

SECTION 17.3.(a) If any funds appropriated by this act to the Department of Juvenile Justice and Delinquency Prevention for the 2011-2013 fiscal biennium for wilderness camps are not required for or expended for wilderness camps, then those funds shall be allocated to the Juvenile Crime Prevention Council grants fund to be used for the Level 2 intermediate dispositional alternatives for juveniles listed in G.S. 7B-2506(13) through (23).

SECTION 17.3.(b) The Department of Juvenile Justice and Delinquency Prevention shall submit an electronic report by October 1, 2011, on all expenditures made from the miscellaneous contract line in Fund Code 1310 to the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and the Fiscal Research Division of the General Assembly. The report shall include all of the following: an itemized list of the contracts that have been executed, the amount of each contract, the date the contract was executed, the purpose of the contract, the number of juveniles that will be served and the manner in which they will be served, the amount of money transferred to the Juvenile Crime Prevention Council fund, and an itemized list of grants allocated from the funds transferred to the Juvenile Crime Prevention Council fund.

JUVENILE CRIME PREVENTION COUNCIL FUNDS

SECTION 17.4.(a) 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 (JCPC) grants, including the following:

(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.

An electronic copy of the list and other information regarding the projects shall also be sent to the Fiscal Research Division of the General Assembly.

SECTION 17.4.(b) Of the funds appropriated by this act for the 2011-2012 fiscal year to the Department of Juvenile Justice and Delinquency Prevention for Juvenile Crime Prevention Council grants, the sum of one hundred twenty-one thousand six hundred dollars ($121,600) shall be transferred to Project Challenge North Carolina, Inc., to be used for the continued support of Project Challenge programs throughout the State.

FUNDING FOR JUVENILE JUSTICE AND DELINQUENCY PREVENTION EDUCATION PROGRAMMING

SECTION 17.5. The Department of Juvenile Justice and Delinquency Prevention shall work with the Department of Public Instruction to identify all education fund sources that can be used to cover education programming costs of the Department of Juvenile Justice and Delinquency Prevention.

The Department of Juvenile Justice and Delinquency Prevention shall report by March 1, 2012, 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 regarding its findings and recommendations.

DJJDP AND DOC JOINT EFFORT TO MAKE IN-HOME MONITORING AVAILABLE AS ALTERNATIVE TO DETENTION FOR JUVENILES

SECTION 17.6. It is the intent of the General Assembly to reduce the State's reliance on detention facilities and youth development centers in the Department of Juvenile Justice and Delinquency Prevention as correctional options for juveniles by increasing the use of community-based alternatives whenever possible. Therefore, the Department of Juvenile Justice and Delinquency Prevention and the Department of Correction shall work together to increase the use of in-home monitoring as an alternative to detention for juveniles. The Department of Correction and the Department of Juvenile Justice and Delinquency Prevention shall assess the monitoring needs for both the adult and juvenile systems, identify the contracts that the Department of Correction currently has for monitoring services, and determine which contracts, if any, may be negotiated or renegotiated to cover monitoring services for both the adult and juvenile systems. The Department of Juvenile Justice and Delinquency Prevention and the Department of Correction may also identify other options to increase the use of in-home monitoring as an alternative to detention for juveniles that may work well and be cost-effective.

The Department of Juvenile Justice and Delinquency Prevention and the Department of Correction shall report to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety, the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, and the Fiscal Research Division regarding their findings and recommendations by September 1, 2011.

TREATMENT STAFFING MODEL AT YOUTH DEVELOPMENT CENTERS

SECTION 17.7. 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 2011-2013 fiscal biennium. Staffing ratios shall be no more than 2.1 staff per every juvenile committed at every other existing youth development center.

YOUTH DEVELOPMENT CENTER ANNUAL REPORT

SECTION 17.8. The Department of Juvenile Justice and Delinquency Prevention shall report by October 1 of each year to the Chairs of the House of Representatives and Senate

Appropriations Subcommittees on Justice and Public Safety, the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, and the Fiscal Research Division on the Youth Development Center (YDC) population, staffing, and capacity in the preceding fiscal year. Specifically, the report shall include all of the following:

(1) The on-campus population of each YDC, including the county the juveniles are from.
(2) The housing capacity of each YDC.
(3) A breakdown of staffing for each YDC, including number, type of position, position title, and position description.
(4) The per-bed and average daily population cost for each facility.
(5) The operating cost for each facility, including personnel and nonpersonnel items.
(6) A brief summary of the treatment model, education, services, and plans for reintegration into the community offered at each facility.
(7) The average length of stay in the YDCs.
(8) The number of incidents of assaults/attacks on staff at each facility.

DJJDP FACILITY MONTHLY COMMITMENT REPORT

SECTION 17.9. The Department of Juvenile Justice and Delinquency Prevention shall report electronically on the first day of each month to the Fiscal Research Division regarding each juvenile correctional facility and the average daily population for the previous month. The report shall include (i) the average daily population for each detention center and (ii) the monthly summary of the Committed Youth Report.

USE OF INMATE LABOR FOR REPAIR AND RENOVATION OF YOUTH DEVELOPMENT CENTERS

SECTION 17.10.(a) The Department of Juvenile Justice and Delinquency Prevention and the Department of Correction in consultation with the Governor's Crime Commission shall establish policies regarding the appropriate use of inmate construction crews provided by the Department of Correction for repair and renovation projects located on property owned or controlled by the Department of Juvenile Justice and Delinquency Prevention. The policies shall require that a sight and sound barrier be maintained between the adults and juveniles at the center at any time that inmate construction crews are used for repair and renovation projects on property owned or controlled by the Department of Juvenile Justice and Delinquency Prevention. The policies shall be developed and ready for implementation by September 1, 2011.

SECTION 17.10.(b) Effective September 1, 2011, and notwithstanding G.S. 148-26(f), the Department of Juvenile Justice and Delinquency Prevention and the Department of Correction may use inmate construction crews provided by the Department of Correction for repair and renovation projects located on property owned or controlled by the Department of Juvenile Justice and Delinquency Prevention pursuant to the policies developed and implemented under subsection (a) of this section.

ALLOCATE FUNDS FOR REPAIRS AND RENOVATIONS TO STONEWALL JACKSON AND C.A. DILLON YOUTH DEVELOPMENT CENTERS

SECTION 17.11. Of the funds appropriated by this act to the Department of Juvenile Justice and Delinquency Prevention for the 2011-2012 fiscal year, the sum of two million three hundred thirty thousand nine hundred dollars ($2,330,900) shall be allocated to the Stonewall Jackson Youth Development Center, and the sum of one million five hundred thirty-one thousand dollars ($1,531,000) shall be allocated to the C.A. Dillon Youth Development Center to be used for repairs and renovations that (i) will increase operational capacity at those facilities and (ii) satisfy the requirements of G.S. 143C-4-3(b). This allocation is separate from and in addition to any allocation of funds that might be made pursuant to Section 30.5 of this act.

JUVENILE ASSESSMENT CENTER FUNDS

SECTION 17.12. Of the funds appropriated by this act for the 2011-2012 fiscal year and for the 2012-2013 fiscal year to the Department of Juvenile Justice and Delinquency Prevention for the operation of the Cumberland Regional Juvenile Detention Center the sum of

one hundred twenty-four thousand seventy-five dollars ($124,075) shall be used for the Juvenile Assessment Center in each fiscal year.

PART XVIII. DEPARTMENT OF CORRECTION

FEDERAL GRANT REPORTING

SECTION 18.1. The Department of Correction, the Department of Justice, the Department of Crime Control and Public Safety, the Judicial Department, and the Department of Juvenile Justice and Delinquency Prevention shall report by May 1 of each year to the Joint Legislative Commission on Governmental Operations, the Chairs of the 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.

FEDERAL GRANT MATCHING FUNDS

SECTION 18.2. 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 2011-2012 fiscal year and up to the sum of one million two hundred thousand dollars ($1,200,000) during the 2012-2013 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.

USE OF CLOSED PRISON FACILITIES

SECTION 18.3. 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, federal 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.

LIMIT USE OF OPERATIONAL FUNDS

SECTION 18.4. 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.

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

SECTION 18.5. Notwithstanding G.S. 143C-6-9, the Department of Correction may use funds available to the Department for the 2011-2013 fiscal 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.

CENTER FOR COMMUNITY TRANSITIONS/CONTRACT AND REPORT

SECTION 18.6. 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 2011-2013 fiscal 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.

PAROLE ELIGIBILITY REPORT/MUTUAL AGREEMENT PAROLE PROGRAM/MEDICAL RELEASE PROGRAM

SECTION 18.7.(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, 2012, 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 18.7.(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 18.7.(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, 2012. 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 18.7.(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 18.7.(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.

CRIMINAL JUSTICE PARTNERSHIP

SECTION 18.8.(a) 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 18.8.(b) Effective July 1, 2011, the Department of Correction shall recalculate the county allocation funding formula mandated under G.S. 143B-273.15 using updated data.

SECTION 18.8.(c) 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 18.8.(d) 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 18.8.(e) 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.

SWANNANOA CORRECTIONAL CENTER FOR WOMEN

SECTION 18.9. The Department of Correction shall relocate the fence at Swannanoa Correctional Center for Women so that the school building is located on the side of the campus housing the Department of Correction facilities, and the Department shall retain the sight and sound barrier between the adults and juveniles at the center.

INMATE MEDICAL COST CONTAINMENT

SECTION 18.10.(a) The Department of Correction shall reimburse those providers and facilities providing approved inmate medical services outside the correctional facility two times the then-current Medicaid rate for any given service.

This section does not apply to vendors providing services that are not billed on a fee-for-service basis, such as temporary staffing. Nothing in this section shall preclude the Department from contracting with a provider for services at rates that provide greater documentable cost avoidance for the State than do the rates contained in this section or at rates that are less favorable to the State but that will ensure the continued access to care.

SECTION 18.10.(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 reasonable efforts to make use of hospitals or other providers with which it has a contract or, if none is reasonably available, hospitals with available capacity or other health care facilities in a region to accomplish that goal. The Department shall make reasonable efforts to equitably distribute inmates among all hospitals or other appropriate health care facilities. With respect to any single hospital, the Department of Correction shall continue to make its best effort to seek admission of the number of inmates representing no more than nine percent (9%) of all inmates requiring hospitalization or hospital services on an annual basis beginning in the 2011-2012 fiscal year, unless the failure to do so would jeopardize the health of an inmate or unless a higher level is agreed to by contract. The Department shall also give preference to those hospitals or other health care facilities in the same county or an adjoining county to the correctional facility where an inmate requiring hospitalization is incarcerated. The Department will continue these efforts until it has reached a number which represents no more than five percent (5%) of all inmates requiring hospitalization or hospital services on an annual basis at any single hospital by July 1, 2013, unless the failure to do so would jeopardize the health of an inmate or unless a higher level is agreed to by contract.

SECTION 18.10.(c) G.S. 131E-77 is amended by adding a new subsection to read:

"(a1) As a condition of licensure, hospitals licensed under this Article shall treat inmates in the custody of the Department of Correction, unless a hospital lacks the capacity or capability to provide such treatment."

SECTION 18.10.(d) The Department of Correction shall report to the Joint Legislative Commission on Governmental Operations no later than November 1, 2011, 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.

DEPARTMENT OF CORRECTION RULES FOR INMATE LABOR

SECTION 18.12. G.S. 148-26 is amended by adding a new subsection to read:

"(g) The Department of Correction shall establish rules, standards, and procedures for establishing inmate labor services contracts with any county or municipality expressing interest in contracting for inmate labor."

REPORT ON PROBATION AND PAROLE CASELOADS

SECTION 18.13.(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 18.13.(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 18.13.(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, 2013.

SECTION 18.13.(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 2011-2012 fiscal year and the end of the 2012-2013 fiscal year.

REMOVE SUNSET ON CORRECTION ENTERPRISES STATE AND LOCAL EMPLOYEE/RETIREE PURCHASE ALLOWANCE

SECTION 18.14. Section 6 of S.L. 2007-280 reads as rewritten:

"**SECTION 6.** This act becomes effective ~~August 1, 2007, but the first sentence of G.S. 148-127(5) as enacted by this act expires on July 1, 2012.~~August 1, 2007."

PART XIX. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY

CONSOLIDATE THE DEPARTMENT OF CORRECTION, THE DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY, THE DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION, THE STATE BUREAU OF INVESTIGATION, AND THE NORTH CAROLINA JUSTICE ACADEMY INTO THE DEPARTMENT OF PUBLIC SAFETY

CREATION OF DEPARTMENT

SECTION 19.1.(a) The Department of Public Safety is established as a new executive department. All functions, powers, duties, and obligations vested in the following departments and agencies are transferred to, vested in, and consolidated within the Department of Public Safety by a Type I transfer, as defined in G.S. 143A-6:

(1) The Department of Correction.
(2) The Department of Crime Control and Public Safety.
(3) The Department of Juvenile Justice and Delinquency Prevention.
(4) The State Bureau of Investigation, including the North Carolina State Crime Laboratory.
(5) The North Carolina Justice Academy.

SECTION 19.1.(b) Chapter 143B of the General Statutes is amended by adding a new Article to read:

"Article 5A.
"Department of Public Safety.
"Part 1. General Provisions.

"**§ 143B-259. Organization.**

(a) There is established the Department of Public Safety. The head of the Department of Public Safety is the Secretary of Public Safety, who shall be known as the Secretary. The appointment of the Secretary shall be subject to confirmation by a Joint Resolution of the General Assembly. Notwithstanding G.S. 147-12(a)(3), a person appointed to fill a vacancy in the position of Secretary shall serve no longer than the thirtieth calendar day after the convening of the next regular session of the General Assembly. The General Assembly may also convene a special session for purposes of considering the confirmation of a person appointed to be the Secretary.

The Department shall consist of seven divisions and an Office of External Affairs as follows:

(1) The Division of Adult Correction, which shall consist of the former Department of Correction. The head of the Division of Adult Correction shall be a chief deputy secretary, who shall be responsible for prisons, community corrections, and correction enterprises.
(2) The Division of Juvenile Justice, which shall consist of the former Department of Juvenile Justice and Delinquency Prevention. The head of the Division of Juvenile Justice shall be a chief deputy secretary, who shall be responsible for youth detention centers, court services, community programs, and youth development centers.
(3) The Division of Law Enforcement, which shall consist of the following former divisions of the Department of Crime Control and Public Safety and the Department of Justice: the State Highway Patrol, the Alcohol Law Enforcement Division, the State Capitol Police Division, and the State Bureau of Investigation. The head of the Division of Law Enforcement shall be a chief deputy secretary.
(4) The Division of Emergency Management.
(5) The National Guard.
(6) The Division of Administration, the head of which shall be a deputy secretary responsible for all administrative functions, including fiscal, auditing, information technology, purchasing, human resources, engineering,

and facility management functions for the Department. Within the Division, there is established a Grants Management Section, which shall consist of the Governor's Crime Commission, the Criminal Justice Partnership Program, and the Juvenile Crime Prevention Council Fund. Other sections within the Division of Administration shall be:

a. The Fiscal and Budget Section.
b. The Victims' Services Section.
c. The Engineering and Facility Management Section.
d. The Purchasing Section.
e. The Human Resources Section.
f. The Research and Policy Section.
g. The Information Technology Section.
h. The Training Section.

(7) The North Carolina State Crime Laboratory, the head of which shall be a director who reports directly to the Secretary.

(8) The Office of External Affairs, which shall be responsible for federal and State liaison activities, victim services, and public affairs.

(b) The powers and duties of the deputy secretaries and the respective divisions shall be subject to the direction and control of the Secretary of Public Safety.

"**§ 143B-259.1. Powers and duties of the Department of Public Safety.**

It shall be the duty of the Department of Public Safety to do all of the following:

(1) Provide assigned law enforcement and emergency services to protect the public against crime and against natural and man-made disasters.

(2) To plan and direct a coordinated effort by the law enforcement agencies of State government and to ensure maximum cooperation between State and local law enforcement agencies in the fight against crime.

(3) To prepare annually a State plan for the State's criminal justice system.

(4) To serve as the State's chief coordinating agency to control crime, to ensure the safety of the public, and to ensure an effective and efficient State criminal justice system.

(5) To have charge of investigations of criminal matters particularly set forth in this Article and of such other crimes and areas of concern in the criminal justice system as the Governor may direct.

(6) To regularly patrol the highways of the State and enforce all laws and regulations respecting travel and the use of vehicles upon the highways of the State and all laws for the protection of the highways of the State.

(7) To provide National Guard troops trained by the State to federal standards.

(8) To ensure the preparation, coordination, and currency of military and civil preparedness plans and the effective conduct of emergency operations by all participating agencies to sustain life and prevent, minimize, or remedy injury to persons and damage to property resulting from disasters caused by enemy attack or other hostile actions or from disasters due to natural or man-made causes.

(9) To develop a plan for a coordinated and integrated electronic communications system for State government and cooperating local agencies, including coordination and integration of existing electronic communications systems.

(10) To carry out the relevant provisions of Part 2 of this Article, Chapter 148 of the General Statutes, Chapter 15 of the General Statutes, Chapter 15A of the General Statutes, and other provisions of the General Statutes governing the provision of necessary custody, supervision, and treatment to control and rehabilitate criminal offenders and thereby reduce the rate and cost of crime and delinquency.

(11) To carry out the relevant provisions of Part 3 of this Article, Chapter 7B of the General Statutes, and other provisions of the General Statutes governing juvenile justice and the prevention of delinquent acts by juveniles.

(12) To provide for the scientific analysis of evidence of crime.

"**§ 143B-259.2. Powers and duties of the Secretary of Public Safety.**

The Secretary of Public Safety shall have the powers and duties as are conferred on the Secretary by this Article, delegated to the Secretary by the Governor, and conferred on the Secretary by the Constitution and laws of this State. These powers and duties include the following:

(1) Provision of assistance to other agencies. – The Secretary, through appropriate subunits of the Department, shall, at the request of the Governor, provide assistance to State and local law enforcement agencies, district attorneys, and judges, when called upon by them and so directed.

(2) Coordination of government subunits emergencies. – In the event that the Governor, in the exercise of the Governor's constitutional and statutory responsibilities, shall deem it necessary to utilize the services of more than one subunit of State government to provide protection to the people from natural or man-made disasters or emergencies, including, but not limited to, wars, insurrections, riots, civil disturbances, or accidents, the Secretary, under the direction of the Governor, shall serve as the chief coordinating officer for the State between the respective subunits so utilized.

(3) Allocation of State resources during emergencies. – Whenever the Secretary exercises the authority provided in subdivision (2) of this section, the Secretary shall be authorized to utilize and allocate all available State resources as are reasonably necessary to cope with the emergency or disaster, including directing of personnel and functions of State agencies or units thereof for the purpose of performing or facilitating the initial response to the disaster or emergency. Following the initial response, the Secretary, in consultation with the heads of the State agencies which have or appear to have the responsibility for dealing with the emergency or disaster, shall designate one or more lead agencies to be responsible for subsequent phases of the response to the emergency or disaster. Pending an opportunity to consult with the heads of such agencies, the Secretary may make interim lead agencies designations.

(4) Reporting of emergencies to the Secretary. – Every department of State government is required to report to the Secretary, by the fastest means practicable, all natural or man-made disasters or emergencies, including, but not limited to, wars, insurrections, riots, civil disturbances, or accidents which appear likely to require the utilization of the services of more than one subunit of State government.

(5) Rule making. – The Secretary is authorized to adopt rules and procedures for the implementation of this section.

(6) Powers of Governor and Council of State not superseded. – Nothing contained in this section shall be construed to supersede or modify those powers granted to the Governor or the Council of State to declare and react to a state of disaster as provided in Chapter 166A of the General Statutes, the Constitution, or elsewhere.

(7) Reporting required prior to grant awards. – Prior to any notification of proposed grant awards to State agencies for use in pursuing the objectives of the Governor's Crime Commission pursuant to sub-subdivisions a. through g. of subdivision (8) of this section, the Secretary shall report to the Senate and House Appropriations Committees for review of the proposed grant awards.

(8) Other powers and duties. – The Secretary shall have the following additional powers and duties:

a. 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.

b. Making grants for use in pursuing the objectives of the Governor's Crime Commission.

c. 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 Public Safety as provided by the various commercial

vehicle, oversize/overweight, motor carrier safety, motor fuel, and mobile and manufactured home statutes.

d. 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.

e. Administering the Assistance Program for Victims of Rape and Sex Offenses.

f. Appointing, with the Governor's approval, a special police officer to serve as Chief of the State Capitol Police Section of the Division of Law Enforcement.

g. Appointing an employee of the Division of Administration to be the central point of contact for any federal surplus property or purchasing programs."

CREATION OF STATUTORY PARTS AND SUBPARTS

SECTION 19.1.(c) Article 5A of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 4. Division of Law Enforcement."

SECTION 19.1.(e) Article 5A of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 5. Division of Emergency Management."

SECTION 19.1.(f) Article 5A of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 6. Division of Administration."

SECTION 19.1.(f1) Article 5A of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 7. Office of External Affairs."

CHANGES TO STATUTORY REFERENCES TO AGENCIES

SECTION 19.1.(g) The following statutes are amended by deleting the language "Crime Control and Public Safety" wherever it appears and substituting "Public Safety": G.S. 7A-343.1, 8-50.2, 14-86.1, 14-309.7, 14-309.11, 15B-3, 15B-6, 17C-3, 17C-6, 18B-101, 18B-110, 19-2.1, 20-17.7, 20-39.1, 20-49, 20-79.5, 20-81.12, 20-116, 20-118, 20-119, 20-125, 20-178.1, 20-183.9, 20-183.10, 20-184, 20-185, 20-187, 20-187.1, 20-187.3, 20-188, 20-189, 20-190, 20-191, 20-192, 20-195, 20-196, 20-196.3, 20-196.4, 20-377, 20-379, 20-380, 20-381, 20-382.2, 20-383, 20-387, 20-389, 20-390, 20-391, 20-392, 20-393, 20-396, 20-397, 58-32-1, 58-78-1, 66-165, 66-168, 104E-8, 105-259, 105-269.3, 105-449.44, 120-12.1, 120-70.94, 122C-408, 122C-409, 122C-411, 122C-414, 126-5, 127A-17.1, 127A-19, 127A-20, 127A-21, 127A-22, 127A-35, 127A-40, 127A-42, 127A-43, 127A-54, 127A-57, 127A-80, 127A-81, 127A-107, 127A-139, 127A-161, 127A-162, 127A-163, 127A-164, 127C-2, 130A-475, 143-166.13, 143-215.52, 143-215.56, 143-215.93A, 143-215.94GG, 143-215.94HH, 143-341, 143-355.1, 143-651, 143-652.1, 143-652.2, 143-654, 143-655, 143-658, 143-661, 143-664, 143-726, 143A-79.2, 143A-239, 143A-240, 143A-241, 143A-242, 143A-243, 143A-244, 143A-245, 143B-2, 143B-6, 143B-181, 143B-394.15, 143B-417, 143B-426.22, 143B-477, 143B-478, 143B-479, 143B-480, 143B-480.1, 143B-480.2, 143B-480.3, 143B-490, 143B-491, 143B-492, 143B-495, 143B-496, 143B-497, 143B-498, 143B-499, 143B-499.2, 143B-499.4, 143B-499.7, 143B-508, 143B-508.1, Parts 8 and 9 of Article 11 of Chapter 143B of the General Statutes, 143B-510, 146-30, 147-12, 150B-1, 161-11.4, 164-37, 166A-5, 166A-6, 166A-6.03, 166A-6.1, 166A-14, 166A-18, 166A-21, 166A-26, 166A-28, 166A-60, 166A-61, and 166A-62. In all other instances in which the term "Crime Control and Public Safety" appears in the General Statutes, the Revisor of Statutes shall replace that term with "Public Safety".

SECTION 19.1.(h) The following statutes are amended by deleting the language "Department of Correction" wherever it appears and substituting "Division of Adult Correction of the Department of Public Safety" and by deleting the word "Department" when it refers to the Department of Correction and substituting "Division": G.S. 1-110, 7A-109.3, 7A-313, 7A-451, 7A-474.3, 7A-474.18, 7A-498.3, 7B-2204, 7B-2517, 7B-3000, 7B-3001, 7B-3100, 13-1, 14-202, 14-208.6, 14-208.20, 14-208.22, 14-208.40, 14-208.43, 14-208.45, 14-258.1,

14-258.3, 14-258.4, 14-415.10, 15-6.1, 15-10.1, 15-194, 15-196.3, 15-203, 15-204, 15-205, 15-206, 15-209, 15A-145, 15A-145.1, 15A-146, 15A-147, 15A-149, 15A-150, 15A-544.3, 15A-544.5, 15A-615, 15A-821, 15A-830, 15A-832, 15A-1332, 15A-1340.13, 15A-1340.16, 15A-1340.20, 15A-1342, 15A-1343, 15A-1343.2, 15A-1343.3, 15A-1344, 15A-1351, 15A-1352, 15A-1353, 15A-1354, 15A-1355, 15A-1368, 15A-1368.2, 15A-1368.3, 15A-1368.4, 15A-1368.6, 15A-1369, 15A-1374, 15A-1376, 15A-2000, 15B-21, 15B-31, 15B-32, 17C-3, 20-19, 20-81.12, 20-179, 65-4, 66-58, 97-13, 105-259, 108A-14, 114-10.1, 114-14, 115C-106.3, 115C-108.1, 115C-296.2, 115D-5, 120-12.1, 120-70.94, 122C-22, 122C-55, 122C-62, 122C-311, 122C-312, 122C-313, 122C-402, 122C-421, 126-5, 127A-54, 130A-25, 131E-98, 131E-184, 131E-214.1, 143-63.1, 143-134, 143-166.2, 143-166.13, 143-300.7, 143-599, 143B-2, 143B-6, 143B-179, 143B-260 through 143B-267, 143B-270, 143B-271, 143B-272, 143B-273.2, 143B-273.5, 143B-273.8, 143B-273.15, 143B-273.15A, 143B-394.15, 143B-417, 143B-476, 143B-478, 146-33, 147-12, 148-2 through 148-4.1, 148-6, 148-10 through 148-10.3, 148-12, 148-18 through 148-19.1, 148-22, 148-22.1, 148-23 through 148-24, 148-26, 148-26.5, 148-28, 148-29, 148-32.1 through 148-33.2, 148-36, 148-37, 148-37.2, 148-37.3, 148-40, 148-41, 148-45, 148-46.1, 148-53, 148-54, 148-57, 148-59, 148-64, 148-64.1, 148-65.7, 148-66, 148-67, 148-70, 148-74, 148-77, 148-78, 148-118.1, 148-118.2, 148-118.4, 148-118.5, 148-118.6, 148-118.8, 148-128, 148-134, 150B-1, 153A-221, 153A-230.1, 153A-230.2, 153A-230.3, 153A-230.5, 162-39, 163-82.20A, 164-40, 164-42, and 164-47. In any other instances in which the term "Department of Correction" appears in the General Statutes, the Revisor of Statutes shall replace "Department of Correction" with "Division of Adult Correction", and in any other instances in which the word "Department" is used to refer to the Department of Correction, the Revisor of Statutes shall delete the word "Department" and substitute the word "Division".

SECTION 19.1.(i) The following statutes are amended by deleting the language "Secretary of Correction" or "Secretary of the Department of Correction" wherever it appears and substituting "Secretary of Public Safety": G.S. 15-10.2, 15-10.3, 15-194, 15-203 through 15-207, 15-209, 15A-1340.36, 15A-1371, 17C-3, 20-79.5, 115C-112.1, 122C-312, 130A-25, 143B-261.2, 143B-262.1, 143B-262.4, 143B-263, 143B-265, 143B-266, 143B-267, 143B-270, 143B-271, 143B-273.2, 143B-394.15, 143B-478, 148-4, 148-4.1, 148-5, 148-10.1, 148-11, 148-13, 148-18.1, 148-19, 148-20, 148-22, 148-22.1, 148-24, 148-25, 148-26, 148-26.5, 148-28, 148-33, 148-33.1, 148-33.2, 148-36, 148-37, 148-37.2, 148-41, 148-45, 148-46, 148-46.2, 148-57, 148-65.6, 148-65.9, 148-74, 148-78, 148-118.6, 148-118.8, 148-118.9, 148-121, 148-122, 162-39, 164-37, and 164-40. In any other instances in which the term "Secretary of Correction" appears in the General Statutes, the Revisor of Statutes shall replace "Secretary of Correction" with "Secretary of Public Safety".

SECTION 19.1.(j) The following statutes are amended by deleting the language "Division of Prisons" wherever it appears and substituting "Section of Prisons of the Division of Adult Correction": G.S. 14-208.6, 14-208.40C, 14-258.2, 15A-1343, 17C-3, 66-58, 130A-25, 143B-262.1, 143B-262.2, 143B-264, 143B-478, 148-11, 148-18, 148-29, and 148-130. In any other instances in which the term "Division of Prisons" appears in the General Statutes, the Revisor of Statutes shall replace "Division of Prisons" with "Section of Prisons of the Division of Adult Correction". The following statutes are amended by deleting the language "Division of Correction Enterprises" wherever it appears and substituting "Section of Correction Enterprises of the Division of Adult Correction": G.S. 14-208.6, 14-208.40C, 14-258.2, 15A-1343, 17C-3, 66-58, 130A-25, 143B-262.1, 143B-262.2, 143B-264, 143B-478, 148-11, 148-18, 148-29, and 148-130. In any other instances in which the term "Division of Correction Enterprises" appears in the General Statutes, the Revisor of Statutes shall replace "Division of Correction Enterprises" with "Section of Correction Enterprises of the Division of Adult Correction".

SECTION 19.1.(k) The following statutes are amended by deleting the language "Division of Community Corrections" wherever it appears and substituting "Section of Community Corrections of the Division of Adult Correction": G.S. 7B-3000, 7B-3001, 7B-3100, 14-208.40C, 14-208.41, 15A-837, 15A-1340.11, 15A-1342, 15A-1343, 15A-1343.2, 15A-1368.4, 15A-1369.4, 15A-1371, 17C-3, 20-179.3, 105-259, 115D-5, 143B-262, 143B-262.4, 143B-273.4, 143B-478, and 148-65.6. In any other instances in which the term "Division of Community Corrections" appears in the General Statutes, the Revisor of Statutes shall replace "Division of Community Corrections" with "Section of Prisons of the Division of Adult Correction".

SECTION 19.1.(l) The following statutes are amended by deleting the language "Department of Juvenile Justice and Delinquency Prevention" wherever it appears and substituting "Division of Juvenile Justice of the Department of Public Safety": G.S. 7A-302, 7B-1501, 7B-3100, 7B-4002, 14-239, 14-258.4, 14-316.1, 66-58, 114-12.1, 114-19.6, 115C-106.3, 115C-107.6, 115C-108.1, 115C-296.2, 115D-1, 115D-5, 120-70.94, 120-216, 122C-113, 122C-117, 126-5, 143-166.2, 143-166.13, 143-661, 143B-2, 143B-6, 143B-152.14, 143B-153, 143B-417, 143B-478, 143B-511 through 143B-550, 148-26, 164-37, 164-40, and 164-43. In all other instances in which the term "Department of Juvenile Justice and Delinquency Prevention" appears in the General Statutes, the Revisor of Statutes shall replace "Department of Juvenile Justice and Delinquency Prevention" with "Division of Juvenile Justice" and in all other instances in which the word "Department" is used to refer to the Department of Juvenile Justice and Delinquency Prevention, the Revisor of Statutes shall delete the word "Department" and substitute the word "Division", or, make other appropriate changes to the General Statutes to reference the Division rather than the Department.

SECTION 19.1.(m) The following statutes are amended by deleting the language "Secretary of Juvenile Justice and Delinquency Prevention" wherever it appears and substituting "Secretary of Public Safety": G.S. 17C-3, 20-79.5, 115C-112.1, and 143B-515. In all other instances in which the term "Secretary of Juvenile Justice and Delinquency Prevention" appears in the General Statutes, the Revisor of Statutes shall replace "Secretary of Juvenile Justice and Delinquency Prevention" with "Secretary of Public Safety".

SECTION 19.1.(n) The following statutes are amended by deleting the language "Alcohol Law Enforcement Division" and "Division of Alcohol Law Enforcement" wherever it appears and substituting "Alcohol Law Enforcement Section" and by deleting the word "Division" when it refers to the Alcohol Law Enforcement Division and substituting "Section": G.S. 18B-903, 19-2.1, 105-259, 143-652.1, 143-652.2, 143-654, 143-655, and 143-656. In all other instances in which the terms "Alcohol Law Enforcement Division" or "Division of Alcohol Law Enforcement" appears in the General Statutes, the Revisor of Statutes shall replace those terms with "Alcohol Law Enforcement Section", and in all other instances in which the word "Division" is used to refer to the Alcohol Law Enforcement Division, the Revisor of Statutes shall delete the word "Division" and substitute the word "Section".

SECTION 19.1.(p) The following statutes are amended by deleting the language "State Highway Patrol Division" wherever it appears and substituting "State Highway Patrol Section"; by deleting the word "Division" wherever it appears when it refers to the State Highway Patrol Division and substituting "Section"; and by deleting the language "Division of the State Highway Patrol" wherever it appears and substituting "State Highway Patrol Section": G.S. 20-185, 20-195, and 20-196. In all other instances in which the term "State Highway Patrol Division" appears in the General Statutes, the Revisor of Statutes shall replace that term with "State Highway Patrol Section", and in all other instances in which the word "Division" is used to refer to the State Highway Patrol Division, the Revisor of Statutes shall delete the word "Division" and substitute the word "Section".

SECTION 19.1.(q) The following statutes are amended by deleting the language "ALE Division" wherever it appears and substituting "ALE Section": G.S. 18B-201, 18B-202, 18B-203, 18B-504, 18B-805, 18B-902, and 18B-904. In any other instances in which the term "ALE Division" appears in the General Statutes, the Revisor of Statutes shall replace "ALE Division" with "ALE Section".

SECTION 19.1.(q1) The following statutes are amended by deleting the word "Director" wherever it appears and substituting "Chief": G.S. 114-13, 114-14, 114-14.1, 114-15, 114-15.1, 114-15.3, 114-20, and 114-20.1.

RECODIFICATION OF AFFECTED STATUTES

SECTION 19.1.(r) Both of the following apply to any recodification pursuant to subsections (s) through (x) of this section:

(1) Statutory sections of the former statutes that were reserved for future codification shall have corresponding sections that are reserved for future codification in the recodified statutes.

(2) The recodifications are of the affected statutes as rewritten by subsections (g) through (q) of this section, as applicable.

SECTION 19.1.(s) Division of Adult Correction. – Article 6 of Chapter 143B of the General Statutes is recodified as Part 2 of Article 5A of Chapter 143B of the General

Statutes, "Division of Adult Correction," but the statutory numbering shall remain unchanged and the various Parts of former Article 6 shall be redesignated as Subparts of Part 2 of Article 5A of the General Statutes.

SECTION 19.1.(t) Division of Juvenile Justice. – Article 12 of Chapter 143B of the General Statutes, except for G.S. 143B-550, is recodified as Part 3 of Article 5A of Chapter 143B of the General Statutes, "Division of Juvenile Justice and Delinquency Prevention," G.S. 143B-272.1 through G.S. 143B-272.43. The various Parts of former Article 12 shall be redesignated as Subparts of Part 3 of Article 5A of the General Statutes.

SECTION 19.1.(u) Division of Law Enforcement. – Parts 1 and 7 of Article 11 of Chapter 143B of the General Statutes are repealed. Part 9 of Article 11 of Chapter 143B of the General Statutes is recodified as Subpart A of Part 4 of Article 5A of Chapter 143B of the General Statutes, G.S. 143B-272.45. Article 4 of Chapter 114 of the General Statutes, other than G.S. 114-16, is recodified as Subpart B of Part 4 of Article 5A of Chapter 143B of the General Statutes, G.S. 143B-272.46A through G.S. 143B-272.46L.

SECTION 19.1.(w) Division of Emergency Management. – Part 8 of Article 11 of Chapter 143B of the General Statutes is recodified as Subpart A of Part 5 of Article 5A of Chapter 143B of the General Statutes and renumbered as G.S. 143B-272.52. Part 5A of Article 11 of Chapter 143B of the General Statutes is recodified as Subpart B of Part 5 of Article 5A of Chapter 143B of the General Statutes, G.S. 143B-272.60 through G.S. 143B-272.72. Part 5 of Article 11 of Chapter 143B of the General Statutes is recodified as Subpart C of Part 5 of Article 5A of Chapter 143B of the General Statutes, G.S. 143B-272.73A through G.S. 143B-272.73C.

SECTION 19.1.(x) Division of Administration. – Part 3 of Article 11 of Chapter 143B of the General Statutes is recodified as Subpart A of Part 6 of Article 5A of Chapter 143B of the General Statutes, "Grants Management Section", G.S. 143B-272.75 through G.S. 143B-272.77. G.S. 143B-477 and G.S. 143B-550 are recodified under that Subpart as G.S. 143B-272.78 and G.S. 143B-272.79, respectively. Article 6A of Chapter 143B of the General Statutes is recodified as Subpart B of Part 6 of Article 5A of Chapter 143B of the General Statutes, G.S. 143B-272.80 through G.S. 143B-272.101.

SECTION 19.1.(x1) Office of External Affairs. – Part 3A of Article 11 of Chapter 143B of the General Statutes is recodified as Part 7 of Article 5A of Chapter 143B of the General Statutes, "Victims' Services Section", G.S. 143B-272.103 through G.S. 143B-272.104.

SECTION 19.1.(x2) North Carolina State Crime Laboratory. – G.S. 114-16 is recodified as Part 8 of Article 5A of Chapter 143B of the General Statutes, "North Carolina State Crime Laboratory", G.S. 143B-272.108, and as recodified is amended by deleting the word "Bureau" wherever it appears and substituting the name "North Carolina State Crime Laboratory" where first used in that section and "State Crime Laboratory" at each subsequent location in that section. G.S. 114-16.1 is recodified as G.S. 143B-272.109.

OTHER SUBSTANTIVE CHANGES

SECTION 19.1.(y) Part 9 of Article 11 of Chapter 143B of the General Statutes, as rewritten by subsection (g) of this section, and recodified by subsection (u) of this section, reads as rewritten:

"Subpart A. State Capitol Police ~~Division.~~Section.

"**§ 143B-272.45. State Capitol Police ~~Division~~ Section – powers and duties.**

(a) ~~Division~~Section Established. – There is hereby established, within the Law Enforcement Division of the Department of Public Safety, the State Capitol Police ~~Division,~~Section, 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~~ Section shall serve as a special police agency of the Department of Public Safety. The ~~Director~~ Chief of the State Capitol Police, appointed by the Secretary pursuant to ~~G.S. 143B-476(6),~~ G.S. 143B-259.2, 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.

(e) Reserved for future codification purposes.

(f) Public Safety. – The ~~Director~~ Chief of the State Capitol Police, or the ~~Director's~~ Chief's designee, shall exercise at all times those means that, in the opinion of the ~~Director~~ Chief 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,~~Chief, or the ~~Director's~~ Chief'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."

SECTION 19.1.(z) G.S. 18B-500 reads as rewritten:

"**§ 18B-500. Alcohol law-enforcement agents.**

(a) Appointment. – The ~~Secretary of Crime Control and Public Safety~~ Secretary of the Department of Public Safety shall appoint alcohol law-enforcement agents and other enforcement personnel. The ~~Secretary of Crime Control and Public Safety~~ Secretary of the Department of Public Safety may also appoint regular employees of the Commission as alcohol law-enforcement agents. Alcohol law-enforcement agents shall be designated as "alcohol law-enforcement agents". Persons serving as reserve alcohol law-enforcement agents are considered employees of the ~~Division of Alcohol Law Enforcement~~ Alcohol Law Enforcement Section for workers' compensation purposes while performing duties assigned or approved by the ~~Director of~~ Chief of the Alcohol Law Enforcement Section or the ~~Director's~~ Chief's designee.

(b) Subject Matter Jurisdiction. – After taking the oath prescribed for a peace officer, an alcohol law-enforcement agent shall have authority to arrest and take other investigatory and enforcement actions for any criminal offense. The primary responsibility of an agent shall be enforcement of the ABC laws, lottery laws, and Article 5 of Chapter 90 (The Controlled Substances Act); however, an agent may perform any law-enforcement duty assigned by the ~~Secretary of Crime Control and Public Safety~~Secretary of the Department of Public Safety or the Governor.

(c) Territorial Jurisdiction. – An alcohol law-enforcement agent is a State officer with jurisdiction throughout the State.

(d) Service of Commission Orders. – Alcohol law-enforcement agents may serve and execute notices, orders, or demands issued by the Alcoholic Beverage Control Commission or the North Carolina State Lottery Commission for the surrender of permits or relating to any administrative proceeding. While serving and executing such notices, orders, or demands, alcohol law-enforcement agents shall have all the power and authority possessed by law-enforcement officers when executing an arrest warrant.

(e) Discharge. – Alcohol law-enforcement agents are subject to the discharge provisions of G.S. 18B-202.

(f) Repealed by Session Laws 1995, c. 507, s. 6.2(a)."

SECTION 19.1.(z1) G.S. 114-12, as recodified by subsection (u) of this section, reads as rewritten:

"**§ 143B-272.46A. Bureau of Investigation created; powers and duties.**

In order to secure a more effective administration of the criminal laws of the State, to prevent crime, and to procure the speedy apprehension of criminals, the ~~Attorney General~~Secretary of Public Safety shall set up in the ~~Department of Justice~~ Division of Law Enforcement of the Department of Public Safety a ~~division~~ section to be designated as the State Bureau of Investigation. The ~~Division~~ Section shall have charge of and administer the agencies and activities herein set up for the identification of criminals, for their apprehension, ~~for the scientific analysis of evidence of crime,~~ and investigation and preparation of evidence to be used in criminal courts; and the said Bureau shall have charge of investigation of criminal matters herein especially mentioned, and of such other crimes and criminal procedure as the Governor may direct."

SECTION 19.1.(aa) Part 8 of Article 11 of Chapter 143B of the General Statutes, as rewritten by subsection (g) of this section and recodified by subsection (w) of this section, reads as rewritten:

"Subpart A. Emergency Management Division.

"§ 143B-272.52. Division of Emergency Management of the Department of 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 19.1.(bb) Part 7 of Article 11 of Chapter 143B of the General Statutes is repealed, and the Law Enforcement Support Services Division of the Department of Crime Control and Public Safety is abolished.

SECTION 19.1.(cc) The evidence warehouse that was operated by the Law Enforcement Support Services Division of the Department of Crime Control and Public Safety prior to the effective date of this section, and all State-owned personal property located in or associated with the warehouse, is hereby reallocated to the North Carolina State Crime Laboratory of the Department of Public Safety. The Department of Public Safety shall assume any lease to which the warehouse is subject at the time this section becomes effective.

SECTION 19.1.(cc1) G.S. 114-16, as amended by Section 10 of S.L. 2011-19 and recodified by subsection (x2) of this section, reads as rewritten:

"§ 143B-272.108. North Carolina State Crime Laboratory and clinical facilities; employment of criminologists; services of scientists, etc., employed by State; radio system.

(a) Generally. – In the said North Carolina State Crime Laboratory there shall be provided laboratory facilities for the analysis of evidences of crime, including the determination of presence, quantity and character of poisons, the character of bloodstains, microscopic and other examination material associated with the commission of crime, examination and analysis of projectiles of ballistic imprints and records which might lead to the determination or identification of criminals, the examination and identification of fingerprints, and other evidence leading to the identification, apprehension, or conviction of criminals. A sufficient number of persons skilled in such matters shall be employed to render a reasonable service to the public and the criminal justice system in the discharge of their duties. In the personnel of the State Crime Laboratory shall be included a sufficient number of persons of training and skill in the investigation of crime and in the preparation of evidence as to be of service to local enforcement officers, under the direction of the Governor, in criminal matters of major importance.

The laboratory and clinical facilities of the institutions of the State, both educational and departmental, shall be made available to the State Crime Laboratory, and scientists and doctors now working for the State through its institutions and departments may be called upon by the Governor to aid the State Crime Laboratory in the evaluation, preparation, and preservation of evidence in which scientific methods are employed, and a reasonable fee may be allowed by the Governor for such service.

The State radio system shall be made available to the Bureau for use in its work.

(b) Additional Powers and Duties of the Crime Laboratory. – The Crime Laboratory shall have the following additional powers and duties:

(1) To 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 of statewide storage locations of postconviction evidence or other similar programs.

(2) To 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.

(3) To provide for the storage and management of evidence."

SECTION 19.1.(cc2) Chapter 17D of the General Statutes are amended by deleting the language "Department of Justice" wherever it appears and substituting "Department of Public Safety".

CONFORMING CHANGES

SECTION 19.1.(dd) G.S. 7A-343.1, as rewritten by subsection (g) of this section, reads as rewritten:

"**§ 7A-343.1. Distribution of copies of the appellate division reports.**

...

~~Juvenile Justice and Delinquency Prevention, Department of~~Juvenile Justice, Division of 1

...."

SECTION 19.1.(dd1) G.S. 14-16.9 reads as rewritten:

"**§ 14-16.9. Officers-elect to be covered.**

Any person who has been elected to any office covered by this Article but has not yet taken the oath of office shall be considered to hold the office for the purpose of this Article and ~~G.S. 114-15.~~G.S. 143B-272.46F."

SECTION 19.1.(ee) G.S. 15A-1342(j) reads as rewritten:

"(j) Immunity for Injury to Defendant Performing Community Service. – Immunity from liability for injury to a defendant performing community service shall be as set forth in ~~G.S. 143B-475.1(d).~~G.S. 143B-262.4(d)."

SECTION 19.1.(gg) G.S. 18B-101(5), as rewritten by subsection (g) of this section, reads as rewritten:

"(5) ~~'ALE Division'~~'ALE Section' means the Alcohol Law Enforcement ~~Division~~ Section of the Department of Public Safety."

SECTION 19.1.(hh) G.S. 20-184, as rewritten by subsection (g) of this section, reads as rewritten:

"**§ 20-184. Patrol under supervision of Department of Public Safety.**

The Secretary of Public Safety, under the direction of the Governor, shall have supervision, direction and control of the State Highway Patrol. The Secretary shall establish in the Department of Public Safety a State Highway Patrol ~~Division,~~Section, prescribe regulations governing ~~said Division,~~the Section, and assign to the ~~Division~~ Section such duties as ~~he~~the Secretary may deem proper."

SECTION 19.1.(hh1) G.S. 113-172(a) reads as rewritten:

"(a) The Secretary shall designate license agents for the Department. At least one license agent shall be designated for each county that contains or borders on coastal fishing waters. The Secretary may designate additional license agents in any county if the Secretary determines that additional agents are needed to provide efficient service to the public. The Division and license agents designated by the Secretary under this section shall issue licenses authorized under this Article in accordance with this Article and the rules of the Commission. The Secretary may require license agents to enter into a contract that provides for their duties and compensation, post a bond, and submit to reasonable inspections and audits. If a license agent violates any provision of this Article, the rules of the Commission, or the terms of the contract, the Secretary may initiate proceedings for the forfeiture of the license agent's bond and may summarily suspend, revoke, or refuse to renew a designation as a license agent and may impound or require the return of all licenses, moneys, record books, reports, license forms and other documents, ledgers, and materials pertinent or apparently pertinent to the license agency. The Secretary shall report evidence or misuse of State property, including license fees, by a license agent to the State Bureau of Investigation as provided by ~~G.S. 114-15.1.~~G.S. 143B-272.46G."

SECTION 19.1.(hh2) G.S. 114-12.1, as recodified by subsection (u) of this section and rewritten by subsection (l) of this section, reads as rewritten:

"**§ 143B-272.46B. Minority sensitivity training for law enforcement personnel.**

(a) The Department of ~~Justice~~ Public Safety shall develop guidelines for minority sensitivity training for all law enforcement personnel throughout the State. The Department shall ensure that all persons who work with minority juveniles in the juvenile justice system are taught how to communicate effectively with minority juveniles and how to recognize and address the needs of those juveniles. The Department shall also advise all law enforcement and professionals who work within the juvenile justice system of ways to improve the treatment of

minority juveniles so that all juveniles receive equal treatment. Except where local law enforcement has existing minority sensitivity training that meets the Department guidelines, the Department shall conduct the minority sensitivity training annually. Prior to the training each year, the Department shall assess whether minorities are receiving fair and equal treatment in the juvenile justice system with regard to the administration of predisposition procedures, of diversion methods, of dispositional alternatives, and of treatment and post-release supervision plans.

(b) The Division of Juvenile Justice of the Department of Public Safety shall ensure that all juvenile court counselors and other Division personnel receive the minority sensitivity training specified in subsection (a) of this section."

SECTION 19.1.(hh3) G.S. 114-13, as recodified by subsection (u) of this section and rewritten by subsection (q1) of this section, reads as rewritten:

"**§ 143B-272.46C. Chief of the Bureau; personnel.**

The ~~Attorney General~~Secretary of Public Safety shall appoint a Chief of the Bureau of Investigation, who shall serve at the will of the ~~Attorney General,~~Secretary, and whose salary shall be fixed by the Department of Administration under G.S. 143-36 et seq. He may further appoint a sufficient number of assistants and stenographic and clerical help, who shall be competent and qualified to do the work of the Bureau. The salaries of such assistants shall be fixed by the Department of Administration under G.S. 143-36 et seq. The salaries of clerical and stenographic help shall be the same as now provided for similar employees in other State departments and bureaus."

SECTION 19.1.(hh4) G.S. 114-15.2, as recodified by subsection (u) of this section, reads as rewritten:

"**§ 143B-272.46H. Use of private investigators limited.**

No State executive officer, department, agency, institution, commission, bureau, or other organized activity of the State that receives support in whole or in part from the State except for counties, cities, towns, other municipal corporations or political subdivisions of the State or any agencies of these subdivisions, or county or city boards of education may employ a private investigator without the consent of the ~~Attorney General.~~Secretary of Public Safety. If the ~~Attorney General~~Secretary of Public Safety determines that it is impracticable for the Bureau to conduct the investigation, the ~~Attorney General~~ Secretary shall employ a private investigator and shall fix the compensation for his services. The cost of the private investigator shall be paid from funds credited to the entity requesting the investigation or from the Contingency and Emergency Fund."

SECTION 19.1.(hh5) G.S. 114-19.1(d) reads as rewritten:

"(d) Nothing in this section shall be construed as enlarging any right to receive any record of the State Bureau of Investigation. Such rights are and shall be controlled by ~~G.S. 114-15, G.S. 114-19,~~ G.S. 143B-272.46F, G.S. 143B-272.46L, G.S. 120-19.4A, and other applicable statutes."

SECTION 19.1.(ii) G.S. 120-70.94(2a), as rewritten by subsection (g) of this section, reads as rewritten:

"(2a) Examine the effectiveness of the Department of Public Safety in implementing the duties and responsibilities charged to the Department in ~~G.S. 143B-474~~ G.S. 143B-259.1(1) through (9) and the overall effectiveness and efficiency of law enforcement in the State;".

SECTION 19.1.(ll) G.S. 131D-10.4(3) reads as rewritten:

"**§ 131D-10.4. Exemptions.**

This Article shall not apply to:

...

(3) Secure detention facilities as specified in ~~Article 12~~Part 3 of Article 5A of Chapter 143B of the General Statutes;".

SECTION 19.1.(mm) G.S. 143-138(g) reads as rewritten:

"(g) Publication and Distribution of Code. – The Building Code Council shall cause to be printed, after adoption by the Council, the North Carolina State Building Code and each amendment thereto. It shall, at the State's expense, distribute copies of the Code and each amendment to State and local governmental officials, departments, agencies, and educational institutions, as is set out in the table below. (Those marked by an asterisk will receive copies only on written request to the Council.)

OFFICIAL OR AGENCY NUMBER OF COPIES
State Departments and Officials
...
~~Office of Juvenile Justice~~Division of Juvenile Justice of the Department of Public Safety 1
...."

SECTION 19.1.(oo) G.S. 143B-273.4(b), as recodified by subsection (x) of this section, reads as rewritten:

"(b) The priority populations for programs funded under this ~~Article~~ Subpart shall be offenders sentenced to intermediate punishments."

SECTION 19.1.(pp) G.S. 143B-273.7, as recodified as G.S. 143B-272.87 by subsection (x) of this section, reads as rewritten:

"**§ 143B-272.87. Duties of State Criminal Justice Partnership Advisory Board.**

The State Criminal Justice Partnership Advisory Board has the following duties:

...

(5) To coordinate community-based corrections programs administered by the state agencies and programs funded under this ~~Article~~;Subpart;

...

(8) To evaluate the effects of categories of programs funded by this ~~Article~~ Subpart and prepare a written report."

SECTION 19.1.(qq) G.S. 143B-273.9, as recodified by subsection (x) of this section, reads as rewritten:

"**§ 143B-272.89. Election to apply for funding.**

A county may elect to apply for funding under this ~~Article~~ Subpart by a vote of the board of county commissioners approving the decision to apply, and by appointing a county criminal justice partnership advisory board. Two or more counties, by vote of the board of county commissioners of each county, may agree to create a multicounty board instead of a county board. A multicounty board shall perform the same functions as a county board for each county that participates in establishing the multicounty board. The board or boards of county commissioners shall notify the Secretary of the intent to apply for funds within 60 days of receiving notification of the availability of funds and may request technical assistance to develop the community-based corrections plan."

SECTION 19.1.(rr) G.S. 143B-273.12(c), as recodified by subsection (x) of this section, reads as rewritten:

"(c) The proposed program shall target eligible offenders as defined in ~~G.S. 143B-273.4.~~G.S. 143B-272.84."

SECTION 19.1.(ss) G.S. 143B-273.14, as recodified as G.S. 143B-273.94 by subsection (x) of this section, reads as rewritten:

"**§ 143B-273.94. Fundable programs; community-based corrections programs.**

(a) Fundable programs under this ~~Article~~ Subpart shall include community-based corrections programs which are operated under a county community-based corrections plan and funded by the State subsidy provided in this ~~Article.~~Subpart. Based on the prioritized populations in ~~G.S. 143B-273.4,~~ G.S. 143B-272.84, the programs may include, but are not limited to, the following:

...

(a1) Funding provided under this ~~Article~~ Subpart for personnel for satellite substance abuse centers shall only be used for personnel who provide direct services to offenders.

(b) Community-based corrections funds may be used to operate programs and may also be used to construct, acquire, or renovate community facilities established to provide the programs and services set forth in subsection (a) of this section. Construction and renovation funds may not be used for jails. Construction and renovation funds may not be used to reimburse expenses for any facilities renovated before the effective date of this ~~Article.~~Subpart.

(c) When a county receives more than fifty thousand dollars ($50,000) in community-based corrections funds, then that county shall use at least fifty percent (50%) of those funds to develop programs for offenders who receive intermediate punishments."

SECTION 19.1.(tt) G.S. 143B-273.16(a), as recodified by subsection (x) of this section, reads as rewritten:

"(a) To continue to receive funding under this ~~Article,~~Subpart, a county shall submit an updated application for implementation funding to the Secretary at the beginning of each fiscal year."

SECTION 19.1.(uu) G.S. 143B-273.17, as recodified by subsection (x) of this section, reads as rewritten:

"**§ 143B-272.98. Termination of participation in program.**

A county receiving financial aid under this ~~Article~~ Subpart may terminate its participation by delivering a resolution of the board or boards of county commissioners to the Secretary at the beginning of any calendar quarter. Upon withdrawal from the program, the board or boards of county commissioners may adopt a resolution stating that it is in the best interests of the county that the county community corrections advisory board be dissolved, whereupon the county commissioners shall pay and discharge any debts or liabilities of the advisory board, collect and distribute assets of the advisory board under the laws of North Carolina, and pay over any remaining proceeds or property to the proper fund."

SECTION 19.1.(vv) G.S. 143B-273.19, as recodified by subsection (x) of this section, reads as rewritten:

"**§ 143B-272.100. Prohibited uses of funds.**

(a) Counties may not use funds received under this ~~Article~~ Subpart to supplant or replace existing funds or other resources from the federal, State, or county government for existing community-based corrections programs.

(b) Counties may not use funds received under this ~~Article~~ Subpart for indirect costs associated with a program."

SECTION 19.1.(ww) G.S. 143B-477, as recodified by subsection (x) of this section, reads as rewritten:

"**§ 143B-272.78. ~~Crime Control Division of the Department of Public Safety.~~Additional duties of the Grants Management Section.**

~~(a) There is hereby established, within the Department of Public Safety, the Crime Control Division, which shall be organized and staffed in accordance with applicable laws and regulations and within the limits of authorized appropriations.~~

(b) The ~~Crime Control Division shall provide clerical and professional services required by the Governor's Crime Commission and~~ Grants Management Section shall administer the State Law Enforcement Assistance Program and such additional related programs as may be established by or assigned to the ~~Commission~~Section. It shall serve as the single State planning agency for purposes of the Crime Control Act of 1976 (Public Laws 94-503). Administrative responsibilities shall include, but are not limited to, the following:

(1) Compiling data, establishing needs and setting priorities for funding and policy recommendations for the Governor's Crime Commission;

(2) Preparing and revising statewide plans for adoption by the Governor's Crime Commission which are designed to improve the administration of criminal justice and to reduce crime in North Carolina;

(3) Advising State and local interests of opportunities for securing federal assistance for crime reduction and for improving criminal justice administration and planning within the State of North Carolina;

(4) Stimulating and seeking financial support from federal, State, and local government and private sources for programs and projects which implement adopted criminal justice administration improvement and crime reduction plans;

(5) Assisting State agencies and units of general local government and combinations thereof in the preparation and processing of applications for financial aid to support improved criminal justice administration, planning and crime reduction;

(6) Encouraging and assisting coordination at the federal, State, and local government levels in the preparation and implementation of criminal justice administration improvements and crime reduction plans;

(7) Applying for, receiving, disbursing, and auditing the use of funds received for the program from any public and private agencies and instrumentalities for criminal justice administration, planning, and crime reduction purposes;

(8) Entering into, monitoring, and evaluating the results of contracts and agreements necessary or incidental to the discharge of its assigned responsibilities;

(9) Providing technical assistance to State and local law-enforcement agencies in developing programs for improvement of the law-enforcement and criminal justice system; and

(10) Taking such other actions as may be deemed necessary or appropriate to carry out its assigned duties and responsibilities.

~~(c) The Crime Control Division shall also provide professional and clerical staff services to the adjunct committees of the Governor's Crime Commission established in G.S. 143B-480.~~"

SECTION 19.1.(xx) G.S. 143B-479(a)(10), as recodified by subsection (x) of this section, reads as rewritten:

"(10) To serve as a coordinating committee and forum for discussion of recommendations from its adjunct committees formed pursuant to ~~G.S. 143B-480;~~ G.S. 143B-272.77; and".

SECTION 19.1.(yy) G.S. 143B-499.1, as recodified by subsection (w) of this section, reads as rewritten:

"**§ 143B-272.65. Dissemination of missing persons data by law-enforcement agencies.**

A law-enforcement agency, upon receipt of a missing person report by a parent, spouse, guardian, legal custodian, or person responsible for the supervision of the missing individual shall immediately make arrangements for the entry of data about the missing person or missing child into the national missing persons file in accordance with criteria set forth by the FBI/NCIC, immediately inform all of its on-duty law-enforcement officers of the missing person report, initiate a statewide broadcast to all appropriate law-enforcement agencies to be on the lookout for the individual, and transmit a copy of the report to the Center. No law enforcement agency shall establish or maintain any policy which requires the observance of any waiting period before accepting a missing person report.

If the report involves a missing child and the report meets the criteria established in ~~G.S. 143B-499.7(b),~~ G.S. 143B-272.71(b), as soon as practicable after receipt of the report, the law enforcement agency shall notify the Center and the National Center for Missing and Exploited Children of the relevant data about the missing child."

SECTION 19.1.(zz) G.S. 143B-499.2(6a), as recodified by subsection (w) of this section, reads as rewritten:

"(6a) Develop and maintain the AMBER Alert System as created by ~~G.S. 143B-499.7;~~G.S. 143B-272.71."

SECTION 19.1.(aaa) G.S. 143B-499.4(5), as rewritten by subsection (g) of this section and recodified by subsection (w) of this section, reads as rewritten:

"(5) Any other person authorized by the Secretary of the Department of Public Safety pursuant to ~~G.S. 143B-498(1).~~G.S. 143B-272.63."

SECTION 19.1.(bbb) G.S. 143B-499.5, as recodified by subsection (w) of this section, reads as rewritten:

"**§ 143B-272.69. Provision of toll-free service; instructions to callers; communication with law-enforcement agencies.**

The Center shall provide a toll-free telephone line for anyone to report the disappearance of any individual or the sighting of any missing child or missing person. The Center personnel shall instruct the caller, in the case of a report concerning the disappearance of an individual, of the requirements contained in ~~G.S. 143B-499~~ G.S. 143B-272.64 of first having to submit a missing person report on the individual to the law-enforcement agency having jurisdiction of the area in which the individual became or is believed to have become missing. Any law-enforcement agency may retrieve information imparted to the Center by means of this phone line. The Center shall directly communicate any report of a sighting of a missing person or a missing child to the law-enforcement agency having jurisdiction in the area of disappearance or sighting."

SECTION 19.1.(ccc) G.S. 143B-515(3), as recodified by subsection (t) of this section, reads as rewritten:

"(3) County Councils. – Juvenile Crime Prevention Councils created under ~~G.S. 143B-544.~~G.S. 143B-272.33."

SECTION 19.1.(ddd) G.S. 143B-535, as recodified by subsection (t) of this section, reads as rewritten:

"**§ 143B-272.24. Duties and powers of chief court counselors.**

The chief court counselor in each district appointed under ~~G.S. 143B-516(b)(15)~~ G.S. 143B-272.6(b)(15) may:

(1) Appoint juvenile court counselors, secretaries, and other personnel authorized by the Department in accordance with the personnel policies adopted by the Department.

(2) Supervise and direct the program of juvenile intake, protective supervision, probation, and post-release supervision within the district.

(3) Provide in-service training for staff as required by the Department.

(4) Keep any records and make any reports requested by the Secretary in order to provide statewide data and information about juvenile needs and services.

(5) Delegate to a juvenile court counselor or supervisor the authority to carry out specified responsibilities of the chief court counselor to facilitate the effective operation of the district.

(6) Designate a juvenile court counselor in the district as acting chief court counselor, to act during the absence or disability of the chief court counselor."

SECTION 19.1.(eee) G.S. 143B-543, as recodified by subsection (x) of this section, reads as rewritten:

"**§ 143B-272.105. Legislative intent.**

It is the intent of the General Assembly to prevent juveniles who are at risk from becoming delinquent. The primary intent of this ~~Part~~ Subpart is to develop community-based alternatives to youth development centers and to provide community-based delinquency, substance abuse, and gang prevention strategies and programs. Additionally, it is the intent of the General Assembly to provide noninstitutional dispositional alternatives that will protect the community and the juveniles.

These programs and services shall be planned and organized at the community level and developed in partnership with the State. These planning efforts shall include appropriate representation from local government, local public and private agencies serving juveniles and their families, local business leaders, citizens with an interest in youth problems, youth representatives, and others as may be appropriate in a particular community. The planning bodies at the local level shall be the Juvenile Crime Prevention Councils."

SECTION 19.1.(fff) G.S. 143B-545, as recodified by subsection (t) of this section, reads as rewritten:

"**§ 143B-272.34. Terms of appointment.**

Each member of a County Council shall serve for a term of two years, except for initial terms as provided in this section. Each member's term is a continuation of that member's term under G.S. 147-33.62. Members may be reappointed. The initial terms of appointment began January 1, 1999. In order to provide for staggered terms, persons appointed for the positions designated in subdivisions (9), (10), (12), (15), (17), and (18) of ~~G.S. 143B-544(a)~~G.S. 143B-272.33(a) were appointed for an initial term ending on June 30, 2000. The initial term of the second member added to each County Council pursuant to ~~G.S. 143B-544(a)(12)~~ G.S. 143B-272.33(a)(12) shall begin on July 1, 2001, and end on June 30, 2002. After the initial terms, persons appointed for the positions designated in subdivisions (9), (10), (12), (15), (17), and (18) of ~~G.S. 143B-544(a)~~ G.S. 143B-272.33(a) shall be appointed for two-year terms, beginning on July 1. All other persons appointed to the Council were appointed for an initial term ending on June 30, 2001, and, after those initial terms, persons shall be appointed for two-year terms beginning on July 1."

SECTION 19.1.(ggg) G.S. 143B-550, as recodified by subsection (x) of this section and as rewritten by subsection (l) of this section, reads as rewritten:

"**§ 143B-272.79. Funding for programs.**

(a) Annually, the ~~Department~~ Division of Administration shall develop and implement a funding mechanism for programs that meet the standards developed under ~~this Part.~~Subpart F of Part 3 of Article 5A of Chapter 143B of the General Statutes. The ~~Department~~ Division shall ensure that the guidelines for the State and local partnership's funding process include the following requirements:

(1) Fund effective programs. – The ~~Department~~ Division shall fund programs that it determines to be effective in preventing delinquency and recidivism. Programs that have proven to be ineffective shall not be funded.

(2) Use a formula for the distribution of funds. – A funding formula shall be developed that ensures that even the smallest counties will be able to provide the basic prevention and alternative services to juveniles in their communities.

(3) Allow and encourage local flexibility. – A vital component of the State and local partnership established by this section is local flexibility to determine how best to allocate prevention and alternative funds.

(4) Combine resources. – Counties shall be allowed and encouraged to combine resources and services.

(b) The ~~Department~~ Division shall adopt rules to implement this section. The ~~Department~~ Division shall provide technical assistance to County Councils and shall require them to evaluate all State-funded programs and services on an ongoing and regular basis.

(c) The Division of Juvenile Justice of the Department of Public Safety shall report to the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety no later than March 1, 2006, and annually thereafter, on the results of the alternatives to commitment demonstration programs funded by Section 16.7 of S.L. 2004-124. The 2007 report and all annual reports thereafter shall also include projects funded by Section 16.11 of S.L. 2005-276 for the 2005-2006 fiscal year. Specifically, the report shall provide a detailed description of each of the demonstration programs, including the numbers of juveniles served, their adjudication status at the time of service, the services/treatments provided, the length of service, the total cost per juvenile, and the six- and 12-month recidivism rates for the juveniles after the termination of program services."

SECTION 19.1.(hhh) G.S. 166A-14(a1)(1)a., as rewritten by subsection (g) of this section, reads as rewritten:

"a. Emergency management services are provided at any place in this State during a state of disaster or state of emergency declared by the Governor pursuant to this Article or G.S. 14-288.15, and the services are provided under the direction and control of the Secretary of the Department of Public Safety pursuant to G.S. 166A-5, 166A-6, and ~~143B-476,~~ 143B-259.2, or the Governor."

LIMITED AUTHORITY TO RECLASSIFY AND ELIMINATE CERTAIN POSITIONS

SECTION 19.1.(hhh1) Notwithstanding any other provision of law, subject to the approval of the Director of the Budget, the Office of State Budget and Management or the Secretary of the Department of Public Safety may reclassify or eliminate existing administrative positions that are not specifically addressed in this act as needed for the efficient operation of the Department.

CREATION OF REGIONAL OFFICES

SECTION 19.1.(hhh2) The Department of Public Safety shall, in addition to the headquarters offices, create eight regional offices in the Division of Law Enforcement at each of which shall be collocated personnel and property of the State Bureau of Investigation, the Alcohol Law Enforcement Section, and the State Highway Patrol. Specifically, each regional office shall house one district of personnel and equipment for the Alcohol Law Enforcement Section, one district of personnel and equipment for the State Bureau of Investigation Section, and headquarters personnel and equipment for each State Highway Patrol Section troop headquarters. These regional offices shall be operational by July 1, 2012, and on or before March 1, 2012, the Department shall report to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on the following:

(1) The amount of savings the Department anticipates achieving as a result of collocating personnel and property of the State Bureau of Investigation, the Alcohol Law Enforcement Section, and the State Highway Patrol at the eight regional offices.

(2) The counties that will be included in each district and the regional office that will serve each district.

(3) The staffing levels anticipated at each regional office.

(4) Any statutory or regulatory changes that will be required as a prerequisite to or consequence of housing personnel and property of the State Bureau of Investigation, the Alcohol Law Enforcement Section, and the State Highway Patrol within the same regional offices.

CHANGES TO CONFORM WITH S.L. 2011-19

SECTION 19.1.(hhh3) G.S. 114-16.1(a), as recodified by subsection (x2) of this section, reads as rewritten:

"(a) Creation and Membership. – The North Carolina Forensic Science Advisory Board (Board) is hereby established as an advisory board within the Department of ~~Justice.~~Public Safety. The Board shall consist of 16 members, consisting of the State Crime Laboratory Director, and 15 members appointed by the ~~Attorney General~~Secretary of Public Safety as follows:

(1) A forensic scientist or any other person with an advanced degree who has received substantial education, training, or experience in the subject of laboratory standards or quality assurance regulation and monitoring.
(2) The Chief Medical Examiner of the State.
(3) A forensic scientist with an advanced degree who has received substantial education, training, or experience in the discipline of molecular biology.
(4) A forensic scientist with an advanced degree who has experience in the discipline of population genetics.
(5) A scientist with an advanced degree who has experience in the discipline of forensic chemistry.
(6) A scientist with an advanced degree who has experience in the discipline of forensic biology.
(7) A forensic scientist or any other person with an advanced degree who has received substantial education, training, or experience in the discipline of trace evidence.
(8) A scientist with a doctoral degree who has experience in the discipline of forensic toxicology and is certified by the American Board of Forensic Toxicologists.
(9) A member of the International Association for Identification.
(10) A member of the Association of Firearms and Toolmark Examiners.
(11) A member of the International Association for Chemical Testing.
(12) A director of a private or federal forensic laboratory located in the State.
(13) A member of the American Society of Crime Laboratory Directors.
(14) A member of the Academy of Forensic Sciences.
(15) A member of the American Statistical Association.

A chairman shall be elected from among the members appointed, and staff shall be provided by the Department of ~~Justice.~~Public Safety."

SECTION 19.1.(hhh4) Section 3 of S.L. 2011-19 reads as rewritten:

"**SECTION 3.** The ~~State Bureau of Investigation (SBI)~~Department of Public Safety shall encourage and seek collaborative opportunities and grant funds for research programs, in association, whenever possible, with the university system or independent nationally recognized forensic institutions, on human observer bias and sources of human error in forensic examinations. Such programs might include studies to determine the effects of contextual bias in forensic practice (e.g., studies to determine whether and to what extent the results of forensic analysis are influenced by knowledge regarding the background of the suspect and the investigator's theory of the case). In addition, research on sources of human error should be closely linked with research conducted to quantify and characterize the amount of error. Based on the results of these studies, and in consultation with the North Carolina Forensic Sciences Advisory Board, the North Carolina State Crime Laboratory should develop standard operating procedures (that will lay the foundation for model protocols) to minimize, to the extent possible, potential bias and sources of human error in forensic science. These standard operating procedures should apply to all forensic analyses that may be used in litigation."

SECTION 19.1.(hhh5) Section 6(a) of S.L. 2011-19 reads as rewritten:

"**SECTION 6.(a)** The position of ombudsman is created in the North Carolina State Crime Laboratory within the North Carolina Department of ~~Justice.~~Public Safety. The primary purpose of this position shall be to work with defense counsel, prosecutorial agencies, criminal

justice system stakeholders, law enforcement officials, and the general public to ensure all processes, procedures, practices, and protocols at the Laboratory are consistent with State and federal law, best forensic law practices, and in the best interests of justice in this State. The ombudsman shall mediate complaints brought to the attention of the ombudsman between the ~~SBI~~ North Carolina State Crime Laboratory and defense counsel, prosecutorial agencies, law enforcement agencies, and the general public. The ombudsman shall ensure all criminal justice stakeholders and the general public are aware of the availability, responsibilities, and role of the ombudsman and shall regularly attend meetings of the Conferences of the District Attorneys, District and Superior Court Judges, Public Defenders, the Advocates for Justice, and Bar Criminal Law Sections. The ombudsman shall make recommendations on a regular basis to the Director of the State Crime Laboratory, ~~Director~~ Chief of the SBI, and ~~Attorney General of North Carolina~~the Secretary of Public Safety as to policies, procedures, practices, and training of employees needed at the Laboratory to ensure compliance with State and federal law, best forensic law practices, and to resolve any meritorious systemic complaints received by the ombudsman."

SECTION 19.1.(hhh6) Section 6(b) of S.L. 2011-19 reads as rewritten:

"**SECTION 6.(b)** The funds for the position of ombudsman created in Section 6(a) of this act shall be provided by the Department of ~~Justice~~ Public Safety from other funds appropriated to the Department, and from other grants or funding that are available from other sources."

SECTION 19.1.(hhh7) G.S. 8-58.20(c) reads as rewritten:

"(c) The analyst who analyzes the forensic sample and signs the report shall complete an affidavit on a form developed by the ~~State Bureau of Investigation.~~North Carolina State Crime Laboratory. In the affidavit, the analyst shall state (i) that the person is qualified by education, training, and experience to perform the analysis, (ii) the name and location of the laboratory where the analysis was performed, and (iii) that performing the analysis is part of that person's regular duties. The analyst shall also aver in the affidavit that the tests were performed pursuant to the accrediting body's standards for that discipline and that the evidence was handled in accordance with established and accepted procedures while in the custody of the laboratory. The affidavit shall be sufficient to constitute prima facie evidence regarding the person's qualifications. The analyst shall attach the affidavit to the laboratory report and shall provide the affidavit to the investigating officer and the district attorney in the prosecutorial district in which the criminal charges are pending. An affidavit by a forensic analyst sworn to and properly executed before an official authorized to administer oaths is admissible in evidence without further authentication in any criminal proceeding with respect to the forensic analysis administered and the procedures followed."

REPORTING AND EFFECTIVE DATE

SECTION 19.1.(iii) The Office of State Budget and Management, in consultation with the Department of Juvenile Justice and Delinquency Prevention, the Department of Crime Control and Public Safety, the Department of Correction, and the Department of Justice, shall make the following reports on progress implementing this section to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee:

(1) An interim report on or before October 1, 2011.

(2) A final report on or before January 15, 2012. This report shall include information about any reclassifications of positions or reductions in force pursuant to subsection (hhh1) of this section and may include any recommendations for changes to the statutes that organize the Department of Public Safety.

SECTION 19.1.(jjj) Other than subsection (iii), this section becomes effective January 1, 2012. On and after that date, any references or directives in this act to the Department of Correction, the Department of Juvenile Justice and Delinquency Prevention, or the Department of Crime Control and Public Safety shall be construed to apply to the appropriate division of the Department of Public Safety pursuant to the departmental consolidation enacted by this section.

CONSOLIDATE BUDGET CODES FOR DEPARTMENT OF PUBLIC SAFETY

SECTION 19.2. The Office of State Budget and Management and the State Controller, in consultation with the Fiscal Research Division, shall consolidate the budget codes for the Department of Crime Control and Public Safety, the Department of Juvenile

Justice and Delinquency Prevention, and the Department of Correction into a single budget code for the Department of Public Safety. Fund codes within that budget code shall align with the new organizational structure of the Department of Public Safety. The new budget code shall be established by July 1, 2012.

ABOLISH BUTNER PUBLIC SAFETY DIVISION

SECTION 19.3.(a) The Butner Public Safety Division of the Department of Crime Control and Public Safety is abolished.

SECTION 19.3.(b) On or before July 1, 2011, the following actions shall be taken with respect to the real and personal property of the Butner Public Safety Division:

(1) The Governor shall convey to the Town of Butner all right, title, and interest in all of the personal property, tangible and intangible, of the Butner Public Safety Division. This conveyance shall be exempt from all statutes concerning in any way the disposition of personal property.

(2) The State of North Carolina shall lease to the Town of Butner, for a period of 99 years and for monetary consideration of one dollar ($1.00) per year, all real property allocated to or occupied by the Butner Public Safety Division as of April 1, 2011. The lease instrument shall contain (i) a provision that the Town of Butner agrees to use the leased property for public safety purposes and (ii) a provision that the Town of Butner, as lessee, agrees to maintain the property in its present condition and will not sell or damage any portion of the leased property.

SECTION 19.3.(c) The contract between the Town of Butner and the Department of Crime Control and Public Safety under G.S. 122C-408 terminates upon such conveyance.

SECTION 19.3.(d) G.S. 122C-408, 122C-411, 122C-414, 160A-288(d)(4), and 160A-288.2(d)(3) are repealed.

SECTION 19.3.(e) 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.~~purposes."

SECTION 19.3.(f) The Charter of the Town of Butner, as enacted by Section 1.1 of S.L. 2007-269, is amended by adding a new Article to read:

"ARTICLE IX. PROVISION OF FIRE PROTECTION SERVICES TO THE BUTNER POLICE AND FIRE PROTECTION DISTRICT.

"Section 9.1. **Provision of fire protection services.** The Town of Butner shall provide fire protection services to the Butner Fire and Police Protection District. The cost of providing these services shall be funded with (i) the tax proceeds transferred to the Town pursuant to Chapter 830 of the 1983 Session Laws, as amended, and (ii) any allocations from the State Fire Protection Grant Fund that are made from time to time."

SECTION 19.3.(g) Subsection 1(b) of Chapter 830 of the 1983 Session Laws, as amended by Section 43.3 of S.L. 2005-276, reads as rewritten:

"(b) The territorial jurisdiction set forth in subsection (a) of this section shall constitute the Butner Fire and Police Protection District. The tax collectors of Durham and Granville Counties shall annually collect a tax of twenty-five cents (25¢) per one hundred dollars ($100.00) valuation of all real and personal property in the portions of said district in their respective counties from year to year which tax shall be collected as county taxes are collected and shall remit the same to the ~~State Treasurer for deposit in the General Fund.~~Town of Butner for deposit."

SECTION 19.3.(h) Section 2 of Chapter 830 of the 1983 Session Laws reads as rewritten:

"Sec. 2. The purpose of this act is to ~~partially fund the expenses of the Butner Fire and Police Protection District.~~fund the cost of the fire protection services provided by the Town of Butner."

SECTION 19.3.(i) G.S. 122C-205 reads as rewritten:

"§ 122C-205. Return of clients to 24-hour facilities.

...

(c) Upon receipt of notice of an escape or breach of a condition of release as described in subsections (a) and (b) of this section, an appropriate law enforcement officer shall take the client into custody and have the client returned to the 24-hour facility from which the client has escaped or has been conditionally released. Transportation of the client back to the 24-hour facility shall be provided in the same manner as described in ~~G.S. 122C-251 and G.S. 122C-408(b).~~ G.S. 122C-251. Law enforcement agencies who are notified of a client's escape or breach of conditional release shall be notified of the client's return by the responsible 24-hour facility. Under the circumstances described in this section, the initial notification by the 24-hour facility of the client's escape or breach of conditional release shall be given by telephone communication to the appropriate law enforcement agency or agencies and, if available and appropriate, by Division of Criminal Information (DCI) message to any law enforcement agency in or out of state and by entry into the National Crime Information Center (NCIC) telecommunications system. As soon as reasonably possible following notification, written authorization to take the client into custody shall also be issued by the 24-hour facility. Under this section, law enforcement officers shall have the authority to take a client into custody upon receipt of the telephone notification or Division of Criminal Information message prior to receiving written authorization. The notification of a law enforcement agency does not, in and of itself, render this information public information within the purview of Chapter 132 of the General Statutes. However, the responsible law enforcement agency shall determine the extent of disclosure of personal identifying and background information reasonably necessary, under the circumstances, in order to assure the expeditious return of a client to the 24-hour facility involved and to protect the general public and is authorized to make such disclosure. The responsible law enforcement agency may also place any appropriate message or entry into either the Division of Criminal Information System or National Crime Information System, or both, as appropriate.

...

(h) The cost and expenses of transporting a respondent to or from a 24-hour facility is the responsibility of the county of residence of the respondent. ~~The State (when providing transportation under G.S. 122C-408(b)), a~~ A city, or a county is entitled to recover the reasonable cost of transportation from the county of residence of the respondent. The county of residence of the respondent shall reimburse the State, another county, or a city the reasonable transportation costs incurred as authorized by this subsection. The county of residence of the respondent is entitled to recover the reasonable cost of transportation it has paid to the State, a city, or a county. Provided that the county of residence provides the respondent or other individual liable for the respondent's support a reasonable notice and opportunity to object to the reimbursement, the county of residence of the respondent may recover that cost from:

(1) The respondent, if the respondent is not indigent;
(2) Any person or entity that is legally liable for the resident's support and maintenance provided there is sufficient property to pay the cost;
(3) Any person or entity that is contractually responsible for the cost; or
(4) Any person or entity that otherwise is liable under federal, State, or local law for the cost."

SECTION 19.3.(j) G.S. 122C-251 reads as rewritten:

"§ 122C-251. Transportation.

...

(b) Except as provided in subsections (f) and ~~(g) or in G.S. 122C-408(b),~~(g) of this section, transportation between counties under the involuntary commitment proceedings of this Article for admission to a 24-hour facility shall be provided by the county where the respondent is taken into custody. Transportation between counties under the involuntary commitment proceedings of this Article for respondents held in 24-hour facilities who have requested a change of venue for the district court hearing shall be provided by the county where the petition for involuntary commitment was initiated. Transportation between counties under the involuntary commitment proceedings of this Article for discharge of a respondent from a

24-hour facility shall be provided by the county of residence of the respondent. However, a respondent being discharged from a facility may use his own transportation at his own expense.

(c) Transportation of a respondent may be by city-or county-owned vehicles or by private vehicle by contract with the city or county. To the extent feasible, law enforcement officers transporting respondents shall dress in plain clothes and shall travel in unmarked vehicles. Further, law enforcement officers, to the extent possible, shall advise respondents when taking them into custody that they are not under arrest and have not committed a crime, but are being transported to receive treatment and for their own safety and that of others.

(d) In providing transportation of a respondent, a city or county shall provide a driver or attendant who is the same sex as the respondent, unless the law-enforcement officer allows a family member of the respondent to accompany the respondent in lieu of an attendant of the same sex as the respondent.

(e) In providing transportation required by this section, the law-enforcement officer may use reasonable force to restrain the respondent if it appears necessary to protect himself, the respondent, or others. No law-enforcement officer may be held criminally or civilly liable for assault, false imprisonment, or other torts or crimes on account of reasonable measures taken under the authority of this Article.

(f) Notwithstanding the provisions of subsections (a), (b), and (c) of this section, a clerk, a magistrate, or a district court judge, where applicable, may authorize the family or immediate friends of the respondent, if they so request, to transport the respondent in accordance with the procedures of this Article. This authorization shall only be granted in cases where the danger to the public, the family or friends of the respondent, or the respondent himself is not substantial. The family or immediate friends of the respondent shall bear the costs of providing this transportation.

(g) The governing body of a city or county may adopt a plan for transportation of respondents in involuntary commitment proceedings in this Article. Law-enforcement personnel, volunteers, or other public or private agency personnel may be designated to provide all or parts of the transportation required by involuntary commitment proceedings. Persons so designated shall be trained and the plan shall assure adequate safety and protections for both the public and the respondent. Law enforcement, other affected agencies, and the area authority shall participate in the planning. If any person other than a law-enforcement agency is designated by a city or county, the person so designated shall provide the transportation and follow the procedures in this Article. References in this Article to a law-enforcement officer apply to this person.

(h) The cost and expenses of transporting a respondent to or from a 24-hour facility is the responsibility of the county of residence of the respondent. ~~The State (when providing transportation under G.S. 122C-408(b)), a~~ A city, or a county is entitled to recover the reasonable cost of transportation from the county of residence of the respondent. The county of residence of the respondent shall reimburse the State, another county, or a city the reasonable transportation costs incurred as authorized by this subsection. The county of residence of the respondent is entitled to recover the reasonable cost of transportation it has paid to the State, a city, or a county. Provided that the county of residence provides the respondent or other individual liable for the respondent's support a reasonable notice and opportunity to object to the reimbursement, the county of residence of the respondent may recover that cost from:

(1) The respondent, if the respondent is not indigent;
(2) Any person or entity that is legally liable for the resident's support and maintenance provided there is sufficient property to pay the cost;
(3) Any person or entity that is contractually responsible for the cost; or
(4) Any person or entity that otherwise is liable under federal, State, or local law for the cost."

SECTION 19.3.(k) G.S. 122C-290(b) reads as rewritten:

"(b) If the respondent whose treatment is provided on an outpatient basis fails to comply with all or part of the prescribed treatment after reasonable effort to solicit the respondent's compliance or whose treatment is provided on an inpatient basis is discharged in accordance with G.S. 122C-205.1(b), the area authority or physician may request the clerk or magistrate to order the respondent taken into custody for the purpose of examination. Upon receipt of this request, the clerk or magistrate shall issue an order to a law enforcement officer to take the respondent into custody and to take him immediately to the designated area authority or physician for examination. The custody order is valid throughout the State. The law

enforcement officer shall turn the respondent over to the custody of the physician or area authority who shall conduct the examination and release the respondent or have the respondent taken to a 24-hour facility upon a determination that treatment in the facility will benefit the respondent. Transportation to the 24-hour facility shall be provided as specified in G.S. 122C-251, upon notice to the clerk or magistrate that transportation is ~~necessary, or as provided in G.S. 122C-408(b).~~ necessary. If placement in a 24-hour facility is to exceed 45 consecutive days, the area authority or physician shall notify the clerk of court by the 30th day and request a supplemental hearing as specified in G.S. 122C-291."

REPORTS ON LAW ENFORCEMENT ACCREDITATION SERVICES

SECTION 19.4. The State Highway Patrol, Alcohol Law Enforcement Division, State Capitol Police, and State Bureau of Investigation shall report by March 1, 2012, to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, to the Chairs of the House and Senate Appropriations Subcommittees on Justice and Public Safety, and to the Fiscal Research Division on any national associations that provide accreditation services for those law enforcement agencies, including, but not limited to, the Commission on Accreditation for Law Enforcement Agencies. The report shall include an itemization of the personnel and other costs associated with the service, a summary of the accreditation process, and a summary of the benefits gained from the services.

STUDY THE FEASIBILITY OF ASSESSING A FEE FOR PROVIDING TRAFFIC CONTROL BY THE STATE HIGHWAY PATROL AT SPECIAL EVENTS

SECTION 19.5.(a) The Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee shall study the feasibility of assessing a fee for services provided by the State Highway Patrol for certain special events. In conducting this study, the Committee shall determine the costs associated with providing traffic control devices and personnel to provide traffic control and direction at special functions and events. The Committee shall also develop criteria to determine events, if any, for which a fee will be assessed and criteria to determine the amount of the fee, if any, that should be assessed.

SECTION 19.5.(b) The Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee shall make a report to the 2012 Regular Session of the 2011 General Assembly no later than June 1, 2012, detailing the information required by this section and shall provide any recommended changes in current legislation or proposed new legislation if required.

PART XX. DEPARTMENT OF ADMINISTRATION

STATE ENTITIES TO USE AGENCY FOR PUBLIC TELECOMMUNICATIONS

SECTION 20.1. Part 22 of Article 9 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-426.11A. Use of Agency for Public Telecommunications required.**

Notwithstanding any other provision of law, the Agency for Public Telecommunications shall be the primary party with whom all State agencies, departments, and institutions other than The University of North Carolina System and the constituent institutions of the Community College System may contract for media placement and the creation of the media to be placed. Agencies, departments, and institutions may use another party only if the Agency for Public Telecommunications determines that the Agency for Public Telecommunications cannot fulfill the agency's, department's, or institution's needs. Any contract entered into contrary to the provisions of this section is voidable at the discretion of the Governor and the Council of State."

TRANSFER OF NC HUMAN RELATIONS COMMISSION FROM DEPARTMENT OF ADMINISTRATION TO OFFICE OF ADMINISTRATIVE HEARINGS

SECTION 20.1A.(a) The North Carolina Human Relations Commission created pursuant to G.S. 143B-391, other than the administration of the Martin Luther King, Jr. Commission created pursuant to G.S. 143B-426.34A, is hereby transferred by a Type I transfer, as defined in G.S. 143A-6, from the Department of Administration to the Office of Administrative Hearings.

SECTION 20.1A.(b) Part 9 of Article 9 of Chapter 143B of the General Statutes, G.S. 143B-391 and G.S. 143B-392, is recodified as G.S. 7A-761 and G.S. 7A-762 in Article 60 of the General Statutes.

SECTION 20.1A.(c) G.S. 7A-761, as recodified by this section, reads as rewritten:

"**§ 7A-761. North Carolina Human Relations Commission – creation; powers and duties.**

There is hereby created the North Carolina Human Relations Commission of the ~~Department of Administration.~~Office of Administrative Hearings. The North Carolina Human Relations Commission shall have the following functions and duties:

...

(7) To receive on behalf of the ~~Department of Administration~~Office of Administrative Hearings and to recommend expenditure of gifts and grants from public and private donors;

...

(10) To advise the ~~Secretary of Administration~~ Director of the Office of Administrative Hearings upon any matter the ~~Secretary~~ Director may refer to it;

...."

SECTION 20.1A.(d) G.S. 7A-762, as recodified of this section, reads as rewritten:

"**§ 7A-762. North Carolina Human Relations Commission – Members; selection; quorum; compensation.**

(a) The Human Relations Commission of the ~~Department of Administration~~Office of Administrative Hearings shall consist of 22 members. The Governor shall appoint one member from each of the 13 congressional districts, plus five members at large, including the chairperson. The Speaker of the North Carolina House of Representatives shall appoint two members to the Commission. The President Pro Tempore of the Senate shall appoint two members to the Commission. The terms of four of the members appointed by the Governor shall expire June 30, 1988. The terms of four of the members appointed by the Governor shall expire June 30, 1987. The terms of four of the members appointed by the Governor shall expire June 30, 1986. The terms of four of the members appointed by the Governor shall expire June 30, 1985. The terms of the members appointed by the Speaker of the North Carolina House of Representatives shall expire June 30, 1986. The terms of the members appointed by the Lieutenant Governor shall expire June 30, 1986. The initial term of office of the person appointed to represent the 12th Congressional District shall commence on January 3, 1993, and expire on June 30, 1996. At the end of the respective terms of office of the initial members of the Commission, the appointment of their successors shall be for terms of four years. No member of the commission shall serve more than two consecutive terms. A member having served two consecutive terms shall be eligible for reappointment one year after the expiration of his second term. Any appointment to fill a vacancy on the Commission created by the resignation, dismissal, death, or disability of a member shall be filled in the manner of the original appointment for the unexpired term.

...

(d) All clerical and support services required by the Commission shall be supplied by the ~~Secretary of the Department of Administration.~~Director of the Office of Administrative Hearings."

STUDY BY THE LEGISLATIVE RESEARCH COMMISSION OF THE DUTIES AND SERVICES OF THE NORTH CAROLINA HUMAN RELATIONS COMMISSION AND THE CIVIL RIGHTS DIVISION OF THE OFFICE OF ADMINISTRATIVE HEARINGS

SECTION 20.2.(a) The Legislative Research Commission is authorized to study the duties and services of the North Carolina Human Relations Commission and the Civil Rights Division of the Office of Administrative Hearings to determine whether there is unnecessary overlap and duplication of services and recommend the placement of the Commission and Division in the appropriate agency or agencies.

SECTION 20.2.(b) The Legislative Research Commission may make an interim report to the 2011 General Assembly when it reconvenes in 2012 and shall make its final report to the 2013 General Assembly.

SECTION 20.2.(c) This section is effective when it becomes law.

DOMESTIC VIOLENCE CENTER FUNDS

SECTION 20.3. The Department of Administration, in administering the Domestic Violence Center Fund, G.S. 50B-9, shall adhere to the requirements of the law and shall not limit the number of grantees that are eligible in each county, or by any other geographic limitation. Every domestic violence center that was in operation by the preceding July 1, offers the services described in the statute, and is a nonprofit corporation or a local government entity shall receive an amount that is equal to that received by all other grantees of the Fund.

USE OF CAPITAL PROJECT CONTINGENCY FUNDS TO INCREASE THE SPEED AND EFFICIENCY OF THE STATE CONSTRUCTION OFFICE

SECTION 20.4.(a) Contingency reserve funds appropriated for capital improvement projects that are subject to the Department of Administration's review authority under G.S. 143-341(3)a. shall be placed in a statewide capital reserve administered by the Office of State Budget and Management to ensure optimal management and administration of funds needed for new construction and repairs and renovations projects.

Notwithstanding any other provision of law, upon a request of the administration of a State agency, and after consultation with the Office of State Construction, the Director of the Budget may, when it is in the best interest of the State to do so, allocate funds from the reserve to the requesting agency to be used for any of the purposes for which contingency funds may permissibly be used. Under no circumstances, may funds disbursed from the statewide capital reserve be used for a capital improvement project not previously authorized by the General Assembly.

SECTION 20.4.(b) Each fiscal year of the biennium, the Director of the Budget may reallocate a portion of the funds deposited in the reserve not to exceed eight hundred seventy-five thousand dollars ($875,000) in any fiscal year to the State Construction Office in the Department of Administration to be used to support the staffing needs of the Office in connection with carrying out its design and plan review, construction, building code compliance, inspection, and related duties imposed by G.S. 143-341(3) and other sections of the General Statutes to ensure timely and complete responses in an effort to reduce the need for the use of contingency fees.

SECTION 20.4.(c) This section is effective when it becomes law and applies to all open and active capital improvement projects, regardless of the source of funds.

OFFICE OF STATE PERSONNEL/STUDY CENTRALIZED HUMAN RESOURCES FOR COUNCIL OF STATE OFFICES

SECTION 20.5. By the convening of the 2012 Regular Session of the 2011 General Assembly, the Office of State Personnel (OSP), in conjunction with the Office of State Budget and Management, shall report to the General Assembly and to the Fiscal Research Division on the feasibility of transferring the human resources management functions currently divided among the various Council of State offices and departments to be centralized under the Office of State Personnel. At a minimum, the report shall include the following:

(1) A detailed analysis of the costs to the State of maintaining separate human resources offices in Council of State offices and departments.

(2) An estimate of potential cost savings that would accrue to the State if all human resources management functions were under the OSP.

(3) Recommendations on State law changes required to effectuate centralization of all human services resources management functions under the OSP.

STATE BOARD OF ELECTIONS AND ETHICS

SECTION 20.6.(a) The authority, powers, duties and functions, records, personnel, property, unexpended balances of appropriations, allocations, or other funds, including the functions of budgeting and purchasing, of the State Ethics Commission are transferred to the State Board of Elections and Ethics Enforcement created in this section. The authority, powers, duties and functions, records, personnel, property, unexpended balances of appropriations, allocations, or other funds, including the functions of budgeting and purchasing, of the State Board of Elections are transferred to the State Board of Elections and Ethics Enforcement created in this section. The authority, powers, duties and functions, records, personnel, property, unexpended balances of appropriations, allocations, or other funds, including the functions of budgeting and purchasing, of the lobbying registration and lobbying enforcement

functions of the Secretary of State are transferred to the State Board of Elections and Ethics Enforcement created in this section. The Director of the Budget shall resolve any disputes arising out of this transfer.

SECTION 20.6.(b) The Office of State Budget and Management and the State Controller, in consultation with the Fiscal Research Division, shall consolidate the budget codes for the State Ethics Commission, the State Board of Elections, and the lobbying registration and lobbying enforcement functions of the Secretary of State into a single budget code for the State Board of Elections and Ethics Enforcement. Fund codes within that budget code shall align with the organizational structure of the State Board of Elections and Ethics Enforcement. The Office of State Budget and Management and the State Controller, in consultation with the Fiscal Research Division, shall consolidate the budget codes for the State Board of Elections, State Ethics Commission, and the Lobbyist Registration Division of the Department of the Secretary of State into a single budget code for the State Board of Elections and Ethics Enforcement. Fund codes within that budget code shall align with the new organizational structure of the State Board of Elections and Ethics Enforcement. The new budget code shall be established by July 1, 2012.

SECTION 20.6.(c) The General Statutes are amended by adding a new Chapter to read:

"**Chapter 163A.**

"**State Elections and Ethics Act.**

"**SUBCHAPTER I. GENERAL PROVISIONS.**

"Article 1.

"State Board of Elections and Ethics Enforcement.

"**§ 163A-100. Board of Elections and Ethics Enforcement established.**

There is established the State Board of Elections and Ethics Enforcement (hereinafter in this Chapter "State Board").

"**§ 163A-101. Membership.**

(a) The State Board shall consist of nine members. Three members shall be appointed by the Governor, no more than two of whom shall be of the same political party. Six members shall be appointed by the General Assembly, three upon the recommendation of the Speaker of the House of Representatives, no more than two of whom shall be of the same political party, and three upon the recommendation of the President Pro Tempore of the Senate, no more than two of whom shall be of the same political party. Members shall serve for three-year terms beginning January 1, 2012, except for the initial terms that shall be as follows:

(1) One member appointed by the Governor shall serve an initial term of one year beginning January 1, 2012.

(2) Two members appointed by the General Assembly, one upon the recommendation of the Speaker of the House of Representatives and one upon the recommendation of the President Pro Tempore of the Senate, shall serve initial terms of one year beginning January 1, 2012.

(3) One member appointed by the Governor shall serve an initial term of two years beginning January 1, 2012.

(4) Two members appointed by the General Assembly, one upon the recommendation of the Speaker of the House of Representatives and one upon the recommendation of the President Pro Tempore of the Senate, shall serve initial terms of two years beginning January 1, 2012.

(b) Members shall be removed from the Board only for misfeasance, malfeasance, or nonfeasance. Members appointed by the Governor may be removed by the Governor. Members appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives shall be removed by the Governor upon the recommendation of the Speaker. Members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate shall be removed by the Governor upon the recommendation of the President Pro Tempore.

(c) Vacancies in appointments made by the Governor shall be filled by the Governor for the remainder of any unfulfilled term. Vacancies in appointments made by the General Assembly shall be filled in accordance with G.S. 120-122 for the remainder of any unfulfilled term.

(d) No member while serving on the State Board or employee while employed by the State Board shall:

(1) Hold or be a candidate for any other office or place of trust or profit under the United States, the State, or a political subdivision of the State.
(2) Hold office in any political party above the precinct level.
(3) Participate in or contribute to the political campaign of any covered person or any candidate for a public office as a covered person over which the Board would have jurisdiction or authority.
(4) Otherwise be an employee of the State, a community college, or a local school administrative unit, or serve as a member of any other State board.

(e) The Governor shall annually appoint a member of the Board to serve as chair of the State Board. The State Board shall elect a vice-chair annually from its membership. The vice-chair shall act as the chair in the chair's absence or if there is a vacancy in that position.

(f) Members of the State Board shall be compensated for service as provided by law.

"**§ 163A-102. Meetings and quorum.**

The State Board shall meet at least quarterly and at other times as called by its chair or by four of its members. In the case of a vacancy in the chair, meetings may be called by the vice-chair. Five members of the State Board constitute a quorum.

"**§ 163A-103. Staff and offices.**

The State Board may employ professional and clerical staff, including an Executive Director. The State Board shall be located within the Department of Administration for administrative purposes only but shall exercise all of its powers, including the power to employ, direct, and supervise all personnel, independently of the Secretary of Administration. The State Board is subject to the direction and supervision of the Secretary of Administration only with respect to the management functions of coordinating and reporting.

"**§ 163A-104. Powers of the chair in the execution of State Board duties.**

(a) In the performance of the duties enumerated in this Chapter, the chair of the State Board shall have power to administer oaths, issue subpoenas, summon witnesses, and compel the production of papers, books, records, and other evidence.

(b) Upon the written request or requests of two or more members of the State Board, the chair shall issue subpoenas for designated witnesses or identified papers, books, records, and other evidence.

(c) In the absence of the chair or upon the chair's refusal to act, any two members of the State Board may issue subpoenas, summon witnesses, and compel the production of papers, books, records, and other evidence. In the absence of the chair or upon the chair's refusal to act, any member of the State Board may administer oaths.

(d) The State Board may petition the Superior Court of Wake County for the approval to issue subpoenas and subpoenas duces tecum as necessary to conduct investigations of violations of this Chapter. The Court shall authorize subpoenas under this subsection when the Court determines they are necessary for the enforcement of this Chapter. Subpoenas issued under this subsection shall be enforceable by the Court through contempt powers. Venue shall be with the Superior Court of Wake County for any nonresident person, or that person's agent, who makes a reportable expenditure under this Chapter, and personal jurisdiction may be asserted under G.S. 1-75.4.

"**§ 163A-105. Executive Director of the State Board.**

(a) There is hereby created the position of Executive Director of the State Board, who shall perform all duties imposed by statute and such duties as might be assigned by the State Board.

(b) The State Board shall appoint an Executive Director for a term of four years with compensation determined by the State Personnel Commission. The Executive Director shall serve, unless removed for cause, until a successor is appointed. In the event of a vacancy, the vacancy shall be filled for the remainder of the term.

(c) The Executive Director shall be responsible for staffing, administration, and execution of the State Board's decisions and orders and shall perform such other responsibilities as may be assigned by the State Board.

"**SUBCHAPTER II. ETHICS AND LOBBYING.**

"Article 2.

"Definitions; General Provisions.

"**§ 163A-200. Definitions.**

The following definitions apply in this Subchapter:

(1) Blind trust. – A trust established by or for the benefit of a covered person or a member of the covered person's immediate family for divestiture of all control and knowledge of assets. A trust qualifies as a blind trust under this subdivision if the covered person or a member of the covered person's immediate family has no knowledge of the holdings and sources of income of the trust, the trustee of the trust is independent of and not associated with or employed by the covered person or a member of the covered person's immediate family and is not a member of the covered person's extended family, and the trustee has sole discretion as to the management of the trust assets.

(2) Board. – Any State board, council, committee, task force, authority, or similar public body, however denominated, created by statute or executive order, as determined and designated by the State Board, except for those public bodies that have only advisory authority.

(3) Business. – Any of the following organized for profit:

a. Association.
b. Business trust.
c. Corporation.
d. Enterprise.
e. Joint venture.
f. Organization.
g. Partnership.
h. Proprietorship.
i. Vested trust.
j. Every other business interest, including ownership or use of land for income.

(4) Business with which associated. – A business in which the covered person or filing person or any member of that covered person's or filing person's immediate family satisfies any of the criteria listed in a sub-subdivision of this subdivision. For purposes of this subdivision, the term "business" shall not include a widely held investment fund, including a mutual fund, regulated investment company, or pension or deferred compensation plan, if (i) the covered person, filing person, or a member of the covered person's or filing person's immediate family neither exercises nor has the ability to exercise control over the financial interests held by the fund and (ii) the fund is publicly traded, or the fund's assets are widely diversified.

a. Is an employee.
b. Holds a position as a director, officer, partner, proprietor, or member or manager of a limited liability company, irrespective of the amount of compensation received or the amount of the interest owned.
c. Owns a legal, equitable, or beneficial interest of ten thousand dollars ($10,000) or more in the business or five percent (5%) of the business, whichever is less, other than as a trustee on a deed of trust.
d. Is a lobbyist registered under this Chapter.

(5) Committee. – The Legislative Ethics Committee as created in Part 3 of Article 14 of Chapter 120 of the General Statutes.

(6) Compensation. – Any money, thing of value, or economic benefit conferred on or received by any covered person or filing person in return for services rendered or to be rendered by that covered person or filing person or another. This term does not include campaign contributions properly received and reported as required by this Chapter.

(7) Confidential information. – Information defined as confidential by the law.

(8) Constitutional officers of the State. – Officers whose offices are established by Article III of the North Carolina Constitution.

(9) Contract. – Any agreement, including sales and conveyances of real and personal property, and agreements for the performance of services.

(10) Covered person. – A legislator, public servant, or judicial officer, as identified by the State Board under G.S. 163A-208.

(11) Designated individual. – A legislator, legislative employee, or public servant.

(12) Employing entity. – For public servants, any of the following bodies of State government of which the public servant is an employee or a member, or over which the public servant exercises supervision: agencies, authorities, boards, State boards, committees, councils, departments, offices, institutions and their subdivisions, and constitutional offices of the State. For legislators, it is the house of which the legislator is a member. For legislative employees, it is the authority that hired the individual. For judicial employees, it is the Chief Justice.

(13) Executive action. – The preparation, research, drafting, development, consideration, modification, amendment, adoption, approval, tabling, postponement, defeat, or rejection of a policy, guideline, request for proposal, procedure, regulation, or rule by a public servant purporting to act in an official capacity. This term does not include any of the following:

a. Present, prior, or possible proceedings of a contested case hearing under Chapter 150B of the General Statutes, of a judicial nature, or of a quasi-judicial nature.

b. A public servant's communication with a person, or another person on that person's behalf, with respect to any of the following:

1. Applying for a permit, license, determination of eligibility, or certification.

2. Making an inquiry about or asserting a benefit, claim, right, obligation, duty, entitlement, payment, or penalty.

3. Making an inquiry about or responding to a request for proposal made under Chapter 143 of the General Statutes.

4. Rate making.

c. Internal administrative functions, including those functions exempted from the definition of "rule" in G.S. 150B-2(8a).

d. Ministerial functions.

e. A public servant's communication with a person or another person on that person's behalf with respect to public comments made at an open meeting, or submitted as written comment, on a proposed executive action in response to a request for public comment, provided the identity of the person on whose behalf the comments are made is disclosed as part of the public participation and no reportable expenditure is made.

(14) Extended family. – Spouse, lineal descendant, lineal ascendant, sibling, spouse's lineal descendant, spouse's lineal ascendant, spouse's sibling, and the spouse of any of these individuals.

(15) Filing person. – An individual required to file a statement of economic interest under this Subchapter.

(16) Financial benefit. – A direct pecuniary gain or loss to the legislator, the public servant, or a person with which the legislator or public servant is associated, or a direct pecuniary loss to a business competitor of the legislator, the public servant, or a person with which the legislator or public servant is associated.

(17) Gift. – Anything of monetary value given or received without valuable consideration by or from a lobbyist, lobbyist principal, liaison personnel, or a person described under G.S. 138A-32(d)(1), (2), or (3). The following shall not be considered gifts under this subdivision:

a. Anything for which fair market value, or face value if shown, is paid by the covered person or legislative employee.

b. Commercially available loans made on terms not more favorable than generally available to the general public in the normal course of business if not made for lobbying.

c. Contractual arrangements or commercial relationships or arrangements made in the normal course of business if not made for lobbying.

d. Academic or athletic scholarships based on the same criteria as applied to the public.
e. Any campaign contribution properly reported as required under this Chapter.
f. Expressions of condolence related to a death of an individual, sent within a reasonable time of the death, if the expression is one of the following:
1. A sympathy card, letter, or note.
2. Flowers.
3. Food or beverages for immediate consumption.
4. Donations to a religious organization, charity, the State or a political subdivision of the State, not to exceed a total of two hundred dollars ($200.00) per death per donor.

(18) Governmental unit. – A political subdivision of the State or any other entity or organization created by a political subdivision of the State.

(19) Honorarium. – Payment for services for which fees are not legally or traditionally required.

(20) Immediate family. – An unemancipated child of the covered person residing in the household and the covered person's spouse, if not legally separated. A member of a covered person's extended family shall also be considered a member of the immediate family if actually residing in the covered person's household.

(21) In session. – One of the following:
a. The General Assembly is in extra session from the date the General Assembly convenes until the General Assembly:
1. Adjourns sine die.
2. Recesses or adjourns for more than 10 days.
b. The General Assembly is in regular session from the date set by law or resolution that the General Assembly convenes until the General Assembly:
1. Adjourns sine die.
2. Recesses or adjourns for more than 10 days.

(22) Judicial employee. – The director and assistant director of the Administrative Office of the Courts and any other individual, designated by the Chief Justice, employed in the Judicial Department whose annual compensation from the State is sixty thousand dollars ($60,000) or more.

(23) Judicial officer. – Justice or judge of the General Court of Justice, district attorney, clerk of court, or any individual elected or appointed to any of these positions prior to taking office.

(24) Legislative action. – The preparation, research, drafting, introduction, consideration, modification, amendment, approval, passage, enactment, tabling, postponement, defeat, or rejection of a bill, resolution, amendment, motion, report, nomination, appointment, or other matter, whether or not the matter is identified by an official title, general title, or other specific reference, by a legislator or legislative employee acting or purporting to act in an official capacity. It also includes the consideration of any bill by the Governor for the Governor's approval or veto under Section 22(1) of Article II of the North Carolina Constitution or for the Governor to allow the bill to become law under Section 22(7) of Article II of the North Carolina Constitution.

(25) Legislative employee. – Employees and officers of the General Assembly, consultants and counsel to committees of either house of the General Assembly or of legislative State boards who are paid by State funds, and students at an accredited law school while in an externship program at the General Assembly approved by the Legislative Services Commission, but not including legislators, members of the Council of State, nonsupervisory employees of the Administrative Division's Facility Maintenance and Food Services staff, or pages.

(26) Legislator. – A member or presiding officer of the General Assembly, or an individual elected or appointed a member or presiding officer of the General Assembly before taking office.

(27) Liaison personnel. – Any State employee, counsel employed under G.S. 147-17, or officer whose principal duties, in practice or as set forth in that individual's job description, include lobbying legislators or legislative employees.

(28) Lobby or lobbying. – Any of the actions listed in this subdivision. The terms "lobby" or "lobbying" do not include communications or activities as part of a business, civic, religious, fraternal, personal, or commercial relationship which is not connected to legislative or executive action, or both.

a. Influencing or attempting to influence legislative or executive action, or both, through direct communication or activities with a designated individual or that designated individual's immediate family.

b. Developing goodwill through communications or activities, including the building of relationships, with a designated individual or that designated individual's immediate family with the intention of influencing current or future legislative or executive action, or both.

(29) Lobbyist. – An individual who engages in lobbying for payment and meets any of the criteria listed in this subdivision. The term "lobbyist" does not include individuals who are specifically exempted from this Subchapter under Part 5 of Article 5 of this Chapter or registered as liaison personnel under Part 4 of Article 5 of this Chapter.

a. Represents another person or governmental unit but is not directly employed by that person or governmental unit.

b. Contracts for payment for lobbying.

c. Is employed by a person, and a significant part of that employee's duties include lobbying. In no case shall an employee be considered a lobbyist if in no 30-day period less than five percent (5%) of that employee's actual duties include engaging in lobbying, as defined in subdivision (28)a. of this section, or if in no 30-day period less than five percent (5%) of that employee's actual duties include engaging in lobbying, as defined in subdivision (29)b. of this section.

(30) Lobbyist principal. – The person or governmental unit on whose behalf the lobbyist lobbies and who makes payment for the lobbying. In the case where a lobbyist is paid by a law firm, consulting firm, or other entity retained by a person or governmental unit for lobbying, the principal is the person or governmental unit whose interests the lobbyist represents in lobbying. In the case of a lobbyist employed or retained by an association or other organization, the lobbyist principal is the association or other organization, not the individual members of the association or other organization. The term "lobbyist principal" does not include those designating registered liaison personnel under Part 4 of Article 5 of this Chapter.

(31) Nonprofit corporation or organization with which associated. – Any not-for-profit corporation, organization, or association, incorporated or otherwise, that is organized or operating in the State primarily for religious, charitable, scientific, literary, public health and safety, or educational purposes and of which the covered person, filing person, or any member of the covered person's or filing person's immediate family is a director, officer, governing board member, employee, lobbyist registered under this Subchapter, or independent contractor. The term "nonprofit corporation or organization with which associated" does not include any board, entity, or other organization created by this State or by any political subdivision of this State.

(32) Official action. – Any decision, including administration, approval, disapproval, preparation, recommendation, the rendering of advice, and investigation, made or contemplated in any proceeding, application, submission, request for a ruling or other determination, contract, claim, controversy, investigation, charge, or rule making.

(33) Participate. – To take part in, influence, or attempt to influence, including acting through an agent or proxy.

(34) Payment. – Any money, thing of value, or economic benefit conveyed to the lobbyist for lobbying, other than reimbursement of actual travel, administrative expenses, or subsistence.

(35) Permanent designee. – An individual designated by a public servant to serve and vote in the absence of the public servant on a regular basis on a board on which the public servant serves.

(36) Person. – Any individual, firm, partnership, committee, association, corporation, business, or any other organization or group of persons acting together. The term "person" does not include the State, a political subdivision of the State, a board, or any other entity or organization created by the State or a political subdivision of the State.

(37) Person with which the legislator is associated. – Any of the following:

a. A member of the legislator's extended family.

b. A client of the legislator.

c. A business with which the legislator or a member of the legislator's immediate family is associated.

d. A nonprofit corporation or association with which the legislator or a member of the legislator's immediate family is associated.

e. The State, a political subdivision of the State, a board, or any other entity or organization created by the State or a political subdivision of the State that employs the legislator or a member of the legislator's immediate family.

(38) Person with which the public servant is associated. – Any of the following:

a. A member of the public servant's extended family.

b. A client of the public servant.

c. A business with which the public servant or a member of the public servant's immediate family is associated.

d. A nonprofit corporation or association with which the public servant or a member of the public servant's immediate family is associated.

e. The State, a political subdivision of the State, a board, or any other entity or organization created by the State or a political subdivision of the State that employs the public servant or a member of the public servant's immediate family.

(39) Political party. – Either of the two largest political parties in the State based on statewide voter registration at the applicable time.

(40) Public servants. – All of the following:

a. Constitutional officers of the State and individuals elected or appointed as constitutional officers of the State prior to taking office.

b. Employees of the Office of the Governor.

c. Heads of all principal State departments, as set forth in G.S. 143B-6, who are appointed by the Governor.

d. The chief deputy and chief administrative assistant of each individual designated under sub-subdivision a. or c. of this subdivision.

e. Confidential assistants and secretaries as defined in G.S. 126-5(c)(2) to individuals designated under sub-subdivision a., c., or d. of this subdivision.

f. Employees in exempt positions designated in accordance with G.S. 126-5(d)(1), (2), or (2a) and confidential secretaries to these individuals.

g. Any other employees or appointees in the principal State departments as may be designated by the Governor to the extent that the designation does not conflict with the State Personnel Act.

h. Judicial employees.

i. All voting members of boards, including ex officio members, permanent designees of any voting member, and members serving by executive, legislative, or judicial branch appointment.

j. For The University of North Carolina, the voting members of the Board of Governors of The University of North Carolina, the president, the vice presidents, and the chancellors, the vice-chancellors, and voting members of the boards of trustees of the constituent institutions.

k. For the North Carolina Community College System, the voting members of the State Board of Community Colleges, the president and the chief financial officer of the North Carolina Community College System, the president, chief financial officer, and chief administrative officer of each community college, and voting members of the boards of trustees of each community college.

l. Members of the State Board, the executive director, and the assistant executive directors of the State Board.

m. Individuals under contract with the State working in or against a position included under this subdivision.

n. The director of the Office of State Personnel.

o. The State Controller.

p. The chief information officer, deputy chief information officers, chief financial officers, and general counsel of the Office of Information Technology Services.

q. The director of the North Carolina Museum of Art.

r. The executive director of the Agency for Public Telecommunications.

s. The Commissioner of Motor Vehicles.

t. The Commissioner of Banks and the Chief Deputy Commissioner of Banks.

u. The executive director of the North Carolina Housing Finance Agency.

v. The executive director, chief financial officer, and chief operating officer of the North Carolina Turnpike Authority.

(41) Reportable expenditure. – Any of the following that directly or indirectly is made to, at the request of, for the benefit of, or on the behalf of a designated individual or that individual's immediate family member:

a. Any advance, contribution, conveyance, deposit, distribution, payment, gift, retainer, fee, salary, honorarium, reimbursement, loan, pledge, or thing of value greater than ten dollars ($10.00) per designated individual per single calendar day.

b. A contract, agreement, promise, or other obligation whether or not legally enforceable.

(42) State agency. – An agency in the executive branch of the government of this State, including the Governor's Office, a board, a department, a division, and any other unit of government in the executive branch.

(43) State Board. – The State Board of Elections and Ethics Enforcement, as established by this Chapter.

(44) Solicitation of others. – A solicitation of members of the public to communicate directly with or contact one or more designated individuals to influence or attempt to influence legislative or executive action to further the solicitor's position on that legislative or executive action, when that request is made by any of the methods listed in this subdivision. The term "solicitation of others" does not include communications made by a person or by the person's agent to that person's stockholders, employees, board members, officers, members, subscribers, or other recipients who have affirmatively assented to receive the person's regular publications or notices.

a. A broadcast, cable, or satellite transmission.

b. An e-mail communication or a Web site posting.

c. A communication delivered by print media, as defined in G.S. 163-278.38Z.

d. A letter or other written communication delivered by mail or by comparable delivery service.

e. Telephone.
f. A communication at a conference, meeting, or similar event.

(45) Vested trust. – A trust, annuity, or other funds held by a trustee or other third party for the benefit of the covered person or a member of the covered person's immediate family, except a blind trust. The term "vested trust" does not include a widely held investment fund, including a mutual fund, regulated investment company, or pension or deferred compensation plan, if:
a. The covered person or a member of the covered person's immediate family neither exercises nor has the ability to exercise control over the financial interests held by the fund.
b. The fund is publicly traded or the fund's assets are widely diversified.

"**§ 163A-201. Application to the Lieutenant Governor.**

For purposes of this Subchapter, the Lieutenant Governor shall be considered a legislator when carrying out the Lieutenant Governor's duties under Section 13 of Article II of the North Carolina Constitution and a public servant for all other purposes.

"**§ 163A-202. Application to candidates to certain offices.**

For purposes of this Subchapter, the term "legislator" and the term "public servant" shall include an individual having filed a notice of candidacy or otherwise qualified to have that individual's name on the ballot for such office under this Chapter.

"**§ 163A-203. Education programs.**

(a) The State Board shall develop and implement an ethics and lobbying education and awareness program designed to instill in all covered persons and legislative employees a keen and continuing awareness of their ethical obligations and a sensitivity to situations that might result in real or potential conflicts of interest.

(b) The State Board shall offer basic ethics and lobbying education and awareness presentations to all public servants upon their election, appointment, or employment and shall offer periodic refresher presentations as the State Board deems appropriate. Every public servant shall participate in an ethics and lobbying presentation approved by the State Board within six months of the public servant's election, reelection, appointment, or employment and shall attend refresher ethics education presentations at least every two years thereafter in a manner as the State Board deems appropriate. This subsection shall not apply to judicial officers.

(c) A public servant appointed to a board determined and designated as nonadvisory under G.S. 163A-208(a)(3) shall attend an ethics and lobbying presentation approved by the State Board within six months of notification of the designation by the State Board and at least every two years thereafter in a manner as the State Board deems appropriate.

(d) The State Board, jointly with the Legislative Ethics Committee, shall make basic ethics and lobbying education and awareness presentations to all legislators and legislative employees upon their election, reelection, appointment, or employment and shall offer periodic refresher presentations as the State Board and the Committee deem appropriate. Every legislator shall participate in an ethics and lobbying presentation approved by the State Board and Committee within two months of either the convening of the General Assembly to which the legislator is elected or within two months of the legislator's appointment, whichever is later. Every legislative employee shall participate in an ethics and lobbying presentation approved by the State Board and Committee within three months of employment and shall attend refresher ethics education presentations at least every two years thereafter in a manner as the State Board and Committee deem appropriate.

(e) The State Board shall develop and implement a lobbying education and awareness program designed to instill in lobbyists and lobbyists' principals a keen and continuing awareness of their obligations and sensitivity to situations that might result in real or potential violation of this Subchapter or other related laws. The State Board shall make lobbying education and awareness programs available to lobbyists and lobbyists' principals.

(f) Upon request, the State Board shall assist each State agency in developing in-house ethics and lobbying education programs and procedures necessary or desirable to meet the State agency's particular needs for ethics education, conflict identification, and conflict avoidance.

(g) Each State agency head shall designate an ethics liaison who shall maintain active communication with the State Board on all State agency ethics and lobbying issues. The ethics liaison shall attend ethics and lobbying education and awareness programs as provided under this section. The ethics liaison shall continuously assess and advise the State Board of any

issues or conduct which might reasonably be expected to result in a conflict of interest and seek advice and rulings from the State Board as to their appropriate resolution.

(h) The State Board shall publish a newsletter containing summaries of the State Board's opinions, policies, procedures, and interpretive bulletins with respect to ethics and lobbying, as issued from time to time. The newsletter shall be distributed to all covered persons and legislative employees. Publication under this subsection may be done electronically.

(i) The State Board shall assemble and maintain a collection of relevant State laws, rules, and regulations and set forth ethical standards applicable to covered persons and lobbying laws and regulations. This collection shall be made available electronically as resource material.

"**§ 163A-204. Requests for advice.**

(a) At the written request of any public servant or legislative employee, any individual who is responsible for the supervision or appointment of a public servant or legislative employee, legal counsel for any public servant or legislative employee, any ethics liaison under G.S. 163A-203, or any member of the State Board, the State Board shall render advice on specific questions involving the meaning and application of Articles 3 and 4 of this Chapter and the public servant's or legislative employee's compliance therewith. This subsection shall apply to judicial officers only for advice related to Article 3 of this Chapter.

(b) At the request of a legislator, the State Board shall render recommended advice on specific questions involving the meaning and application of this Subchapter and Part 1 of Article 14 of Chapter 120 of the General Statutes and the legislator's compliance therewith. Any recommended formal advisory opinion issued to a legislator under this subsection shall immediately be delivered to the chairs of the Committee, together with a copy of the request. Except for the Lieutenant Governor, the immunity granted under this section shall not apply after the time the Committee modifies or overturns the advisory opinion of the State Board in accordance with G.S. 120-104.

(c) At the written request of any person, State agency, or governmental unit affected by Article 5 of this Subchapter, the State Board shall render advice on specific questions involving the meaning and application of Article 5 of this Subchapter and that person's, State agency's, or any governmental unit's compliance therewith.

(d) On its own motion, the State Board may render advisory opinions on specific questions involving the meaning and application of this Subchapter.

(e) All written requests for advice and advice rendered in response to those requests shall relate prospectively to real or reasonably anticipated fact settings or circumstances.

(f) A request for a formal advisory opinion under subsection (a), (b), or (c) of this section shall be in writing, electronic or otherwise. The State Board shall issue formal advisory opinions having prospective application only. Any individual, person, or governmental unit who relies upon the advice provided on a specific matter addressed by the requested formal advisory opinion shall be immune from all of the following:

(1) Investigation by the State Board, except for an inquiry under G.S. 163A-206(b)(3).

(2) Any adverse action by the employing entity.

(g) At the request of the State Auditor, the State Board shall render advisory opinions on specific questions involving the meaning and application of this Subchapter, Article 14 of Chapter 120 of the General Statutes, and an affected person's compliance therewith. The request shall be in writing, electronic or otherwise, and relate to real fact settings and circumstances. Except when the question involves a question governed by subsection (b) of this section, the State Board shall issue an advisory opinion under this subsection within 60 days of the receipt of all information deemed necessary by the State Board to render an opinion. If the question involves a question governed by subsection (b) of this section, the State Board shall comply with the provisions of that section prior to responding to the State Auditor by delivering the recommended advisory opinion to the Committee within 60 days of the receipt of all information deemed necessary by the State Board to render an opinion. The Committee shall act on the opinion within 30 days of receipt, and the Committee shall deliver the opinion to the State Auditor. If the Committee fails to act on a recommended advisory opinion under this subsection within 30 days of receipt, the State Board shall deliver its recommended advisory opinion to the State Auditor. Notwithstanding subsection (k) of this section, the Auditor may only release those portions of the advisory opinion necessary to comply with the requirements of G.S. 147-64.6(c)(1).

(h) Staff to the State Board may issue advice, but not formal or recommended formal advisory opinions, under procedures adopted by the State Board.

(i) The State Board shall publish its formal advisory opinions within 30 days of issuance. These formal advisory opinions shall be edited for publication purposes as necessary to protect the identities of the individuals requesting formal advisory opinions. When the State Board issues a recommended formal advisory opinion to a legislator under subsection (b) of this section, the State Board shall publish only the edited formal advisory opinion of the Committee within 30 days of receipt of the edited opinion from the Committee.

(j) Except as provided under subsections (g), (i), and (k) of this section, a request for advice, any advice provided by State Board staff, any formal or recommended formal advisory opinions, any supporting documents submitted or caused to be submitted to the State Board or State Board staff, and any documents prepared or collected by the State Board or State Board staff in connection with a request for advice are confidential. The identity of the individual making the request for advice, the existence of the request, and any information related to the request may not be revealed without the consent of the requestor. An individual who requests advice or receives advice, including a formal or recommended formal advisory opinion, may authorize the release of the request, the advice, or any supporting documents to any other person, the State, or any governmental unit.

For purposes of this section, "document" is as defined in G.S. 120-129. Requests for advice, any advice, and any documents related to requests for advice are not "public records" as defined in G.S. 132-1.

(k) Staff to the State Board may share with staff to the Committee all information and documents related to requests for advice made by legislators under this section. The information and documents in the possession of staff to the Committee are confidential and are not public records.

(l) Requests for advice may be withdrawn by the requestor at any time prior to the issuance of the advice.

"**§§ 163A-209 through 163A-249: Reserved for future codification purposes.**

"**§ 163A-250. Enforcement.**

In addition to any other remedy, penalty, or crime in this Subchapter:

(1) Violation of Articles 3 and 4 of this Chapter by any covered person or legislative employee is grounds for disciplinary action. Except as specifically provided in this Chapter and for perjury under G.S. 163A-206 and G.S. 138A-24, no criminal penalty shall attach for any violation of Articles 3 and 4 of this Chapter.

(2) The willful failure of any public servant serving on a board to comply with Articles 3 and 4 of this Chapter is misfeasance, malfeasance, or nonfeasance. In the event of misfeasance, malfeasance, or nonfeasance, the offending public servant serving on a board is subject to removal from the board of which the public servant is a member. For appointees of the Governor and members of the Council of State, the appointing authority may remove the offending public servant. For appointees of the Speaker of the House of Representatives, the Speaker of the House of Representatives may remove the offending public servant. For appointees of the General Assembly made upon the recommendation of the Speaker of the House of Representatives, the Governor at the recommendation of the Speaker of the House of Representatives may remove the offending public servant. For appointees of the President Pro Tempore of the Senate, the President Pro Tempore of the Senate may remove the offending public servant. For appointees of the General Assembly made upon the recommendation of the President Pro Tempore of the Senate, the Governor at the recommendation of the President Pro Tempore of the Senate may remove the offending public servant. For public servants elected to a board by either the Senate or House of Representatives, the electing house of the General Assembly shall exercise the discretion of whether to remove the offending public servant. For all other appointees, the State Board shall exercise the discretion of whether to remove the offending public servant.

(3) The willful failure of any public servant serving as a State employee to comply with Articles 3 and 4 of this Chapter is a violation of a written work

order, thereby permitting disciplinary action as allowed by the law, including termination from employment. For employees of State departments headed by a member of the Council of State, the appropriate member of the Council of State shall make all final decisions on the manner in which the offending public servant shall be disciplined. For public servants who are judicial employees, the Chief Justice shall make all final decisions on the matter in which the offending judicial employee shall be disciplined. For legislative employees, the Legislative Services Commission shall make or refer to the hiring authority all final decisions on the matter in which the offending legislative employee shall be disciplined. For public servants appointed or elected for The University of North Carolina or the North Carolina Community College System, the appointing or electing authority shall make all final decisions on the matter in which the offending public servant shall be disciplined. For any other public servant serving as a State employee, the Governor shall make all final decisions on the manner in which the offending public servant shall be disciplined.

(4) The willful failure of any constitutional officer of the State to comply with Articles 3 and 4 of this Subchapter is malfeasance in office for purposes of G.S. 123-5.

(5) The willful failure of a legislator, other than the Lieutenant Governor, to comply with Articles 3 and 4 of this Chapter is grounds for sanctions under G.S. 120-103.1.

(6) The State Board may seek to enjoin violations of G.S. 138A-34.

(7) Whoever willfully violates any provision of Article 3 or 4 of this Chapter shall be guilty of a Class 1 misdemeanor, except as provided in those Articles. In addition, no lobbyist who is convicted of a violation of the provisions of those Articles shall in any way act as a lobbyist for a period of two years from the date of conviction.

(8) In addition to the criminal penalties set forth in this section, the State Board may levy civil fines for a violation of any provision of Article 5 of this Chapter up to five thousand dollars ($5,000) per violation.

(9) Complaints of violations of this Subchapter involving the State Board or any member or employee of the State Board shall be referred to the Attorney General for investigation. The Attorney General shall, upon receipt of a complaint, make an appropriate investigation thereof, and the Attorney General shall forward a copy of the investigation to the district attorney of the prosecutorial district, as defined in G.S. 7A-60, of which Wake County is a part, who shall prosecute any person or governmental unit who violates any provision of this Subchapter.

(10) Nothing in this Subchapter affects the power of the State to prosecute any person for any violation of the criminal law.

"Article 6. Reserved for future codification purposes.

"Article 7. Reserved for future codification purposes.

"Article 8. Reserved for future codification purposes.

"Article 9. Reserved for future codification purposes.

"**SUBCHAPTER III. ELECTION ADMINISTRATION.**

"Article 10.

"...

"Article 12.

"General Provisions.

"...

"Article 38: Reserved for future codification purposes.

"Article 39: Reserved for future codification purposes.

"**SUBCHAPTER IV. CAMPAIGN FINANCE REGULATION.**

"Article 45."

SECTION 20.6.(d) Article 1 of Chapter 138A of the General Statutes is repealed.

SECTION 20.6.(e) The following statutes are repealed: G.S. 138A-6, 138A-7, 138A-8, 38A-9, 138A-13, and 138A-14.

SECTION 20.6.(f) The following statutes are recodified:

(1) G.S. 138A-10 as G.S. 163A-208.
(2) G.S. 138A-11 as G.S. 163A-205.
(3) G.S. 138A-12 as G.S. 163A-206.
(4) G.S. 138A-15 is as G.S. 163A-207.
(5) Article 3 of Chapter 138A of the General Statutes as Article 3 of Chapter 163A of the General Statutes.

SECTION 20.6.(g) The Revisor of Statutes shall change the term "this Chapter" to "this Subchapter" wherever it appears in G.S. 138A-15, 138A-21, 138A-22, 138A-24, and 138A-25 as recodified by subsection (f) of this section.

SECTION 20.6.(h) Article 4 of Chapter 138A of the General Statutes is recodified as Article 4 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "this Chapter" to "this Subchapter" wherever it appears in G.S. 138A-36, 138A-39, and 138A-41 as recodified by this subsection.

SECTION 20.6.(i) The following statutes are repealed:
(1) Article 5 of Chapter 138A of the General Statutes.
(2) Article 1 of Chapter 120C of the General Statutes.

SECTION 20.6.(j) Article 2 of Chapter 120C of the General Statutes is recodified as Part 1 of Article 5 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "this Chapter" to "this Article" wherever it appears in G.S. 120C-200, 120C-206, 120C-215, and 120C-216 as recodified by this subsection.

SECTION 20.6.(k) Article 3 of Chapter 120C of the General Statutes is recodified as Part 2 of Article 5 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "this Chapter" to "this Article" wherever it appears in G.S. 120C-301, 120C-303, and 120C-304 as recodified by this subsection.

SECTION 20.6.(l) Article 4 of Chapter 120C of the General Statutes is recodified as Part 3 of Article 5 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "this Chapter" to "this Article" wherever it appears in G.S. 120C-400 and G.S. 120C-405 as recodified by this subsection.

SECTION 20.6.(m) Article 5 of Chapter 120C of the General Statutes is recodified as Part 4 of Article 5 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "this Chapter" to "this Article" wherever it appears in G.S. 120C-501 as recodified by this subsection.

SECTION 20.6.(n) Article 6 of Chapter 120C of the General Statutes is repealed.

SECTION 20.6.(o) Article 7 of Chapter 120C of the General Statutes is recodified as Part 5 of Article 5 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "this Chapter" to "this Article" wherever it appears in G.S. 120C-700, as recodified by this subsection.

SECTION 20.6.(p) Article 8 of Chapter 120C of the General Statutes is recodified as Part 6 of Article 5 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "this Chapter" to "this Article" wherever it appears in G.S. 120C-800, as recodified by this subsection.

SECTION 20.6.(q) The following statutes are recodified:
(1) Article 1 of Chapter 163 of the General Statutes as Article 10 of Chapter 163A of the General Statutes.
(2) Article 2 of Chapter 163 of the General Statutes as Article 11 of Chapter 163A of the General Statutes.

SECTION 20.6.(r) The following statutes are repealed: G.S. 163-19, 163-20, and 163-21.

SECTION 20.6.(s) G.S. 163-22 is recodified as G.S. 163A-1200, to be in Article 12 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "this Chapter" to "this Subchapter" wherever it appears in G.S. 163-22 as recodified by this subsection.

SECTION 20.6.(t) G.S. 163-22.2 is recodified as G.S. 163A-1201, to be in Article 12 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "Chapter 163 of the General Statutes" to "this Subchapter" wherever it appears in G.S. 163-22.2 as recodified by this subsection.

SECTION 20.6.(u) G.S. 163-22.3 is recodified as G.S. 163A-1202, to be in Article 12 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term

"Article 11 of this Chapter" to "this Subchapter" wherever it appears in G.S. 163-22.3 as recodified by this subsection.

SECTION 20.6.(v) G.S. 163-23 is repealed.

SECTION 20.6.(w) G.S. 163-24 is recodified as G.S. 163A-1203, to be in Article 12 of Chapter 163A of the General Statutes.

SECTION 20.6.(x) G.S. 163-25, as amended by S.L. 2011-31, is recodified as G.S. 163-1204, to be in Article 12 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "Chapter 163 of the General Statutes" to "this Subchapter" wherever it appears in G.S. 163-25, as amended by S.L. 2011-31 and as recodified by this subsection.

SECTION 20.6.(y) The following statutes are repealed: G.S. 163-26 and G.S. 163-27.

SECTION 20.6.(z) G.S. 163-27.1 is recodified as G.S. 163A-1205, to be in Article 12 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "this Chapter" to "this Subchapter" wherever it appears in G.S. 163-27.1 as recodified by this subsection.

SECTION 20.6.(aa) G.S. 163-28 is repealed.

SECTION 20.6.(bb) Article 4 of Chapter 163 of the General Statutes is recodified as Article 13 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "this Chapter" to "this Subchapter" wherever it appears in Article 4 of Chapter 163 of the General Statutes as recodified by this subsection. The Revisor of Statutes shall change the term "Articles 4, 5, and 20 of this Chapter" to "this Subchapter" wherever it appears in G.S. 163-33.1 as recodified by this subsection. The Revisor of Statutes shall change the term "Article 11 of this Chapter" to "this Subchapter" wherever it appears in G.S. 163-33.3 as recodified by this subsection.

SECTION 20.6.(cc) Article 4A of Chapter 163 of the General Statutes is recodified as Article 14 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "Article 22A of this Chapter" to "Subchapter IV of this Chapter" wherever it appears in G.S. 163-40.1 as recodified by this subsection.

SECTION 20.6.(dd) Article 5 of Chapter 163 of the General Statutes is recodified as Article 15 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "this Chapter" to "this Subchapter" wherever it appears in Article 5 of Chapter 163 of the General Statutes as recodified by this subsection.

SECTION 20.6.(ee) Article 6 of Chapter 163 of the General Statutes is recodified as Article 16 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "this Chapter" to "this Subchapter" wherever it appears in Article 6 of Chapter 163 of the General Statutes as recodified by this subsection.

SECTION 20.6.(ff) Article 7A of Chapter 163 of the General Statutes is recodified as Article 17 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "this Chapter" to "this Subchapter" wherever it appears in Article 7A of Chapter 163 of the General Statutes as recodified by this subsection. The Revisor of Statutes shall change the term "Article 8 of this Chapter" to "this Subchapter" wherever it appears in G.S. 163-82.7 and G.S. 163-82.10B as recodified by this subsection.

SECTION 20.6.(gg) The following statutes are recodified:

(1) Article 8 of Chapter 163 of the General Statutes as Article 18 of Chapter 163A of the General Statutes.

(2) Article 8A of Chapter 163 of the General Statutes as Article 19 of Chapter 163A of the General Statutes.

SECTION 20.6.(hh) Article 9 of Chapter 163 of the General Statutes is recodified as Article 20 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "this Chapter" to "this Subchapter" wherever it appears in G.S. 163-97 as recodified by this subsection.

SECTION 20.6.(ii) Article 10 of Chapter 163 of the General Statutes is recodified as Article 21 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "this Chapter" to "this Subchapter" wherever it appears in Article 10 of Chapter 163 of the General Statutes as recodified by this subsection. The Revisor of Statutes shall change the term "Article 11B of this Chapter" to "Article 23 of this Chapter" wherever it appears in G.S. 163-106 as recodified by this subsection.

SECTION 20.6.(jj) Article 11 of Chapter 163 of the General Statutes is recodified as Article 22 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "Article 14A of this Chapter" to "this Subchapter" wherever it appears in G.S. 163-122 as recodified by this subsection. The Revisor of Statutes shall change the term "Article 25 of this Chapter" to "Article 37 of this Chapter" wherever it appears in G.S. 163-122 as recodified by this subsection. The Revisor of Statutes shall change the term "Article 11B of this Chapter" to "this Subchapter" wherever it appears in G.S. 163-122 as recodified by this subsection. The Revisor of Statutes shall change the term "Subchapter IX of Chapter 163 of the General Statutes" to "this Subchapter" wherever it appears in G.S. 163-122 as recodified by this subsection.

SECTION 20.6.(kk) Article 11B of Chapter 163 of the General Statutes is recodified as Article 23 of Chapter 163A of the General Statutes.

SECTION 20.6.(ll) Article 12 of Chapter 163 of the General Statutes is recodified as Article 24 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "Article 12A of this Chapter" to "Article 25 of this Chapter" wherever it appears in Article 12 of Chapter 163 of the General Statutes as recodified by this subsection. The Revisor of Statutes shall change the term "Article 5 of this Chapter" to "Article 15 of this Chapter" wherever it appears in G.S. 163-130.2 as recodified by this subsection.

SECTION 20.6.(mm) Article 12A of Chapter 163 of the General Statutes is recodified as Article 25 of Chapter 163A of the General Statutes.

SECTION 20.6.(nn) Article 14A of Chapter 163 of the General Statutes is recodified as Article 26 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "this Chapter" to "this Subchapter" wherever it appears in Article 14A of Chapter 163 of the General Statutes as recodified by this subsection. The Revisor of Statutes shall change the term "Article 15A of this Chapter" to "Article 27 of this Chapter" wherever it appears in Article 14A of Chapter 163 of the General Statutes as recodified by this subsection.

SECTION 20.6.(oo) Article 15A of Chapter 163 of the General Statutes is recodified as Article 27 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "Article 14A of this Chapter" to "Article 26 of this Chapter" wherever it appears in Article 15A of Chapter 163 of the General Statutes as recodified by this subsection.

SECTION 20.6.(pp) Article 17 of Chapter 163 of the General Statutes is recodified as Article 28 of Chapter 163A of the General Statutes.

SECTION 20.6.(qq) Article 18 of Chapter 163 of the General Statutes is recodified as Article 29 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "this Chapter" to "this Subchapter" wherever it appears in Article 18 of Chapter 163 of the General Statutes as recodified by this subsection.

SECTION 20.6.(rr) Article 18A of Chapter 163 of the General Statutes is recodified as Article 30 of Chapter 163A of the General Statutes.

SECTION 20.6.(ss) The Revisor of Statutes shall change the term "Article 9 of Chapter 163 of the General Statutes" to "Article 20 of this Chapter" wherever it appears in Article 14A of Chapter 163 of the General Statutes.

SECTION 20.6.(tt) Article 19 of Chapter 163 of the General Statutes is recodified as Article 31 of Chapter 163A of the General Statutes.

SECTION 20.6.(uu) Article 20 of Chapter 163 of the General Statutes is recodified as Article 32 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "Articles 20 and 21 of this" to "this Article and Article 33 of this Chapter" wherever it appears in Article 20 of Chapter 163 of the General Statutes as recodified by this subsection. The Revisor of Statutes shall change the term "Article 20 of this Chapter" to "this Article" wherever it appears in Article 20 of Chapter 163 of the General Statutes as recodified by this subsection. The Revisor of Statutes shall change the term "Article 21 of this Chapter" to "Article 33 of this Chapter" wherever it appears in Article 20 of Chapter 163 of the General Statutes.

SECTION 20.6.(vv) Article 21 of Chapter 163 of the General Statutes is recodified as Article 33 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "Article 20 of this Chapter" to "Article 32 of this Chapter" wherever it appears in G.S. 163-246 as recodified by this subsection. The Revisor of Statutes shall change the term "this Chapter" to "this Subchapter" wherever it appears in Article 21 of Chapter 163 of the General Statutes. The Revisor of Statutes shall change the term "Chapter 163 of the General

Statutes" to "this Subchapter" wherever it appears in Article 21 of Chapter 163 of the General Statutes.

SECTION 20.6.(ww) Article 22 of Chapter 163 of the General Statutes is recodified as Article 34 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "this Chapter" to "this Subchapter" wherever it appears in Article 22 of Chapter 163 of the General Statutes as recodified by this subsection.

SECTION 20.6.(xx) Article 22A of Chapter 163 of the General Statutes is recodified as Article 45 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "this Chapter" to "this Subchapter" wherever it appears in Article 22A of Chapter 163 of the General Statutes. The Revisor of Statutes shall change the term "Article 11 of Chapter 163 of the General Statutes" to "Article 22 of this Chapter" wherever it appears in G.S. 163-278.13C as recodified by this subsection. The Revisor of Statutes shall change the term "Article 22 of this Chapter" to "Article 34 of this Chapter" wherever it appears in G.S. 163-278.19 as recodified by this subsection. The Revisor of Statutes shall change the term "Article 22D of this Chapter" to "Article 47 of this Chapter" wherever it appears in G.S. 163-278.13 as recodified by this subsection. The Revisor of Statutes shall change the term "Article 22J of this Chapter" to "Article 50 of this Chapter" wherever it appears in G.S. 163-278.13 as recodified by this subsection. The Revisor of Statutes shall change the term "Article 22M of Chapter 163 of the General Statutes" to "Article 51 of this Chapter" wherever it appears in G.S. 163-278.16B as recodified by this subsection.

SECTION 20.6.(yy) Article 22B of Chapter 163 of the General Statutes is recodified as Article 46 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "Article 22A of this Chapter" to "Article 45 of this Chapter" wherever it appears in Article 22B of the General Statutes as recodified by this subsection.

SECTION 20.6.(zz) Article 22D of Chapter 163 of the General Statutes is recodified as Article 47 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "Article 22A of this Chapter" to "Article 45 of this Chapter" wherever it appears in G.S. 163-278.64 as recodified by this subsection. The Revisor of Statutes shall change the term "Article 25 of this Chapter" to "Article 37 of this Chapter" wherever it appears in G.S. 163-278.64 as recodified by this subsection.

SECTION 20.6.(aaa) Article 22G of Chapter 163 of the General Statutes is recodified as Article 48 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "Article 22A of this Chapter" to "Article 45 of this Chapter" wherever it appears in Article 22G of Chapter 163 of the General Statutes as recodified by this subsection.

SECTION 20.6.(bbb) Article 22H of Chapter 163 of the General Statutes is recodified as Article 49 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "Article 22A of this Chapter" to "Article 45 of this Chapter" wherever it appears in Article 22H of Chapter 163 of the General Statutes as recodified by this subsection.

SECTION 20.6.(ccc) Article 22J of Chapter 163 of the General Statutes is recodified as Article 50 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "Article 22A of this Chapter" to "Article 45 of this Chapter" wherever it appears in G.S. 163-278.98 as recodified by this subsection.

SECTION 20.6.(ddd) Article 22M of Chapter 163 of the General Statutes is recodified as Article 51 of Chapter 163A of the General Statutes.

SECTION 20.6.(eee) Article 23 of Chapter 163 of the General Statutes is recodified as Article 35 of Chapter 163A of the General Statutes. The Revisor of Statutes shall change the term "this Chapter" to "this Subchapter" wherever it appears in Article 23 of Chapter 163 of the General Statutes as recodified by this subsection. The Revisor of Statutes shall change the term "Article 8 of this Chapter" to "Article 18 of this Chapter" wherever it appears in Article 23 of Chapter 163 of the General Statutes as recodified by this subsection. The Revisor of Statutes shall change the term "Chapter 163" to "this Subchapter" wherever it appears in Article 23 of Chapter 163 of the General Statutes, as amended by S.L. 2011-31 and as recodified by this subsection. The Revisor of Statutes shall change the term "Articles 3, 4, 5, 6, 7A, 8, 9, 10, 11, 12, 13, 14, 15, 19, and 22 of this Chapter" to "this Subchapter" wherever it appears in G.S. 163A-286 as recodified by this subsection.

SECTION 20.6.(fff) The following statutes are recodified:

(1) Article 24 of Chapter 163 of the General Statutes as Article 36 of Chapter 163A of the General Statutes.

(2) Article 25 of Chapter 163 of the General Statutes as Article 37 of Chapter 163A of the General Statutes.

SECTION 20.6.(ggg) G.S. 150B-1(c)(16) is repealed.

SECTION 20.6.(hhh) The Revisor of Statutes shall change the terms "Chapter 120C of the General Statutes" to "this Subchapter" wherever it appears in Chapter 138A of the General Statutes.

SECTION 20.6.(iii) The Revisor of Statutes shall change the terms "Chapter 138A of the General Statutes" to "this Subchapter" wherever it appears in Chapter 120C of the General Statutes.

SECTION 20.6.(jjj) The Revisor of Statutes shall change the cite "G.S. 138A-3" to "G.S. 163A-200" wherever it appears in the General Statutes.

SECTION 20.6.(kkk) The Revisor of Statutes shall change the terms "Commission," "Secretary of State," and "Secretary" to "State Board" wherever it appears in Chapter 163A of the General Statutes, as enacted by this section.

SECTION 20.6.(lll) Except in Article 1 of Chapter 163A of the General Statutes, as enacted by this section, the Revisor of Statutes shall change the term "State Board of Elections" to "State Board" wherever it appears in Chapter 163A of the General Statutes, as enacted by this section.

SECTION 20.6.(mmm) The Revisor of Statutes, in recodifying any statute or Article as instructed in this section, shall also renumber and change internal cross-references in those statutes and Articles accordingly.

SECTION 20.6.(nnn) Any previous assignment of duties of a quasi-legislative or quasi-judicial nature by the Governor or General Assembly to the agencies or functions transferred by this section shall have continued validity with the transfer under this section. Except as otherwise specifically provided in this section, each enumerated commission, board, or other function of State government transferred to the State Board of Elections and Ethics Enforcement created in this section, is a continuation of the former entity for purposes of succession to all the rights, powers, duties, and obligations of the former. Where the former entities are referred to by law, contract, or other document in their former name, the State Board of Elections and Ethics Enforcement created in this section is charged with exercising the functions of the former named entity.

SECTION 20.6.(ooo) No action or proceeding pending on January 1, 2012, brought by or against the State Board of Elections, State Ethics Commission, or the Secretary of State regarding the lobbyist registration and lobbying enforcement of the Secretary of State shall be affected by any provision of this section, but the same may be prosecuted or defended in the name of State Board of Elections and Ethics Enforcement created in this section. In these actions and proceedings, the State Board of Elections and Ethics Enforcement or its Executive Director as appropriate shall be substituted as a party upon proper application to the courts or other administrative or quasi-judicial bodies.

Any business or other matter undertaken or commanded by any State program or office or contract transferred by this section to State Board of Elections and Ethics Enforcement pertaining to or connected with the functions, powers, obligations, and duties set forth herein, which is pending on January 1, 2012, may be conducted and completed by the State Board of Elections and Ethics Enforcement in the same manner and under the same terms and conditions and with the same effect as if conducted and completed by the original program, office, or commissioners or directors thereof.

SECTION 20.6.(ppp) The consolidation provided for under this section shall not affect any ongoing investigation or audit. Any ongoing hearing or other proceeding before the State Ethics Commission or State Board of Elections shall be transferred to the State Board of Elections and Ethics Enforcement, as created by this section. Prosecutions for offenses or violations committed before January 1, 2012, are not abated or affected by this section, and the statutes that would be applicable but for this section remain applicable to those prosecutions.

SECTION 20.6.(qqq) Any rule, policy, procedure, or other guidance document not subject to Chapter 150B of the General Statutes adopted by the State Ethics Commission, Secretary of State, or State Board of Elections shall remain in effect until the State Board of Elections and Ethics Enforcement amends or repeals that rule, policy, procedure, or other guidance document. The list of covered boards adopted by the State Ethics Commission under G.S. 138A-10(a)(3) shall continue in effect until amended or repealed by the State Board of Elections and Ethics Enforcement.

SECTION 20.6(rrr) Any evaluation of a statement of economic interest issued by the State Ethics Commission pursuant to Article 3 of Chapter 138A of the General Statutes in 2011 shall remain in effect amended or repealed by the State Board of Elections and Ethics Enforcement.

SECTION 20.6.(sss) The State Board of Elections and Ethics Enforcement shall report to the Legislative Ethics Committee on or before April 1, 2012, and again on or before February 1, 2013, as to recommendations for statutory changes necessary to further implement this consolidation.

SECTION 20.6.(ttt) If any subsection or provision of this section is declared unconstitutional or invalid by the courts, it does not affect the validity of this section as a whole or any part other than the part so declared to be unconstitutional or invalid.

SECTION 20.6.(uuu) This section becomes effective January 1, 2012, and applies to elections held on or after that date.

ELIMINATE FUNDING FOR DEVELOPMENT OF SMART CARDS

SECTION 20.7. Notwithstanding Section 6.19 of S.L. 2010-31, funds in the amount of one million dollars ($1,000,000) shall be transferred from the E-Commerce Reserve Fund to the General Fund to support appropriations made in this act.

PART XXI. DEPARTMENT OF CULTURAL RESOURCES

TRANSPORTATION MUSEUM SPECIAL FUND

SECTION 21.1. Article 1 of Chapter 121 of the General Statutes is amended by adding a new section to read:

"**§ 121-7.6. North Carolina Transportation Museum special fund.**

(a) Fund Established. – The North Carolina Transportation Museum Fund is created as a special interestbearing, nonreverting enterprise fund in the Department of Cultural Resources. The Fund shall be used to pay all costs associated with the operation and maintenance of the North Carolina Transportation Museum.

(b) Monies Credited to the Fund. – Notwithstanding Chapter 146 of the General Statutes, all receipts derived from the lease, rental, or other disposition of structures or products of the land, as well as all admissions and fees, gifts, donations, grants, and bequests, shall be credited to the Fund. The Fund shall be credited with interest by the State Treasurer pursuant to G.S. 147-69.2 and G.S. 147-69.3.

(c) Emergency Reserve. – The Department of Cultural Resources shall establish, out of existing unobligated funds including lapsed salaries and unobligated special funds, an emergency reserve fund in the amount of three hundred thousand dollars ($300,000). Any use of the emergency reserve will require reimbursement from museum receipts.

(d) Audit. – The Fund shall be subject to the oversight of the State Auditor pursuant to Article 5A of Chapter 147 of the General Statutes. The Fund shall reimburse the State Auditor for the cost of any audit."

ROANOKE ISLAND COMMISSION FUNDING/HISTORIC ROANOKE ISLAND FUND

SECTION 21.2.(a) The Roanoke Island Commission shall receive State funds through the 2011-2012 fiscal year. Beginning with the 2012-2013 fiscal year, the Roanoke Island Commission shall be self-supporting.

SECTION 21.2.(b) All funds and assets in the Outer Banks Island Farm Fund are transferred to the Roanoke Island Commission Fund established in G.S. 143B-131.8.

SECTION 21.2.(c) G.S. 143B-131.8 is amended by adding the following new subsections:

"(c) Notwithstanding subsection (b) of this section, the Commission may expend and use funds from the principal and from the remaining twenty percent (20%) of the interest generated by the principal of the Roanoke Island Commission Endowment Fund if (i) the Commission has insufficient cash flow to meet its financial obligations as they become due and (ii) those financial obligations are critical to the operation and maintenance of the Commission or the properties operated by the Commission. The Commission shall not use funds from the principal or the remaining twenty percent (20%) of the interest generated by the principal of the Roanoke Island Endowment Fund for capital expenditures.

(d) The Department of Cultural Resources shall pay to the Commission on a monthly basis a pro rata share of the utilities, maintenance, and operating expenses of the Outer Banks History Center, which is located in the facility owned by the Commission. The funds received pursuant to this subsection shall be credited to the Roanoke Island Commission Fund.

(e) The Department of Cultural Resources shall credit to the Roanoke Island Commission Fund all rental proceeds received by the Department from the rental properties located near the Outer Banks Island Farm."

SECTION 21.2.(d) G.S. 143B-131.2(b)(1) reads as rewritten:

"(1) To advise the Secretary of Transportation and adopt rules on matters pertaining to, affecting, and encouraging restoration, preservation, and enhancement of the appearance, maintenance, and aesthetic quality of U.S. Highway 64/264 and the U.S. 64/264 Bypass travel corridor on Roanoke Island and the grounds on Roanoke Island Festival Park. However, the local government that has jurisdiction over the affected portion of the travel corridor shall process the applications for and issue the certificates of appropriateness and shall be responsible for the enforcement of those certificates and any rules adopted pursuant to this subdivision that apply to the portion of the travel corridor within the jurisdiction of the local government. No reimbursement shall be made by the Commission to the local government for the processing of applications or issuance of certificates of appropriateness, or the enforcement of those certificates or the rules."

SECTION 21.2.(e) G.S. 143B-131.2(b)(10) reads as rewritten:

"(10) ~~To establish and maintain a separate fund composed of moneys which may come into its hands from~~ To accept gifts, donations, grants, or bequests, which funds will be used by the Commission for purposes of carrying out its duties and purposes herein set forth. The Commission may ~~also~~ establish a reserve fund to be maintained and used for contingencies and emergencies. ~~Funds appropriated to the Commission may be transferred to the Friends of Elizabeth II, Inc., a private, nonprofit corporation.~~ The Friends of Elizabeth II, Inc., shall use the balance of any unencumbered funds that were transferred to it ~~to carry out the purposes of this Part.~~ pursuant to this subdivision only for expenses of the Commission or the properties operated by the Commission that are identified as operating or for maintenance costs by the Commission and that are requested by the Commission."

SECTION 21.2.(f) Effective July 1, 2012, all funds held by the Roanoke Island Commission, including all balances credited to the Roanoke Island Commission Endowment Fund, shall be transferred to the Historic Roanoke Island Fund established in G.S. 143B-131.8A.

SECTION 21.2.(g) Effective July 1, 2012, G.S. 143B-131.1 reads as rewritten:

"**§ 143B-131.1. Commission established.**

There is established the Roanoke Island Commission. The Commission shall be an ~~independent~~ independent, self-supporting commission, but shall be located within the Department of Cultural Resources for historic resource management, organizational, and budgetary purposes."

SECTION 21.2.(h) Effective July 1, 2012, G.S. 143B-131.2(b)(14) reads as rewritten:

"(14) To administer the ~~Roanoke Island Commission Fund and the Roanoke Island Commission Endowment Fund as provided in G.S. 143B-131.8.~~ Historic Roanoke Island Fund as provided in G.S. 143B-131.8A."

SECTION 21.2.(i) Effective July 1, 2012, G.S. 143B-131.8 is repealed.

SECTION 21.2.(j) Effective July 1, 2012, Part 27A of Article 2 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-131.8A. Historic Roanoke Island Fund.**

(a) The Historic Roanoke Island Fund is established as a nonreverting enterprise fund and shall be administered by the Roanoke Island Commission. All operating revenues generated by the Roanoke Island Commission, including revenues collected from any property operated by the Roanoke Island Commission, together with all gifts, grants, donations, or other financial assets of whatever kind received or held by the Roanoke Island Commission shall be

credited to the Historic Roanoke Island Fund and shall be used only (i) for the expenses of operating and maintaining the Roanoke Island Commission and the properties managed by the Roanoke Island Commission, (ii) to carry out any of the other duties and purposes set out by this Part, or (iii) for capital expenditures for the properties operated by the Commission.

(b) The Department of Cultural Resources shall pay to the Commission on a monthly basis a pro rata share of the utilities, maintenance, and operating expenses of the Outer Banks History Center, which is located in the facility owned by the Commission. The funds received pursuant to this subsection shall be credited to the Historic Roanoke Island Fund.

(c) The Department of Cultural Resources shall credit to the Historic Roanoke Island Fund all rental proceeds received by the Department from the rental properties located near the Outer Banks Island Farm."

PART XXII. GENERAL ASSEMBLY

PED STUDYING ADMINISTRATION OF STATE ATTRACTIONS

SECTION 22.1.(a) The Program Evaluation Division shall study and review State operations considered attractions in the State, such as State Historic Sites, Museums, State Parks, Aquariums, and the North Carolina Zoo, and recommend whether administration of such attractions can be consolidated in one Department or administrative unit. In conducting its study, the Program Evaluation Division shall review all sources of revenue generated by these attractions, including admission fees, donations, and concession sales, and shall review daily visitation trends for these attractions to determine optimal operating schedules.

SECTION 22.1.(b) The Program Evaluation Division shall report its findings by March 30, 2012, to the full chairs of the House of Representatives and Senate Appropriations Committees, the chairs of the House of Representatives Appropriations Subcommittee on General Government, the chairs of the Senate Appropriations Committee on General Government and Information Technology, and the Fiscal Research Division.

REVISOR OF STATUTES

SECTION 22.2. Article 2 of Chapter 114 of the General Statutes is recodified as Article 7D of Chapter 120 of the General Statutes to be entitled "Codification of Statutes" and as recodified, reads as rewritten:

"Article 7D.

"Codification of Statutes.

"**§ 120-36.21. ~~Creation of Division; powers and duties.~~Codification of Statutes.**

The ~~Attorney General shall set up in the Department of Justice a division to be designated as the Division of Legislative Drafting and Codification of Statutes. There shall be assigned to this Division by the Attorney General~~ Legislative Services Commission shall assign to its staff duties as follows:

(1) To prepare bills to be presented to the General Assembly ~~at the request of the Governor, and the officials of the State and departments thereof, and members of the General Assembly, and to advise with said officials in connection therewith, and to advise with and assist counties, cities, and towns in the drafting of legislation to be submitted to the General Assembly.~~ as provided by G.S. 120-31(9).

(2) To supervise the recodification of all the statute law of North Carolina and supervise the keeping of such recodifications current by including therein all laws hereafter enacted by supplements thereto issued periodically, all of which recodifications and supplements shall be appropriately annotated.

(3) In order that the laws of North Carolina, as set out in the General Statutes of North Carolina, may be made and kept as simple, as clear, as concise and as complete as possible, and in order that the amount of construction and interpretation of the statutes required of the courts may be reduced to a minimum, ~~it shall also be the duty of the Division of Legislative Drafting and Codification of Statutes~~ to establish and maintain a system of continuous statute research and correction. To that end the ~~Division~~ staff shall:

a. Make a systematic study of the general statutes of the State, as set out in the General Statutes and as hereafter enacted by the General Assembly, for the purpose of ascertaining what ambiguities,

conflicts, duplications and other imperfections of form and expression exist therein and how these defects may be corrected.

b. Consider such suggestions as may be submitted ~~to the Division~~ with respect to the existence of such defects and the proper correction thereof.

c. Prepare for submission to the General Assembly from time to time bills to correct such defects in the statutes as its research discloses.

"**§ 120-36.22. Revisor of Statutes.**

The member of the staff of the ~~Attorney General~~ Legislative Services Commission who is assigned to perform the duties prescribed by ~~G.S. 114-9(3)~~ G.S. 120-36.21(3) shall be known as the Revisor of Statutes.~~Statutes and he shall be subject to all the provisions of Chapter 126 of the General Statutes relating to the State Personnel System.~~"

PART XXIII. DEPARTMENT OF INSURANCE

PERMISSABLE USE OF INSURANCE REGULATORY FUND

SECTION 23.1. The Department of Insurance shall not expend funds from the Insurance Regulatory Fund created under G.S. 58-6-25 for any purpose other than to reimburse the General Fund for appropriations from that fund to the Department.

NO BUDGET REDUCTION FOR CERTAIN STATE FIRE PROTECTION GRANT FUND RECIPIENTS

SECTION 23.2. Notwithstanding any other provision of this act, there shall be no reduction in funding under G.S. 58-85A-1 during the 2011-2013 fiscal biennium for local fire districts and political subdivisions of the State that receive grant funding of one thousand dollars ($1,000) or less under that statute.

PART XXIV. OFFICE OF ADMINISTRATIVE HEARINGS

ACCESS TO REGISTER AND CODE

SECTION 24.1. G.S. 150B-21.24(a) reads as rewritten:

"(a) Register. – The Codifier of Rules shall make available the North Carolina Register on the Internet at no charge. ~~Upon request the Codifier shall provide a free copy of the current volume of the Register to any person who receives a free copy of the North Carolina Administrative Code or any member of the General Assembly.~~"

PART XXV. OFFICE OF STATE BUDGET AND MANAGEMENT

TRANSFER STATE FIRE PROTECTION GRANT FUND

SECTION 25.1. Article 85A of Chapter 58 of the General Statutes reads as rewritten:

"Article 85A.

"State Fire Protection Grant Fund.

"**§ 58-85A-1. Creation of Fund; allocation to local fire districts and political subdivisions of the State.**

(a) There is created in the ~~Office of State Budget and Management~~Department of Insurance the State Fire Protection Grant Fund. The purpose of the Fund is to compensate local fire districts and political subdivisions of the State for providing local fire protection to State-owned buildings and their contents.

(b) The ~~Office of State Budget and Management~~Department of Insurance shall develop and implement an equitable and uniform statewide method for distributing any funds to the State's local fire districts and political subdivisions.

~~Upon the request of the Director of the Budget, the Department of Insurance shall provide the Office of State Budget and Management all information necessary to develop and implement the formula.~~

(c) It is the intent of the General Assembly to appropriate annually to the State Fire Protection Grant Fund up to four million one hundred eighty thousand dollars ($4,180,000) from the General Fund, one hundred fifty-eight thousand dollars ($158,000) from the Highway Fund, and one million three hundred forty-five thousand dollars ($1,345,000) from University

of North Carolina receipts. Funds received from the General Fund shall be allocated only for providing local fire protection for State-owned property supported by the General Fund; funds received from the Highway Fund shall be allocated only for providing local fire protection for State-owned property supported by the Highway Fund; and funds received from University of North Carolina receipts shall be allocated only for providing local fire protection for State-owned property supported by University of North Carolina receipts."

NC SYMPHONY FUNDING

SECTION 25.2.(a) Of the funds appropriated in this act to the Office of State Budget and Management-Special Appropriations, the sum of one million five hundred thousand dollars ($1,500,000) in nonrecurring funds for the 2011-2012 fiscal year shall be allocated to the North Carolina Symphony in accordance with this section.

SECTION 25.2.(b) It is the intent of the General Assembly that the NC Symphony achieve its goal of raising the sum of eight million dollars ($8,000,000) in non-State funding to support the operations of the Symphony. To that end, upon demonstrating to the Office of State Budget and Management that the NC Symphony has reached fund-raising targets in the amounts set forth in this subsection, the NC Symphony shall receive allocations from the Office of State Budget and Management as follows:

(1) Upon raising the initial sum of four million dollars ($4,000,000) in non-State funding, the NC Symphony shall receive the sum of five hundred thousand dollars ($500,000).

(2) Upon raising an additional sum of two million dollars ($2,000,000) in non-State funding for a total amount of six million dollars ($6,000,000) in non-State funds, the NC Symphony shall receive the sum of five hundred thousand dollars ($500,000).

(3) Upon raising an additional sum of two million dollars ($2,000,000) in non-State funding for a total sum of eight million dollars ($8,000,000) in non-State funds, the NC Symphony shall receive the final sum of five hundred thousand dollars ($500,000) for the 2011-2012 fiscal year.

SECTION 25.2.(c) Funds allocated pursuant to this section are in addition to any other funds allocated to the NC Symphony in this act.

PART XXVI. STATE BOARD OF ELECTIONS

NO EXPENDITURE OF HAVA TITLE II FUNDS FOR STATE FY 2011-2012

SECTION 26.1. The State Board of Election shall not expend any Help America Vote Funds (HAVA) Title II Funds for the 2011-2012 fiscal year and, unless prohibited by federal law, shall retain those funds until Maintenance of Effort funds are appropriated.

ALLOWING COUNTY BOARDS OF ELECTION TO EMPLOY PERSONNEL TO MAINTAIN VOTING SYSTEMS

SECTION 26.3.(a) G.S. 163-165.9 reads as rewritten:

"**§ 163-165.9. Voting systems: powers and duties of county board of elections.**

(a) Before approving the adoption and acquisition of any voting system by the board of county commissioners, the county board of elections shall do all of the following:

(1) Recommend to the board of county commissioners which type of voting system should be acquired by the county.

(2) Witness a demonstration, in that county or at a site designated by the State Board of Elections, of the type of voting system to be recommended and also witness a demonstration of at least one other type of voting system certified by the State Board of Elections.

(3) Test, during an election, the proposed voting system in at least one precinct in the county where the voting system would be used if adopted.

(b) After the acquisition of any voting system, the county board of elections shall comply with any requirements of the State Board of Elections regarding training and support of the voting system by completing all of the following:

(1) The county board of elections shall comply with all specifications of its voting system vendor for ballot printers. The county board of elections is authorized to contract with noncertified ballot printing vendors, so long as

the noncertified ballot printing vendor meets all specifications and all quality assurance requirements as set by the State Board of Elections.

(2) The county board of elections shall annually maintain software license and maintenance agreements necessary to maintain the warranty of its voting system. A county board of elections may employ qualified personnel to maintain a voting system in lieu of entering into maintenance agreements necessary to maintain the warranty of its voting system. The State Board of Elections ~~shall not~~is not required to provide routine maintenance to any county board of elections that does not maintain the warranty of its voting system. If the State Board of Elections provides any maintenance to a county that has not maintained the warranty of its voting system, the county shall reimburse the State for the cost.

(3) The county board of elections shall not replace any voting system, or any portion thereof, without approval of the State Board of Elections.

(4) The county board of elections may have its voting system repaired pursuant to its maintenance agreement but shall notify the State Board of Elections at the time of every repair, according to guidelines that shall be provided by the State Board of Elections."

SECTION 26.3.(b) This section becomes effective July 1, 2011.

PART XXVI-A. STATE CONTROLLER

OVERPAYMENTS AUDIT

SECTION 26A.1.(a) During the 2011-2013 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 Special Reserve Account 24172.

SECTION 26A.1.(b) For each year of the 2011-2013 biennium, five hundred thousand dollars ($500,000) of the funds transferred from Special Reserve Account 24172 shall be used by the Office of the State Controller for data processing, debt collection, or e-commerce costs.

SECTION 26A.1.(c) All funds available in Special Reserve Account 24172 on July 1 of each year of the 2011-2013 biennium are transferred to the General Fund on that date.

SECTION 26A.1.(d) Any unobligated funds in 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 26A.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 Special Reserve Account 24172 and the disbursement of that revenue.

PART XXVII. DEPARTMENT OF THE STATE TREASURER

LOCAL GOVERNMENT UNIT POSITIONS

SECTION 27.1.(a) G.S. 105-501(b) reads as rewritten:

"(b) Deductions. – 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.~~The Local Government Division.

b. The Property Tax Commission.

(1a) The Department of State Treasurer's costs for personnel and operations of the Local Government 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 27.1.(b) G.S. 105-501(b), as rewritten by subsection (a) of this section, reads as rewritten:

"(b) Deductions. – 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. The Local Government Division.
b. The Property Tax Commission.

(1a) The Department of State Treasurer's costs for personnel and operations of the Local Government 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 27.1.(c) Subsection (b) of this section becomes effective July 1, 2012.

PART XXVIII. DEPARTMENT OF TRANSPORTATION

CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATION

SECTION 28.1.(a) The General Assembly authorizes and certifies anticipated revenues for the Highway Fund as follows:

For Fiscal Year 2013-2014	$2,125.4 million
For Fiscal Year 2014-2015	$2,238.0 million
For Fiscal Year 2015-2016	$2,352.3 million
For Fiscal Year 2016-2017	$2,470.9 million

SECTION 28.1.(b) The General Assembly authorizes and certifies anticipated revenues for the Highway Trust Fund as follows:

For Fiscal Year 2013-2014	$1,084.0 million
For Fiscal Year 2014-2015	$1,169.8 million
For Fiscal Year 2015-2016	$1,232.6 million
For Fiscal Year 2016-2017	$1,256.7 million

CHANGES TO HIGHWAY FUND CERTIFIED BUDGET TO INCREASE TRANSPARENCY

SECTION 28.2. Notwithstanding G.S. 143C-6-4(b), the Office of State Budget and Management, in consultation with the Department of Transportation, the Office of the State Controller, and the Fiscal Research Division, shall execute changes to the Department of Transportation's Highway Fund (Budget Code 84210) 2012-2013 Fiscal Year Certified Budget to increase transparency. The Adjusted 2012-2013 Fiscal Year Certified Budget for Budget Code 84210 shall include object detail using the North Carolina Accounting System Uniform Chart of Accounts prescribed by the Office of the State Controller to provide a more detailed accounting of the proposed budgets and receipts and actual expenditures and revenue collections. This includes, but is not limited to, applying object detail at the four-digit level for all acounts to full-time and part-time positions, to operating expenditures and receipts, and to

intrafund transfers. In addition, work order positions shall be budgeted within existing fund codes. These readjustments to the enacted budget are for the sole purpose of correctly aligning authorized positions and associated operating costs with the appropriate purposes and definitions as defined in G.S. 143C-1-1. The Office of State Budget and Management shall change the certified budget to reflect these adjustments only after reporting the proposed adjustments to the Chairs of the Senate Appropriations Committee on Department of Transportation and the Chairs of the House Appropriations Subcommittee on Transportation and to the Fiscal Research Division no later than March 1, 2012. It is the intent of the General Assembly that these changes in the certified budget for Budget Code 84210 shall begin with the 2012-2013 fiscal year and shall be used in subsequent fiscal years.

REMOVE PILOT DESIGNATION FOR PUBLIC-PRIVATE PARTNERSHIPS

SECTION 28.3. G.S. 136-28.1 reads as rewritten:

"§ 136-28.1. Letting of contracts to bidders after advertisement; exceptions.

...

(l) The Department of Transportation may enter into ~~as many as two pilot~~ contracts for ~~public private~~ public-private participation in providing litter removal from State right-of-way. Selection of firms to perform this work shall be made using a best value procurement process and shall be without regard to other provisions of law regarding the Adopt-A-Highway Program administered by the Department. Acknowledgement of sponsors may be indicated by appropriate signs that shall be owned by the Department of Transportation. The size, style, specifications, and content of the signs shall be determined in the sole discretion of the Department of Transportation. The Department of Transportation may issue ~~rules~~ guidelines, rules, and policies necessary to ~~implement~~ administer this ~~section.~~ subsection.

(m) The Department of Transportation may enter into ~~as many as two pilot~~ contracts for public-private participation ~~in providing real time traveler information~~ at State-owned rest areas. Selection of firms ~~to perform this work~~ shall be made using a best value procurement process. Recognition of sponsors in the program may be indicated by appropriate acknowledgment for any services provided. The size, style, specifications, and content of the acknowledgment shall be determined in the sole discretion of the Department. Revenues generated pursuant to a contract initiated under this subsection shall be shared with Department of Transportation at a predetermined percentage or rate, and shall be earmarked by the Department to maintain the State owned rest areas from which the revenues are generated. The Department of Transportation may issue guidelines, rules, and policies necessary to administer ~~a pilot program initiated under~~ this subsection."

REMOVE CAP ON DESIGN-BUILD PROJECTS

SECTION 28.4. G.S. 136-28.11(a) reads as rewritten:

"(a) Design-Build Contracts Authorized. – Notwithstanding any other provision of law, the Board of Transportation may award contracts ~~for up to 25 projects~~ each fiscal year for construction of transportation projects on a design-build basis."

FLEXIBILITY TO SEEK LIMITED SPONSORSHIPS

SECTION 28.5.(a) G.S. 66-58 reads as rewritten:

"§ 66-58. Sale of merchandise or services by governmental units.

...

(b) The provisions of subsection (a) of this section shall not apply to:

...

(20) The Department of Transportation, or any ~~nonprofit~~ lessee of or other party contracting with the Department, for the sale of ~~books, crafts, gifts, and other tourism related items at visitor centers~~ travel-related goods and services at welcome centers, visitor centers, rest areas, and administrative facilities owned by the Department.

...

(c) The provisions of subsection (a) shall not prohibit:

...

(20) The Department of Transportation or any lessee of or contracting party with the Department from conducting activities related to privatization and operation of welcome centers, visitor centers, rest areas, and administrative

facilities or from entering into agreements for sponsorship of agency services.

...."

SECTION 28.5.(b) G.S. 136-18 reads as rewritten:

"**§ 136-18. Powers of Department of Transportation.**

The said Department of Transportation is vested with the following powers:

...

(9) To employ appropriate means for properly selecting, planting and protecting trees, shrubs, vines, grasses or legumes in the highway right-of-way in the promotion of erosion control, landscaping and general protection of said highways; to acquire by gift or otherwise land for and to construct, operate and maintain roadside parks, picnic areas, picnic tables, scenic overlooks and other appropriate turnouts for the safety and convenience of highway users; and to cooperate with municipal or county authorities, federal agencies, civic bodies and individuals in the furtherance of those objectives. None of the roadside parks, picnic areas, picnic tables, scenic overlooks or other turnouts, or any part of the highway right-of-way shall be used for commercial purposes except (i) for materials displayed in welcome centers in accordance with G.S. 136-89.56, and (ii) for vending machines permitted by the Department of Transportation and placed by the Division of Services for the Blind, Department of Health and Human Services, as the State licensing agency designated pursuant to Section 2(a)(5) of the Randolph-Sheppard Act (20 USC 107a(a)(5)). The Department of Transportation shall regulate the placing of the vending machines in highway rest areas and shall regulate the articles to be dispensed. Every other use or attempted use of any of these areas for commercial purposes shall constitute a Class 1 misdemeanor and each day's use shall constitute a separate offense. Notwithstanding the provisions of this section, the Department of Transportation is authorized to contract for sponsorship of ferry welcome centers, Incident Management Assistance Patrols, welcome centers, visitor centers, and rest areas and to allow the contracting party to use the right-of-way for commercial purposes for the sale of travel-related goods at services in accordance with G.S. 136-89.56."

...

(39) To enter into partnership agreements with private entities, and authorized political subdivisions to finance, by tolls, contracts, and other financing methods authorized by law, the cost of acquiring, constructing, equipping, maintaining, and operating transportation infrastructure in this State, and to plan, design, develop, acquire, construct, equip, maintain, and operate transportation infrastructure in this State. The Department is also authorized to enter into partnership agreements with private entities and authorized political subdivisions to finance the cost of acquiring, constructing, equipping, maintaining, and operating facilities, including ferry welcome centers, Incident Management Assistance Patrols, welcome centers, visitor centers, rest areas, and administrative offices. The Department is further authorized to enter into partnership agreements with private entities and authorized political subdivisions to finance the cost of providing sponsorship for State services. An agreement entered into under this subdivision requires the concurrence of the Board of Transportation. The Department shall report to the Chairs of the Joint Legislative Transportation Oversight Committee, the Chairs of the House of Representatives Appropriations Subcommittee on Transportation, and the Chairs of the Senate Appropriations Committee on the Department of Transportation, at the same time it notifies the Board of Transportation of any proposed agreement under this subdivision. Any contracts for construction of highways, roads, streets, and bridges which are awarded pursuant to an agreement entered into under this section shall comply with the competitive bidding requirements of Article 2 of this Chapter.

...."

SECTION 28.5.(c) G.S. 136-89.56 reads as rewritten:

"**§ 136-89.56. Commercial enterprises.**

No commercial enterprises or activities shall be authorized or conducted by the Department of Transportation, any other State agency, or the governing body of any city or town, within or on the property acquired for or designated as a controlled-access facility, as defined in this Article, except for:

(1) ~~Materials displayed~~ The sale of goods and services by the Department, a lessee, or other service provider or contracting party at welcome ~~centers which~~ centers, visitor centers, rest areas, and other administrative offices shall be directly related to travel, accommodations, tourist-related activities, tourist-related services, and attractions. The Department of Transportation shall issue rules and may adopt guidelines and policies regulating the display and sale of these materials. These materials may contain advertisements for real estate; and

...."

SMALL CONSTRUCTION AND CONTINGENCY FUNDS

SECTION 28.6. Of the funds appropriated in this act to the Department of Transportation:

(1) Seven million dollars ($7,000,000) shall be allocated in each fiscal year for small construction projects recommended by the State Highway Administrator in consultation with the Chief Operating Officer and approved by the Secretary of the Department 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) Twelve million dollars ($12,000,000) shall be allocated statewide in each fiscal year 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 construction. 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.

ADJUST SECONDARY ROAD CONSTRUCTION AND SECONDARY ROAD MAINTENANCE

SECTION 28.7.(a) Notwithstanding G.S. 136-44.2A, secondary road construction and secondary road maintenance funds from the Highway Fund shall not increase over the amounts allocated in the fiscal year 2011-2012 and fiscal year 2012-2013 base budgets.

SECTION 28.7.(b) Notwithstanding G.S. 136-182, secondary road construction and secondary road maintenance funds from the Highway Trust Fund shall not increase over the amounts allocated in the fiscal year 2011-2012 and fiscal year 2012-2013 base budgets.

SYSTEM PRESERVATION FUNDS PREFERENCE FOR DEFICIENT BRIDGES

SECTION 28.8. The funds allocated to the system preservation program (Budget Code 84240-7839) for fiscal years 2011-2012 and 2012-2013 shall be used for bridge improvements on structurally deficient bridges.

INCREASE DOT PRIVATIZATION

SECTION 28.9. The Department of Transportation shall seek to increase the use of contracts to further privatize design and engineering work where practical and economical. In doing so, the Department of Transportation shall do the following:

(1) Identify State-funded professional service contracts of two hundred fifty thousand dollars ($250,000) or less that are likely to attract increased participation by Small Professional Services Firms and then direct the solicitation of applicable contracts to those firms.
(2) Expand the use of multiple contract awards for maintenance and repair projects.
(3) Increase the outsourcing of preliminary engineering projects to fifty percent (50%) of the total funds in the annual work plan.

STATE STREET-AID TO MUNICIPALITIES (POWELL BILL) ADJUSTMENTS

SECTION 28.10.(a) G.S. 136-41.1(a) reads as rewritten:

"(a) There is annually appropriated out of the State Highway Fund a sum equal to the net amount after refunds that was produced during the fiscal year by a one and three-fourths cents (1 3/4¢) tax on each gallon of motor fuel taxed under Article 36C of Chapter 105 of the General Statutes and on the equivalent amount of alternative fuel taxed under Article 36D of that Chapter. ~~The~~ One-half of the amount appropriated shall be allocated in cash on or before October 1 of each year to the cities and towns of the State in accordance with this section. The second one-half of the amount appropriated shall be allocated in cash on or before January 1 of each year to the cities and towns of the State in accordance with this section. In addition, as provided in G.S. 136-176(b)(3), revenue is allocated and appropriated from the Highway Trust Fund to the cities and towns of this State to be used for the same purposes and distributed in the same manner as the revenue appropriated to them under this section from the Highway Fund. Like the appropriation from the Highway Fund, the appropriation from the Highway Trust Fund shall be based on revenue collected during the fiscal year preceding the date the distribution is made.

...."

SECTION 28.10.(b) Article 2 of Chapter 136 of the General Statutes is amended by adding a new section to read:

"**§ 136-41.2B. Eligibility for funds; municipalities with no road miles ineligible.**

No municipality shall be eligible to receive funds under G.S. 136-41.1 unless the municipality maintains public streets that (i) are within its jurisdiction and (ii) do not form a part of the State highway system."

SECTION 28.10.(c) Unexpended and unencumbered funds previously allocated to municipalities made ineligible to receive funds by subsection (b) of this section shall be reallocated to eligible municipalities in accordance with G.S. 136-41.1.

SECTION 28.10.(d) G.S. 136-41.3 reads as rewritten:

"**§ 136-41.3. Use of funds; records and annual statement; excess accumulation of funds; contracts for maintenance, etc., of streets.**

...

No funds allocated to municipalities pursuant to G.S. 136-41.1 and 136-41.2 shall be permitted to accumulate for a period greater than permitted by this section. Interest on accumulated funds shall be used only for the purposes permitted by the provisions of G.S. 136-41.3. ~~Any~~ Except as otherwise provided in this section, any municipality having accumulated an amount greater than the sum of the past 10 allocations made, shall have an amount equal to such excess deducted from the next allocation after receipt of the report required by this section. Such deductions shall be carried over and added to the amount to be allocated to municipalities for the following year. Notwithstanding the other provisions of this section, the Department shall adopt a policy to allow small municipalities to apply to the Department to be allowed to accumulate up to the sum of the past 20 allocations if a municipality's allocations are so small that the sum of the past 10 allocations would not be sufficient to accomplish the purposes of this section.

...."

STATE AID TO RAILROADS TRANSPARENCY

SECTION 28.12. G.S. 136-44.20(d) is repealed.

PROGRAM EVALUATION DIVISION TO STUDY NORTH CAROLINA RAILROAD

SECTION 28.12A. The Program Evaluation Division of the General Assembly shall conduct a comprehensive evaluation of the North Carolina Railroad Company, a North

Carolina corporation of which the State is the sole shareholder and which is a discretely reported component unit of the State as defined by the Governmental Accounting Standards Board. The evaluation shall address, at a minimum, the following issues:

(1) Whether the corporation is adhering to its stated corporate mission of maximizing the value of the corporation for the people of the State.
(2) What economic development benefits have been provided by the corporation and for what costs.
(3) An evaluation of the use of available cash by the corporation, including the purchase of real property used for investment purposes rather than paying dividends to the State.
(4) The approximate value of the corporation's assets, based on a market valuation rather than historic or book value of assets.
(5) The approximate value of the entire corporation as a going concern.
(6) The effectiveness of the provisions of Chapter 124 of the General Statutes to allow the State to exercise its shareholder rights and to provide effective shareholder oversight of the corporation.
(7) Whether the ownership of the corporation provides the State a reasonable return on its investment, attempting to consider both the tangible and intangible value provided by the corporation.
(8) Whether the corporation should be sold, transferred under the jurisdiction of the Department of Transportation or another State agency, or maintain its corporate structure.
(9) Whether the General Assembly should consider the possibility of repealing the corporate charter of the corporation by a special act, as allowed under Section 1 of Article VIII of the North Carolina Constitution.

For the purposes of this evaluation, the terms "State agency" or "agency" as used under Article 7C of Chapter 120 of the General Statutes shall include the North Carolina Railroad Company.

For the purposes of this evaluation, the Program Evaluation Division is hereby granted authority to exercise the State's shareholder right to inspect the corporate books and records of the North Carolina Railroad Company on behalf of the State.

The Program Evaluation Division may hire consultants to aid it in its evaluation, including experts in appraisal and valuation.

The Program Evaluation Division shall report the results of its study to the Joint Legislative Program Evaluation Oversight Committee and the Joint Legislative Transportation Oversight Committee no later than May 1, 2012.

REPORT, CONSULTATION, AND APPROVAL OF RAIL PROJECTS

SECTION 28.15. G.S. 136-44.36 reads as rewritten:

"**§ 136-44.36. Department of Transportation designated as agency to administer federal and State railroad revitalization programs.**

(a) The General Assembly hereby designates the Department of Transportation as the agency of the State of North Carolina responsible for administering all State and federal railroad revitalization programs. The Department of Transportation is authorized to develop, and the Board of Transportation is authorized to adopt, a State railroad plan, and the Department of Transportation is authorized to do all things necessary under applicable State and federal legislation to properly administer State and federal railroad revitalization programs within the State. Such authority shall include, but shall not be limited to, the power to receive federal funds and distribute and expend federal and State funds for rail programs designed to cover the costs of acquiring, by purchase, lease or other manner as the department considers appropriate, a railroad line or other rail property to maintain existing or to provide future rail service; the costs of rehabilitating and improving rail property on railroad lines to the extent necessary to permit safe, adequate and efficient rail service on such lines; and the costs of constructing rail or rail related facilities for the purpose of improving the quality, efficiency and safety of rail service. The Department shall also have the authority to preserve railroad corridors for future railroad use and interim compatible uses and may lease such corridors for interim compatible uses. Such authority shall also include the power to receive and administer federal financial assistance without State financial participation to railroad companies to cover the costs of local rail service continuation payments, of rail line rehabilitation, and of rail line

construction as listed above. This Article shall not be construed to grant to the department the power or authority to operate directly any rail line or rail facilities.

(b) Notwithstanding subsection (a) of this section, the acceptance of federal funds by the Department of Transportation for rail programs shall be subject to the following:

(1) Report. – For any project under subsection (a) of this section, the Department of Transportation shall report the project details, including the amounts of federal funds and any State matching funds, as well as the expected annual maintenance and operational costs to the State of the project for the next 25 years, to the Joint Legislative Transportation Oversight Committee if the General Assembly is not in session, or to the House Appropriations Subcommittee on Transportation and the Senate Committee on Appropriations on Department of Transportation if the General Assembly is in session.

(2) Consultation. – If either the amount of State matching funds required by the federal grant or the amount of future annual maintenance and operational costs of the project are reasonably expected to exceed three million dollars ($3,000,000), then the Department shall not accept the federal funds prior to consultation with the Joint Legislative Transportation Oversight Committee if the General Assembly is not in session, or with the House Appropriations Subcommittee on Transportation and the Senate Committee on Appropriations on Department of Transportation if the General Assembly is in session. Failure of the Joint Legislative Transportation Oversight Committee, the House Appropriations Subcommittee on Transportation, or the Senate Committee on Appropriations on Department of Transportation to hold a meeting with the Department of Transportation within 60 days of a written request for a meeting from the Department of Transportation shall be deemed a waiver of consultation by the committee.

(3) Approval. – If either the amount of State matching funds required by the federal grant or the amount of future annual maintenance and operational costs of the project are reasonably expected to exceed twenty million dollars ($20,000,000), then the Department's acceptance of funds shall be subject to approval of the project by an act of the General Assembly. If 30 days have passed since consultation or the expiration of the consultation period under subdivision (2) of this subsection, then the inaction of the General Assembly, including the lack of an extra session to address the project, shall be deemed an approval of the project, and the Department may accept the funds without an act of the General Assembly.

For purposes of this subsection, the terms "State matching funds" and "annual maintenance and operational costs to the State" shall not include funds that may pass through the Department of Transportation but that originally came from a non-State source."

PROHIBIT RAIL DIVISION FROM PROVIDING CONVENIENCE ITEMS FREE OF CHARGE ON ALL PASSENGER RAIL SERVICE

SECTION 28.16. The Department of Transportation, Rail Division, shall not provide convenience items to passengers free of charge unless the items are donated to the State. These items include bottled or canned drink products, excluding water, newspapers, or other items of convenience. The Department of Transportation may charge a nominal fee for such items through vending machines or through other mechanisms.

STUDY MANNS HARBOR REPAIR AND PAINT SHOP

SECTION 28.16A. The Joint Legislative Transportation Oversight Committee shall study the issue of privatizing the ferry repair facilities and paint shop at Manns Harbor. As part of its analysis, the Joint Legislative Transportation Oversight Committee shall consider the cost of performing ferry repairs through a private corporation, potential operational savings from closing the Manns Harbor repair and paint shop facilities, the potential sale or lease price of the Manns Harbor facility, and the overall annual savings or costs from privatizing ferry repairs and paint operations. In order to conduct its study, the Joint Legislative Transportation Oversight Committee may employ outside consultants. The Joint Legislative Transportation

Oversight Committee shall submit its report to the General Assembly no later than May 25, 2012.

ELIMINATE AERONAUTICS COUNCIL, BICYCLE COMMITTEE, AND RAIL COUNCIL

SECTION 28.17.(a) The Aeronautics Council of the Department of Transportation is eliminated. G.S. 143B-356 and G.S. 143B-357 are repealed.

SECTION 28.17.(b) The North Carolina Bicycle Committee within the Department of Transportation is eliminated. G.S. 136-71.13 is repealed.

SECTION 28.17.(c) The North Carolina Rail Council of the Department of Transportation is eliminated. Part 9 of Article 8 of Chapter 143B of the General Statutes is repealed.

AVIATION DIVISION APPROPRIATION

SECTION 28.17A. Notwithstanding G.S. 136-16.4, the continuing aviation appropriation from the Highway Fund to the Department of Transportation shall be reduced as provided in this act.

FLEXIBLE USE OF FUNDS TO LEVERAGE FEDERAL FUNDS FOR RURAL PUBLIC TRANSPORTATION

SECTION 28.18. In order to ensure maximum receipts of funding and to facilitate the use of funds available to the Department, the Department of Transportation, Public Transportation Division, shall have the flexibility to transfer funding from the consolidated capital program of its rural funding programs for vehicles, technology, and facilities to the operating programs, based on the Department's ability to leverage all additional federal funds to meet the capital needs of rural transportation systems. This section applies only to fiscal years 2011-2012 and 2012-2013.

MAXIMIZE LEVERAGE OF FEDERAL PUBLIC TRANSPORTATION OPERATING AND CAPITAL FUNDS FOR LOCAL PUBLIC TRANSPORTATION SYSTEMS

SECTION 28.19. The Department of Transportation, Public Transportation Division, shall provide local public transportation systems with maximum flexibility to use State operating funds from the "urban and regional maintenance," "elderly and disabled," "work first and transportation employment," and "urban technology, human service transportation management, and rural general public" grant programs to leverage all eligible federal transit operating assistance funds. This section applies only to fiscal years 2011-2012 and 2012-2013.

STREAMLINE GRANT PROCESS AND CONSOLIDATE GRANTS FOR PUBLIC TRANSPORTATION

SECTION 28.20.(a) The Department of Transportation, Public Transportation Division, shall work with stakeholders to streamline the grant application process, determine levels for funding distributions, and make recommendations to the General Assembly to maximize the use of these grant funds. The Department of Transportation shall report these findings to the Joint Legislative Transportation Oversight Committee no later than March 1, 2012.

SECTION 28.20.(b) The Department of Transportation and the Office of State Budget and Management are directed to combine grant funding to the "elderly and disabled," "work first and transportation employment," and the human service transportation management and rural general public grant programs within the "urban technology, human service transportation management and rural general public" grant programs. The Highway Fund Budget Code 84210, Fund Code 7831, shall be changed to reflect these consolidations and the separation of the "urban technology, human service transportation management and rural general public" grant program. The grant categories and respective formulas shall remain unchanged. The Department shall determine an appropriate distribution for funds based upon the needs of the local governments.

Consolidating the funding sources should enable the Department to increase utilization of all available funds based on documented local needs, reduce program administration at the State and local levels, and increase flexibility for regional systems to apply and expend funds for multicounty transit needs.

SECTION 28.20.(c) Subsection (b) of this section becomes effective July 1, 2012.

STUDY REGIONAL CONSOLIDATION OF TRANSIT SYSTEMS

SECTION 28.21. The Department of Transportation, Public Transportation Division, is directed to study the feasibility and appropriateness of developing regional transit systems with the goals of (i) providing increased mobility between existing transit systems within one county and between counties, (ii) improving planning and coordination to better meet public demand, (iii) maximizing funding, and (iv) developing centralized professional staff that will create operational and administrative efficiencies. This study shall examine both (i) the consolidation of transit service planning and delivery based on regional travel patterns and (ii) the consolidation of single-county transit systems, where applicable. The Department of Transportation, Public Transportation Division, shall report the results of its study to the Joint Legislative Transportation Oversight Committee no later than March 1, 2012.

BLUE LINE EXTENSION AND RED LINE COMMUTER RAIL PROJECTS

SECTION 28.21A. The Department of Transportation shall not enter into any contracts for the construction, design, or planning of the LYNX Blue Line Extension/Northeast Corridor project or the LYNX Red Line/North Corridor Commuter Rail project if the contract requires the present or future commitment of any State funds.

FLEXIBLE USE OF FUNDS FOR DIVISION OF MOTOR VEHICLES FOR FISCAL YEARS 2011-2012 AND 2012-2013

SECTION 28.23. Of the funds appropriated in this act to the Department of Transportation, Division of Motor Vehicles:

(1) One hundred five thousand dollars ($105,000) may be used for contractual security services at the Division of Motor Vehicles Registration and International Registration Plan (IRP) office in the City of Charlotte.

(2) Two hundred twenty-five thousand thirty dollars ($225,030) may be used for the purpose of staffing the dedicated commercial drivers license skills testing sites located in the City of Lumberton and under construction in Iredell County. The Division is authorized to reclassify five existing, vacant positions for this purpose.

COMPETITIVE BIDDING OF LICENSE PLATE AGENCY CONTRACTS

SECTION 28.23A.(a) G.S. 20-63(h) reads as rewritten:

"(h) Commission Contracts for Issuance of Plates and Certificates. – All registration plates, registration certificates, and certificates of title issued by the Division, outside of those issued from the Charlotte and Raleigh offices of the Division and those issued and handled through the United States mail, shall be issued insofar as practicable and possible through commission contracts entered into by the Division for the issuance of the plates and certificates in localities throughout North Carolina with persons, firms, corporations or governmental subdivisions of the State of North Carolina. The Division shall make a reasonable effort in every locality, except as noted above, to enter into a commission contract for the issuance of the plates and certificates and a record of these efforts shall be maintained in the Division. In the event the Division is unsuccessful in making commission contracts, it shall issue the plates and certificates through the regular employees of the Division. Whenever registration plates, registration certificates, and certificates of title are issued by the Division through commission contract arrangements, the Division shall provide proper supervision of the distribution. Nothing contained in this subsection will allow or permit the operation of fewer outlets in any county in this State than are now being operated.

Commission contracts entered into by the Division under this subsection <u>prior to September 1, 2011,</u> shall provide for the payment of compensation on a per transaction basis. The collection of the highway use tax shall be considered a separate transaction for which one dollar and twenty-seven cents ($1.27) compensation shall be paid. The performance at the same time of one or more of the remaining transactions listed in this subsection shall be considered a single transaction for which one dollar and forty-three cents ($1.43) compensation shall be paid.

A transaction is any of the following activities:

(1) Issuance of a registration plate, a registration card issued without collection of property taxes or fees under G.S. 105-330.5, a registration renewal sticker, or a certificate of title.
(2) Issuance of a handicapped placard or handicapped identification card.
(3) Acceptance of an application for a personalized registration plate.
(4) Acceptance of a surrendered registration plate, registration card, or registration renewal sticker, or acceptance of an affidavit stating why a person cannot surrender a registration plate, registration card, or registration renewal sticker.
(5) Cancellation of a title because the vehicle has been junked.
(6) Acceptance of an application for, or issuance of, a refund for a fee or a tax, other than the highway use tax.
(7) Receipt of the civil penalty imposed by G.S. 20-311 for a lapse in financial responsibility or receipt of the restoration fee imposed by that statute.
(8) Acceptance of a notice of failure to maintain financial responsibility for a motor vehicle.
(8a) Collection of civil penalties imposed for violations of G.S. 20-183.8A.
(8b) Sale of one or more inspection stickers in a single transaction to a licensed inspection station.
(9) Collection of the highway use tax.
(10) Acceptance of a temporary lien filing."

SECTION 28.23A.(b) G.S. 20-63(h1) reads as rewritten:

"(h1) Commission contracts entered into by the Division under this subsection prior to September 1, 2011, shall also provide for the payment of an additional one dollar ($1.00) of compensation to commission contract agents for any transaction assessed a fee under subdivision (a)(1), (a)(2), (a)(3), (a)(7), (a)(8), or (a)(9) of G.S. 20-85."

SECTION 28.23A.(c) G.S. 20-63 is amended by adding a new subsection to read:

"(h3) Competitive Contract Bidding. – For contracts entered into after September 1, 2011, the Division shall advertise geographic regions for commission contracts. The Division shall award commission contracts through a competitive bidding process, to include bids on all transaction fees to be earned under the commission contract. The Division shall award the contract to the lowest responsible, responsive bidder, taking into consideration background checks, prior contractual relations with potential commission agents, the ability to satisfactorily perform commission contract, and other factors deemed appropriate by the Division and advertised as part of the bid solicitation."

CONFORMING CHANGES RELATED TO DMV AUDITORS AND CHANGES RELATED TO DMV HEARINGS

SECTION 28.23B.(a) G.S. 20-183.8F reads as rewritten:

"**§ 20-183.8F. Requirements for giving license holders notice of violations and for taking summary action.**

~~(a) Finding of Violation. When an auditor of the Division finds that a violation has occurred that could result in the suspension or revocation of an inspection station license, a self-inspector license, a mechanic license, or the registration of a person engaged in the business of replacing windshields, the auditor must give the affected license holder written notice of the finding. The notice must be given within five business days after the completion of the investigation that resulted in the discovery of the violation. The notice must state the period of suspension or revocation that could apply to the violation and any monetary penalty that could apply to the violation. The notice must also inform the license holder of the right to a hearing if the Division charges the license holder with the violation.~~

(b) Notice of Charges. – When the Division decides to charge an inspection station, a self-inspector, or a ~~mechanic, or a person who is engaged in the business of replacing windshields~~mechanic with a violation that could result in the suspension or revocation of the person's license, ~~an auditor of~~ the Division must deliver a written statement of the charges to the affected license holder. The statement of charges must inform the license holder of ~~this right,~~the right to request a hearing, instruct the person on how to obtain a hearing, and inform the license holder of the effect of not requesting a hearing. The license holder has the right to a hearing before the license is suspended or revoked. ~~G.S. 20-183.8E~~G.S. 20-183.8G sets out the procedure for obtaining a hearing.

(c) Exception for Summary Action. – The right granted by subsection (b) of this section to have a hearing before a license is suspended or revoked does not apply if the Division summarily suspends or revokes the license after a judge has reviewed and authorized the proposed action. A license issued to an inspection station, a self-inspector, or a mechanic is a substantial property interest that cannot be summarily suspended or revoked without judicial review.

(d) A notice or statement prepared pursuant to this section or an order of the Division that is directed to a mechanic may be served on the mechanic by delivering a copy of the notice, statement, or order to the station or to the place of business of the self-inspector where the mechanic is employed. Delivery under this section to any person may be made via certified mail or by hand delivery."

SECTION 28.23B.(b) G.S. 20-183.8G(b) reads as rewritten:

"(b) Hearing After Statement of Charges. – When a license holder receives a statement of charges of a violation that could result in the suspension or revocation of the person's license, the person can obtain a hearing by making a request for a hearing. The person must make the request to the Division within 10 days after receiving the statement of the charges. A person who does not request a hearing within this time limit waives the right to a hearing.

The Division must hold a hearing requested under this subsection within ~~10 business~~30 days after receiving the request. The hearing must be held at the location designated by the Division. Suspension or revocation of the license is stayed until a decision is made following the hearing.

If a person does not request a hearing within the time allowed for making the request, the proposed suspension or revocation becomes effective the day after the time for making the request ends. If a person requests a hearing but does not attend the hearing, the proposed suspension or revocation becomes effective the day after the date set for the hearing."

DEPARTMENT OF REVENUE TO REPORT ON MOTOR FUELS TAX AUDITOR AND INVESTIGATOR PERFORMANCE

SECTION 28.25. The Department of Revenue, Motor Fuels Division and the Tax Enforcement Division, shall report on the performance of auditor and investigator collection and enforcement activities as it relates to its administration of the motor fuels, alternative fuels, motor carrier, and inspection tax laws. The report will overview the Department's collection and enforcement activities and include recommendations to improve these efforts. This Department shall develop a methodology to compare performance by employees and include these results in the report. The Department of Revenue shall report to the Joint Legislative Transportation Oversight Committee and to the Joint Legislative Commission on Governmental Operations by March 1, 2012.

REDUCE ADMINISTRATIVE TRANSFERS AND REDIRECT LEAKING UNDERGROUND STORAGE TANK FUNDING TO HIGHWAY FUND FOR SYSTEM PRESERVATION

SECTION 28.25A.(a) Notwithstanding G.S. 119-18(b) or any other provision of law, the amount of allowable costs of administering Chapter 119 of the General Statutes for the Department of Agriculture and Consumer Services shall be reduced by a recurring two hundred sixty-one thousand eight hundred eighty-eight dollars ($261,888). Notwithstanding G.S. 119-18(b) or any other provision of law, the amount of allowable costs of administering Subchapter V of Chapter 105 of the General Statutes for the Department of Revenue shall be reduced by a recurring one million twenty-four thousand five hundred forty-four dollars ($1,024,544).

SECTION 28.25A.(b) G.S. 119-18(b) reads as rewritten:

"(b) Proceeds. – The proceeds of the inspection tax levied by this section shall be applied first to the costs of administering this Article and Subchapter V of Chapter 105 of the General Statutes. The remainder of the proceeds shall be credited on a monthly basis to ~~the Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund and the Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund. If the amount of revenue in the Noncommercial Fund at the end of a month is at least five million dollars ($5,000,000), one half of the remainder of the proceeds shall be credited to the Noncommercial Fund and one half of the remainder of the proceeds shall be credited to the Commercial Fund. If the amount of revenue in the Noncommercial Fund at the end of a month is less than this threshold~~

~~amount, all of the remainder of the proceeds shall be credited to the Noncommercial Fund.~~the Highway Fund to be used for system preservation under the Department of Transportation in the highway maintenance program."

STUDY REIMBURSEMENT PROCESS FOR DEPARTMENT OF CORRECTION LITTER PICKUP

SECTION 28.26. The Office of State Budget and Management, in consultation with the Department of Correction and Department of Transportation, shall study performance-based reimbursement as an alternative to the current funding mechanism for inmate litter pickup, which consists of a direct appropriation from the Department of Transportation's Highway Fund budget to the Department of Correction. Measures for an alternative funding mechanism may include reimbursements based on total mileage of highways cleaned, per hour reimbursements for non-litter pickup activities, or other factors, as appropriate.

The Office of State Budget and Management shall report to the Joint Legislative Transportation Oversight Committee and to the Joint Legislative Commission on Governmental Operations no later than March 1, 2012. It is intended that the report contain recommendations for reimbursement rates that have been agreed upon by the Department of Correction and the Department of Transportation and that the recommended rate structure will be included in the report. The report shall also include any statutory changes to be considered by the General Assembly in relation to this report.

STATE HIGHWAY PATROL FUNDS TRANSFER

SECTION 28.27.(a) In fiscal year 2011-2012, the State Treasurer shall transfer one hundred ninety-three million five hundred eighty-five thousand four hundred thirty-four dollars ($193,585,434) of the funds allocated to the Highway Fund under G.S. 105-449.125 to the General Fund. The transfer of funds authorized by this section may be made by transferring one-fourth of the amount at the end of each quarter in the fiscal year or by transferring the full amount annually on July 1 of each fiscal year, subject to the availability of revenue.

SECTION 28.27.(b) In fiscal year 2012-2013, the State Treasurer shall transfer one hundred eighty-nine million eight hundred fifty-nine thousand five hundred seven dollars ($189,859,507) of the funds allocated to the Highway Fund under G.S. 105-449.125 to the General Fund. The transfer of funds authorized by this section may be made by transferring one-fourth of the amount at the end of each quarter in the fiscal year or by transferring the full amount annually on July 1 of each fiscal year, subject to the availability of revenue.

SECTION 28.27.(c) The Office of State Budget and Management and the Office of State Controller shall discontinue use of the Crime Control and Public Safety – Highway Fund budget code (Budget Code 24960) and shall certify funds appropriated by this act for the State Highway Patrol under a separate fund code within the Crime Control and Public Safety – General Fund budget code (Budget Code 14900). The Department of Transportation, Office of State Budget and Management, and Office of State Controller shall certify and account for State matching funds for Motor Carrier Safety Assistance Program grants, federal funds, and other receipts budgeted for State Highway Patrol programs, as necessary.

SECTION 28.27.(d) G.S. 20-194 reads as rewritten:

"**§ 20-194. ~~Expense of administration; defense~~Defense of members and other State law-enforcement officers in civil actions; payment of judgments.**

~~(a) All expenses incurred in carrying out the provisions of this Article shall be paid out of the highway fund.~~

...."

STATE HIGHWAY PATROL POSITIONS AND MANAGEMENT FLEXIBILITY

SECTION 28.28.(a) The Administrative Services Section of the State Highway Patrol is hereby eliminated. The Secretary of the Department of Crime Control and Public Safety shall consolidate remaining Administrative Services Section positions and organizational units with other functions of the Department.

SECTION 28.28.(b) The following State Highway Patrol positions are hereby eliminated:

Position ID	**Position Title**
60084611	Program Assistant V

60084615	Attorney
60085385	Sergeant
60084952	First Sergeant
60085315	W/A First Sergeant
60084628	Assessment Analyst
60084772	Office Assistant
60084779	Budget Analyst
60085953	Major
60084998	First Sergeant
60084947	Captain
60085945	W/A Captain
60085302	Lieutenant
60084755	Office Assistant
60084858	Office Assistant
60084686	Deputy Secretary

SECTION 28.28.(c) In addition to the other budgetary reductions required by this act, the Department of Crime Control and Public Safety, State Highway Patrol, shall have management flexibility to achieve savings in the Patrol's operation of five million five hundred eighty-nine thousand five hundred ninety-two dollars ($5,589,592), recurring, in fiscal year 2011-2012 and eight million seven hundred twenty-two thousand eight hundred ninety-two dollars ($8,722,892), recurring, in fiscal year 2012-2013. The Department of Crime Control and Public Safety, State Highway Patrol, is authorized to eliminate positions to achieve this budgetary reduction but is encouraged to find efficiencies and savings elsewhere in the Patrol's administrative structure. Additionally, the Department of Crime Control and Public Safety, State Highway Patrol, may eliminate filled positions but shall not eliminate sworn law enforcement officer positions assigned to districts for the purposes of traffic and commercial motor vehicle enforcement, unless the State Highway Patrol has first achieved twenty-five percent (25%) of the requisite savings elsewhere in the operation of the Patrol including through staffing reductions in its administrative structure and areas other than district-level enforcement operations. If the State Highway Patrol must eliminate district-level enforcement positions to meet the savings required by this section, then the Patrol shall maintain balanced law enforcement coverage among the troops and is authorized to move trooper positions from one troop to another to maintain balanced coverage.

SECTION 28.28.(d) The Commander of the State Highway Patrol shall report on the number of positions eliminated for fiscal year 2011-2012. The report shall identify the position number and type; assignment area or organizational unit; whether the position was filled or vacant; personnel savings achieved; and any severance paid. The report shall also include alternatives considered to the implemented reductions in force. The Commander shall submit the report to the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the Senate Appropriations Committee on Justice and Public Safety, and the Joint Legislative Crime Control and Public Safety Oversight Committee no later than March 1, 2012.

ADDITIONAL HIGHWAY TRUST FUND MONEY FOR MOBILITY FUND; VISITOR CENTERS FUNDING

SECTION 28.30.(a) G.S. 20-85(a1), as amended by Section 31.11 of this act, reads as rewritten:

"(a1) One dollar ($1.00) of the fee imposed for any transaction assessed a fee under subdivision (a)(1), (a)(2), (a)(3), (a)(7), (a)(8), or (a)(9) of this section shall be credited to the North Carolina Highway Fund. The Division shall use the fees derived from transactions with the Division for technology improvements. The Division shall use the fees derived from transactions with commission contract agents for the payment of compensation to commission contract agents. An additional fifty cents ($.50) of the fee imposed for any transaction assessed a fee under subdivision (a)(1) of this section shall be credited to the Mercury Switch Removal Account in the Department of Environment and Natural Resources. An additional fifty cents (50¢) of the fee imposed for any transaction assessed a fee under subdivision (a)(1) of this section shall be credited to the Mobility Fund."

SECTION 28.30.(b) Notwithstanding G.S. 20-85(a1), as amended by subsection (a) of this section, for fiscal year 2011-2012, the first four hundred thousand dollars ($400,000) collected of the additional fifty cents (50¢) of the transaction fee that would be credited to the

Mobility Fund under G.S. 20-85(a1), as amended by subsection (a) of this section, shall instead be credited to the Reserve for Visitor Centers in the Highway Fund.

SECTION 28.30.(c) Notwithstanding G.S. 20-79.7(c)(2), for fiscal year 2012-2013, the annual appropriation under G.S. 20-79.7(c)(2) shall instead be appropriated to the Highway Fund.

MAINTAIN CURRENT LEVEL OF ADMINISTRATIVE FUNDING FROM HIGHWAY TRUST FUND

SECTION 28.31. Notwithstanding G.S. 136-176(b), the amount of allowable expenses to administer the Highway Trust Fund shall not increase over the amounts allocated in the fiscal year 2011-2012 and fiscal year 2012-2013 base budgets.

TRANSFER MID-CURRITUCK BRIDGE FUNDING TO GENERAL FUND TO PURCHASE SCHOOL BUSES IN FY 2011-2012 AND TO THE MOBILITY FUND; AND TRANSFER GARDEN PARKWAY FUNDING TO URBAN LOOPS PROGRAM

SECTION 28.32.(a) Any funds appropriated to the North Carolina Turnpike Authority under G.S. 136-176(b2) to cover debt service or related financing costs for the Mid-Currituck Bridge project and that remain unencumbered at the end of fiscal year 2010-2011 are hereby transferred to the General Fund for the purpose of replacing school buses for local school districts. Notwithstanding G.S. 105-187.9(c), as amended by subsection (e) of this section, in fiscal year 2011-2012 the amount to be transferred under G.S. 105-187.9(c) to the Mobility Fund shall be reduced by the sum of five million two hundred twenty-three thousand six hundred forty-two dollars ($5,223,642), and that amount shall instead be transferred to the General Fund for the purpose of replacing school buses for local school districts.

SECTION 28.32.(b) Any funds appropriated to the North Carolina Turnpike Authority under G.S. 136-176(b2) to cover debt service or related financing costs for the Garden Parkway project and that remain unencumbered at the end of fiscal year 2010-2011 are hereby transferred to the Highway Trust Fund to be used for urban loop projects.

SECTION 28.32.(c) The amendment to G.S. 105-187.9(c) made in Section 28.7(h) of S.L. 2010-31 is repealed. Sections 28.7(j) and 28.7(k) of S.L. 2010-31 are repealed.

SECTION 28.32.(d) Section 28.7(l) of S.L. 2010-31 reads as rewritten:

"**SECTION 28.7.(l)** Subsections (f) and (g) of this section become effective July 1, 2011. Subsection (h) of this section becomes effective July 1, 2012. ~~Subsections (i), (j), and (k)~~ Subsection (i) of this section ~~become~~ becomes effective July 1, 2013. The remainder of this section becomes effective July 1, 2010."

SECTION 28.32.(e) G.S. 105-187.9(c) reads as rewritten:

"(c) Mobility Fund Transfer. – In each fiscal year, the State Treasurer shall transfer ~~thirty-one million dollars ($31,000,000)~~ forty-six million dollars ($46,000,000) from the taxes deposited in the Trust Fund to the Mobility Fund. The transfer of funds authorized by this section may be made by transferring one-fourth of the amount at the end of each quarter in the fiscal year or by transferring the full amount annually on July 1 of each fiscal year, subject to the availability of revenue."

SECTION 28.32.(f) Effective July 1, 2012, G.S. 105-187.9(c), as amended by subsection (e) of this section, reads as rewritten:

"(c) Mobility Fund Transfer. – In each fiscal year, the State Treasurer shall transfer ~~forty-six million dollars ($46,000,000)~~ sixty million dollars ($60,000,000) from the taxes deposited in the Trust Fund to the Mobility Fund. The transfer of funds authorized by this section may be made by transferring one-fourth of the amount at the end of each quarter in the fiscal year or by transferring the full amount annually on July 1 of each fiscal year, subject to the availability of revenue."

SECTION 28.32.(g) Effective July 1, 2013, G.S. 105-187.9(c), as amended by subsection (d) of this section, reads as rewritten:

"(c) Mobility Fund Transfer. – In each fiscal year, the State Treasurer shall transfer ~~sixty million dollars ($60,000,000)~~ eighty-six million dollars ($86,000,000) from the taxes deposited in the Trust Fund to the Mobility Fund. The transfer of funds authorized by this section may be made by transferring one-fourth of the amount at the end of each quarter in the fiscal year or by

transferring the full amount annually on July 1 of each fiscal year, subject to the availability of revenue."

SECTION 28.32.(h) G.S. 136-89.183A is repealed.

SECTION 28.32.(i) G.S. 136-176(b) reads as rewritten:

"(b) Funds in the Trust Fund are annually appropriated to the Department of Transportation to be allocated and used as provided in this subsection. A sum, not to exceed four and eight-tenths percent (4.8%) of the amount of revenue deposited in the Trust Fund under subdivisions (a)(1), (2), and (3) of this section may be used each fiscal year by the Department for expenses to administer the Trust Fund. Operation and project development costs of the North Carolina Turnpike Authority are eligible administrative expenses under this subsection. Any funds allocated to the Authority pursuant to this subsection shall be repaid by the Authority from its toll revenue as soon as possible, subject to any restrictions included in the agreements entered into by the Authority in connection with the issuance of the Authority's revenue bonds. Beginning one year after the Authority begins collecting tolls on a completed Turnpike Project, interest shall accrue on any unpaid balance owed to the Highway Trust Fund at a rate equal to the State Treasurer's average annual yield on its investment of Highway Trust Fund funds pursuant to G.S. 147-6.1. Interest earned on the unpaid balance shall be deposited in the Highway Trust Fund upon repayment. The sum up to the amount anticipated to be necessary to meet the State matching funds requirements to receive federal-aid highway trust funds for the next fiscal year may be set aside for that purpose. The sum of thirty-five million dollars ($35,000,000) shall be allocated and used for urban loop projects. The rest of the funds in the Trust Fund shall be allocated and used as follows:

(1) Sixty-one and ninety-five hundredths percent (61.95%) to plan, design, and construct projects on segments or corridors of the Intrastate System as described in G.S. 136-178 and to pay debt service on highway bonds and notes that are issued under the State Highway Bond Act of 1996 and whose proceeds are applied to these projects.

(2) Twenty-five and five hundredths percent (25.05%) to plan, design, and construct the urban loops described in G.S. 136-180 and to pay debt service on highway bonds and notes that are issued under the State Highway Bond Act of 1996 and whose proceeds are applied to these urban loops.

(3) Six and one-half percent (6.5%) to supplement the appropriation to cities for city streets under G.S. 136-181.

(4) Six and one-half percent (6.5%) for secondary road construction as provided in G.S. 136-182 and to pay debt service on highway bonds and notes that are issued under the State Highway Bond Act of 1996 and whose proceeds are applied to secondary road construction.

The Department must administer funds allocated under subdivisions (1), (2), and (4) of this subsection in a manner that ensures that sufficient funds are available to make the debt service payments on bonds issued under the State Highway Bond Act of 1996 as they become due."

SECTION 28.32.(j) G.S. 136-176(b2), as amended by Section 28.7(g) of S.L. 2010-31, reads as rewritten:

"(b2) There is annually appropriated to the North Carolina Turnpike Authority from the Highway Trust Fund the sum of ~~ninety-nine million dollars ($99,000,000).~~ forty-nine million dollars ($49,000,000). Of the amount allocated by this subsection, twenty-five million dollars ($25,000,000) shall be used to pay debt service or related financing costs and expenses on revenue bonds or notes issued for the construction of the Triangle ~~Expressway,~~ Expressway and twenty-four million dollars ($24,000,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the Monroe ~~Connector/Bypass, fifteen million dollars ($15,000,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the Mid-Currituck Bridge, and thirty-five million dollars ($35,000,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the Garden Parkway.~~ Connector/Bypass. The amounts appropriated to the Authority pursuant to this subsection shall be used by the Authority to pay debt service or related financing costs and expenses on revenue bonds or notes issued by the Authority to finance the costs of one or more Turnpike Projects, to refund such bonds or notes, or to fund debt service reserves, operating reserves, and similar reserves in connection therewith. The appropriations established by this subsection constitute an agreement by the State to pay the funds appropriated hereby to the

Authority within the meaning of G.S. 159-81(4). Notwithstanding the foregoing, it is the intention of the General Assembly that the enactment of this provision and the issuance of bonds or notes by the Authority in reliance thereon shall not in any manner constitute a pledge of the faith and credit and taxing power of the State, and nothing contained herein shall prohibit the General Assembly from amending the appropriations made in this subsection at any time to decrease or eliminate the amount annually appropriated to the Authority. Funds transferred from the Highway Trust Fund to the Authority pursuant to this subsection are not subject to the equity formula in G.S. 136-17.2A."

SECTION 28.32.(k) G.S. 136-187(2) reads as rewritten:

"(2) To study, plan, develop, and undertake preliminary design work on up to ~~nine~~ six Turnpike Projects. At the conclusion of these activities, the Turnpike Authority is authorized to design, establish, purchase, construct, operate, and maintain the following projects:

a. Triangle Expressway, including segments also known as N.C. 540, Triangle Parkway, ~~and~~ Western Wake Freeway in Wake and Durham ~~Counties.~~ Counties, and Southeast Extension in Wake and Johnston Counties.

~~b. Gaston East-West Connector, also known as the Garden Parkway.~~

c. Monroe Connector/Bypass.

d. Cape Fear Skyway.

~~e. A bridge of more than two miles in length going from the mainland to a peninsula bordering the State of Virginia, pursuant to G.S. 136-89.183A.~~

f. Repealed by Session Laws 2008-225, s. 4, effective August 17, 2008.

Any other project proposed by the Authority in addition to the projects listed in this subdivision must be approved by the General Assembly prior to construction.

A Turnpike Project selected for construction by the Turnpike Authority shall be included in any applicable locally adopted comprehensive transportation plans and shall be shown in the current State Transportation Improvement Plan prior to the letting of a contract for the Turnpike Project."

MOBILITY FUND PROJECT SELECTION CRITERIA ADJUSTMENT

SECTION 28.33.(a) Section 28.7(b) of S.L. 2010-31, as rewritten by Section 8.2 of S.L. 2010-123, reads as rewritten:

"**SECTION 28.7.(b)** The Department of Transportation shall develop selection criteria under G.S. 136-188, as enacted by this act, and shall report to the Joint Legislative Transportation Oversight Committee on its development of the selection criteria. A preliminary report on the selection criteria for projects is due to the Joint Legislative Transportation Oversight Committee by October 1, 2010. A final report is due to the Joint Legislative Transportation Oversight Committee by December 15, 2010. ~~When developing the project criteria and selection process, the Department shall give preferential consideration to projects qualified to receive State grants from the Congestion Relief and Intermodal Transportation 21st Century Fund under Article 19 of Chapter 136 of the General Statutes. When developing the project criteria and selection process, the Department shall involve the public and other stakeholders, including, but not limited to, the North Carolina Association of Metropolitan Planning Organizations, the North Carolina Association of Rural Planning Organizations, the North Carolina League of Municipalities, the North Carolina Association of County Commissioners, the North Carolina Metropolitan Mayors Coalition, and the North Carolina Council of Regional Governments.~~"

SECTION 28.33.(b) The Department of Transportation shall report to the Joint Legislative Transportation Oversight Committee on its development of the selection criteria, taking into account the modification by subsection (a) of this section, by October 15, 2011.

REMOVE URBAN LOOP PROJECTS FROM STATUTE AND ALLOW DEPARTMENT OF TRANSPORTATION TO DEFINE AND PRIORITIZE URBAN LOOP PROJECTS

SECTION 28.34.(a) G.S. 136-180 reads as rewritten:

"**§ 136-180. Urban loops.**

(a) Funds allocated from the Trust Fund for urban loops may be used only for ~~the following urban loops:~~urban loops as designated and prioritized by the Department of Transportation.

~~Loop~~	~~Description~~	~~Affected Counties~~
~~Asheville Western Loop~~	~~Multilane facility on new location from I-26 west of Asheville to US-19/23 north of Asheville for the purpose of connecting these roads. The funds may be used to improve existing corridors.~~	~~Buncombe~~
~~Charlotte Outer Loop~~	~~Multilane facility encircling City of Charlotte including 6-laning of the portion from Johnston Road/US-521 south to I-77 south of Charlotte including widening, resurface, and interchange~~	~~Mecklenburg~~
~~Durham Northern Loop~~	~~The projects listed below are eligible for funding under this section as part of the Durham Northern Loop. The priorities for planning and constructing these projects will be established by mutual agreement of the Metropolitan Planning Organization (MPO) and the Department of Transportation through the federally mandated Transportation Improvement Program development process. The cross sections for these projects will be established by mutual agreement of the MPO and the Department of Transportation through the State and federal environmental review process. (1) East end connector, from N.C. 147 to U.S. 70 East. (2) U.S. 70, from Lynn Rd. to the Northern Durham Parkway. (3) I-85, from U.S. 70 to Red Mill Rd. (4) Northern Durham Parkway, Section B, from Old Oxford Rd. to I-85. (5) Northern Durham Parkway, Section A, from I-85 to I-540. (6) Northern Durham Parkway, Section C, from Old Oxford Rd. to Roxboro Rd. (7) Roxboro Rd. from Duke St. to Goodwin Rd.~~	~~Durham, Wake~~
~~Fayetteville Western Outer Loop~~	~~Multilane facility on new location from US-401 north of Fayetteville to I-95~~	~~Cumberland~~

	~~south of Hope Mills~~	
~~Gastonia Loop~~	~~Multilane facility known as the Garden Parkway, on a new location beginning at I-485, extending west across southern Gaston County to I-85, and continuing north to US-321~~	~~Gaston, Mecklenburg~~
~~Greensboro Loop~~	~~Multilane facility on new location encircling City of Greensboro including interchanges with Cone Boulevard Extension and Lewiston-Fleming Road Extension~~	~~Guilford~~
~~Greenville Loop~~	~~Multilane extension of the Greenville Loop from US 264 west of Greenville to NC 11 south of Winterville~~	~~Pitt~~
~~Raleigh Outer Loop~~	~~Multilane facility on new location encircling City of Raleigh~~	~~Wake, Durham, Johnston~~
~~Wilmington Bypass~~	~~Multilane facility on new location from US 17 northeast of Wilmington to US 421 in southern Wilmington, continuing from US 421 in southern Wilmington northeast along Independence Blvd., and extending to Martin Luther King, Jr. Parkway, and including the Blue Clay Road interchange~~	~~New Hanover~~
~~Winston-Salem Northbelt~~	~~Multilane facility on new location from I-40 west of Winston-Salem northerly to US 311/Future I-74 in eastern Forsyth County~~	~~Forsyth~~

~~(b) The Board of Transportation may, by official resolution, accept a new interstate or freeway as the revised termini of an urban loop described in subsection (a) of this section, and the revised project shall be eligible for funding with funds described in G.S. 136-176(b)(2) if the following conditions are met:~~

~~(1) The Department of Transportation has constructed a new interstate or freeway facility since 1989 and has changed the official route designation from the termini described in subsection (a) of this section to the new facility.~~

~~(2) The Board of Transportation finds that the purposes of the urban loop facility, specifically including reduced congestion and high speed, safe, regional through travel service, would be enhanced by the action.~~"

SECTION 28.34.(b) In removing the statutory listing of urban loop projects, it is not the intent of the General Assembly to interfere with the acceleration of the following urban loop projects announced in March 2011:

(1) Charlotte I-485 widening.

(2) Greensboro Western Loop, Part C (Bryan Boulevard to Battleground Avenue) and Part D (Battleground Avenue to Lawndale Drive).

(3) Greensboro Eastern Loop, Part B (US 70 to US 29).

(4) Wilmington US 17 Bypass, Part B (US 74/76 to US 421).

MODIFY DEPARTMENT OF TRANSPORTATION REPORTING REQUIREMENTS

SECTION 28.35.(a) G.S. 136-12(a1), 136-12.2, 136-89.193(e), 136-93.1(g), and 136-125.2 are repealed.

SECTION 28.35.(b) G.S. 136-44.2 reads as rewritten:

"**§ 136-44.2. Budget and appropriations.**

...

The Department of Transportation shall have all powers necessary to comply fully with provisions of present and future federal-aid acts. ~~No federally eligible construction project may be funded entirely with State funds unless the Department of Transportation has first reported to the Joint Legislative Commission on Governmental Operations.~~ For purposes of this section, "federally eligible construction project" means any construction project except secondary road projects developed pursuant to G.S. 136-44.7 and 136-44.8 eligible for federal funds under any federal-aid act, whether or not federal funds are actually available.

...."

SECTION 28.35.(c) G.S. 136-89.182 reads as rewritten:

"**§ 136-89.182. North Carolina Turnpike Authority.**

...

(j) Bylaws. – The Authority Board shall adopt, change, or amend bylaws with respect to the calling of meetings, quorums, voting procedures, the keeping of records, and other organizational, staffing, and administrative matters as the Authority Board may determine. Any bylaws, or subsequent changes or amendments to the bylaws, shall be ~~submitted to the Board of Transportation and the Joint Legislative Transportation Oversight Committee for review and comment at least 45 days prior to adoption by the Authority Board.~~ included in the Annual Report as required by G.S. 136-89.193.

(k) Executive Director and Administrative Employees. – The Authority Board shall appoint an Executive Director, whose salary shall be fixed by the Authority, to serve at its pleasure. The Executive Director shall be the Authority's chief administrative officer and shall be responsible for the daily administration of the toll roads and bridges constructed, maintained, or operated pursuant to this Article. The Executive Director or his designee shall appoint, employ, dismiss, and, within the limits approved by the Authority Board, fix the compensation of administrative employees as the Executive Director deems necessary to carry out this Article. ~~The Authority shall report the hiring of all administrative employees to the Joint Legislative Transportation Oversight Committee within 30 days of the date of employment.~~

...."

COST-EFFICIENT TIRE RETREADS ON STATE VEHICLES AND SCHOOL BUSES

SECTION 28.36.(a) Article 3 of Chapter 143 of the General Statutes is amended by adding a new section to read as follows:

"**§ 143-63.2. Purchase of tires for State vehicles; repair or refurbishment of tires for State vehicles.**

(a) Definitions. – The following terms apply in this section:

(1) State vehicle. – Any vehicle owned, rented, or leased by the State, or an institution, department, or agency of the State, that is driven on a public road consistently at speeds greater than 30 miles per hour.

(2) Critical tire information. – Tire brand name, tire line name, tire identification numbers, load and pressure markings, tire size designation, service descriptions such as load and speed ratings, and other information and specifications placed on the original tire sidewall by the original tire manufacturer.

(b) Forensic Tire Standards. – In order to preserve critical tire information, the Secretary of Administration and any institution, department, or agency of the State shall only procure and install tires for State vehicles that possess the original, unaltered, and uncovered tire sidewall. Furthermore, neither the Secretary of Administration nor any institution, department, or agency of the State shall execute a contract for the repair or refurbishment of tires for State vehicles that provides for the removal, covering, or other alteration in any manner of the critical tire information contained on the original tire sidewall.

(c) Tire Purchase and Contract Standards Applicability. – All contracts for the purchase, repair, or refurbishment of tires for State vehicles, or contracts for the purchase of products or services related to the repair or refurbishment of tires for State vehicles, executed on or after the date this section becomes effective shall comply with the provisions of this section.

(d) Exemption. – Notwithstanding the provisions of this section, the State or any institution, department, or agency of the State that owns or has a legally binding contract in place for the future purchase of tires having altered or covered sidewalls prior to the date that this section becomes effective shall perform its existing contractual obligations related thereto and may continue to use those tires on State vehicles for the useful life of the retreaded tire."

SECTION 28.36.(b) Article 17 of Chapter 115C of the General Statutes is amended by adding a new section to read as follows:

"**§ 115C-249.1. Purchase of tires for school buses; repair or refurbishment of tires for school buses.**

(a) Definitions. – The following terms apply in this section:

(1) Critical tire information. – Tire brand name, tire line name, tire identification numbers, load and pressure markings, tire size designation, service descriptions such as load and speed ratings, and other information and specifications placed on the original tire sidewall by the original tire manufacturer.

(2) School bus. – A vehicle as defined in G.S. 20-4.01(27)d3. and G.S. 20-4.01(27)d4. that is owned, rented, or leased by a local board of education.

(b) Forensic Tire Standards. – In order to preserve critical tire information, a local board of education shall procure and install for school buses only tires that possess the original, unaltered, and uncovered tire sidewall. Furthermore, a local board of education shall not execute a contract for the repair or refurbishment of tires for school buses that provides for the removal, covering, or other alteration in any manner of the critical tire information contained on the original tire sidewall.

(c) Tire Purchase and Contract Standards Applicability. – All contracts for the purchase, repair, or refurbishment of tires for school buses, or contracts for the purchase of products or services related to the repair or refurbishment of tires for school buses, executed on or after the date this section becomes effective shall comply with the provisions of this section.

(d) Exemption. – Notwithstanding the provisions of this section, a local board of education that owns or has a legally binding contract in place for the future purchase of tires having altered or covered sidewalls prior to the date that this section becomes effective shall perform its existing contractual obligations related thereto and may continue to use those tires on school buses for the useful life of the retreaded tire."

DRIVER EDUCATION REFORM

SECTION 28.37.(a) G.S. 115C-215 reads as rewritten:

"**§ 115C-215. ~~Instruction in driver training and safety education.~~Administration of driver education program by the Department of Public Instruction.**

~~There shall be organized and administered under the general supervision of the Superintendent of Public Instruction a program of driver training and safety education in the public schools of this State, said courses to be noncredit courses taught by instructors who meet the requirements established by the State Board of Education. Instructors shall not be required to hold teacher certificates.~~

(a) In accordance with criteria and standards approved by the State Board of Education, the State Superintendent of Public Instruction shall organize and administer a standardized program of driver education to be offered at the public high schools of this State for all physically and mentally qualified persons who (i) are older than 14 years and six months, (ii) are approved by the principal of the school, pursuant to rules adopted by the State Board of Education, (iii) are enrolled in a public or private high school within the State, and (iv) have not previously enrolled in the program. The State Board of Education shall use for this purpose all funds appropriated to it for this purpose and may use all other funds that become available for its use for this purpose.

(b) The driver education curriculum shall include the following:

(1) Instruction on the rights and privileges of the handicapped and the signs and symbols used to assist the handicapped relative to motor vehicles, including the "international symbol of accessibility" and other symbols and devices as provided in Article 2A of Chapter 20 of the General Statutes.
(2) At least six hours of instruction on the offense of driving while impaired and related subjects.
(3) At least six hours of actual driving experience. To the extent practicable, this experience may include at least one hour of instruction on the techniques of defensive driving.
(4) At least one hour of motorcycle safety awareness training.

(c) The State Board of Education shall establish and implement a strategic plan for the driver education program. At a minimum, the strategic plan shall consist of goals and performance indicators, including the number of program participants as compared to the number of persons projected to be eligible to participate in the program, the implementation of a standard curriculum for the program, expenditures for the program, and the success rate of program participants in receiving a drivers license as reported by the Division of Motor Vehicles. The strategic plan shall also outline specific roles and duties of an advisory committee consisting of employees of the Division of Motor Vehicles and the Department of Public Instruction and other stakeholders in driver education.

(d) The State Board of Education shall adopt a salary range for driver education instructors who are public school employees and who are not licensed teachers.

Driver education instructors who are public school employees and who are licensed teachers shall be paid on the teacher salary schedule. A day of employment for driver education instructors who hold teacher certificates shall be the same number of hours required of all regular classroom teachers as established by the local board of education.

(e) The State Board of Education shall adopt rules to permit local boards of education to enter contracts with public or private entities to provide a program of driver education at public high schools. All driver education instructors shall meet the requirements established by the State Board of Education; provided, however, driver education instructors shall not be required to hold teacher certificates."

SECTION 28.37.(b) G.S. 115C-216 reads as rewritten:

"**§ 115C-216. Boards of education required to provide courses in operation of motor vehicles.**

(a) Course of Training and Instruction Required in Public High Schools. – ~~The State Board of Education and local~~ Local boards of education ~~are required to provide as a part of the program of the public high schools in this State a course of training and instruction in the operation of motor vehicles, in accordance with G.S. 20-88.1.~~shall offer noncredit driver education courses in high schools using the standardized curriculum provided by the Department of Public Instruction.

(b) Inclusion of Expense in Budget. – The local boards of education ~~of every local school administrative unit are hereby authorized to~~shall include as an item of instructional service and as a part of the current expense fund of the budget of the ~~several~~ high schools under their supervision, the expense necessary ~~to install and maintain such a course of training and instructing eligible persons in such schools in the operation of motor vehicles.~~to offer the driver education course.

(c) to (f) Repealed by Session Laws 1991, c. 689, s. 32(c)."

SECTION 28.37.(c) G.S. 20-88.1 reads as rewritten:

"**§ 20-88.1. Driver education.**

~~(a) In accordance with criteria and standards approved by the State Board of Education, the State Superintendent of Public Instruction shall organize and administer a program of driver education to be offered at the public high schools of this State for all physically and mentally qualified persons who (i) are older than 14 years and six months, (ii) are approved by the principal of the school, pursuant to rules adopted by the State Board of Education, (iii) are enrolled in a public or private high school within the State, and (iv) have not previously enrolled in the program. The State Board of Education shall use for such purpose all funds appropriated to it for said purpose, and may use all other funds that become available for its use for said purpose.~~

~~The driver education program established pursuant to this section must include the following:~~

~~(1) Instruction on the rights and privileges of the handicapped and the signs and symbols used to assist the handicapped relative to motor vehicles, including the "international symbol of accessibility" and other symbols and devices as provided in Article 2A of this Chapter.~~

~~(2) At least six hours of instruction on the offense of driving while impaired and related subjects.~~

~~(3) At least six hours of actual driving experience. To the extent practicable, this experience may include at least one hour of instruction on the techniques of defensive driving.~~

~~(b) The State Board of Education shall adopt a salary range for driver education instructors who are public school employees and who do not hold teacher certificates.~~

~~Driver education instructors who are public school employees and who hold teacher certificates shall be paid on the teacher salary schedule. A day of employment for driver education instructors who hold teacher certificates shall be the same number of hours required of all regular classroom teachers as established by the local board of education.~~

~~(b1) The State Board of Education shall adopt rules to permit local boards of education to enter contracts with public or private entities to provide a program of driver education at public high schools. All driver education instructors shall meet the requirements established by the State Board of Education; provided, however, driver education instructors shall not be required to hold teacher certificates.~~

(c) All expenses incurred by the State in carrying out the provisions of ~~this section~~the driver education program administered by the Department of Public Instruction in accordance with G.S. 115C-215 shall be paid out of the Highway Fund.

(d) The Division shall prepare a driver license handbook that explains the traffic laws of the State and shall periodically revise the handbook to reflect changes in these laws. At the request of the Department of ~~Education,~~ Public Instruction, the Division shall provide free copies of the handbook to that Department for use in the program of driver education offered at public high schools."

SECTION 28.37.(d) G.S. 20-11(b) reads as rewritten:

"(b) Level 1. – A person who is at least 15 years old but less than 18 years old may obtain a limited learner's permit if the person meets all of the following requirements:

(1) Passes a course of driver education prescribed in ~~G.S. 20-88.1~~ G.S. 115C-215 or a course of driver instruction at a licensed commercial driver training school.

(2) Passes a written test administered by the Division.

(3) Has a driving eligibility certificate or a high school diploma or its equivalent."

SECTION 28.37.(e) G.S. 20-322(b) reads as rewritten:

"(b) Regulations adopted by the Commissioner shall state the requirements for a school license, including requirements concerning location, equipment, courses of instruction, instructors, financial statements, schedule of fees and charges, character and reputation of the operators, insurance, bond or other security in such sum and with such provisions as the Commissioner deems necessary to protect adequately the interests of the public, and such other matters as the Commissioner may prescribe. A driver education course offered to prepare an individual for a limited learner's permit or another provisional license must meet the requirements set in ~~G.S. 20-88.1~~ G.S. 115C-215 for the program of driver education offered in the public schools."

SECTION 28.37.(f) The State Board of Education shall report to the Joint Legislative Program Evaluation Oversight Committee by July 15, 2011, on the status of the implementation of Section 7.12 of S.L. 2010-31, which mandates the creation of a standard curriculum to be used for the driver education program in the Department of Public Instruction.

SECTION 28.37.(g) For the 2011-2012 school year, no State funds shall be used for driver education programs that do not use the standard driver education curriculum created in accordance with Section 7.12 of S.L. 2010-31.

SECTION 28.37.(h) The State Board of Education shall establish a pilot program to deliver driver education by electronic means. At least five local school administrative units shall participate in the pilot program. Funds appropriated for driver education shall be used to implement the pilot program. The State Board shall report on the implementation of the pilot program to the Joint Legislative Education Oversight Committee and the Joint Legislative

Program Evaluation Oversight Committee by June 15, 2012. The report shall include the cost per student of delivering the instruction and the success rate of program participants in receiving a drivers license.

SECTION 28.37.(i) The State Board of Education shall report to the Joint Legislative Education Oversight Committee and to the Joint Legislative Program Evaluation Oversight Committee by June 15, 2012, on the following:

(1) The most cost-effective method of delivering driver education in the short- and long-term. In making this determination, the State Board of Education shall consider the results of the pilot program implemented pursuant to Section 5 of this act.

(2) The strategic plan adopted by the State Board of Education in accordance with G.S. 115C-215.

PART XXIX. SALARIES AND BENEFITS

GOVERNOR AND COUNCIL OF STATE

SECTION 29.1.(a) Effective for the 2011-2013 fiscal biennium, the salary of the Governor set by G.S. 147-11(a) in the amount of one hundred thirty-nine thousand five hundred ninety dollars ($139,590) annually, payable monthly, shall remain unchanged.

SECTION 29.1.(b) Effective for the 2011-2013 fiscal biennium, the annual salaries for the members of the Council of State, payable monthly, for the 2011-2013 fiscal biennium shall remain unchanged as follows:

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

SECTION 29.2.(a) Effective for the 2011-2013 fiscal biennium, the salaries set by G.S. 143B-9, the maximum annual salaries, payable monthly, for the nonelected heads of the principal State departments remain unchanged as follows:

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.

SECTION 29.2.(b) Effective January 1, 2012, subsection (a) of this section reads as rewritten:

"**SECTION 29.2.(a)** Effective for the 2011-2013 fiscal biennium, the salaries set by G.S. 143B-9, the maximum annual salaries, payable monthly, for the nonelected heads of the principal State departments remain unchanged as follows:

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 Public Safety	120,363
Secretary of Revenue	120,363
Secretary of Transportation	120,363".

CERTAIN EXECUTIVE BRANCH OFFICIALS

SECTION 29.3. Effective for the 2011-2013 fiscal biennium, the annual salaries, payable monthly, for the following executive branch officials shall remain unchanged as follows:

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
Chairman, Employment Security Commission	120,363
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

SECTION 29.4.(a) Effective for the 2011-2013 fiscal biennium, the annual salaries, payable monthly, for specified judicial branch officials shall remain unchanged as follows:

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 29.4.(b) Effective for the 2011-2013 fiscal biennium, the annual salaries of employees of the Judicial Department shall remain unchanged as follows:

(1) The annual salaries of permanent full-time and part-time employees of the Judicial Department whose salaries are not itemized in this act shall remain unchanged.
(2) Notwithstanding anything to the contrary, the annual salaries of clerks of superior court under G.S. 7A-101(a) shall not change when a county changes from one population group to another.
(3) The annual salaries of assistant and deputy clerks of court set under G.S. 7A-102(c1) shall remain unchanged for the 2011-2013 fiscal biennium.
(4) The annual salaries of magistrates set under G.S. 7A-171.1(a) or G.S. 7A-171.1(a1)(1) shall remain unchanged.

GENERAL ASSEMBLY

SECTION 29.5. Effective for the 2011-2013 fiscal biennium, salaries in the legislative branch shall remain unchanged, as follows:
(1) The salaries of members and officers of the General Assembly shall remain unchanged at the amounts set under G.S. 120-3, as provided in 1994 by the 1993 General Assembly.
(2) The annual salaries set by G.S. 120-37(c) for the principal clerks in each house shall remain unchanged.
(3) The annual salaries set by G.S. 120-37(b) of the sergeant-at-arms and the reading clerk in each house shall remain unchanged.
(4) The annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly set under G.S. 120-32 shall remain unchanged.

COMMUNITY COLLEGES PERSONNEL

SECTION 29.6.(a) The annual salaries of all community college nonfaculty and professional staff whose salaries are supported from the State's General Fund shall remain unchanged for the 2011-2013 fiscal biennium.

SECTION 29.6.(b) For the 2011-2013 fiscal biennium, the annual salaries of all community college faculty whose salaries are supported from the State's General Fund shall remain unchanged. The minimum salaries for nine-month, full-time curriculum community college faculty shall also remain unchanged 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

SECTION 29.7.(a) The annual salaries of all University of North Carolina EPA faculty, EPA nonfaculty, SPA employees, and teachers employed by the North Carolina School of Science and Math shall remain unchanged for the 2011-2013 fiscal biennium.

SECTION 29.7.(b) The annual salaries of all employees of the University of North Carolina Health Care System and the Medical Faculty Practice Plan at East Carolina University shall remain unchanged for the 2011-2013 fiscal biennium.

SALARY ADJUSTMENTS FOR SPECIAL CIRCUMSTANCES ONLY/NO AUTOMATIC INCREASES

SECTION 29.8.(a) The annual pay of all State employees for the 2011-2013 fiscal biennium shall remain unchanged from that authorized on June 30, 2011, or the last date in pay status during the 2010-2011 fiscal year, if earlier; except that an increase may be allowed under the following special circumstances:

(1) For all State employees regardless of funding source, and for employees of the North Carolina Community College System and local school boards who are paid from State funds, 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 Part. All other salary increases are prohibited.

(2) For University of North Carolina (i) faculty using funds from the Faculty Recruiting and Retention Fund, the Distinguished Professors Endowment Fund, or the University Cancer Research Fund in the case of faculty involved in cancer research supported by that fund and (ii) faculty, nonfaculty, and other employee adjustments funded from non-State funding sources.

The cumulative salary adjustment allowed under this subsection for the 2011-2012 fiscal year may exceed ten percent (10%) of annual salary only if the adjustment is approved in advance by the Office of State Budget and Management, The University of North Carolina Board of Governors, the Board of the North Carolina Community College System, the Legislative Services Commission, the local board of education, or other authorized body as appropriate.

SECTION 29.8.(b) The automatic salary step increases for assistant and deputy clerks of superior court and magistrates are suspended for the 2011-2013 fiscal biennium.

SECTION 29.8.(c) The salary increase provisions of G.S. 20-187.3 are suspended for the 2011-2013 fiscal biennium.

SECTION 29.8.(d) Notwithstanding G.S. 53-96.1, and except as provided by subdivision (1) of subsection (a) of this section, employees of the Office of the Commissioner of Banks shall not be awarded compensation increases or bonuses during the 2011-2013 fiscal biennium.

SECTION 29.8.(e) Employees of the Lottery Commission shall not receive compensation bonuses during the 2011-2013 fiscal biennium.

SECTION 29.8.(f) No employee of any other State agency or constituent institution of The University of North Carolina, excluding employees of the University of North Carolina Health Care System and employees participating in a constituent institution's medical faculty practice plan, shall receive compensation bonuses.

MOST STATE EMPLOYEES

SECTION 29.9.(a) Effective for the 2011-2013 fiscal biennium, the salaries in effect June 30, 2011, of all permanent, full-time State employees whose salaries are set in accordance with the State Personnel Act, shall remain unchanged.

SECTION 29.9.(b) Effective for the 2011-2013 fiscal biennium, the compensation of permanent, full-time State officials and persons in exempt positions shall remain unchanged.

SECTION 29.9.(c) Effective for the 2011-2013 fiscal biennium, the salaries of permanent, part-time State employees shall remain unchanged.

SECTION 29.9.(d) Effective for the 2011-2013 fiscal biennium, the compensation of temporary and permanent hourly State employees shall remain unchanged.

ALL STATE-SUPPORTED PERSONNEL/NO SALARY INCREASES

SECTION 29.10.(a) The salaries provided for in this act are to be effective July 1, 2011, do not apply to persons separated from State service due to resignation, dismissal, reduction in force, death, or retirement, or whose last workday is prior to July 1, 2011.

This subsection shall apply to all employees, subject to or exempt from the State Personnel Act, paid from State funds, including public schools, community colleges, and The University of North Carolina.

SECTION 29.10.(b) For the 2011-2013 fiscal biennium, the salaries of permanent, full-time employees who work a nine-, ten-, or eleven-month work year schedule shall remain unchanged.

STATE AGENCY TEACHERS' COMPENSATION

SECTION 29.11.(a) The salaries of employees of schools operated by the Department of Health and Human Services, the Department of Correction, or the Department

of Juvenile Justice and Delinquency Prevention who are paid on the Teacher Salary Schedule or the School Based Administrator Salary Schedule shall remain unchanged for the 2011-2013 fiscal biennium.

SECTION 29.11.(b) Effective January 1, 2012, subsection (a) of this section reads as rewritten:

"**SECTION 29.11.** The salaries of employees of schools operated by the Department of Health and Human ~~Services, the Department of Correction, or the Department of Juvenile Justice and Delinquency Prevention,~~ Services or by the Department of Public Safety who are paid on the Teacher Salary Schedule or the School Based Administrator Salary Schedule shall remain unchanged for the 2011-2013 fiscal biennium."

TEACHER SALARY SCHEDULES

SECTION 29.12.(a) The following monthly salary schedules shall apply for the 2011-2012 fiscal year to certified personnel of the public schools who are classified as teachers. The schedules contain 35 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 2010-2011 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.

2011-2012 Monthly Salary Schedule
"A" Teachers

Years of Experience	"A" Teachers	NBPTS Certification
0	$3,043	N/A
1	$3,043	N/A
2	$3,043	N/A
3	$3,043	$3,408
4	$3,085	$3,455
5	$3,129	$3,504
6	$3,264	$3,656
7	$3,404	$3,812
8	$3,538	$3,963
9	$3,667	$4,107
10	$3,771	$4,224
11	$3,819	$4,277
12	$3,868	$4,332
13	$3,918	$4,388
14	$3,967	$4,443
15	$4,018	$4,500
16	$4,069	$4,557
17	$4,122	$4,617
18	$4,176	$4,677
19	$4,231	$4,739
20	$4,286	$4,800
21	$4,345	$4,866
22	$4,403	$4,931
23	$4,461	$4,996
24	$4,523	$5,066
25	$4,584	$5,134
26	$4,650	$5,208
27	$4,714	$5,280
28	$4,779	$5,352
29	$4,845	$5,426
30	$4,913	$5,503
31	$4,984	$5,582
32	$5,055	$5,662
33	$5,153	$5,771

34+	$5,255	$5,886

2011-2012 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	$3,347	$3,712
4	$3,394	$3,764
5	$3,442	$3,817
6	$3,590	$3,982
7	$3,744	$4,153
8	$3,892	$4,316
9	$4,034	$4,474
10	$4,148	$4,601
11	$4,201	$4,659
12	$4,255	$4,719
13	$4,310	$4,780
14	$4,364	$4,840
15	$4,420	$4,902
16	$4,476	$4,964
17	$4,534	$5,029
18	$4,594	$5,095
19	$4,654	$5,162
20	$4,715	$5,229
21	$4,780	$5,301
22	$4,843	$5,372
23	$4,907	$5,442
24	$4,975	$5,518
25	$5,042	$5,592
26	$5,115	$5,673
27	$5,185	$5,751
28	$5,257	$5,830
29	$5,330	$5,911
30	$5,404	$5,994
31	$5,482	$6,080
32	$5,561	$6,167
33	$5,668	$6,287
34+	$5,781	$6,411

SECTION 29.12.(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 29.12.(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 29.12.(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 29.12.(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 29.12.(f) Certified school nurses who are employed in the public schools as nurses shall be paid on the "M" salary schedule.

SECTION 29.12.(g) As used in this section, the term "teacher" shall also include instructional support personnel.

SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 29.13.(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 2011-2012 fiscal year, commencing July 1, 2011. Provided, however, school-based administrators (i) employed during the 2010-2011 school year who did not work the required number of months to acquire an additional year of experience and (ii) employed during the 2011-2012 school year in the same classification shall not receive a decrease in salary as otherwise would be required by the salary schedule below.

2011-2012 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)
0-7	$3,781	-	-	-	-
8	$3,931	-	-	-	-
9	$4,074	-	-	-	-
10	$4,189	-	-	-	-
11	$4,243	$4,243	-	-	-
12	$4,298	$4,298	-	-	-
13	$4,353	$4,353	$4,408	-	-
14	$4,408	$4,408	$4,464	-	-
15	$4,464	$4,464	$4,521	$4,579	-
16	$4,521	$4,521	$4,579	$4,640	$4,701
17	$4,579	$4,579	$4,640	$4,701	$4,762
18	$4,640	$4,640	$4,701	$4,762	$4,828
19	$4,701	$4,701	$4,762	$4,828	$4,891
20	$4,762	$4,762	$4,828	$4,891	$4,956
21	$4,828	$4,828	$4,891	$4,956	$5,025
22	$4,891	$4,891	$4,956	$5,025	$5,092
23	$4,956	$4,956	$5,025	$5,092	$5,166
24	$5,025	$5,025	$5,092	$5,166	$5,237
25	$5,092	$5,092	$5,166	$5,237	$5,310
26	$5,166	$5,166	$5,237	$5,310	$5,383
27	$5,237	$5,237	$5,310	$5,383	$5,458
28	$5,310	$5,310	$5,383	$5,458	$5,537

29	$5,383	$5,383	$5,458	$5,537	$5,617
30	$5,458	$5,458	$5,537	$5,617	$5,725
31	$5,537	$5,537	$5,617	$5,725	$5,839
32	$5,617	$5,617	$5,725	$5,839	$5,956
33	$5,725	$5,725	$5,839	$5,956	$6,075
34	$5,839	$5,839	$5,956	$6,075	$6,197
35	-	$5,956	$6,075	$6,197	$6,321
36	-	-	$6,197	$6,321	$6,447
37	-	-	$6,321	$6,447	$6,576
38	-	-	-	$6,576	$6,708
39	-	-	-	$6,708	$6,842
40	-	-	-	-	$6,979

2011-2012 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+)
0-17	$4,828	-	-	-
18	$4,891	-	-	-
19	$4,956	$5,025	-	-
20	$5,025	$5,092	$5,237	-
21	$5,092	$5,166	$5,310	$5,383
22	$5,166	$5,237	$5,383	$5,458
23	$5,237	$5,310	$5,458	$5,537
24	$5,310	$5,383	$5,537	$5,617
25	$5,383	$5,458	$5,617	$5,725
26	$5,458	$5,537	$5,725	$5,839
27	$5,537	$5,617	$5,839	$5,956
28	$5,617	$5,725	$5,956	$6,075
29	$5,725	$5,839	$6,075	$6,197
30	$5,839	$5,956	$6,197	$6,321
31	$5,956	$6,075	$6,321	$6,447
32	$6,075	$6,197	$6,447	$6,576
33	$6,197	$6,321	$6,576	$6,708
34	$6,321	$6,447	$6,708	$6,842
35	$6,447	$6,576	$6,842	$6,979
36	$6,576	$6,708	$6,979	$7,119
37	$6,708	$6,842	$7,119	$7,261
38	$6,842	$6,979	$7,261	$7,406
39	$6,979	$7,119	$7,406	$7,554
40	$7,119	$7,261	$7,554	$7,705
41	$7,261	$7,406	$7,705	$7,859
42	-	$7,554	$7,859	$8,016
43	-	$7,705	$8,016	$8,176
44	-	-	$8,176	$8,340

SECTION 29.13.(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 29.13.(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 2011-2012 or 2012-2013 fiscal years shall not receive a corresponding increase in salary during the 2011-2013 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 29.13.(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 29.13.(e) Longevity pay for principals and assistant principals shall be as provided for State employees under the State Personnel Act.

SECTION 29.13.(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 29.13.(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 29.13.(h) During the 2011-2012 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 29.14.(a) The monthly salary ranges that follow apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers and shall remain unchanged for the 2011-2013 fiscal biennium, beginning July 1, 2011.

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 29.14.(b) The monthly salary ranges that follow apply to public school superintendents and shall remain unchanged for the 2011-2013 fiscal biennium, beginning July 1, 2011.

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 29.14.(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 29.14.(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 29.14.(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 29.14.(f) The salaries of all permanent full-time personnel paid from the Central Office Allotment shall remain unchanged for the 2011-2013 fiscal biennium.

NONCERTIFIED PERSONNEL SALARIES

SECTION 29.15. The annual salary for permanent, full-time and part-time noncertified public school employees whose salaries are supported from the State's General Fund shall be remain unchanged for the 2011-2013 fiscal biennium.

ALL FURLOUGHS PROHIBITED EXCEPT AS ORDERED TO BALANCE THE BUDGET/BENEFITS PROTECTION FOR FURLOUGHED PERSONNEL

SECTION 29.18.(a) The following definitions apply in this section:

(1) Furlough. – A temporary, involuntary period of leave from employment without pay but shall not include any period of involuntary leave resulting from disciplinary action.

(2) Public agency. – A State agency, department, or institution in the executive branch of State government; The University of North Carolina; the North Carolina Community College System; and a local school administrative unit.

(3) Public employee. – An employee employed by the legislative or judicial branches or by a public agency.

SECTION 29.18.(b) Any furlough of a public employee paid with State funds is prohibited unless the furlough is ordered by the Governor while acting to balance the budget pursuant to Section 5 of Article III of the North Carolina Constitution or by the Chief Justice or

the Legislative Services Officer, respectively, to balance the judicial branch or legislative branch budget.

SECTION 29.18.(c) Whenever the Governor, the Chief Justice, or the Legislative Services Officer orders a furlough of public employees, the employing public agency, the judicial branch, or the legislative branch, respectively, shall report to the State Treasurer, the Director of the Retirement Systems Division, and the Executive Administrator of the State Health Plan the following:

(1) The specifics of the authorized furlough.

(2) The positions affected, including all full-time, part-time, temporary, and contractual positions, all nonessential personnel, and all nonteaching positions.

(3) The individual employees affected, including the applicable reduction in salary and whether the employee is subject to or exempt from the Fair Labor Standards Act.

SECTION 29.18.(d) If, in accordance with subsection (b) of this section, necessary economies in public agency expenditures must be effected by a furlough of public employees, then a public employee on a furlough who is:

(1) A member of any of the State-supported retirement plans administered by the Retirement Systems Division of the Department of State Treasurer or of an Optional Retirement Program (ORP) administered under G.S. 135-5.1 or G.S. 135-5.4 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. The member shall suffer no diminution of retirement average final compensation based on being on furlough, and the retirement average final compensation shall be calculated based on the undiminished compensation. During a furlough period, the employer shall pay both employee and employer contributions to the Retirement Systems Division or ORP on behalf of the furloughed employee as though the employee were in active service.

(2) A member of 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 public employer shall pay contributions on behalf of the furloughed public employee as though the employee were in active service.

SECTION 29.18.(e) The benefits protections provided by this section shall also apply to public employees in the judicial and legislative branches.

MONITOR COMPLIANCE WITH FREEZE ON MOST SALARY INCREASES

SECTION 29.19.(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 29.8 of this act and 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 29.19.(b) The Legislative Services Officer shall report quarterly to the President Pro Tempore of the Senate and the Speaker of the House of Representatives on compliance with this act.

COMPREHENSIVE REVIEW AND REFORM OF PUBLIC EMPLOYEE COMPENSATION PLANS

SECTION 29.20.(a) It is the intent of the General Assembly to create and implement a modernized, fair, and fully functional, performance-based compensation system for employees of State agencies, departments, institutions, The University of North Carolina System, the North Carolina Community College System, and local education agencies. To that end, the Legislative Services Commission, jointly through the Fiscal Research and Program Evaluation Divisions, is directed to commission a review and study of the current compensation plans of State agencies, departments, institutions, The University of North Carolina System, the North Carolina Community College System, and local education agencies (government sectors). The Legislative Services Commission may use a Request for Information process or a Request for Proposals process to contract with a qualified consulting firm to perform this review and study. The study, at minimum, shall include all of the following:

(1) A labor market analysis of pay, fringe benefits, classification, and banding plans of government sector employees to determine whether current employees are compensated appropriately relative to market rates for similar positions as compared to (i) other North Carolina public employees, (ii) similar positions and employees in other states, and (iii) where applicable, employees in private industry.

(2) An analysis of current performance-based compensation plans in use by the North Carolina Banking Commission, the University of North Carolina Health Care System, and the performance-based compensation system proposed by Charlotte/Mecklenburg County Schools. This analysis should include an assessment of the effectiveness of these performance-based plans and should include identification of best practices.

(3) An evaluation of current longevity pay as applicable to most government sector employees and recommendations as to whether longevity pay should be continued for new hires.

(4) An evaluation of current laws and policies related to "career status" for employees subject to the State Personnel Act and tenure for public school teachers and university professors. For public school teachers, the evaluation of tenure shall include its relationship with student performance, if any. This evaluation should also include recommendations as to whether these laws and policies should be continued or modified based upon human resource best practices.

(5) An evaluation of salary supplements for public school employees paid on account of master's degrees, attainment of other advanced degrees, and national board certification, including the relationship to student performance, if any. This evaluation should also include recommendations as to whether these salary supplements should be continued or modified based upon the effect on student performance, if any, and human resource best practices.

(6) An evaluation of the State Personnel Act including recommendations as to whether these laws and policies should be continued or modified based upon human resource best practices.

(7) An analysis of the effect of in-State regional variables on employee compensation and recommendations as to how those variables should be addressed in the future.

(8) Recommendations of how to evaluate and compare the value of employee fringe benefits.

(9) Recommendations, timetable, and design of a comprehensive performance-based compensation plan across all government sectors for implementation by the General Assembly. Recommendations must include the design of an effective employee performance evaluation system, including the identification of effective employee performance measures and information systems (including estimated costs) to track and monitor employee performance.

(10) Training recommendations for supervisors and managers regarding employee productivity and performance evaluation.

(11) Recommendations to assure equity of compensation among public employees across government sectors.

(12) Feasibility of a consensus forecasting group to make annual recommendations for compensation policy across all government sectors. These recommendations should include how to establish and maintain priorities for General Fund appropriations necessary to fund the performance-based compensation system while remaining affordable for the State and its taxpayers.

SECTION 29.20.(b) By May 1, 2012, the Fiscal Research and Program Evaluation Divisions, or at their direction by the consultant hired to perform the review and study, shall report all findings and any other final results of the study, including recommendations and legislative proposals, to the 2012 Regular Session of the 2011 General Assembly.

SECTION 29.20.(c) All State agencies, departments, institutions, The University of North Carolina System, the North Carolina Community College System, and local education agencies shall provide any information, data, or documents within their possession, ascertainable from their records, or otherwise available to them to the Fiscal Research and Program Evaluation Divisions and/or the consultant necessary to complete this review and study.

SECTION 29.20.(d) The State Personnel Director, the State Budget Director, the State Controller, and the State Treasurer shall dedicate and identify staff for technical assistance, as needed, to aid in the reviews required by this section.

ESTABLISH SALARY ADJUSTMENT AND PERFORMANCE PAY RESERVE

SECTION 29.20A.(a) General Fund and Highway Fund reserve budget codes are established in the Office of State Budget and Management for the purpose of correcting labor market and other salary inequities and to provide funding for a performance-based compensation plan to effectuate recommendations made in connection with the comprehensive review and reform of public employee compensation plans under Section 29.20 of this act.

SECTION 29.20A.(b) The Director of the Budget shall allocate funds appropriated to the Salary Adjustment and Performance Pay Reserve in Sections 2.1 and 3.1 of this act, as directed by the General Assembly, to public agencies to fund labor market and equity salary increases and to provide funding for performance-based pay plans upon review of the Comprehensive Review and Reform of Public Employee Compensation Plans report.

Funds appropriated to the Salary Adjustment and Performance Pay Reserve may be allocated to public agencies for positions that are funded by the General Fund or Highway Fund. Positions that are funded partially from the General Fund or Highway Fund and partially from sources other than the General Fund or Highway Fund may be increased with funding from the Salary Adjustment and Performance Pay Reserve only to the extent of the proportionate part of the salaries paid from the General Fund or Highway Fund.

For the purposes of this subsection, the term "public employee" means an employee of a State agency, department, or institution; The University of North Carolina; the North Carolina Community College System; or a local school administrative unit.

ESTABLISH SEVERANCE EXPENDITURE RESERVE

SECTION 29.21.(a) There are established in the Office of State Budget and Management General Fund and Highway Fund reserve budget codes for the purpose of funding severance-related obligations to State employees subject to the State Personnel Act, and employees exempt from the State Personnel Act, who are separated from service due to a reduction-in-force action. Severance-related expenditures from these reserves shall include obligations to fund:

(1) A State employee's severance salary continuation with an age adjustment factor as authorized by G.S. 126-8.5, including employer-related contributions for social security, and

(2) Noncontributory health premiums for up to 12 months as authorized by G.S. 135-45.2(a)(8) for employees of employing units as defined by G.S. 135-45.1(12).

SECTION 29.21.(b) The Director of the Budget shall allocate funds appropriated in Sections 2.1 and 3.1 of this act to the Severance Expenditure Reserve to public agencies to fund severance-related obligations incurred by the agencies as a result of reduction-in-force actions that cause State-supported public employees to be terminated from public employment. Funds appropriated to the Severance Expenditure Reserve shall be expended in their entirety before funds appropriated to a public agency for State-supported personal services expenditures may be used to fund any severance-related obligations.

Funds appropriated to the Severance Expenditure Reserve may be allocated to public agencies for positions that are funded by the General Fund or Highway Fund. Funds appropriated to the Severance Expenditure Reserve may also be allocated to public agencies 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 but only to the extent of the proportionate part of the salaries paid from the General Fund or Highway Fund.

For the purposes of this subsection, the term "public employee" means an employee of a State agency, department, or institution; The University of North Carolina; the North Carolina Community College System; or a local school administrative unit.

REPEAL REDUCTION-IN-FORCE PRIORITY CONSIDERATION UNDER THE STATE PERSONNEL ACT

SECTION 29.21A.(a) G.S. 126-7.1 reads as rewritten:

"**§ 126-7.1. Posting requirement; ~~State employees receive priority consideration; reduction-in-force rights;~~ reduction in force; Work First hiring.**

(a) All vacancies for which any State agency, department, or institution openly recruit shall be posted in a place readily accessible to employees that is located within at least the following:

(1) The personnel office of the agency, department, or institution having the vacancy; and

(2) The particular work unit of the agency, department, or institution having the ~~vacancy~~vacancy. ~~in a location readily accessible to employees.~~ If the decision is made, initially or at any time while the vacancy remains open, to receive applicants from outside the recruiting agency, department, or institution, the vacancy shall be listed with the Office of State Personnel for the purpose of informing current State employees of such vacancy. The State agency, department, or institution may not receive approval from the Office of State Personnel to fill a job vacancy if the agency, department, or institution cannot prove to the satisfaction of the Office of State Personnel that it complied with these posting requirements. The agency, department, or institution which hires any person in violation of these posting requirements shall pay such person when employment is discontinued as a result of such violation for the work performed during the period of time between his initial employment and separation.

(a1) State employees to be affected by a reduction in force shall be notified of the reduction in force as soon as practicable, and in any event, no less than 30 days prior to the effective date of the reduction in force.

~~(a2) The State Personnel Commission shall adopt rules to provide that priority consideration for State employees separated from State employment as the result of reductions in force is to enable a State employee's return to career service at a salary grade and salary rate equal to that held in the most recent position. The State Personnel Commission shall provide that a State employee who:~~

~~(1) Accepts a position at the same salary grade shall be paid at the same salary rate as the employee's previous position.~~

~~(2) Accepts a position at a lower salary grade than the employee's previous position shall be paid at the same rate as the previous position unless the~~

~~salary rate exceeds the maximum of the new salary grade. When the salary rate exceeds the maximum of the salary grade, the employee's new salary rate shall be reduced to the maximum of the new salary grade.~~

(b) Subsection (a) of this section does not apply to vacancies which must be filled immediately to prevent work stoppage or the protection of the public health, safety, or security.

(c) If a State employee subject to this section:

(1) Applies for another position of State employment that would constitute a promotion and;

(2) Has substantially equal qualifications as an applicant who is not a State employee then the State employee shall receive priority consideration over the applicant who is not a State employee. This priority consideration shall not apply when the only applicants considered for the vacancy are current State employees.

~~(c1) If a State employee who has been separated due to reduction in force or who has been given notice of imminent separation due to reduction in force:~~

~~(1) Applies for another position of State employment equal to or lower in salary grade than the position held by the employee at the time of notification or separation; and~~

~~(2) Is determined qualified for that position~~

~~then within all State agencies, the State employee shall receive priority consideration over all other applicants but shall receive equal consideration with other applicants who are current State employees not affected by the reduction in force. This priority shall remain in effect for a period of 12 months from the date the employee receives notification of separation by reduction in force. State employees separated due to reduction in force shall receive higher priority than other applicants with employment or reemployment priorities, except that the reemployment priority created by G.S. 126-5(e)(1) shall be considered as equal. The reduction in force priority created by this subsection shall be administered in accordance with rules promulgated by the State Personnel Commission.~~

~~(c2) If the applicants for reemployment for a position include current State employees, a State employee with more than 10 years of service shall receive priority consideration over a State employee having less than 10 years of service in the same or related position classification. This reemployment priority shall be given by all State departments, agencies, and institutions with regard to positions subject to this Chapter.~~

~~(d) "Qualifications" within the meaning of subsection (c) of this section shall consist of:~~

~~(1) Training or education;~~

~~(2) Years of experience; and~~

~~(3) Other skills, knowledge, and abilities that bear a reasonable functional relationship to the abilities and skills required in the job vacancy applied for.~~

(e) Each State agency, department, and institution is encouraged to hire into State government employment qualified applicants who are current or former Work First Program participants.

(f) Each State agency, department, institution, university, community college, and local education agency shall verify, in accordance with the Basic Pilot Program administered by the United States Department of Homeland Security pursuant to 8 U.S.C. § 1101, et seq, each individual's legal status or authorization to work in the United States after hiring the individual as an employee to work in the United States."

SECTION 29.21A.(b) Nothing in this section affects the extended period of priority reconsideration afforded to State employees by Section 26.14D of S.L. 2009-451, as amended by Section 9.3 of S.L. 2009-575.

SECTION 29.21A.(c) This section applies to employees subject to reductions in force on or after July 1, 2011.

JUDICIAL DEPARTMENT EXPENSE AMENDMENTS

SECTION 29.21B.(a) G.S. 7A-300.1 is repealed.

SECTION 29.21B.(b) G.S. 135-1(7a)b.10a. is repealed.

SECTION 29.21B.(c) G.S. 7A-300(a) reads as rewritten:

"(a) The operating expenses of the Judicial Department shall be paid from State funds, out of appropriations for this purpose made by the General Assembly, or from funds provided by local governments pursuant to ~~G.S. 7A-300.1, 153A-212.1,~~ G.S. 153A-212.1 or

160A-289.1. The Administrative Office of the Courts shall prepare budget estimates to cover these expenses, including therein the following items and such other items as are deemed necessary for the proper functioning of the Judicial Department:

(1) Salaries, departmental expense, printing and other costs of the appellate ~~division;~~division.

(2) Salaries and expenses of superior court judges, district attorneys, assistant district attorneys, public defenders, and assistant public defenders, and fees and expenses of counsel assigned to represent indigents under the provisions of Subchapter IX of this ~~Chapter;~~Chapter.

(3) Salaries, travel expenses, departmental expense, printing and other costs of the Administrative Office of the ~~Courts;~~Courts.

(4) Salaries and travel expenses of district judges, magistrates, and family court ~~counselors;~~counselors.

(5) Salaries and travel expenses of clerks of superior court, their assistants, deputies, and other employees, and the expenses of their offices, including supplies and materials, postage, telephone and telegraph, bonds and insurance, equipment, and other necessary ~~items;~~items.

(6) Fees and travel expenses of jurors, and of witnesses required to be paid by the ~~State;~~State.

(7) Compensation and allowances of court ~~reporters;~~reporters.

(8) Briefs for counsel and transcripts and other records for adequate appellate review when an appeal is taken by an indigent ~~person;~~person.

(9) Transcripts of preliminary hearings in indigency cases and, in cases in which the defendant pays for a transcript of the preliminary hearing, a copy for the district ~~attorney;~~attorney.

(10) Transcript of the evidence and trial court charge furnished the district attorney when a criminal action is appealed to the appellate ~~division;~~division.

(11) All other expenses arising out of the operations of the Judicial Department which by law are made the responsibility of the ~~State; and~~State.

(12) Operating expenses of the Judicial Council and the Judicial Standards Commission."

SECTION 29.21B.(d) G.S. 135-53(5) reads as rewritten:

"(5) 'Compensation' shall mean all salaries and wages derived from public funds which are earned by a member of the Retirement System for ~~his~~ the member's service as a justice or judge, or district attorney, or clerk of superior court, or public defender, or the Director of Indigent Defense Services. Effective July 1, 2009, 'compensation' also means payment of military differential wages. ~~'Compensation' shall not include local supplementation as authorized under G.S. 7A-300.1 for Judicial Department employees.~~"

STATE PERSONNEL INFORMATION AMENDMENT

SECTION 29.21C. G.S. 120-32.01(b) reads as rewritten:

"(b) Notwithstanding subsection (a) of this section, access to the ~~State Personnel Management Information System~~ BEACON/HR payroll system by the ~~Research, Bill Drafting, and Program Evaluation~~ Research and Bill Drafting Divisions shall only be through the Fiscal Research Division."

SALARY-RELATED CONTRIBUTIONS

SECTION 29.22.(a) Effective for the 2011-2013 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, as defined in G.S. 135-45.1 or in G.S. 135-48.1 as enacted by this act, 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 29.22.(b) Effective July 1, 2011, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2011-2012 fiscal year are: (i) thirteen and sixty-two hundredths percent (13.62%) – Teachers and State Employees; (ii) eighteen and sixty-two hundredths percent (18.62%) – State Law Enforcement Officers; (iii) twelve and thirty-six hundredths percent (12.36%) – University Employees' Optional Retirement System; (iv) twelve and thirty-six hundredths percent (12.36%) – Community College Optional Retirement Program; (v) thirty-one and fifty-four hundredths percent (31.54%) – Consolidated Judicial Retirement System; and (vi) five and zero hundredths percent (5.00%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and zero hundredths percent (5.00%) 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 29.22.(c) Effective July 1, 2012, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2012-2013 fiscal year are: (i) fifteen percent (15%) – Teachers and State Employees; (ii) twenty percent (20%) – State Law Enforcement Officers; (iii) twelve and sixty-six hundredths percent (12.66%) – University Employees' Optional Retirement System; (iv) twelve and sixty-six hundredths percent (12.66%) – Community College Optional Retirement Program; (v) thirty-three and fifty-one hundredths percent (33.51%) – Consolidated Judicial Retirement System; and (vi) five and thirty hundredths percent (5.30%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and thirty hundredths percent (5.30%) 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 29.22.(d) Effective July 1, 2011, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2011-2012 fiscal year to the State Health Plan for Teachers and State Employees are: (i) Medicare-eligible employees and retirees – three thousand eight hundred thirty-two dollars ($3,832) and (ii) non-Medicare-eligible employees and retirees – four thousand nine hundred thirty-one dollars ($4,931).

SECTION 29.22.(e) Effective July 1, 2012, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2012-2013 fiscal year to the State Health Plan for Teachers and State Employees are: (i) Medicare-eligible employees and retirees – four thousand thirty-five dollars ($4,035) and (ii) non-Medicare-eligible employees and retirees – five thousand one hundred ninety-two dollars ($5,192).

LIMIT STATE ABORTION FUNDING/HEALTH PLAN/INSURANCE

SECTION 29.23. No State funds may be used for the performance of abortions or to support the administration of any governmental health plan or government-offered insurance policy offering abortion, except that this prohibition shall not apply where (i) the life of the mother would be endangered if the unborn child were carried to term or (ii) the pregnancy is the result of a rape or incest. Nothing in this section shall be construed to limit medical care

provided after a spontaneous miscarriage. The provisions of G.S. 135-45.8(21) and (22) do not apply to complications or related charges from an abortion not covered due to this section.

PERMANENTLY EXEMPT PARTICIPANTS IN THE UNIVERSITY OF NORTH CAROLINA PHASED RETIREMENT PROGRAM FROM THE RESTRICTIONS ON RETURNING TO WORK

SECTION 29.24.(a) Section 29.28(f) of S.L. 2005-276, as amended by Section 22.21 of S.L. 2006-66 and by Section 26.22 of S.L. 2009-451, 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 August 31, 2013, or 12 months after the issuance of final phased retirement regulations by the Internal Revenue Service.~~Program. The remainder of this section becomes effective June 30, 2005."

SECTION 29.24.(b) G.S. 135-1(20) reads as rewritten:

"(20) "Retirement" ~~means~~means, for members who are not participants in The University of North Carolina Phased Retirement Program, the termination of employment and the complete separation from active service with no intent or agreement, express or implied, to return to service. A retirement allowance under the provisions of this Chapter may only be granted upon retirement of a member. In order for a member's retirement to become effective in any month, the member must render no service, including part-time, temporary, substitute, or contractor service, at any time during the six months immediately following the effective date of retirement. For purposes of this subdivision, service as a member of a school board or as an unpaid bona fide volunteer in a local school administrative unit shall not be considered service. Notwithstanding the foregoing, for members who are participants in The University of North Carolina Phased Retirement Program, "retirement" means entry into the Phased Retirement Program with a retirement allowance granted under this Chapter."

REDUCE THE REQUIRED BREAK IN SERVICE FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM TO RETURN TO WORK WITHOUT LOSING RETIREMENT BENEFITS

SECTION 29.25.(a) G.S. 135-1 is amended by adding a new subdivision to read:

"(18a) "Qualifying period" means three months as to members who retire with their last 12 months of service as employees of The University of North Carolina or any of its constituent institutions and return to service as employees of The University of North Carolina or any of its constituent institutions, and means six months as to any other member."

SECTION 29.25.(b) G.S. 135-1(20) reads as rewritten:

"(20) "Retirement" means the termination of employment and the complete separation from active service with no intent or agreement, express or implied, to return to service. A retirement allowance under the provisions of this Chapter may only be granted upon retirement of a member. In order for a member's retirement to become effective in any month, the member must render no service, including part-time, temporary, substitute, or contractor service, at any time during the ~~six months~~ qualifying period immediately following the effective date of retirement. For purposes of his subdivision, service as a member of a school board or as an unpaid bona fide volunteer in a local school administrative unit shall not be considered service."

SECTION 29.25.(c) G.S. 135-3(8)c. reads as rewritten:

"c. Should a beneficiary who retired on an early or service retirement allowance under this Chapter be reemployed by, or otherwise engaged to perform services for, an employer participating in the Retirement System on a part time, temporary, interim, or on a fee for service basis, whether contractual or otherwise, and if such beneficiary earns an amount during the 12 month period immediately following the effective date of retirement or in any calendar year

which exceeds fifty percent (50%) of the reported compensation, excluding terminal payments, during the 12 months of service preceding the effective date of retirement, or twenty thousand dollars ($20,000), whichever is greater, as hereinafter indexed, then the retirement allowance shall be suspended as of the first day of the month following the month in which the reemployment earnings exceed the amount above, for the balance of the calendar year, except when the reemployment earnings exceed the amount above in the month of December, in which case the retirement allowance shall not be suspended. The retirement allowance of the beneficiary shall be reinstated as of January 1 of each year following suspension. The amount that may be earned before suspension shall be increased on January 1 of each year by the ratio of the Consumer Price Index to the Index one year earlier, calculated to the nearest tenth of a percent (1/10 of 1%).

The computation of postretirement earnings of a beneficiary under this sub-subdivision who retired on or before June 1, 2009, regardless of age or years of creditable service, or who retires on or after July 1, 2009, after attaining (i) the age of at least 65 with five years of creditable service; or (ii) the age of at least 60 with 25 years of creditable service; or (iii) 30 years of service; and who has been retired ~~at least six months~~ for at least as long as the qualifying period as defined by G.S. 135-1(18a) and has not been employed in any capacity with a State-supported community college or a State-supported university ~~for at least six months~~ during the qualifying period as defined by G.S. 135-1(18a) immediately preceding the effective date of reemployment, shall not include earnings while the beneficiary is employed to teach in a permanent full-time or part-time capacity that exceeds fifty percent (50%) of the applicable workweek as a nursing instructor in a certified nursing program for a maximum period of three years.

In order for a retired nursing instructor to be rehired, the community college or university must certify to the Teachers' and State Employees' Retirement System that it has a shortage of qualified nursing instructors, and must:

1. Make a good faith effort to fill positions with qualified nursing instructors who are not retirees;
2. Post the vacancy or vacancies for at least two months;
3. Solicit applications through local newspapers, other media, and nursing education programs; and
4. Determine that there is an insufficient number of eligible applicants for the advertised position or positions.

The North Carolina Community College System and The University of North Carolina shall certify to the Retirement System that a beneficiary is employed to teach as a nursing instructor with a State-supported community college or a State-supported university under the provisions of this sub-subdivision."

PROVIDE FOR VESTING RECIPROCITY BETWEEN THE STATE AND LOCAL EMPLOYEES' RETIREMENT SYSTEMS AND THE OPTIONAL RETIREMENT PROGRAM FOR STATE INSTITUTIONS OF HIGHER LEARNING

SECTION 29.26. G.S. 135-5.1(b)(5) reads as rewritten:

"(5) If any participant in the Optional Retirement Program having less than five years ~~coverage under the Optional Retirement Program~~ of total membership service under any combination of the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Consolidated Judicial Retirement System, or the Optional Retirement Program leaves the employ of The University of North Carolina and either retires or commences employment with an employer not having a retirement

program with the same company underwriting the participant's annuity contract, regardless of whether the annuity contract is held by the participant, a trust, or the Retirement System, the participant's interest in the Optional Retirement Program attributable to contributions of The University of North Carolina shall be forfeited and shall either (i) be refunded to The University of North Carolina and forthwith paid by it to the Retirement System and credited to the pension accumulation fund or (ii) be paid directly to the Retirement System and credited to the pension accumulation fund."

ENABLE THE UNC HEALTH CARE SYSTEM TO OFFER THE OPTIONAL RETIREMENT PROGRAM (ORP) AS A RETIREMENT OPTION

SECTION 29.27. G.S. 135-5.1(a) reads as rewritten:

"(a) An Optional Retirement Program provided for in this section is authorized and established and shall be implemented by the Board of Governors of The University of North Carolina. The Optional Retirement Program shall be underwritten by the purchase of annuity contracts, which may be both fixed and variable contracts or a combination thereof, or financed through the establishment of a trust, for the benefit of participants in the Program. Participation in the Optional Retirement Program shall be limited to University personnel who are eligible for membership in the Teachers' and State Employees' Retirement Program and who are:

...

(5) Employees of The University of North Carolina Health Care System, subject to rules for eligibility and participation as may be adopted by the Board of Governors in the Optional Retirement Program plan document."

PART XXX. CAPITAL APPROPRIATIONS

GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION

SECTION 30.1. The appropriations made by the 2011 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 30.2. There is appropriated from the General Fund for the 2011-2012 fiscal year the following amounts for capital improvements:

Capital Improvements – General Fund	**2011-2012**
Department of Environment and Natural Resources	
Water Resources Development Projects	$ 4,535,000
TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	**$ 4,535,000**

WATER RESOURCES DEVELOPMENT PROJECTS

SECTION 30.3.(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 million seven hundred forty-nine thousand dollars ($20,749,000) in federal funds.

	Name of Project	**2011-2012**
(1)	B. Everett Jordan Lake Water Supply Storage (50/50)	$ 200,000
(2)	Wilmington Harbor Maintenance (98/2)	–
(3)	Morehead City Harbor Maintenance (98/2)	50,000
(4)	Water Resources Planning in Support of Session Law 2010-143 (75/25)	–
(5)	John H. Kerr Dam and Reservoir Sec. 216 – (50/50)	50,000
(6)	Planning Assistance to Communities (50/50)	50,000
(7)	Aquatic Plant Control, Statewide and Lake Gaston (50/50)	100,000

(8)	Wilmington Harbor Improvements Feasibility (50/50)	250,000
(9)	Belhaven Harbor – CAP – Sec. 1135 (75/25)	–
(10)	Concord Streams, NC Sec. 206 (65/35)	–
(11)	Manteo Old House Channel – CAP – Sec. 204 (65/25)	–
(12)	Wilmington Harbor Deepening (75/25)	300,000
(13)	Bogue Banks Coastal Storm Damage Reduction Study – (50/50)	50,000
(14)	West Onslow Beach (Topsail Beach) PED (75/25)	–
(15)	Surf City/NTB Coastal Storm Damage Reduction Study – PED (75/25)	85,000
(16)	Neuse River Basin Restoration Feasibility Study (50/50)	300,000
(17)	Currituck Sound Environmental Restoration Study (50/50)	–
(18)	Princeville Flood Damage Reduction (50/50)	100,000
(19)	State-Local Projects	3,000,000
TOTALS		**$ 4,535,000**

SECTION 30.3.(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 2011-2012 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 2011-2012.
(3) State-local water resources development projects.

Funds subject to this subsection that are not expended or encumbered for the purposes set forth in subdivisions (1) through (3) of this subsection shall revert to the General Fund at the end of the 2012-2013 fiscal year.

SECTION 30.3.(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.

SECTION 30.3.(d) Notwithstanding any provision of law to the contrary, funds appropriated for a water resources development project shall be used to provide no more than fifty percent (50%) of the nonfederal portion of funds for the project. This subsection applies to funds appropriated in this act and to funds appropriated prior to the 2011-2013 fiscal biennium that are unencumbered and proposed for reallocation to provide the nonfederal portion of funds for water resources development projects. The limitation on fund usage contained in this subsection applies only to projects in which a local government or local governments participate.

SECTION 30.3.(e) G.S. 143-215.73A is amended by adding a new subsection to read:

"(c1) The Department shall provide information annually to appropriate county or municipal officials about the availability, requirements, and process to secure federal and State funding under the Water Resource Development Program."

NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS

SECTION 30.4.(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 2011-2012
Department of Correction	
OSDT and DCC Search Trailer	$ 45,400
Statewide Emergency Fund for Small Storage Buildings	85,000
Statewide Emergency Fund for Visitors Registration	500,000
Department of Crime Control and Public Safety	
High Point Readiness Center – Addition/Alteration	1,551,000
Greensboro Readiness Center – Addition/Alteration	306,000
Murphy Firefighting Team Support Facility	2,946,000
Morrisville Flight Facility Fixed Wing Hangar	8,815,000
Statewide Master Planning Support Services – Ph III	125,000
Statewide Master Planning Support Services – Ph IV	100,000
Statewide Master Planning Support Services – Ph V	100,000
Camp Butner Operations Readiness Training Center – Ph I	1,612,000
Department of Cultural Resources	
USS North Carolina Battleship Major Hull Repairs	1,914,000
Construction of Fort at Fort Dobbs State Historic Site	2,600,000
Department of Environment and Natural Resources	
Zoo – New Restrooms at Elephant/Rhino Exhibit	400,000
Aquarium – Roanoke Island Turtle Rehabilitation Center	500,000
Wildlife Resources Commission	
Agency Land Purchases	7,500,000
Watha Hatchery Replacement of 3 Residences	150,000
Fishing Access Areas – New Construction	240,000
Boating Access Areas – New Construction	800,000
Repairs & Renovations	1,105,000
TOTAL AMOUNT OF NON-GENERAL FUND CAPITAL PROJECTS AUTHORIZED	**$31,294,400**

SECTION 30.4.(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 2011-2012 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, and environmental studies, and for the management of the plant conservation program preserves owned by the Department.

REPAIRS AND RENOVATIONS RESERVE ALLOCATION

SECTION 30.5.(a) Of the funds in the Reserve for Repairs and Renovations for the 2011-2012 fiscal year, fifty percent (50%) 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 fifty percent (50%) 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 30.5.(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 of North Carolina'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 30.5.(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).

PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS

SECTION 30.6. The appropriations made by the 2011 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 2011 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 2011 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.

UNC NON-GENERAL FUND CAPITAL PROJECTS

SECTION 30.7.(a) The purpose of this section is (i) to authorize the planning or construction by certain constituent institutions of The University of North Carolina of the capital improvement projects listed in this section for the respective institutions and (ii) to authorize the financing of these projects with funds available to the institutions from gifts, grants, receipts, self-liquidating indebtedness, Medicare reimbursements for education costs, hospital receipts from patient care, or other funds, or any combination of these funds, but not including funds received for tuition or appropriated from the General Fund of the State. These funds are hereby appropriated.

SECTION 30.7.(b) The capital improvement projects, and their respective costs, authorized by this section to be constructed and financed as provided in subsection (a) of this section, including by revenue bonds, by special obligation bonds as authorized in subsection (e) of this section, or by both, are as follows:

Appalachian State University	
Winkler Residence Hall Renovation	$ 11,805,000
East Carolina University	
Athletic Facilities Expansion and Improvement – Phase 4	
Auxiliary Practice Gymnasium	15,000,000
Fayetteville State University	
Rudolph Jones Student Center Expansion and Renovation	23,289,021
North Carolina A&T State University	
New Health Center	10,000,000
North Carolina Central University	
Chidley Residence Hall Expansion and Renovation	41,193,000
North Carolina State University	
Centennial Campus Housing Complex	129,000,000
Lee Residence Hall and Sullivan Residence Hall	6,000,000
The University of North Carolina at Chapel Hill	
Carolina Inn Renovation – Phase 2	9,000,000
Woollen Gymnasium Renovation – Phase 2	2,650,000
The University of North Carolina at Charlotte	
New Residence Hall – Phase X	31,045,802
New Residence Hall – Phase XI	40,837,005
Residence Dining Hall Replacement	29,176,738
Parking Deck J	27,418,000
The University of North Carolina at Greensboro	
Student Recreation Center	91,000,000
Tower Village II Residence Hall Acquisition	34,500,000
Campus Police Building	10,030,000
Village Parking Deck	10,877,000
The University of North Carolina at Pembroke	
Student Health Services Comprehensive Renovation and Addition	3,950,000
Western Carolina University	
Walker Residence Hall Expansion and Renovation	17,289,000

SECTION 30.7.(c) The capital improvement projects, and their respective costs, authorized by this section to be planned and financed as provided in subsection (a) of this

section, including by revenue bonds, by special obligation bonds as authorized in subsection (e) of this section, or by both, are as follows:

The University of North Carolina at Chapel Hill	
Mary Ellen Jones Renovation – Phase 1	$ 4,000,000
Research Building at Carolina North	6,000,000
The University of North Carolina at Charlotte	
New Residence Hall – Phase XII	3,840,741
Cedar, Hickory, and Sycamore Residence Halls Renovation	750,000

SECTION 30.7.(d) At the request of the Board of Governors of The University of North Carolina and upon determining that it is in the best interest of the State to do so, the Director of the Budget may authorize an increase or decrease in the cost of, or a change in the method of, funding the projects authorized by this section. In determining whether to authorize a change in cost or funding, the Director of the Budget may consult with the Joint Legislative Commission on Governmental Operations.

SECTION 30.7.(e) Pursuant to G.S. 116D-26, the Board of Governors may issue, subject to the approval of the Director of the Budget, at one time or from time to time, special obligation bonds of the Board of Governors for the purpose of paying all or any part of the cost of acquiring, constructing, or providing for the projects authorized by subsections (b) and (c) of this section. The maximum principal amount of bonds to be issued shall not exceed the specified project costs in subsections (b) and (c) of this section plus five percent (5%) of such amount to pay issuance expenses, fund reserve funds, pay capitalized interest, and pay other related additional costs, plus any increase in the specific project costs authorized by the Director of the Budget pursuant to subsection (d) of this section.

SECTION 30.7.(f) This section is effective when it becomes law.

VANCE-GRANVILLE COMM. COLL. BOND FUNDS

SECTION 30.9. Section 3(b) of S.L. 2000-3 reads as rewritten:

"**Section 3.(b)** Except as provided in this subsection, a community college may use the bond proceeds allocated in subsection (a) of this section for new construction only in accordance with the capital allocation formula adopted by the State Board of Community Colleges in March 2000. Except as provided in this subsection, a community college may use the bond proceeds allocated in subsection (a) of this section for repair and renovation only in accordance with the repair and renovation formula adopted by the State Board of Community Colleges in May 1998, as supplemented by additional repair and renovation needs determined by the State Board of Community Colleges as of April 2000. The following provisions govern reallocations:

(1) New Construction. – Except as provided in this paragraph, new construction funds allocated in this section to a specific site may not be allocated to another site. If the local board of trustees of a community college determines that new construction funds allocated to a specific site are not needed at that site, the board may request that the State Board of Community Colleges reallocate those funds for new construction at another site of the community college. Except in the case of Mayland Community ~~College,~~College and Vance-Granville Community College, the funds may not be reallocated from a site outside the main campus county to a site within the main campus county. If the State Board of Community Colleges determines that the funds are not needed for new construction at the site for which they were originally allocated, it shall approve the reallocation to the other site and shall substitute the proposed facility at the other site in the Community Colleges System Office's application to the State Treasurer pursuant to G.S. 116D-43.

Each community college shall submit to the State Board of Community Colleges a statement (i) proposing the capital facilities to be financed with the proceeds of community college general obligation bonds allocated to that community college, (ii) certifying that the proposed site is included in the allocations in this section or is a substitute facility at another site because the funds are not needed for new construction at the site for which they are

allocated in this section, (iii) certifying that the community college is prepared to proceed with the construction, acquisition, or improvement of the proposed capital facilities, and (iv) demonstrating that the applicable matching requirements have been or will be met.

Upon receipt by the State Board of Community Colleges of the information set forth above, the Board shall add the proposed capital facilities to the next application of the Community Colleges System Office to the State Treasurer to issue bonds pursuant to G.S. 116D-43.

The board of trustees of an individual community college may use funds allocated for new construction either for new construction or for repair and renovations.

...."

ALLOW THE UNIVERSITY OF NORTH CAROLINA BOARD OF GOVERNORS TO APPROVE THE PLANNING, AUTHORIZATION, AND FUNDING OF CAPITAL PROJECTS FROM NON-GENERAL FUND SOURCES

SECTION 30.10.(a) G.S. 143C-8-12 reads as rewritten:

"**§ 143C-8-12. University system capital improvement projects from sources that are not General Fund sources: approval of new project or change in scope of existing project.**

Notwithstanding any other provision of this Chapter, ~~the Director of the Budget may, upon request of~~ the Board of Governors of The University of North Carolina ~~and after consultation with the Joint Legislative Commission on Governmental Operations,~~ may approve: (i) expenditures to plan a capital improvement project of The University of North Carolina the planning for which is to be funded entirely with non-General Fund money, (ii) expenditures for a capital improvement project of The University of North Carolina that is to be funded and operated entirely with non-General Fund money, or (iii) a change in the scope of any previously approved capital improvement project of The University of North Carolina provided that both the project and change in scope are funded entirely with non-General Fund money. The Board of Governors shall report any expenditure made pursuant to this section to the Office of State Budget and Management and to the Joint Legislative Commission on Governmental Operations."

SECTION 30.10.(b) This section is effective when it becomes law.

AUTHORIZE THE UNIVERSITY OF NORTH CAROLINA BOARD OF GOVERNORS TO ALLOCATE OR REALLOCATE FUNDS TO REPAIRS AND RENOVATIONS PROJECTS

SECTION 30.11.(a) G.S. 143C-4-3 is amended by adding a new subsection to read:

"(d) Board of Governors May Allocate Funds to Particular Projects. – Any funds in the Reserve for Repairs and Renovations that are allocated to the Board of Governors of The University of North Carolina may be allocated or reallocated by the Board for repairs and renovations projects so long as (i) any project that receives an allocation or reallocation satisfies the requirements of subsection (b) of this section unless the Board determines that sufficient funds are not available from other sources and that conditions warrant General Fund assistance and (ii) the allocation or reallocation is 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. The Board of Governors shall report to the Joint Legislative Commission on Governmental Operations on the allocation or reallocation of funds pursuant to this section within 60 days of any allocation or reallocation under this subsection."

SECTION 30.11.(b) This section becomes effective July 1, 2011.

WAIVE THE REQUIREMENT FOR A CAPITAL PROJECT FEASIBILITY DETERMINATION FOR CAPITAL PROJECTS OF THE UNIVERSITY OF NORTH CAROLINA FOR WHICH ADVANCE PLANNING HAS NOT BEEN UNDERTAKEN

SECTION 30.12.(a) G.S. 143C-3-3 reads as rewritten:

"**§ 143C-3-3. Budget requests from State agencies in the executive branch.**

...

(c) Repairs and Renovations Funds Request. – In addition to any other information requested by the Director, any State agency proposing to repair or renovate an existing facility shall accompany that request with all of the following:

(1) A description of current deficiencies and proposed corrections with a review and evaluation of that proposal prepared by the Department of Administration.

(2) An estimate of project costs approved by the Department of Administration.

(3) A certification of project feasibility as described in ~~G.S. 143-341.~~G.S. 143-341, except that in the case of a project of The University of North Carolina for which advance planning has not been completed, the request may be submitted without this certification.

(4) An explanation of the method by which the repair or renovation is to be financed.

(d) Capital Funds Request. – In addition to any other information requested by the Director, any State agency proposing to (i) acquire real property, (ii) construct a new facility, (iii) expand the building area (sq. ft.) of an existing facility, or (iv) rehabilitate an existing facility to accommodate new or expanded uses shall accompany that request with all of the following:

(1) An estimate of its space needs and other physical requirements, together with a review and evaluation of that estimate prepared by the Department of ~~Administration.~~Administration, except that in the case of a project of The University of North Carolina for which advance planning has not been completed, the estimate of space needs may be a preliminary estimate.

(2) An estimate of project costs and cash flow requirements approved by the Department of Administration.

(3) A certification of project feasibility as described in ~~G.S. 143-341.~~G.S. 143-341, except that in the case of a project of The University of North Carolina for which advance planning has not been completed, the request may be submitted without this certification.

(4) An explanation of the method by which the acquisition, construction, or rehabilitation is to be financed.

(5) An estimate of maintenance and operating costs, including personnel, for the project, covering the first five years of operation.

(6) An estimate of revenues, if any, to be derived from the project, covering the first five years of operation.

This subsection does not apply to requests for State resources for railroad, highway, or bridge construction or renovation.

(e) Information Technology Request. – In addition to any other information requested by the Director, any State agency requesting significant State resources, as defined by the Director, for the purpose of acquiring or maintaining information technology shall accompany that request with all of the following:

(1) A statement of its needs for information technology and related resources, including expected improvements to programmatic or business operations, together with a review and evaluation of that statement prepared by the State Chief Information Officer.

(2) A statement setting forth the requirements for State resources, together with an evaluation of those requirements by the State Chief Information Officer that takes into consideration the State's current technology, the opportunities for technology sharing, the requirements of Article 3D of Chapter 147 of the General Statutes, and any other factors relevant to the analysis.

(3) A statement by the State Chief Information Officer that sets forth viable alternatives, if any, for meeting the agency needs in an economical and efficient manner.

(4) In the case of an acquisition, an explanation of the method by which the acquisition is to be financed.

This subsection shall not apply to requests submitted by the General Assembly, the Administrative Office of the Courts, or The University of North Carolina."

SECTION 30.12.(b) G.S. 143-341(3)b1. reads as rewritten:

"**§ 143-341. Powers and duties of Department.**

The Department of Administration has the following powers and duties:

...

(3) Architecture and Engineering:

...

b1. To certify that a statement of needs pursuant to ~~G.S. 143C-3-3~~ G.S. 143C-3-3, other than for a project of The University of North Carolina for which advance planning has not been completed, is feasible. For purposes of this sub-subdivision, "feasible" means that the proposed project is sufficiently defined in overall scope; building program; site development; detailed design, construction, and equipment budgets; and comprehensive project scheduling so as to reasonably ensure that it may be completed with the amount of funds requested. At the discretion of the General Assembly, advanced planning funds may be appropriated in support of this certification. This sub-subdivision shall not apply to requests for appropriations of less than one hundred thousand dollars ($100,000)."

SECTION 30.12.(c) This section becomes effective July 1, 2011.

JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON CAPITAL IMPROVEMENTS SHALL EXAMINE ADEQUACY OF PLANNING FOR LONG-TERM STATE CAPITAL NEEDS

SECTION 30.13.(a) G.S. 120-259 reads as rewritten:

"**§ 120-259. Purpose and powers of the Committee.**

(a) The Joint Legislative Oversight Committee on Capital Improvements shall examine, on a continuing basis, all of the following: ~~capital improvements approved and undertaken for State facilities and institutions. As used in this section "capital improvements" includes repairs and renovations, and "State facilities and institutions" includes facilities and institutions of The University of North Carolina.~~

(1) Capital improvements approved and undertaken for State facilities and institutions.

(2) The adequacy of planning for the State's long-term capital needs. This examination (i) may take into account the priorities embodied in the six-year capital improvements plan developed pursuant to G.S. 143C-8-5 and other planning documents but shall constitute a separate examination that does not rely exclusively on any particular document and (ii) shall look at capital needs throughout the State and not only in Wake County.

(b) The Committee shall have oversight over implementation of the six-year capital improvements plan developed pursuant to G.S. 143C-8-5.

(c) The Committee, while in discharge of official duties, shall have access to any paper or document and may compel the attendance of any State official or employee before the Committee or secure any evidence under ~~G.S. 120-19.~~ G.S. 120-19. In addition, G.S. 120-19.1 through G.S. 120-19.4 shall apply to the proceedings of the Committee as if it were a joint committee of the General Assembly.

(d) The Committee may make interim reports to the General Assembly on matters for which it may report to a regular session of the General Assembly. A report to the General Assembly may contain any legislation needed to implement a recommendation of the Committee.

(e) As used in this section, 'capital improvements' includes repairs and renovations, and 'State facilities and institutions' includes facilities and institutions of The University of North Carolina."

SECTION 30.13.(b) The Joint Legislative Oversight Committee on Capital Improvements shall report to the General Assembly no later than April 1, 2012, on the adequacy of planning for the State's long-term capital needs. This report shall accord with G.S. 120-259(a)(2) and shall also include at least the following:

(1) An analysis of the various mechanisms that currently exist to facilitate the long-term capital planning of State facilities and an assessment of the degree to which those mechanisms serve the needs of the State.

(2) An examination of whether and to what degree the capital project priorities of individual State agencies and departments accord with the long-term capital planning needs of the State as a whole.

(3) An examination of whether the long-term capital planning needs of the State might be better served by changing the way in which capital projects are planned. This analysis shall include an examination of the methods by which other States engage in long-term capital planning.

(4) An analysis of whether, historically, the percentage of funds that have been allocated from the Reserve for Repairs and Renovations to the Board of Governors of The University of North Carolina for university facilities compared to the percentage of funds that have been allocated from that Reserve to the Office of State Budget and Management for other State facilities is an appropriate ratio.

(5) An analysis of whether requiring the Board of Governors of The University of North Carolina to set forth capital project requests that prioritize projects on a systemwide basis would better serve the long-term capital planning needs of the State than the current practice of having each campus prioritize capital projects requests for that particular campus does.

PART XXXI. FEES

EDUCATION/STATE BOARD AUTHORITY TO ESTABLISH GED TESTING FEES

SECTION 31.2. G.S. 115D-5(s) reads as rewritten:

"(s) The State Board of Community Colleges may establish, retain and budget fees charged to students taking the General Education Development (GED) ~~test.~~ test, including fees for retesting. Fees collected for this purpose shall be used only to (i) offset the costs of the GED test, including the cost of scoring the test, (ii) offset the costs of printing GED certificates, and (iii) meet federal and State reporting requirements related to the test."

NER/COMMERCE/SET REGULATORY FEE FOR UTILITIES COMMISSION

SECTION 31.4.(a) The percentage rate to be used in calculating the public utility regulatory fee under G.S. 62-302(b)(2) is twelve-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, 2011.

SECTION 31.4.(b) The electric membership corporation regulatory fee imposed under G.S. 62-302(b1) for the 2011-2012 fiscal year is two hundred thousand dollars ($200,000).

SECTION 31.4.(c) This section becomes effective July 1, 2011.

FEE TO ADVERTISE IN WELCOME CENTERS

SECTION 31.4A. G.S. 143B-421.3 reads as rewritten:

"**§ 143B-421.3. Consultation required for welcome and visitor centers.**

(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. 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."

NER/AGRICULTURE/INCREASE FEES FOR PET SHOPS, AUCTIONS, KENNELS, AND DEALERS

SECTION 31.5.(a) G.S. 19A-27 reads as rewritten:

"**§ 19A-27. License required for operation of pet shop.**

No person shall operate a pet shop unless a license to operate such establishment shall have been granted by the Director. Application for such license shall be made in the manner provided by the Director. The license shall be for the fiscal year and the license fee shall be ~~fifty dollars ($50.00)~~seventy-five dollars ($75.00) for each license period or part thereof beginning with the first day of the fiscal year."

SECTION 31.5.(b) G.S. 19A-28 reads as rewritten:

"**§ 19A-28. License required for public auction or boarding kennel.**

No person shall operate a public auction or a boarding kennel unless a license to operate such establishment shall have been granted by the Director. Application for such license shall be made in the manner provided by the Director. The license period shall be the fiscal year and the license fee shall be ~~fifty dollars ($50.00)~~seventy-five dollars ($75.00) for each license period or part thereof beginning with the first day of the fiscal year."

SECTION 31.5.(c) G.S. 19A-29 reads as rewritten:

"**§ 19A-29. License required for dealer.**

No person shall be a dealer unless a license to deal shall have been granted by the Director to such person. Application for such license shall be in the manner provided by the Director. The license period shall be the fiscal year and the license fee shall be ~~fifty dollars ($50.00)~~seventy-five dollars ($75.00) for each license period or part thereof, beginning with the first day of the fiscal year."

NER/AGRICULTURE/FEES FOR OUT-OF-STATE SOIL TESTS AND EXPEDITED SOIL TESTS

SECTION 31.7. G.S. 106-22 reads as rewritten:

"**§ 106-22. Joint duties of Commissioner and Board.**

The Commissioner of Agriculture, by and with the consent and advice of the Board of Agriculture shall:

...

(17) Agronomic Testing. – Provide agronomic testing services and charge reasonable fees for plant ~~analysis and~~analysis, nematode ~~testing.~~testing, out-of-state soil testing, and expedited soil testing. The Board shall charge at least four dollars ($4.00) for plant ~~analysis and~~analysis, at least two dollars ($2.00) for nematode ~~testing.~~testing, at least five dollars ($5.00) for out-of-state soil testing, and at least one hundred dollars ($100.00) for expedited soil testing."

NER/AGRICULTURE/TECHNICAL CORRECTIONS REGARDING COMMERCIAL FERTILIZER INSPECTION FEE, PESTICIDE TECHNICIAN IDENTIFICATION CARD RENEWAL FEE, AND PESTICIDE DEALER LICENSE RENEWAL FEE

SECTION 31.8.(a) G.S. 106-671(b) reads as rewritten:

"(b) Reporting System. – Each manufacturer, importer, jobber, firm, corporation or person who distributes commercial fertilizers in this State shall make application to the Commissioner for a permit to report the tonnage of commercial fertilizer sold and shall pay to the North Carolina Department of Agriculture and Consumer Services an inspection fee of ~~twenty-five cents (25¢)~~fifty cents (50¢) per ton. The Commissioner is authorized to require each such distributor to keep such records as may be necessary to indicate accurately the tonnage of commercial fertilizers sold in the State, and as are satisfactory to the Commissioner. Such records shall be available to the Commissioner, or his duly authorized representative, at any and all reasonable hours for the purpose of making such examination as is necessary to verify the tonnage statement and the inspection fees paid. Each registrant shall report monthly the tonnage sold to non-registrants on forms furnished by the Commissioner. Such reports shall be made and inspection fees shall be due and payable monthly on the fifteenth of each month covering the tonnage and kind of commercial fertilizers sold during the past month. If the report is not filed and the inspection fee paid by the last day of the month it is due, the amount due shall bear a penalty of ten percent (10%), which shall be added to the inspection fee due. If the report is not filed and the inspection fee paid within 60 days of the date due, or if the report or tonnage be false, the Commissioner may revoke the permit."

SECTION 31.8.(b) G.S. 106-65.31(b1) reads as rewritten:

"(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 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).~~forty dollars ($40.00). 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."

SECTION 31.8.(c) G.S. 143-448(c) reads as rewritten:

"(c) The license for a pesticide dealer may be renewed annually upon application to the Board, accompanied by a fee of ~~fifty dollars ($50.00)~~seventy-five dollars ($75.00) for each license, on or before the first day of January of the calendar year for which the license is issued."

NER/AGRICULTURE/INCREASE AGRICULTURAL LIMING MATERIALS TONNAGE FEES

SECTION 31.9. G.S. 106-92.8 reads as rewritten:

"§ 106-92.8. Tonnage fees: reporting system.

For the purpose of defraying expenses connected with the registration, inspection and analysis of the materials coming under this Article, each manufacturer or registrant shall pay to the Department of Agriculture and Consumer Services tonnage fees in addition to registration fees as follows: for agricultural liming material, ~~ten cents (10¢)~~fifty cents (50¢) per ton; for landplaster, ~~ten cents (10¢)~~fifty cents (50¢) per ton; excepting that these fees shall not apply to materials which are sold to fertilizer manufacturers for the sole purpose for use in the manufacture of fertilizer or to materials when sold in packages of 10 pounds or less.

Any manufacturer, importer, jobber, firm, corporation or person who distributes materials coming under this Article in this State shall make application for a permit to report the materials sold and pay the tonnage fees as set forth in this section.

The Commissioner of Agriculture shall grant such permits on the following conditions: The applicant's agreement that he will keep such records as may be necessary to indicate accurately the tonnage of liming materials, etc., sold in the State and his agreement for the Commissioner or this authorized representative to examine such records to verify the tonnage statement. The registrant shall report quarterly and pay the applicable tonnage fees quarterly, on or before the tenth day of October, January, April, and July of each year. The report and payment shall cover the tonnage of liming materials, etc., sold during the preceding quarter. The report shall be on forms furnished by the Commissioner. If the report is not filed and the tonnage fees paid by the last day of the month in which it is due, or if the report be false, the amount due shall bear a penalty of ten percent (10%) which shall be added to the tonnage fees due. If the report is not filed and the tonnage fees paid within 60 days of the date due, or if the report or tonnage be false, the Commissioner may revoke the permit and cancel the registration."

NER/AGRICULTURE/INCREASE ANTIFREEZE DISTRIBUTION REGISTRATION FEE

SECTION 31.10. G.S. 106-579.4 reads as rewritten:

"§ 106-579.4. Registrations.

On or before the first day of July of each year, and before any antifreeze may be distributed for the permit year beginning July 1, the manufacturer, packager, or person whose name appears on the label shall make application to the Commissioner on forms provided by the latter for registration for each brand of antifreeze which he desires to distribute. The application shall be accompanied by specimens or facsimiles of labeling for all container sizes to be distributed, when requested by the Commissioner; a license and inspection fee of ~~two hundred fifty dollars ($250.00)~~five hundred dollars ($500.00) for each brand of antifreeze and a

properly labeled sample of the antifreeze shall also be submitted at this time. The Commissioner may inspect, test, or analyze the antifreeze and review the labeling. If the antifreeze is not adulterated or misbranded, if it meets the standards established and promulgated by the Board, and if the said antifreeze is not such a type or kind that is in violation of this Article, the Commissioner shall thereafter issue a written license or permit authorizing the sale of such antifreeze in this State for the fiscal year in which the license or inspection fee is paid. If the antifreeze is adulterated or misbranded, if it fails to meet standards promulgated by the Board, or is in violation of this Article or regulations thereunder, the Commissioner shall refuse to register the antifreeze, and he shall return the application to the applicant, stating how the antifreeze or labeling is not in conformity. If the Commissioner shall, at a later date, find that a properly registered antifreeze product has been materially altered or adulterated, or a change has been made in the name, brand or trademark under which the antifreeze is sold, or that it violates the provisions of this Article, or that it violates regulations, definitions or standards duly promulgated by the Board, he shall notify the applicant that the license authorizing sale of the antifreeze is canceled. No antifreeze license shall be canceled unless the registrant shall have been given an opportunity to be heard before the Commissioner or his duly designated agent and to modify his application in order to comply with the requirements of this Article and regulations, definitions, and standards promulgated by the Board. All fees received by the Commissioner shall be placed in the Department of Agriculture and Consumer Services fund for the purpose of supporting the antifreeze enforcement and testing program."

NER/ENVIRONMENT/REDUCE PORTION OF CERTIFICATE OF TITLE FEES CREDITED TO MERCURY SWITCH REMOVAL ACCOUNT

SECTION 31.11. G.S. 20-85(a1) reads as rewritten:

"(a1) One dollar ($1.00) of the fee imposed for any transaction assessed a fee under subdivision (a)(1), (a)(2), (a)(3), (a)(7), (a)(8), or (a)(9) of this section shall be credited to the North Carolina Highway Fund. The Division shall use the fees derived from transactions with the Division for technology improvements. The Division shall use the fees derived from transactions with commission contract agents for the payment of compensation to commission contract agents. An additional ~~one dollar ($1.00)~~fifty cents (50¢) of the fee imposed for any transaction assessed a fee under subdivision (a)(1) of this section shall be credited to the Mercury Switch Removal Account in the Department of Environment and Natural Resources."

LOCALS TO RECEIVE LARGER PORTION OF FOOD AND LODGING FEES

SECTION 31.11A. 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 and Adult Services of the Department of Health and Human Services, establishments that prepare and sell meat food products or poultry products, and public school cafeterias, a fee of seventy-five dollars ($75.00) for each permit issued. This fee shall be reassessed annually for permits that do not expire. 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%)~~ten percent (10%) of the fees collected under this subsection may be used to support State health programs and activities."

NER/ENVIRONMENT/ADDITIONAL USES OF HAZARDOUS WASTE FEES

SECTION 31.15. G.S. 130A-294.1(b) reads as rewritten:

"(b) Funds collected pursuant to this section shall be used for personnel and other resources necessary to:

(1) Provide a high level of technical assistance and waste minimization effort for the hazardous waste management program;

(2) Provide timely review of permit applications;

(3) Insure that permit decisions are made on a sound technical basis and that permit decisions incorporate all conditions necessary to accomplish the purposes of this Part;

(4) Improve monitoring and compliance of the hazardous waste management program;

(5) Increase the frequency of inspections;
(6) Provide chemical, biological, toxicological, and analytical support for the hazardous waste management program; and
(7) Provide resources for emergency response to imminent hazards associated with the hazardous waste management program.
(8) Implement and provide oversight of necessary response activities involving inactive hazardous substance or waste disposal sites.
(9) Provide compliance and prevention activities within the solid waste program to ensure that hazardous waste is not disposed in solid waste management facilities."

NER/NATURAL RESOURCES/NO NEW FEES FOR PARKING IN STATE PARKS

SECTION 31.22. Notwithstanding any provision to the contrary, the funds appropriated to the Department of Environment and Natural Resources for State Parks for the 2011-2012 fiscal year and for the 2012-2013 fiscal year shall not be reduced or replaced with fees for parking at State Parks, unless these fees were charged prior to the 2011-2012 fiscal year. No fees shall be charged and no fees shall be collected for parking in a State Park during the 2011-2012 fiscal year and for the 2012-2013 fiscal year, unless these fees were charged prior to the 2011-2012 fiscal year.

JPS/AOC/INCREASE CERTAIN COURT COSTS

SECTION 31.23.(a) G.S. 7A-304(a)(4) 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.

...

(4) For support of the General Court of Justice, the sum of one hundred twenty-nine dollars and fifty cents ~~($100.50)~~($129.50) in the district court, including cases before a magistrate, and the sum of one hundred ~~two~~ fifty-four dollars and fifty cents ~~($102.50)~~($154.50) 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. "

SECTION 31.23.(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 one hundred ~~twenty-five~~eighty dollars ~~($125.00)~~($180.00) 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 ~~eighty~~ one hundred thirty dollars ~~($80.00)~~($130.00) in the district court except that if the case is assigned to a magistrate the sum shall be ~~fifty-five~~eighty dollars ~~($55.00).~~($80.00). 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) In every civil action in the superior or district court wherein a party files a pleading containing one or more counterclaims or cross-claims, except for counterclaim and cross-claim actions brought under Chapter 50B of the General Statutes for which costs are assessed pursuant to subsection (a1) of this section, the following 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 municipality providing the facilities in which the judgment is rendered. If a municipality does not provide the facilities in which the judgment is rendered, the sum is to be remitted to the county in which the judgment is rendered. 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.

(2) For the upgrade, maintenance, and operation of the judicial and county courthouse phone systems, the sum of four dollars ($4.00), to be credited to the Court Information Technology Fund.

(3) For support of the General Court of Justice, the sum of one hundred eighty dollars ($180.00) 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 one hundred thirty dollars ($130.00) in the district court, except that if the case is assigned to a magistrate, the sum shall be eighty dollars ($80.00). 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.

...

(f) For the support of the General Court of Justice, the sum of twenty dollars ($20.00) shall accompany any filing containing one or more motions not listed in G.S. 7A-308 that is filed with the clerk. No costs shall be assessed to a motion containing as a sole claim for relief the taxing of costs, including attorneys' fees."

SECTION 31.23.(c) G.S. 7A-306 reads as rewritten:

"**§ 7A-306. Costs in special proceedings.**

(a) In every special proceeding in the superior court, the following costs shall be assessed:

...

(2) For support of the General Court of Justice the sum of ~~seventy-five~~one hundred six dollars ~~($75.00).~~($106.00). In addition, in proceedings involving land, except boundary disputes, if the fair market value of the land involved is over one hundred dollars ($100.00), there shall be an additional sum of thirty cents (30¢) per one hundred dollars ($100.00) of value, or major fraction thereof, not to exceed a maximum additional sum of two hundred dollars ($200.00). Fair market value is determined by the sale price if there is a sale, the appraiser's valuation if there is no sale, or the appraised value from the property tax records if there is neither a sale nor an appraiser's valuation. 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 ~~seventy-five-dollar ($75.00)~~one hundred six-dollar ($106.00) General Court of Justice fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4.

...

(g) For the support of the General Court of Justice, the sum of twenty dollars ($20.00) shall accompany any filing containing one or more motions not listed in G.S. 7A-308 that is filed with the clerk. No costs shall be assessed to a motion containing as a sole claim for relief the taxing of costs, including attorneys' fees."

SECTION 31.23.(d) G.S. 7A-307(a) reads as rewritten:

"(a) In the administration of the estates of decedents, minors, incompetents, of missing persons, and of trusts under wills and under powers of attorney, in trust proceedings under G.S. 36C-2-203, and in collections of personal property by affidavit, the following costs shall be assessed:

...

(2) For support of the General Court of Justice, the sum of ~~seventy-five~~one hundred six dollars ~~($75.00),~~($106.00), plus an additional forty cents (40¢) per one hundred dollars ($100.00), or major fraction thereof, of the gross estate, not to exceed six thousand dollars ($6,000). Gross estate shall include the fair market value of all personalty when received, and all proceeds from the sale of realty coming into the hands of the fiduciary, but shall not include the value of realty. In collections of personal property by affidavit, the fee based on the gross estate shall be computed from the information in the final affidavit of collection made pursuant to G.S. 28A-25-3 and shall be paid when that affidavit is filed. In all other cases, this fee shall be computed from the information reported in the inventory and shall be paid when the inventory is filed with the clerk. If additional gross estate, including income, comes into the hands of the fiduciary after the filing of the inventory, the fee for such additional value shall be assessed and paid upon the filing of any account or report disclosing such additional value. For each filing the minimum fee shall be fifteen dollars ($15.00). 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 ~~seventy-five dollar ($75.00)~~one hundred six-dollar ($106.00) General Court of Justice fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4.

...

(4) For the support of the General Court of Justice, the sum of twenty dollars ($20.00) shall accompany any filing containing one or more motions not listed in G.S. 7A-308 that is filed with the clerk. No costs shall be assessed to a motion containing as a sole claim for relief the taxing of costs, including attorneys' fees."

SECTION 31.23.(e) G.S. 7A-308(a) reads as rewritten:

"(a) The following miscellaneous fees and commissions shall be collected by the clerk of superior court and remitted to the State for the support of the General Court of Justice:

(1) Foreclosure under power of sale in deed of trust or mortgage..... ~~$150.00~~$300.00
If the property is sold under the power of sale, an additional amount will be charged, determined by the following formula: forty-five cents (.45) per one hundred dollars ($100.00), or major fraction thereof, of the final sale price. If the amount determined by the formula is less than ten dollars ($10.00), a minimum ten dollar ($10.00) fee will be collected. If the amount determined by the formula is more than five hundred dollars ($500.00), a maximum five hundred-dollar ($500.00) fee will be collected.

...

(20) Filing a motion to assert a right of access under G.S. 1-72.1 ..... ~~30.00.~~30.00

(21) In civil matters, all alias and pluries summons issued and all endorsements issued on an original summons ..... 15.00."

SECTION 31.23.(f) G.S. 7A-34.1 is repealed.

JPS/AOC/COMMUNITY MEDIATION CENTERS/WORTHLESS CHECK PROGRAMS

SECTION 31.24.(a) G.S. 14-107.2 is amended by adding a new subsection to read:

"(b1) A community mediation center may establish and charge fees for its services in the collection of worthless checks as part of a program established under this section and may assist the Administrative Office of the Courts and district attorneys in the establishment of worthless check programs in any districts in which worthless check programs have not been established."

SECTION 31.24.(b) G.S. 7A-38.5(a) reads as rewritten:

"(a) The General Assembly finds that it is in the public interest to encourage the establishment of community mediation centers, also known as dispute settlement centers or dispute resolution centers, to support the work of these centers in facilitating communication, understanding, reconciliation, and settlement of conflicts in communities, courts, and schools, and to promote the widest possible use of these centers by the courts and law enforcement officials across the State. A center may establish and charge fees for its services."

SECTION 31.24.(c) G.S. 7A-38.6(a) reads as rewritten:

"(a) All community mediation centers ~~currently receiving State funds~~ shall report annually to the Mediation Network of North Carolina on the program's funding and activities, including:

(1) Types of dispute settlement services provided;
(2) Clients receiving each type of dispute settlement service;
(3) Number and type of referrals received, cases actually mediated (identified by docket number), cases resolved in mediation, and total clients served in the cases mediated;
(4) Total program funding and funding sources;
(5) Itemization of the use of funds, including operating expenses and personnel;
(6) Itemization of the use of State funds appropriated to the center;
(7) Level of volunteer activity; and
(8) Identification of future service demands and budget requirements.

(a1) The Mediation Network of North Carolina shall compile and summarize the information provided pursuant to ~~this subsection~~ subsection (a) of this section and shall provide the information 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 February 1 of each year.

The Mediation Network of North Carolina shall also submit a copy of its report to the Administrative Office of the Courts. The receipt and review of this report by the Administrative Office of the Courts shall satisfy any program monitoring, evaluation, and contracting requirements imposed on the Administrative Office of the Courts by Part 3 of Article 6 of Chapter 143C of the General Statutes and any rules adopted under that Part."

SECTION 31.24.(d) G.S. 7A-38.7 reads as rewritten:

"**§ 7A-38.7. Dispute resolution fee for cases resolved in mediation.**

(a) In each criminal case filed in the General Court of Justice that is resolved through referral to a community mediation center, a dispute resolution fee shall be assessed in the sum of sixty dollars ($60.00) per mediation ~~for the support of the General Court of Justice.~~to support the services provided by the community mediation centers and the Mediation Network of North Carolina. Fees assessed under this section shall be paid to the clerk of superior court in the county where the case was filed and remitted by the clerk to the ~~State Treasurer.~~Mediation Network of North Carolina. The Mediation Network may retain up to three dollars ($3.00) of this amount as an allowance for its administrative expenses. The Mediation Network must remit the remainder of this amount to the community mediation center that mediated the case.

(b) Before providing the district attorney with a dismissal form, the community mediation center shall require proof that the defendant has paid the dispute resolution fee as required by subsection (a) of this section and shall attach the receipt to the dismissal form."

JPS/AOC/INCREASE INTERSTATE COMPACT FEE

SECTION 31.25. G.S. 148-65.7(a) reads as rewritten:

"(a) Persons convicted in this State who make a request for transfer to another state pursuant to the compact shall pay a transfer application of ~~one~~ two hundred fifty dollars ~~($150.00)~~($250.00) for each transfer application submitted. The transfer application fee shall be paid to the Compact Commissioner upon submission of the transfer application. The Commissioner or the Commissioner's designee may waive the application fee if either the

Commissioner or the Commissioner's designee finds that payment of the fee will constitute an undue economic burden on the offender.

All fees collected pursuant to this section shall be deposited in the Interstate Compact Fund and shall be used only to support administration of the Interstate Compact.

The Interstate Compact Fund is established within the Department of Correction as a nonreverting, interest-bearing special revenue account. Accordingly, revenue in the Fund at the end of a fiscal year does not revert, and interest and other investment income earned by the Fund shall be credited to it. All moneys collected by the Department of Correction pursuant to this subsection shall be remitted to the State Treasurer to be deposited and held in this Fund. Moneys in the Fund shall be used to supplement funds otherwise available to the Department of Correction for the administration of the Interstate Compact."

JPS/AOC/CONTINGENT COURT COST INCREASES FOR COUNTIES

SECTION 31.26.(a) If House Bill 642 or other substantially similar legislation that requires a misdemeanant with a period of confinement of six months or less to serve the period in a local confinement facility becomes law, then G.S. 7A-304(a)(2) 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.

...

(2) For the use of the courtroom and related judicial facilities, the sum of ~~twelve~~ thirty dollars ~~($12.00)~~($30.00) 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 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.

...."

SECTION 31.26.(b) If House Bill 642 or other substantially similar legislation that requires a misdemeanant with a period of confinement of six months or less to serve the period in a local confinement facility becomes law, then G.S. 7A-304(a) is amended by adding a new subdivision to read:

"(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.

...

(4b) To provide for contractual services to reduce county jail populations, the sum of fifty dollars ($50.00) for all offenses arising under Chapter 20 of the

General Statutes and resulting in a conviction of an improper equipment offense, to be remitted to the Department of Correction."

SECTION 31.26.(c) If House Bill 642 or other substantially similar legislation that requires a misdemeanant with a period of confinement of six months or less to serve the period in a local confinement facility becomes law, then G.S. 7A-311(a) reads as rewritten:

"(a) In a civil action or special proceeding, except for actions brought under Chapter 50B of the General Statutes, the following fees and commissions shall be assessed, collected, and remitted to the county:

(1) a. For each item of civil process served, including summons, subpoenas, notices, motions, orders, writs and pleadings, the sum of ~~fifteen~~ thirty dollars ~~($15.00).~~($30.00). When two or more items of civil process are served simultaneously on one party, only one ~~fifteen dollar ($15.00)~~thirty-dollar ($30.00) fee shall be charged.

...."

SECTION 31.26.(d) If House Bill 642 or other substantially similar legislation that requires a misdemeanant with a period of confinement of six months or less to serve the period in a local confinement facility becomes law, then G.S. 7A-313 reads as rewritten:

"**§ 7A-313. Uniform jail fees.**

Persons who are lawfully confined in jail awaiting trial shall be liable to the county or municipality maintaining the jail in the sum of ~~five~~ ten dollars ~~($5.00)~~($10.00) for each 24 hours' confinement, or fraction thereof, except that a person so confined shall not be liable for this fee if the case or proceeding against him is dismissed, or if acquitted, or if judgment is arrested, or if probable cause is not found, or if the grand jury fails to return a true bill.

Persons who are ordered to pay jail fees pursuant to a probationary sentence shall be liable to the county or municipality maintaining the jail at the same per diem rate paid by the Department of Correction to local jails for maintaining a prisoner, as set by the General Assembly in its appropriations acts."

SECTION 31.26.(e) If House Bill 642 or other substantially similar legislation that requires a misdemeanant with a period of confinement of six months or less to serve the period in a local confinement facility becomes law, then G.S. 153A-225(a) reads as rewritten:

"(a) Each unit that operates a local confinement facility shall develop a plan for providing medical care for prisoners in the facility. The plan

(1) Shall be designed to protect the health and welfare of the prisoners and to avoid the spread of contagious disease;

(2) Shall provide for medical supervision of prisoners and emergency medical care for prisoners to the extent necessary for their health and welfare;

(3) Shall provide for the detection, examination and treatment of prisoners who are infected with tuberculosis or venereal diseases.

The unit shall develop the plan in consultation with appropriate local officials and organizations, including the sheriff, the county physician, the local or district health director, and the local medical society. The plan must be approved by the local or district health director after consultation with the area mental health, developmental disabilities, and substance abuse authority, if it is adequate to protect the health and welfare of the prisoners. Upon a determination that the plan is adequate to protect the health and welfare of the prisoners, the plan must be adopted by the governing body.

As a part of its plan, each unit may establish fees of not more than ~~ten dollars ($10.00)~~ twenty dollars ($20.00) per incident for the provision of nonemergency medical care to prisoners. In establishing fees pursuant to this section, each unit shall establish a procedure for waiving fees for indigent prisoners."

LABORATORY FACILITIES FEE EXPANSION

SECTION 31.26A. G.S. 7A-304(a)(7) 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.

...

(7) For the services of the State Bureau of Investigation laboratory facilities or local law enforcement laboratory facilities, the district or superior court judge shall, upon conviction, order payment of the sum of six hundred dollars ($600.00) to be remitted to the Department of Justice for support of the State Bureau of ~~Investigation.~~Investigation or to the local law enforcement laboratory that performed the analysis. 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.

...."

GENGOV/INS/SET INSURANCE REGULATORY CHARGE

SECTION 31.27.(a) The percentage rate to be used in calculating the insurance regulatory charge under G.S. 58-6-25 is six percent (6%) for the 2011 calendar year.

SECTION 31.27.(b) This section is effective when it becomes law.

INVESTMENT COMPANY NOTICE FILING FEE

SECTION 31.27A.(a) G.S. 78A-31(a) reads as rewritten:

"(a) The Administrator, by rule or order, may require the filing of any of the following documents with regard to a security (i) issued by an investment company that is registered or has filed a registration statement under the Investment Company Act of 1940 and (ii) covered under section 18(b)(2) of the Securities Act of 1933 (15 U.S.C. § 77r(b)(2)):

(1) Prior to the initial offer of the security in this State, all documents that are part of a federal registration statement filed with the Securities and Exchange Commission under the Securities Act of 1933, or, in lieu thereof, a form prescribed by the Administrator, together with a consent to service of process signed by the issuer and with the payment of a notice filing fee ~~of two thousand dollars ($2,000).~~equal to the sum of one thousand seven hundred twenty-five dollars ($1,725) and two hundred seventy-five dollars ($275.00) for each series, fund, or portfolio offered in this State and listed in the federal registration statement.

(2) After the initial offer of the security in this State, all documents that are part of an amendment to a federal registration statement filed with the Securities and Exchange Commission under the Securities Act of 1933, or, in lieu thereof, a form prescribed by the Administrator, which shall be filed concurrently with the Administrator.

(3) A report of the value of securities covered under federal law that are offered or sold in this State.

(4) A notice filing pursuant to this section shall expire on December 31 of each year or some other date not more than one year from its effective date as the Administrator may by rule or order provide. A notice filing of the offer of securities covered under federal law that are to be offered for a period in excess of one year shall be renewed annually by payment of a renewal fee ~~of two thousand dollars ($2,000)~~ equal to the sum of one thousand seven hundred twenty-five dollars ($1,725) and two hundred seventy-five dollars ($275.00) for each series, fund, or portfolio offered in this State and listed in the federal registration statement and by filing any documents and reports that the Administrator may by rule or order require consistent with this section. The renewal shall be effective upon the expiration of the prior notice period.

(5) A notice filed in accordance with this section may be amended after its effective date to increase the securities specified as proposed to be offered. An amendment becomes effective upon receipt by the Administrator. Every person submitting an amended notice filing shall pay a filing fee of fifty

dollars ($50.00) with respect to the additional securities proposed to be offered."

SECTION 31.27A.(b) This section becomes effective July 1, 2011, and applies to fees for filings due on or after that date.

RAISE PARKING RATES

SECTION 31.27B.(a) The Department of Administration shall raise visitor parking rates for lots it administers in the State Government Complex by one dollar ($1.00) per hour.

SECTION 31.27B.(b) Funds generated by subsection (a) of this section shall be used to support debt service associated with the Green Square Parking Lot authorized in S.L. 2008-107.

STATEWIDE INFORMATION TECHNOLOGY PROCUREMENT

SECTION 31.27C. Statewide Information Technology Procurement shall be funded through fees charged to agencies using Statewide Information Technology Procurement services. The Office of the State Chief Information Officer shall provide a fee schedule to allow cost recovery to the Office of State Budget and Management.

If agencies fail to pay for services within 30 days of billing, the Office of State Budget and Management shall transfer the unpaid amount to the State Information Technology Procurement Office.

TRANSPORTATION/DIVISION OF MOTOR VEHICLES BULK DATA

SECTION 31.29. G.S. 20-43.1 is amended by adding a new subsection to read:

"**§ 20-43.1. Disclosure of personal information in motor vehicle records.**

(a) The Division shall disclose personal information contained in motor vehicle records in accordance with the federal Driver's Privacy Protection Act of 1994, as amended, 18 U.S.C. §§ 2721, et seq.

(b) As authorized in 18 U.S.C. § 2721, the Division shall not disclose personal information for the purposes specified in 18 U.S.C. § 2721(b)(11).

(c) The Division shall not disclose personal information for the purposes specified in 18 U.S.C. § 2721(b)(12) unless the Division receives prior written permission from the person about whom the information is requested.

(d) As authorized in 18 U.S.C. § 2721, the Division may disclose personal information to federally designated organ procurement organizations and eye banks operating in this State for the purpose of identifying individuals who have indicated an intent to be an organ donor. Personal information authorized under this subsection is limited to the individual's first, middle, and last name, date of birth, address, sex, county of residence, and drivers license number. Employees of the Division who provide access to or disclosure of information in good-faith compliance with this subsection are not liable in damages for access to or disclosure of the information.

(e) As authorized in 18 U.S.C. § 2721, the Division may also provide copies of partial crash report data collected pursuant to G.S. 20-166.1, partial driver license data kept pursuant to G.S. 20-26(a), and partial vehicle registration application data collected pursuant to G.S. 20-52 in bulk form to persons, private companies, or other entities, for uses other than official, upon payment of a fee of three cents (3¢) per individual record. The Division shall not furnish such data except upon execution by the recipient of a written agreement to comply with the Driver's Privacy Protection Act of 1994, as amended, 18 U.S.C. §§ 2721, et seq. The information released to persons, private companies, or other entities, for uses other than official, pursuant to this subsection, shall not be a public record pursuant to Chapter 132 of the General Statutes."

TRANSPORTATION/FERRY DIVISION TOLLING ON ALL ROUTES

SECTION 31.30.(a) Effective April 1, 2012, G.S. 136-82 reads as rewritten:

"**§ 136-82. Department of Transportation to establish and maintain ferries.**

The Department of Transportation is vested with authority to provide for the establishment and maintenance of ferries connecting the parts of the State highway system, whenever in its discretion the public good may so require, and to prescribe and collect such tolls therefor as may, in the discretion of the Department of Transportation, be expedient. The Board of Transportation shall establish tolls for all ferry routes.

To accomplish the purpose of this section said Department of Transportation is authorized to acquire, own, lease, charter or otherwise control all necessary vessels, boats, terminals or other facilities required for the proper operation of such ferries or to enter into contracts with persons, firms or corporations for the operation thereof and to pay therefor such reasonable sums as may in the opinion of said Department of Transportation represent the fair value of the public service rendered.

The Department of Transportation, notwithstanding any other provision of law, may operate, or contract for the operation of, concessions on the ferries and at ferry facilities to provide to passengers on the ferries food, drink, and other refreshments, personal comfort items, and souvenirs publicizing the ferry system."

SECTION 31.30.(b) The Board of Transportation shall toll all ferry routes no later than the effective date of subsection (a) of this section but is encouraged to begin tolling on all routes before that date. In establishing tolls for ferry routes under G.S. 136-82, as amended by this section, the Board of Transportation shall consider the needs of commuters and other frequent passengers.

PART XXXI-A. FINANCE PROVISIONS

ENCOURAGE JOB GROWTH AND LONG-TERM ECONOMIC PROSPERITY BY TEMPORARILY REDUCING THE INCOME TAX BURDEN ON INDIVIDUALS AND SMALL BUSINESSES

SECTION 31A.1.(a) G.S. 105-134.1 reads as rewritten:

"**§ 105-134.1. Definitions.**

The following definitions apply in this Part:

(1) Adjusted gross income. – Defined in section 62 of the Code.

~~(1)~~(1a) Code. – Defined in G.S. 105-228.90.

(2) Department. – The Department of Revenue.

(3) Educational institution. – An educational institution that normally maintains a regular faculty and curriculum and normally has a regularly organized body of students in attendance at the place where its educational activities are carried on.

(4) Fiscal year. – Defined in section 441(e) of the Code.

(5) Gross income. – Defined in section 61 of the Code.

(6) Head of household. – Defined in section 2(b) of the Code.

(7) Individual. – A human being.

(7a) Limited liability company. – Either a domestic limited liability company organized under Chapter 57C of the General Statutes or a foreign limited liability company authorized by that Chapter to transact business in this State that is classified for federal income tax purposes as a partnership. As applied to a limited liability company that is a partnership under this Part, the term "partner" means a member of the limited liability company.

(7b) Repealed by Session Laws 1998-98, s. 9.

(8) Married individual. – An individual who is married and is considered married as provided in section 7703 of the Code.

(9) Nonresident individual. – An individual who is not a resident of this State.

(10) North Carolina taxable income. – Defined in G.S. 105-134.5.

(10a) Partnership. – A domestic partnership, a foreign partnership, or a limited liability company.

(11) Person. – Defined in G.S. 105-228.90.

(12) Resident. – An individual who is domiciled in this State at any time during the taxable year or who resides in this State during the taxable year for other than a temporary or transitory purpose. In the absence of convincing proof to the contrary, an individual who is present within the State for more than 183 days during the taxable year is presumed to be a resident, but the absence of an individual from the state for more than 183 days raises no presumption that the individual is not a resident. A resident who removes from the State during a taxable year is considered a resident until he has both established a definite domicile elsewhere and abandoned any domicile in this State. The fact of marriage does not raise any presumption as to domicile or residence.

(13) Retirement benefits. – Amounts paid to a former employee or the beneficiary of a former employee under a written retirement plan established by the employer to provide payments to an employee or the beneficiary of an employee after the end of the employee's employment with the employer where the right to receive the payments is based upon the employment relationship. With respect to a self-employed individual or the beneficiary of a self-employed individual, the term means amounts paid to the individual or beneficiary of the individual under a written retirement plan established by the individual to provide payments to the individual or the beneficiary of the individual after the end of the self-employment. In addition, the term includes amounts received from an individual retirement account described in section 408 of the Code or from an individual retirement annuity described in section 408 of the Code. For the purpose of this subdivision, the term "employee" includes a volunteer worker.

(14) S Corporation. – Defined in G.S. 105-131(b).

(15) Secretary. – The Secretary of Revenue.

~~(16) Taxable income. – Defined in section 63 of the Code.~~

(17) Taxable year. – Defined in section 441(b) of the Code.

(18) Taxpayer. – An individual subject to the tax imposed by this Part.

~~(19) This State. – The State of North Carolina.~~"

SECTION 31A.1.(b) G.S. 105-134.2 reads as rewritten:

"**§ 105-134.2. Individual income tax imposed.**

(a) Tax. – ~~A tax is imposed upon the North Carolina taxable income of every individual. The tax shall be levied, collected, and paid annually and shall be computed at the following percentages of the taxpayer's North Carolina taxable income.~~A tax is imposed for each taxable year on the North Carolina taxable income of an individual. The tax is 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%~~5.75%
$21,250	$100,000	~~7%~~6.75%
$100,000	NA	~~7.75%~~7.5%

(2) For heads of households, as defined in section 2(b) of the Code:

Over	Up To	Rate
0	$17,000	~~6%~~5.75%
$17,000	$80,000	~~7%~~6.75%
$80,000	NA	~~7.75%~~7.5%

(3) For unmarried individuals other than surviving spouses and heads of households:

Over	Up To	Rate
0	~~$12,750~~$10,625	~~6%~~5.75%
~~$12,750~~$10,625	~~$60,000~~$50,000	~~7%~~6.75%
~~$60,000~~$50,000	NA	~~7.75%~~7.5%

(4) For married individuals who do not file a joint return under G.S. 105-152:

Over	Up To	Rate
0	$10,625	~~6%~~5.75%
$10,625	$50,000	~~7%~~6.75%
$50,000	NA	~~7.75%~~7.5%

(b) Withholding Tables. – The Secretary may provide tables that compute the amount of tax due for a taxable year under this Part. ~~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~~ The tables do not apply to an individual ~~making~~ who files a return under section 443(a)(1) of the Code for a period of less than 12 months ~~on account of~~ due to 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.~~"

SECTION 31A.1.(c) G.S. 105-134.5 reads as rewritten:

"**§ 105-134.5. North Carolina taxable income defined.**

(a) Residents. – For ~~residents of this State,~~ an individual who is a resident of this State, the term "North Carolina taxable income" means the taxpayer's ~~taxable income as determined under the Code, adjusted as provided in G.S. 105-134.6 and G.S. 105-134.7.~~adjusted gross income as modified in G.S. 105-134.6.

(b) Nonresidents. – For a nonresident ~~individuals,~~ individual, the term "North Carolina taxable income" means the taxpayer's ~~taxable income as determined under the Code, adjusted as provided in G.S. 105-134.6 and G.S. 105-134.7, multiplied by a fraction the denominator of which is the taxpayer's gross income as determined under the Code, adjusted as provided in G.S. 105-134.6 and G.S. 105-134.7, and the numerator of which is the amount of that gross income, as adjusted,~~ adjusted gross income as modified in G.S. 105-134.6, multiplied by a fraction the denominator of which is the taxpayer's adjusted gross income as modified in G.S. 105-134.6, and the numerator of which is the amount of that adjusted gross income, as modified, that is derived from North Carolina sources and is attributable to the ownership of any interest in real or tangible personal property in this State, is derived from a business, trade, profession, or occupation carried on in this State, or is derived from gambling activities in this State.

(c) Part-year Residents. – If an individual was a resident of this State for only part of the taxable year, having moved into or removed from the State during the year, the term "North Carolina taxable income" has the same meaning as in subsection (b) of this section except that the numerator ~~shall include gross income, adjusted as provided in G.S. 105-134.6 and G.S. 105-134.7,~~ includes adjusted gross income, as modified, derived from all sources during the period the individual was a resident.

(d) S Corporations and Partnerships. – In order to calculate the numerator of the fraction provided in subsection ~~(b),~~(b) of this section, the amount of a shareholder's pro rata share of S Corporation income that is includable in the numerator ~~shall be~~ is the shareholder's pro rata share of the S Corporation's income attributable to the State, as defined in G.S. 105-131(b)(4). In order to calculate the numerator of the fraction provided in subsection (b) of this section for a member of a partnership or other unincorporated business ~~with~~ that has one or more nonresident members ~~that~~ and operates in one or more other states, the amount of the member's distributive share of income of the business that is includable in the numerator ~~shall be~~ is determined by multiplying the total net income of the business by the ratio ascertained under the provisions of G.S. 105-130.4. As used in this subsection, total net income means the entire gross income of the business less all expenses, taxes, interest, and other deductions allowable under the Code ~~which~~ that were incurred in the operation of the business.

(e) Tax Year. – A taxpayer must compute North Carolina taxable income on the basis of the taxable year used in computing the taxpayer's income tax liability under the Code."

SECTION 31A.1.(d) G.S. 105-134.6 reads as rewritten:

"**§ 105-134.6. ~~Adjustments to taxable income.~~Modifications to adjusted gross income.**

(a) Personal Exemption. – In calculating North Carolina taxable income, a taxpayer may deduct an exemption amount equal to the amount listed in the table below based on the taxpayer's filing status and adjusted gross income. The taxpayer is allowed the same number of personal exemptions claimed under section 151 of the Code for the taxable year.

Filing Status	Adjusted Gross Income	Personal Exemption
Married, filing jointly	Up to $100,000	$2,500
	Over $100,000	$2,000
Head of Household	Up to $80,000	$2,500
	Over $80,000	$2,000
Single	Up to $60,000	$2,500

	Over $60,000	$2,000
Married, filing separately	Up to $50,000	$2,500
	Over $50,000	$2,000

(b) Standard Deduction. – In calculating North Carolina taxable income, a taxpayer may deduct the standard deduction amount listed in the table below for that taxpayer's filing status or deduct the itemized deduction amounts provided in subsection (c) of this section. A taxpayer may not deduct both the standard deduction amount allowed under this subsection and the itemized deductions allowed under subsection (c) of this section. The Secretary must publish the standard deduction amounts set under this subsection.

Filing Status	Standard Deduction
Married, filing jointly	$6,000
Head of Household	4,400
Single	3,000
Married, filing separately	3,000.

(c) Itemized Deductions. – In calculating North Carolina taxable income, a taxpayer may deduct the amounts allowed under this subsection or the standard deduction amount provided in subsection (b) of this section. A taxpayer may not deduct both the amounts allowed under this subsection and the standard deduction amount allowed under subsection (b) of this section.

(1) Medical expenses. – An amount equal to the amount the taxpayer deducted under section 213 of the Code for medical expenses paid during the taxable year.

(2) Home mortgage interest. – An amount equal to the amount the taxpayer deducted under section 163 of the Code for interest paid or accrued during the taxable year on acquisition indebtedness or home equity indebtedness.

(3) Charitable contributions. – An amount equal to the amount the taxpayer deducted under section 170 of the Code for charitable contributions made during the taxable year.

(d) Other Deductions. – In calculating North Carolina taxable income, a taxpayer may deduct from the taxpayer's adjusted gross income any of the following items that are included in the taxpayer's adjusted gross income:

(1) Interest upon the obligations of any of the following:
  a. The United States or its possessions.
  b. This State, a political subdivision of this State, or a commission, an authority, or another agency of this State or of a political subdivision of this State.
  c. A nonprofit educational institution organized or chartered under the laws of this State.

(2) Gain from the disposition of obligations issued before July 1, 1995, to the extent the gain is exempt from tax under the laws of this State.

(3) Amounts received under Title II of the Social Security Act and amounts received from retirement annuities or pensions paid under the provisions of the Railroad Retirement Act of 1937.

(4) Refunds of State, local, and foreign income taxes.

(5) The amount received during the taxable year from one or more State, local, or federal government retirement plans to the extent the amount is exempt from tax under this Part pursuant to a court order in settlement of any of the following cases:
  a. Bailey v. State, 92 CVS 10221, 94 CVS 6904, 95 CVS 6625, 95 CVS 8230.
  b. Emory v. State, 98 CVS 0738.
  c. Patton v. State, 95 CVS 04346.

(6) An amount of benefits received from one or more retirement plans during the taxable year. The maximum amount allowed to be deducted under this subdivision may not exceed four thousand dollars ($4,000). In the case of a married couple filing a joint return where both spouses received retirement benefits during the taxable year, the maximum dollar amounts apply

separately to each spouse's benefits. The amount of retirement benefits received in a taxable year is the sum of the following:

a. The amount received during the taxable year from one or more State, local, or federal government retirement plans.

b. The amount received during the taxable year from one or more retirement plans other than State, local, or federal government retirement plans. The maximum amount allowed under this sub-subdivision in any taxable year is two thousand dollars ($2,000).

(7) Income that meets both of the following requirements:

a. Is earned or received by an enrolled member of a federally recognized Indian tribe.

b. Is derived from activities on a federally recognized Indian reservation while the member resides on the reservation. Income from intangibles having a situs on the reservation and retirement income associated with activities on the reservation are considered income derived from activities on the reservation.

(8) The amount by which the basis of property under this Article exceeds the basis of the property under the Code, in the year the taxpayer disposes of the property.

(9) The amount paid to the taxpayer by the State under G.S. 148-84 as compensation for pecuniary loss suffered by reason of erroneous conviction and imprisonment.

(10) The amount contributed to an account in the Parental Savings Trust Fund of the State Education Assistance Authority established pursuant to G.S. 116-209.25. The maximum amount allowed to be deducted under this subdivision may not exceed two thousand five hundred dollars ($2,500). In the case of a married couple filing a joint return, the maximum dollar amount of the deduction is five thousand dollars ($5,000).

(11) If a taxpayer is an eligible firefighter or an eligible rescue squad worker, the sum of two hundred fifty dollars ($250.00). In the case of a married couple filing a joint return, each spouse may qualify separately for the deduction allowed under this subdivision. In order to claim the deduction allowed under this subdivision, the taxpayer must submit with the tax return any documentation required by the Secretary. An individual may not claim a deduction as both an eligible firefighter and as an eligible rescue squad worker in a single taxable year. The following definitions apply in this subdivision:

a. Eligible firefighter. – An unpaid member of a volunteer fire department who attended at least 36 hours of fire department drills and meetings during the taxable year.

b. Eligible rescue squad worker. – An unpaid member of a volunteer rescue or emergency medical services squad who attended at least 36 hours of rescue squad training and meetings during the taxable year.

(12) The amount paid to the taxpayer during the taxable year from the Disaster Relief Reserve Fund in the Office of State Budget and Management for hurricane relief or assistance, but not including payments for goods or services provided by the taxpayer.

(13) The first fifty thousand dollars ($50,000) of net business income the taxpayer receives during the taxable year from a small business. A small business is a business whose cumulative gross receipts from all business activity in a taxable year does not exceed eight hundred twenty-five thousand dollars ($825,000). For purposes of this subdivision, the term "business income" does not include income that is considered passive income under the Code. This subdivision expires for taxable years beginning on or after January 1, 2014.

(14) An amount equal to twenty percent (20%) of the amount added to federal taxable income as accelerated depreciation under subdivision (b)(6) of this section. For the amount added to taxable income in the 2010 taxable year, the deduction allowed by this subdivision applies to the first five taxable

years beginning on or after January 1, 2011. For the amount added to taxable income in the 2011 taxable year, the deduction allowed by this subdivision applies to the first five taxable years beginning on or after January 1, 2012. For the amount added to taxable income in the 2012 taxable year, the deduction allowed by this subdivision applies to the first five taxable years beginning on or after January 1, 2013.

(15) An amount equal to twenty percent (20%) of the amount added to federal taxable income under subdivision (b)(7) of this section. For the amount added to taxable income in the 2010 taxable year, the deduction allowed by this subdivision applies to the first five taxable years beginning on or after January 1, 2011. For the amount added to taxable income in the 2011 taxable year, the deduction allowed by this subdivision applies to the first five taxable years beginning on or after January 1, 2012.

(e) Additions. – In calculating North Carolina taxable income, a taxpayer must add to the taxpayer's adjusted gross income any of the following items that are not included in the taxpayer's adjusted gross income:

(1) Interest upon the obligations of states other than this State, political subdivisions of those states, and agencies of those states and their political subdivisions.

(2) The amount by which a shareholder's share of S Corporation income is reduced under section 1366(f)(2) of the Code for the taxable year by the amount of built-in gains tax imposed on the S Corporation under section 1374 of the Code.

(3) The amount by which the basis of property under the Code exceeds the basis of the property under this Article, in the year the taxpayer disposes of the property.

(4) The amount excluded from gross income under section 199 of the Code.

(5) The amount deducted in a prior taxable year under subdivision (a)(10) of this section to the extent this amount was withdrawn from the Parental Savings Trust Fund of the State Education Assistance Authority established pursuant to G.S. 116-209.25 and not used to pay for the qualified higher education expenses of the designated beneficiary, unless the withdrawal was made without penalty under section 529 of the Code due to the death or permanent disability of the designated beneficiary.

(6) The market price of the gleaned crop for which the taxpayer claims a credit for the taxable year under G.S. 105-151.14.

(7) The amount of a donation made to a nonprofit organization or a unit of State or local government for which a credit is claimed under G.S. 105-129.16H.

(8) For taxable years 2010 through 2012, eighty-five percent (85%) of the amount allowed as a special accelerated depreciation deduction under section 168(k) or 168(n) of the Code for property placed in service during the taxable year. In addition, for taxable year 2010, a taxpayer who placed property in service during the 2009 taxable year and whose North Carolina taxable income for the 2009 taxable year reflected a special accelerated depreciation deduction allowed for the property under section 168(k) of the Code must add eighty-five percent (85%) of the amount of the special accelerated depreciation deduction. These adjustments do not result in a difference in basis of the affected assets for State and federal income tax purposes.

(9) For taxable years 2010 and 2011, eighty-five percent (85%) of the amount by which the taxpayer's expense deduction under section 179 of the Code for property placed in service in taxable year 2010 or 2011 exceeds the amount that would have been allowed for the respective taxable year under section 179 of the Code as of May 1, 2010. For purposes of this subdivision, the definition of section 179 property has the same meaning as under section 179 of the Code as of January 1, 2011. These adjustments do not result in a difference in basis of the affected assets for State and federal income tax purposes.

~~(a) S Corporations. Each shareholder's pro rata share of an S Corporation's income is subject to the adjustments provided in this section.~~

~~(b) Deductions. The following deductions from taxable income shall be made in calculating North Carolina taxable income, to the extent each item is included in taxable income:~~

~~(1) Interest upon the obligations of any of the following:~~

~~a. The United States or its possessions.~~

~~b. This State, a political subdivision of this State, or a commission, an authority, or another agency of this State or of a political subdivision of this State.~~

~~c. A nonprofit educational institution organized or chartered under the laws of this State.~~

~~(2) Gain from the disposition of obligations issued before July 1, 1995, to the extent the gain is exempt from tax under the laws of this State.~~

~~(3) Benefits received under Title II of the Social Security Act and amounts received from retirement annuities or pensions paid under the provisions of the Railroad Retirement Act of 1937.~~

~~(4) Repealed by Session Laws 1989 (Reg. Sess., 1990), c. 1002, s. 2.~~

~~(5) Refunds of state, local, and foreign income taxes included in the taxpayer's gross income.~~

~~(5a) Reserved.~~

~~(5b) The amount received during the taxable year from one or more State, local, or federal government retirement plans to the extent the amount is exempt from tax under this Part pursuant to a court order in settlement of the following cases: Bailey v. State, 92 CVS 10221, 94 CVS 6904, 95 CVS 6625, 95 CVS 8230; Emory v. State, 98 CVS 0738; and Patton v. State, 95 CVS 04346. Amounts deducted under this subdivision may not also be deducted under subdivision (6) of this subsection.~~

~~(6) a. An amount, not to exceed four thousand dollars ($4,000), equal to the sum of the amount calculated in subparagraph b. plus the amount calculated in subparagraph c.~~

~~b. The amount calculated in this subparagraph is the amount received during the taxable year from one or more state, local, or federal government retirement plans.~~

~~c. The amount calculated in this subparagraph is the amount received during the taxable year from one or more retirement plans other than state, local, or federal government retirement plans, not to exceed a total of two thousand dollars ($2,000) in any taxable year.~~

~~d. In the case of a married couple filing a joint return where both spouses received retirement benefits during the taxable year, the maximum dollar amounts provided in this subdivision for various types of retirement benefits apply separately to each spouse's benefits.~~

~~(7) Recodified as G.S. 105-134.6(d)(1).~~

~~(8) Recodified as G.S. 105-134.6(d)(2).~~

~~(9) Income that is (i) earned or received by an enrolled member of a federally recognized Indian tribe and (ii) derived from activities on a federally recognized Indian reservation while the member resides on the reservation. Income from intangibles having a situs on the reservation and retirement income associated with activities on the reservation are considered income derived from activities on the reservation.~~

~~(10) The amount by which the basis of property under this Article exceeds the basis of the property under the Code, in the year the taxpayer disposes of the property.~~

~~(11) Severance wages received by a taxpayer from an employer as the result of the taxpayer's permanent, involuntary termination from employment through no fault of the employee. The amount of severance wages deducted as the result of the same termination may not exceed thirty-five thousand dollars ($35,000) for all taxable years in which the wages are received.~~

~~(12) Repealed by Session Laws 1998-171, s. 2, effective October 1, 1998.~~

~~(13) Repealed by Session Laws 2002-126, s. 30C.4, effective for taxable years beginning on or after January 1, 2002.~~

~~(14) The amount paid to the taxpayer by the State under G.S. 148-84 as compensation for pecuniary loss suffered by reason of erroneous conviction and imprisonment.~~

~~(15) Interest, investment earnings, and gains of a trust, the settlors of which are two or more manufacturers that signed a settlement agreement with this State to settle existing and potential claims of the State against the manufacturers for damages attributable to a product of the manufacturers, if the trust meets all of the following conditions:~~

~~a. The purpose of the trust is to address adverse economic consequences resulting from a decline in demand of the manufactured product potentially expected to occur because of market restrictions and other provisions in the settlement agreement.~~

~~b. A court of this State approves and retains jurisdiction over the trust.~~

~~c. Certain portions of the distributions from the trust are made in accordance with certifications that meet the criteria in the agreement creating the trust and are provided by a nonprofit entity, the governing board of which includes State officials.~~

~~(16) The amount paid to the taxpayer during the taxable year from the Hurricane Floyd Reserve Fund in the Office of State Budget and Management for hurricane relief or assistance, but not including payments for goods or services provided by the taxpayer.~~

~~(17) In each of the taxpayer's first five taxable years beginning on or after January 1, 2005, an amount equal to twenty percent (20%) of the amount added to taxable income in a previous year as accelerated depreciation under subdivision (c)(8) of this section.~~

~~(17a) An amount equal to twenty percent (20%) of the amount added to federal taxable income as accelerated depreciation under subdivision (c)(8a) of this section. For a taxpayer who made the addition for accelerated depreciation in the 2008 taxable year, the deduction allowed by this subdivision applies to the first five taxable years beginning on or after January 1, 2009. For a taxpayer who made the addition for accelerated depreciation in the 2009 taxable year, the deduction allowed by this subdivision applies to the first five taxable years beginning on or after January 1, 2010.~~

~~(18) The amount paid to the taxpayer during the taxable year from the Disaster Relief Reserve Fund in the Office of State Budget and Management for hurricane relief or assistance, but not including payments for goods or services provided by the taxpayer.~~

~~(19) Five percent (5%) of the gross purchase price of a qualified sale of a manufactured home community. A qualified sale is a transfer of land comprising a manufactured home community in a single purchase to a group composed of a majority of the manufactured home community leaseholders or to a nonprofit organization that represents such a group. To be eligible for this deduction, a taxpayer must give notice of the sale to the North Carolina Housing Finance Agency under G.S. 42-14.3.~~

~~(20) The amount added to federal taxable income as deferred income under section 108(i)(1) of the Code. This deduction applies to taxable years beginning on or after January 1, 2014.~~

~~(c) Additions. The following additions to taxable income shall be made in calculating North Carolina taxable income, to the extent each item is not included in taxable income:~~

~~(1) Interest upon the obligations of states other than this State, political subdivisions of those states, and agencies of those states and their political subdivisions.~~

~~(2) Any amount allowed as a deduction from gross income under the Code that is taxed under the Code by a separate tax other than the tax imposed in section 1 of the Code.~~

~~(3) Any amount deducted from gross income under section 164 of the Code as state, local, or foreign income tax or as state or local general sales tax to the extent that the taxpayer's total itemized deductions deducted under the Code for the taxable year exceed the standard deduction allowable to the taxpayer under the Code reduced by the amount the taxpayer is required to add to taxable income under subdivision (4) of this subsection.~~

~~(3a) The amount by which a shareholder's share of S Corporation income is reduced under section 1366(f)(2) of the Code for the taxable year by the amount of built in gains tax imposed on the S Corporation under section 1374 of the Code.~~

~~(4) The amount by which the taxpayer's additional standard deduction for aged and blind has been increased for inflation under section 63(c)(4)(A) of the Code plus the amount by which the taxpayer's basic standard deduction, including adjustments for inflation, under the Code exceeds the appropriate amount in the following chart based on the taxpayer's filing status:~~

~~Filing Status~~	~~Standard Deduction~~
~~Married filing jointly/Surviving Spouse~~	~~$6,000~~
~~Head of Household~~	~~4,400~~
~~Single~~	~~3,000~~
~~Married filing separately~~	~~3,000~~

~~(4a) The amount by which each of the taxpayer's personal exemptions has been increased for inflation under section 151(d)(4)(A) of the Code. This amount is reduced by five hundred dollars ($500.00) for each personal exemption if the taxpayer's adjusted gross income (AGI), as calculated under the Code, is less than the following amounts:~~

~~Filing Status~~	~~AGI~~
~~Married, filing jointly~~	~~$100,000~~
~~Head of Household~~	~~80,000~~
~~Single~~	~~60,000~~
~~Married, filing separately~~	~~50,000.~~

~~For the purposes of this subdivision, if the taxpayer's personal exemptions have been reduced by the applicable percentage under section 151(d)(3) of the Code, the amount by which the personal exemptions have been increased for inflation is also reduced by the applicable percentage.~~

~~(5) The market price of the gleaned crop for which the taxpayer claims a credit for the taxable year under G.S. 105-151.14.~~

~~(5a) The market price of the oyster shells for which the taxpayer claims a credit for the taxable year under G.S. 105-151.30.~~

~~(5b) The amount of a donation made to a nonprofit organization or a unit of State or local government for which a credit is claimed under G.S. 105-129.16H.~~

~~(6) The amount by which the basis of property under the Code exceeds the basis of the property under this Article, in the year the taxpayer disposes of the property.~~

~~(7) The amount of federal estate tax that is attributable to an item of income in respect of a decedent and is deducted from gross income under section 691(c) of the Code.~~

~~(8) For taxable years 2002-2005, the applicable percentage of the amount allowed as a special accelerated depreciation deduction under section 168(k) or section 1400L of the Code, as set out in the table below. In addition, a taxpayer who was allowed a special accelerated depreciation deduction under section 168(k) or section 1400L of the Code in a taxable year beginning before January 1, 2002, and whose North Carolina taxable income in that earlier year reflected that accelerated depreciation deduction must add to federal taxable income in the taxpayer's first taxable year beginning on or after January 1, 2002, an amount equal to the amount of the deduction allowed in the earlier taxable year. These adjustments do not result in a difference in basis of the affected assets for State and federal income tax purposes. The applicable percentage is as follows:~~

~~Taxable Year~~	~~Percentage~~

2002	100%
2003	70%
2004	70%
2005 and thereafter	0%

(8a) The applicable percentage of the amount allowed as a special accelerated depreciation deduction under section 168(k) or 168(n) of the Code for property placed in service after December 31, 2007, but before January 1, 2010. The applicable percentage under this subdivision is eighty five percent (85%).

In addition, a taxpayer who was allowed a special accelerated depreciation deduction in taxable year 2007 or 2008 for property placed in service during that year, and whose North Carolina taxable income for that year reflected that accelerated depreciation deduction must make the adjustments set out below. These adjustments do not result in a difference in basis of the affected assets for State and federal income tax purposes.

a. A taxpayer must add to federal taxable income in the taxpayer's 2008 taxable year an amount equal to the applicable percentage of the accelerated depreciation deduction reflected in the taxpayer's 2007 North Carolina taxable income.

b. A taxpayer must add to federal taxable income in the taxpayer's 2009 taxable year an amount equal to the applicable percentage of the accelerated depreciation deduction reflected in the taxpayer's 2008 North Carolina taxable income.

(9) Repealed by Session Laws 2006-220, s. 3, effective for taxable years beginning on and after January 1, 2007.

(10) The amount excluded from gross income under section 199 of the Code.

(11) The amount of the taxpayer's real property tax deduction under section 63(c)(1)(C) of the Code.

(12) The amount of the taxpayer's deduction for motor vehicle sales taxes under section 164(a)(6) or section 63(c)(1)(E) of the Code.

(13) The amount of income deferred under section 108(i)(1) of the Code from the discharge of indebtedness in connection with a reacquisition of an applicable debt instrument.

(14) The amount allowed as a deduction under section 163(e)(5)(F) of the Code for an original issue discount on an applicable high yield discount obligation.

(d) Other Adjustments. The following adjustments to taxable income shall be made in calculating North Carolina taxable income:

(1) The amount of inheritance or estate tax attributable to an item of income in respect of a decedent required to be included in gross income under the Code, adjusted as provided in G.S. 105-134.5, 105-134.6, and 105-134.7, may be deducted in the year the item of income is included. The amount of inheritance or estate tax attributable to an item of income in respect of a decedent is (i) the amount by which the inheritance or estate tax paid under Article 1 or 1A of this Chapter on property transferred to a beneficiary by a decedent exceeds the amount of the tax that would have been payable by the beneficiary if the item of income in respect of a decedent had not been included in the property transferred to the beneficiary by the decedent, (ii) multiplied by a fraction, the numerator of which is the amount required to be included in gross income for the taxable year under the Code, adjusted as provided in G.S. 105-134.5, 105-134.6, and 105-134.7, and the denominator of which is the total amount of income in respect of a decedent transferred to the beneficiary by the decedent. For an estate or trust, the deduction allowed by this subdivision shall be computed by excluding from the gross income of the estate or trust the portion, if any, of the items of income in respect of a decedent that are properly paid, credited, or to be distributed to the beneficiaries during the taxable year.

The Secretary may provide to a beneficiary of an item of income in respect of a decedent any information contained on an inheritance or estate

~~tax return that the beneficiary needs to compute the deduction allowed by this subdivision.~~

~~(2) The taxpayer may deduct the amount by which the taxpayer's deductions allowed under the Code were reduced, and the amount of the taxpayer's deductions that were not allowed, because the taxpayer elected a federal tax credit in lieu of a deduction. This deduction is allowed only to the extent that a similar credit is not allowed by this Chapter for the amount.~~

~~(3) The taxpayer shall add to taxable income the amount of any recovery during the taxable year not included in taxable income, to the extent the taxpayer's deduction of the recovered amount in a prior taxable year reduced the taxpayer's tax imposed by this Part but, due to differences between the Code and this Part, did not reduce the amount of the taxpayer's tax imposed by the Code. The taxpayer may deduct from taxable income the amount of any recovery during the taxable year included in taxable income under section 111 of the Code, to the extent the taxpayer's deduction of the recovered amount in a prior taxable year reduced the taxpayer's tax imposed by the Code but, due to differences between the Code and this Part, did not reduce the amount of the taxpayer's tax imposed by this Part.~~

~~(4) A taxpayer may deduct from taxable income the amount, not to exceed two thousand five hundred dollars ($2,500), contributed to an account in the Parental Savings Trust Fund of the State Education Assistance Authority established pursuant to G.S. 116-209.25. In the case of a married couple filing a joint return, the maximum dollar amount of the deduction is five thousand dollars ($5,000).~~

~~(5) The taxpayer shall add to taxable income the amount deducted from taxable income in a prior taxable year under subdivision (4) of this subsection to the extent this amount was withdrawn from the Parental Savings Trust Fund of the State Education Assistance Authority established pursuant to G.S. 116-209.25 and not used to pay for the qualified higher education expenses of the designated beneficiary, unless the withdrawal was made without penalty under section 529 of the Code due to the death or permanent disability of the designated beneficiary.~~

~~(6) A taxpayer who is an eligible firefighter or an eligible rescue squad worker may deduct from taxable income the sum of two hundred fifty dollars ($250.00). In the case of a married couple filing a joint return, each spouse may qualify separately for the deduction allowed under this subdivision. In order to claim the deduction allowed under this subdivision, the taxpayer must submit with the tax return any documentation required by the Secretary. An individual may not claim a deduction as both an eligible firefighter and as an eligible rescue squad worker in a single taxable year. The following definitions apply in this subdivision:~~

~~a. Eligible firefighter. — An unpaid member of a volunteer fire department who attended at least 36 hours of fire department drills and meetings during the taxable year.~~

~~b. Eligible rescue squad worker. — An unpaid member of a volunteer rescue or emergency medical services squad who attended at least 36 hours of rescue squad training and meetings during the taxable year.~~

~~(7) The taxpayer shall add to taxable income the amounts listed in this subdivision. An addition is not required under this subdivision for a net operating loss deduction of an eligible small business as defined under section 172(b)(1)(H) of the Code. The amounts are:~~

~~a. For taxable years 2003, 2004, and 2005, the amount of any 2008 net operating loss deduction claimed on a federal return under section 172(b)(1)(H) or section 810(b)(4) of the Code.~~

~~b. For taxable years 2004, 2005, and 2006, the amount of any 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 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.~~"

SECTION 31A.1.(e) G.S. 105-151.26 reads as rewritten:

"**§ 105-151.26. Credit for charitable contributions by nonitemizers.**

A taxpayer who elects the standard deduction under ~~section 63 of the Code for federal tax purposes~~ G.S. 105-134.6(b) is allowed as a credit against the tax imposed by this Part an amount equal to seven percent (7%) of the taxpayer's excess charitable contributions. The taxpayer's excess charitable contributions are the amount by which the taxpayer's charitable contributions for the taxable year that would have been deductible under ~~section 170 of the Code~~ G.S. 105-134.6(c)(3) if the taxpayer had not elected the standard deduction exceed two percent (2%) of the taxpayer's adjusted gross ~~income as calculated under the Code.~~income.

~~No credit shall be allowed under this section for amounts deducted from gross income in calculating taxable income under the Code or for contributions for which a credit was claimed under G.S. 105-151.12 or G.S. 105-151.14.~~ A nonresident or part-year resident who claims the credit allowed by this section shall reduce the amount of the credit by multiplying it by the fraction calculated under G.S. 105-134.5(b) or (c), as appropriate. The credit allowed under this section may not exceed the amount of tax imposed by this Part for the taxable year reduced by the sum of all credits allowed, except payments of tax made by or on behalf of the taxpayer."

SECTION 31A.1.(f) Effective for taxable years beginning on or after January 1, 2014, G.S. 105-134.6(a), as amended by subsection (a) of this section, reads as rewritten:

"(a) Tax. – A tax is imposed for each taxable year on the North Carolina taxable income of an individual. The tax is 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	~~5.75%~~6%
$21,250	$100,000	~~6.75%~~7%
$100,000	NA	~~7.5%~~7.75%

(2) For heads of households, as defined in section 2(b) of the Code:

Over	Up To	Rate
0	$17,000	~~5.75%~~6%
$17,000	$80,000	~~6.75%~~7%
$80,000	NA	~~7.5%~~7.75%

(3) For unmarried individuals other than surviving spouses and heads of households:

Over	Up To	Rate
0	$10,625	~~5.75%~~6%
$10,625	$50,000	~~6.75%~~7%
$50,000	NA	~~7.5%~~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	~~5.75%~~6%
$10,625	$50,000	~~6.75%~~7%
$50,000	NA	~~7.5%~~7.75%"

SECTION 31A.1.(g) Except as otherwise provided, this section becomes effective for taxable years beginning on or after January 1, 2012.

ELIMINATE DEDUCTION FOR SEVERANCE WAGES AND CREDIT FOR OYSTER SHELLS

SECTION 31A.2.(a) G.S. 105-134.6(b)(11) and (b)(19), G.S. 105-130.48, and G.S. 105-151.30 are repealed.

SECTION 31A.2.(b) This section becomes effective for taxable years beginning on or after January 1, 2011.

ELIMINATE SALES TAX EXEMPTION FOR CERTAIN NUTRITIONAL SUPPLEMENTS AND THE ENERGY STAR SALES TAX HOLIDAY

SECTION 31A.3.(a) G.S. 105-164.13(13c) and G.S. 105-164.13D are repealed.

SECTION 31A.3.(b) G.S. 105-467(b) reads as rewritten:

"(b) Exemptions and Refunds. – The State exemptions and exclusions contained in G.S. 105-164.13, the State sales and use tax ~~holidays~~ holiday contained in G.S. ~~105-164.13C and G.S. 105-164.13D,~~105-164.13C, and the State refund provisions contained in G.S. 105-164.14 through G.S. 105-164.14B apply to the local sales and use tax authorized to be levied and imposed under this Article. Except as provided in this subsection, a taxing county may not allow an exemption, exclusion, or refund that is not allowed under the State sales and use tax. A local school administrative unit and a joint agency created by interlocal agreement among local school administrative units pursuant to G.S. 160A-462 to jointly purchase food service-related materials, supplies, and equipment on their behalf is allowed an annual refund of sales and use taxes paid by it under this Article on direct purchases of tangible personal property and services, other than electricity, telecommunications service, and ancillary service. Sales and use tax liability indirectly incurred by the entity on building materials, supplies, fixtures, and equipment that become a part of or annexed to any building or structure that is owned or leased by the entity and is being erected, altered, or repaired for use by the entity is considered a sales or use tax liability incurred on direct purchases by the entity for the purpose of this subsection. A request for a refund shall be in writing and shall include any information and documentation required by the Secretary. A request for a refund is due within six months after the end of the entity's fiscal year. Refunds applied for more than three years after the due date are barred."

SECTION 31A.3.(c) This section becomes effective October 1, 2011, and applies to sales made 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.

MOST TEXT APPLIES ONLY TO THE 2011-2013 FISCAL BIENNIUM

SECTION 32.2. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2011-2013 fiscal biennium, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 2011-2013 fiscal biennium.

EFFECT OF HEADINGS

SECTION 32.3. 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.

COMMITTEE REPORT

SECTION 32.4.(a) The Senate Appropriations Committee Report on the Continuation, Expansion, and Capital Budgets dated May 26, 2011, which was distributed in the Senate 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 32.4.(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 2011-2013 biennial 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 a recommended continuation budget to the General Assembly on February 15, 2011, in the document "The State of North Carolina Governor's Recommended Budget, 2011-2013" and in the Budget Support Document 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 32.4.(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.

SEVERABILITY CLAUSE

SECTION 32.5. If any section or provision of this act is declared unconstitutional or invalid by the courts, it does not affect the validity of this act as a whole or any part other than the part so declared to be unconstitutional or invalid.

EFFECTIVE DATE

SECTION 32.6. Except as otherwise provided, this act becomes effective July 1, 2011.

May 18

ATTACHMENT 5

SENATE APPROPRIATIONS COMMITTEE

REPORT
ON THE
CONTINUATION, EXPANSION
AND
CAPITAL BUDGETS

House Bill 200

Proposed Committee Substitute

May 24th, 2011

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General Fund Availability Statement

		FY 2011-12	FY 2012-13
1	Unappropriated Balance Remaining		72,311,073
2	Ending Unreserved Fund Balance for FY 2009-10	236,902,394	0
3	Anticipated Reversions for FY 2010-11 - Session Law 2011-15 (S.B. 109)	537,740,799	0
4	Anticipated Overcollections from FY 2010-11	180,800,000	0
5	Repayment of Medicaid Receipts in FY 2010-11	(125,000,000)	0
6	**Statutory Earmarks:**		
7	Savings Reserve Account	(202,994,340)	0
8	Repairs and Renovations Reserve Account	(202,994,339)	0
9	**Beginning Unreserved Fund Balance**	**424,454,514**	**72,311,073**
10	**Revenues Based on Existing Tax Structure**	**18,129,800,000**	**19,181,900,000**
11	**Non-tax Revenues**		
12	Investment Income	59,400,000	76,700,000
13	Judicial Fees	217,800,000	217,800,000
14	Disproportionate Share	100,000,000	100,000,000
15	Insurance	71,400,000	73,500,000
16	Other Non-Tax Revenues	182,500,000	182,500,000
17	Highway Trust Fund/Use Tax Reimbursement Transfer	41,500,000	27,600,000
18	Highway Fund Transfer	20,230,000	24,080,000
19	**Subtotal Non-tax Revenues**	**692,830,000**	**702,180,000**
20	**Total General Fund Availability**	**19,247,084,514**	**19,956,391,073**
21	**Adjustments to Availability: 2011 Session**		
22	Loss of Estate Tax	(57,100,000)	(72,200,000)
23	Jobs Package	(186,400,000)	(485,300,000)
24	Repeal Deduction for Sale of a Manufactured Home Community to		
25	Manufactured Homeowners	100,000	100,000
26	Repeal Deduction for Severance Wages	16,000,000	16,400,000
27	Repeal Credit for Recycling Oyster Shells	100,000	100,000
28	Repeal Energy Star Tax Holiday	1,900,000	2,000,000
29	Repeal Sales Tax Exemption for Nutritional Supplements Sold by		
30	Chiropractors	300,000	400,000
31	Repeal Wildlife Resources Commission Sales Tax Earmark	22,970,000	23,920,000
32	Suspend Corporate Income Tax Earmark (Public School Construction)	0	74,750,000
33	Increase in Judicial Fees	60,986,955	60,986,955
34	Increase Investment Company Notice Filing Fee	1,600,000	1,600,000
35	Increase Parking Fees for Visitors	550,000	550,000
36	Loss of Revenue from the Town of Butner	(1,213,235)	(1,213,235)
37	Transfer from E-Commerce Reserve Fund	4,483,526	0
38	Divert Funds from Parks & Recreation Trust Fund	4,217,500	0
39	Divert Funds from Recreational/ Natural Heritage Trust Fund	4,500,000	0
40	Transfer from Highway Fund for State Highway Patrol	193,585,434	189,859,507
41	Transfer from Highway Trust Fund for School Bus Replacement	35,223,642	0
42	Transfer from Mercury Prevention Pollution Fund	125,000	0
43	Transfer from Commerce - Enterprise Fund	250,000	
44	Divert Funds from Scrap Tire Disposal Account	1,134,495	0
45	Divert Funds from White Goods Management Account	1,131,342	0
46	Diversion of Golden LEAF Funds	67,563,760	67,563,760
47	Tobacco Trust Fund Master Settlement Agreement Funds	8,334,360	8,790,386
48	Health and Wellness Trust Fund Master Settlement Agreement Funds	16,334,360	16,790,386
49	Transfer Health and Wellness Trust Funds to Public Health	32,904,411	0
50	Department of Revenue - Accounts Receivable Program	15,000,000	15,000,000
51	Medicaid Disproportionate Share Receipts	15,000,000	15,000,000
52	Adjust Transfer from Insurance Regulatory Fund	(742,348)	(742,348)
53	Adjust Transfer from Treasurer's Office	(3,881,172)	(3,916,453)
54	**Subtotal Adjustments to Availability: 2011 Session**	**254,958,030**	**(69,561,042)**
55	**Revised General Fund Availability**	**19,502,042,544**	**19,886,830,031**
56	Less General Fund Appropriations	(19,429,731,471)	(19,886,830,031)
57	**Unappropriated Balance Remaining**	**72,311,073**	**0**

SUMMARY:

GENERAL FUND APPROPRIATIONS

SUMMARY OF GENERAL FUND APPROPRIATIONS 2011 Legislative Session: Fiscal Year 2011-12						
		Legislative Adjustments				Revised
	Continuation Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2011-12
Education						
Community Colleges	1,102,475,214	(112,569,798)	(7,600,000)	(120,169,798)	(25.00)	982,305,416
Public Education	7,923,543,951	(618,571,148)	(78,216,861)	(696,788,009)	(139.75)	7,226,755,942
University System	2,887,492,464	(351,546,259)	(7,453,741)	(359,000,000)	309.80	2,528,492,464
Total Education	**11,913,511,629**	**(1,082,687,205)**	**(93,270,602)**	**(1,175,957,807)**	**145.05**	**10,737,553,822**
Health and Human Services						
Central Management and Support	70,229,335	(30,817,345)	5,599,390	(25,217,955)	(288.00)	45,011,380
Aging and Adult Services	37,419,667	(2,060,000)	0	(2,060,000)	0.00	35,359,667
Blind and Deaf / Hard of Hearing Services	8,389,110	(190,961)	(1,000,000)	(1,190,961)	0.00	7,198,149
Child Development	261,759,600	10,695,977	(6,352,644)	4,343,333	0.00	266,102,933
Health Service Regulation	17,925,590	0	(1,792,559)	(1,792,559)	0.00	16,133,031
Medical Assistance	3,314,539,538	(370,091,158)	(16,146,384)	(386,237,542)	(30.00)	2,928,301,996
Mental Health, Dev. Disabilities and Sub. Abuse	723,675,112	(50,196,885)	(25,000,000)	(75,196,885)	(7.00)	648,478,227
NC Health Choice	88,373,806	(8,921,489)	0	(8,921,489)	0.00	79,452,317
Public Health	161,930,589	(7,958,188)	32,904,411	24,946,223	(61.00)	186,876,812
Social Services	202,245,063	(17,958,411)	0	(17,958,411)	(2.00)	184,286,652
Vocational Rehabilitation	41,252,238	(2,058,522)	(2,067,928)	(4,126,450)	(5.00)	37,125,788
Total Health and Human Services	**4,927,739,648**	**(479,556,982)**	**(13,855,714)**	**(493,412,696)**	**(393.00)**	**4,434,326,952**
Justice and Public Safety						
Correction	1,421,644,768	(71,332,902)	(12,495,520)	(83,828,422)	(499.00)	1,337,816,346
Crime Control & Public Safety	34,175,427	213,752,200	0	213,752,200	3,037.00	247,927,627
Judicial Department	477,189,575	(42,131,186)	1,184,693	(40,946,493)	(399.50)	436,243,082
Judicial - Indigent Defense	122,770,246	(11,037,369)	0	(11,037,369)	(11.40)	111,732,877
Justice	89,670,944	(37,180,522)	(160,125)	(37,340,647)	(888.81)	52,330,297
Juvenile Justice & Delinquency Prevention	151,295,187	(19,563,395)	3,861,900	(15,701,495)	(278.60)	135,593,692
Total Justice and Public Safety	**2,296,746,147**	**32,506,826**	**(7,609,052)**	**24,897,774**	**959.69**	**2,321,643,921**

SUMMARY OF GENERAL FUND APPROPRIATIONS 2011 Legislative Session: Fiscal Year 2011-12						
		Legislative Adjustments				Revised
	Continuation Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2011-12
Natural and Economic Resources						
Agriculture and Consumer Services	61,754,014	(2,366,555)	12,096,590	9,730,035	(17.00)	71,484,049
Commerce	38,907,381	(7,846,258)	17,365,599	9,519,341	(20.00)	48,426,722
Commerce - State Aid	31,169,289	(4,467,305)	500,000	(3,967,305)	0.00	27,201,984
Environment and Natural Resources	188,972,401	(21,763,414)	554,373	(21,209,041)	(132.27)	167,763,360
Clean Water Mgmt. Trust Fund	100,000,000	(87,500,000)	0	(87,500,000)	0.00	12,500,000
Labor	16,842,679	(1,005,792)	0	(1,005,792)	(9.00)	15,836,887
NC Biotechnology Center	19,501,900	(2,925,285)	0	(2,925,285)	0.00	16,576,615
Rural Economic Development Center	22,640,814	(3,396,122)	20,000,000	16,603,878	0.00	39,244,692
Wildlife Resources Commission	0	15,221,179	778,821	16,000,000	0.00	16,000,000
Total Natural & Economic Resources	**479,788,478**	**(116,049,552)**	**51,295,383**	**(64,754,169)**	**(178.27)**	**415,034,309**
General Government						
Administration	69,700,026	(7,467,209)	0	(7,467,209)	(94.52)	62,232,817
Auditor	13,063,656	(1,206,082)	0	(1,206,082)	(13.00)	11,857,574
Cultural Resources	72,664,633	(11,670,024)	0	(11,670,024)	(122.51)	60,994,609
Cultural Resources - Roanoke Island Comm.	2,406,982	(1,203,491)	0	(1,203,491)	0.00	1,203,491
General Assembly	54,593,047	(8,906,058)	7,572,506	(1,333,552)	(9.00)	53,259,495
Governor	6,189,478	(1,302,417)	0	(1,302,417)	(17.00)	4,887,061
Housing Finance Agency	13,877,996	(3,204,945)	0	(3,204,945)	0.00	10,673,051
Insurance	33,458,756	2,935,165	0	2,935,165	(3.00)	36,393,921
Insurance - Worker's Compensation Fund	4,500,000	(706,000)	(1,500,000)	(2,206,000)	0.00	2,294,000
Lieutenant Governor	954,868	(179,623)	0	(179,623)	1.00	775,245
Office of Administrative Hearings	4,328,822	655,049	0	655,049	8.68	4,983,871
Revenue	88,370,399	(10,170,861)	0	(10,170,861)	(106.00)	78,199,538
Secretary of State	11,076,972	(422,409)	0	(422,409)	(4.00)	10,654,563
State Board of Elections	6,189,011	(1,002,408)	0	(1,002,408)	(14.00)	5,186,603
State Budget and Management (OSBM)	6,963,796	(1,115,133)	0	(1,115,133)	(6.00)	5,848,663
OSBM - Special Appropriations	5,934,311	(5,493,699)	1,500,000	(3,993,699)	(13.00)	1,940,612
State Controller	32,517,077	(3,539,584)	(608,536)	(4,148,120)	(18.50)	28,368,957
Treasurer - Operations	10,538,203	(3,881,172)	0	(3,881,172)	(36.00)	6,657,031
Treasurer - Fire/Rescue Retirement	17,812,114	0	0	0	0.00	17,812,114
Total General Government	**455,140,147**	**(57,880,901)**	**6,963,970**	**(50,916,931)**	**(446.85)**	**404,223,216**

SUMMARY OF GENERAL FUND APPROPRIATIONS 2011 Legislative Session: Fiscal Year 2011-12						
		Legislative Adjustments				Revised
	Continuation Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2011-12
Debt Service and Statewide Reserves						
Debt Service						
Interest / Redemption	705,905,183	(16,947,995)	0	(16,947,995)	0.00	688,957,188
Federal Reimbursement	1,616,380	0	0	0	0.00	1,616,380
Subtotal Debt Service	**707,521,563**	**(16,947,995)**	**0**	**(16,947,995)**	**0.00**	**690,573,568**
Statewide Reserves						
Contingency and Emergency Fund	5,000,000	0	0	0		5,000,000
State Retirement System Contributions	0	297,400,000		297,400,000		297,400,000
Judicial Retirement System Contribution	0	7,900,000	0	7,900,000		7,900,000
Firemen & Rescue Squad Workers Pension Fund		5,800,000	0	5,800,000		5,800,000
National Guard Pension Fund		263,000	0	263,000		263,000
State Health Plan	0	7,119,541		7,119,541		7,119,541
Information Technology Fund	7,840,000	(1,537,574)	(1,844,284)	(3,381,858)	(3.00)	4,458,142
Job Development Investment Grants (JDIG)	27,400,000	0	(12,000,000)	(12,000,000)		15,400,000
Continuation Review Reserve						
Review of Compensation Plans			2,000,000	2,000,000		2,000,000
Automated Fraud Detection Development			1,000,000	1,000,000		1,000,000
Controller- Fraud Detection Development			500,000	500,000		500,000
Severance Expenditure Reserve			75,000,000	75,000,000		75,000,000
Subtotal Statewide Reserves	**40,240,000**	**316,944,967**	**64,655,716**	**381,600,683**	**(3.00)**	**421,840,683**
Total Reserves and Debt Service	**747,761,563**	**299,996,972**	**64,655,716**	**364,652,688**	**(3.00)**	**1,112,414,251**
Total General Fund for Operations	**20,820,687,612**	**(1,403,670,842)**	**8,179,701**	**(1,395,491,141)**	**83.62**	**19,425,196,471**
Capital Improvements						
Water Resources Development Projects	0	0	4,535,000	4,535,000	0.00	4,535,000
Total Capital Improvements	**0**	**0**	**4,535,000**	**4,535,000**	**0.00**	**4,535,000**
Total General Fund Budget	**20,820,687,612**	**(1,403,670,842)**	**12,714,701**	**(1,390,956,141)**	**83.62**	**19,429,731,471**

SUMMARY OF GENERAL FUND APPROPRIATIONS						
2011 Legislative Session: Fiscal Year 2012-13						
		Legislative Adjustments				Revised
	Continuation Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2012-13
Education						
Community Colleges	1,102,475,214	(120,169,798)	0	(120,169,798)	(25.00)	982,305,416
Public Education	7,923,543,951	(677,139,628)	(54,872,023)	(732,011,651)	(139.75)	7,191,532,300
University System	2,886,730,386	(340,988,118)	(19,011,882)	(360,000,000)	205.80	2,526,730,386
Total Education	**11,912,749,551**	**(1,138,297,544)**	**(73,883,905)**	**(1,212,181,449)**	**41.05**	**10,700,568,102**
Health and Human Services						
Central Management and Support	70,229,335	(30,817,345)	0	(30,817,345)	(288.00)	39,411,990
Aging and Adult Services	37,419,667	(2,060,000)	0	(2,060,000)	0.00	35,359,667
Blind and Deaf / Hard of Hearing Services	8,372,886	(190,961)	(1,000,000)	(1,190,961)	0.00	7,181,925
Child Development	261,759,600	10,695,977	(6,352,644)	4,343,333	0.00	266,102,933
Health Service Regulation	17,925,590	0	(1,792,559)	(1,792,559)	0.00	16,133,031
Medical Assistance	3,314,539,538	(385,210,493)	(24,739,541)	(409,950,034)	(40.00)	2,904,589,504
Mental Health, Dev. Disabilities and Sub. Abuse	723,675,112	(50,196,885)	0	(50,196,885)	(7.00)	673,478,227
NC Health Choice	88,373,806	(4,655,941)	0	(4,655,941)	0.00	83,717,865
Public Health	161,930,589	(7,958,188)	0	(7,958,188)	(61.00)	153,972,401
Social Services	202,245,063	(17,958,411)	0	(17,958,411)	(2.00)	184,286,652
Vocational Rehabilitation	41,654,578	(2,058,522)	(2,067,928)	(4,126,450)	(5.00)	37,528,128
Total Health and Human Services	**4,928,125,764**	**(490,410,769)**	**(35,952,672)**	**(526,363,441)**	**(403.00)**	**4,401,762,323**
Justice and Public Safety						
Correction	1,418,867,332	(59,302,927)	(11,153,612)	(70,456,539)	(439.00)	1,348,410,793
Crime Control & Public Safety	34,175,427	236,029,495	0	236,029,495	3,037.00	270,204,922
Judicial Department	477,189,575	(43,044,434)	(1,681,000)	(44,725,434)	(488.50)	432,464,141
Judicial - Indigent Defense	122,770,246	(11,609,781)	0	(11,609,781)	(11.40)	111,160,465
Justice	89,670,944	(65,133,836)	0	(65,133,836)	(888.81)	24,537,108
Juvenile Justice & Delinquency Prevention	151,295,187	(20,154,622)	0	(20,154,622)	(278.60)	131,140,565
Total Justice and Public Safety	**2,293,968,711**	**36,783,895**	**(12,834,612)**	**23,949,283**	**930.69**	**2,317,917,994**

SUMMARY OF GENERAL FUND APPROPRIATIONS
2011 Legislative Session: Fiscal Year 2012-13

		Legislative Adjustments				Revised
	Continuation Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2012-13
Natural and Economic Resources						
Agriculture and Consumer Services	61,754,014	(2,366,555)	8,790,386	6,423,831	(23.00)	68,177,845
Commerce	38,907,381	(7,674,952)	0	(7,674,952)	(23.00)	31,232,429
Commerce - State Aid	31,169,289	(4,127,894)	0	(4,127,894)	0.00	27,041,395
Environment and Natural Resources	188,972,401	(20,221,445)	(6,000,000)	(26,221,445)	(133.27)	162,750,956
Clean Water Mgmt. Trust Fund	100,000,000	(87,500,000)	0	(87,500,000)	0.00	12,500,000
Labor	16,842,679	(1,005,792)	0	(1,005,792)	(9.00)	15,836,887
NC Biotechnology Center	19,501,900	(2,925,285)	0	(2,925,285)	0.00	16,576,615
Rural Economic Development Center	22,640,814	(3,396,122)	20,000,000	16,603,878	0.00	39,244,692
Wildlife Resources Commission	0	15,221,179	0	15,221,179	0.00	15,221,179
Total Natural and Economic Resources	**479,788,478**	**(113,996,866)**	**22,790,386**	**(91,206,480)**	**(188.27)**	**388,581,998**
General Government						
Administration	69,700,026	(5,563,079)	0	(5,563,079)	(94.52)	64,136,947
Auditor	13,063,656	(2,387,621)	0	(2,387,621)	(26.00)	10,676,035
Cultural Resources	72,664,633	(14,407,792)	0	(14,407,792)	(165.62)	58,256,841
Cultural Resources - Roanoke Island Comm.	2,406,982	(2,406,982)	0	(2,406,982)	0.00	0
General Assembly	54,593,047	(7,488,839)	3,000,000	(4,488,839)	(47.75)	50,104,208
Governor	6,189,478	(1,302,417)	0	(1,302,417)	(17.00)	4,887,061
Housing Finance Agency	13,877,996	(3,204,945)	0	(3,204,945)	0.00	10,673,051
Insurance	33,458,756	2,935,165	0	2,935,165	(3.00)	36,393,921
Insurance - Worker's Compensation Fund	4,500,000	(1,876,346)	0	(1,876,346)	0.00	2,623,654
Lieutenant Governor	954,868	(179,623)	0	(179,623)	1.00	775,245
Office of Administrative Hearings	4,328,822	655,049	0	655,049	8.68	4,983,871
Revenue	88,370,399	(10,170,861)	0	(10,170,861)	(106.00)	78,199,538
Secretary of State	11,076,972	(422,409)	0	(422,409)	(4.00)	10,654,563
State Board of Elections	6,189,011	(1,062,408)	0	(1,062,408)	(14.00)	5,126,603
State Budget and Management (OSBM)	6,963,796	(1,115,133)	0	(1,115,133)	(6.00)	5,848,663
OSBM - Special Appropriations	5,934,311	(5,493,699)	0	(5,493,699)	(13.00)	440,612
State Controller	32,517,077	(3,539,584)	(608,536)	(4,148,120)	(18.50)	28,368,957
Treasurer - Operations	10,538,203	(3,916,453)	0	(3,916,453)	(36.00)	6,621,750
Treasurer - Fire/Rescue Retirement	17,812,114	0	0	0	0.00	17,812,114
Total General Government	**455,140,147**	**(60,947,977)**	**2,391,464**	**(58,556,513)**	**(541.71)**	**396,583,634**

SUMMARY OF GENERAL FUND APPROPRIATIONS 2011 Legislative Session: Fiscal Year 2012-13						
		Legislative Adjustments				Revised
	Continuation Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2012-13
Debt Service and Statewide Reserves						
Debt Service:						
Interest / Redemption	705,905,183	54,079,791	0	54,079,791		759,984,974
Federal Reimbursement	1,616,380	0	0	0		1,616,380
Subtotal Debt Service	**707,521,563**	**54,079,791**	**0**	**54,079,791**	**0.00**	**761,601,354**
Statewide Reserves:						
Contingency and Emergency Fund	5,000,000	0	0	0		5,000,000
State Retirement System Contributions	0	404,200,000	0	404,200,000		404,200,000
Judicial Retirement System Contribution	0	9,000,000	0	9,000,000		9,000,000
Firemen & Rescue Squad Workers Pension Fund		6,900,000	0	6,900,000		6,900,000
National Guard Pension Fund		523,000	0	523,000		523,000
State Health Plan	0	102,151,104	0	102,151,104		102,151,104
Information Technology Fund	7,840,000	162,426	(1,844,284)	(1,681,858)	(3.00)	6,158,142
Job Development Investment Grants (JDIG)	27,400,000	0	0	0		27,400,000
Continuation Review Reserve			22,982,380	22,982,380		22,982,380
Performance Pay Reserve	0	328,000,000		328,000,000		328,000,000
Automated Fraud Detection Development			7,000,000	7,000,000		7,000,000
Controller- Fraud Detection Development			500,000	500,000		500,000
Subtotal Statewide Reserves	**40,240,000**	**850,936,530**	**28,638,096**	**879,574,626**	**(3.00)**	**919,814,626**
Total Reserves and Debt Service	**747,761,563**	**905,016,321**	**28,638,096**	**933,654,417**	**(3.00)**	**1,681,415,980**
Total General Fund for Operations	**20,817,534,214**	**(861,852,940)**	**(68,851,243)**	**(930,704,183)**	**(164.24)**	**19,886,830,031**
Capital Improvements						
Water Resources Development Projects	0	0	0	0	0.00	0
Total Capital Improvements	**0**	**0**	**0**	**0**	**0.00**	**0**
Total General Fund Budget	**20,817,534,214**	**(861,852,940)**	**(68,851,243)**	**(930,704,183)**	**(161.24)**	**19,886,830,031**

EDUCATION
Section F

Public Education

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$7,923,543,951**		**$7,923,543,951**	
Legislative Changes				
A. Technical Adjustments				
1 ADM Adjustment Fully funds both years of average daily membership (ADM) growth for public schools, providing $55.8 million in FY 2011-12 and $143.1 million in FY 2012-13. This adjustment, which accounts for changes in multiple allotments, has traditionally been included in the continuation budget.	$55,882,651	R	$143,087,414	R
2 Average Salary Adjustment Adjusts several budget lines to account for the decrease in average salaries between FY 2009-10 and FY 2010-11. This adjustment has traditionally been included in the continuation budget.	($21,838,817)	R	($22,040,287)	R
B. Other Public School Funding Adjustments				
3 LEA Adjustment Increases the LEA Adjustment reduction by $4.5 million in FY 2011-12 and by $59.8 million in FY 2012-13. The State Board of Education will distribute this reduction to all LEAs and charter schools on the basis of ADM. LEAs and charters will then be responsible for identifying budget reductions in order to meet their share of the LEA Adjustment. LEAs are expected to utilize federal EduJobs availability to minimize reducing position allotments.	($4,365,359)	R	($65,292,506)	R
4 Class Size Reduction in Grades 1-3 Adds funding for 1,124 additional teaching positions in FY 2011-12 and 1,144 additional teaching positions in FY 2012-13 to reduce the classroom teacher allotment ratios for grades 1-3 from 1 teacher per 18 students to 1 teacher per 17 students in both years of the biennium. A related provision, Section 7.1B, expresses the intent of the General Assembly to add additional teachers as funds become available with a goal of reducing the teacher allotment ratio in grades 1-3 to 1 teacher for every 15 students.	$61,697,942	R	$62,767,803	R

	FY 11-12		FY 12-13	
5 Teacher Assistants Funds teacher assistants on the basis of Kindergarten ADM only. Previously, teacher assistants were funded on the basis of ADM in grades K-3. LEAs will still have the discretion to place teacher assistants in classrooms serving grades K-3. $137.3 million will be available in FY 2011-12 and $148.5 million will be available in FY 2012-13 to fund teacher assistants.	($390,519,448)	R	($395,946,237)	R
6 Decouple Master's and NBPTS Salary Supplements Reduces the combined salary supplement for educational personnel qualifying for both a master's degree and National Board for Professional Teaching Standards (NBPTS) supplement from 23.2% to 22.0%. NBPTS salary supplements will be calculated as 12% of the base salary the individual receives on the "A" salary schedule as opposed to the current practice of calculating the NBPTS supplement from the "M" salary schedule.	($4,776,560)	R	($4,776,560)	R
7 Fund One LEA Per County Reduces funding to six base allotments received by multiple LEAs within the same county by 20% in FY 2011-12 and eliminates those amounts in FY 2012-13.	($2,214,251)	R	($11,071,255)	R
8 Education Reform Studies Provides nonrecurring funding for studies of third grade literacy programs and ways to reduce the need for remedial or developmental education in the State's higher education institutions. Funding will be available to hire an outside consultant to examine these topics.	$200,000	NR		
9 Testing Eliminates funding for four End of Course tests eliminated by S.L. 2011-8 and not required by federal law. Those tests are United States History, Civics and Economics, Algebra II, and Physical Science. The remaining testing funds are then reduced a further 10%, leaving $8.8 million available for testing in each year of the biennium.	($2,725,029)	R	($2,729,677)	R
10 Dropout Prevention Grants Eliminates funding for the Dropout Prevention Grant program.	($13,290,683)	R	($13,290,683)	R
11 Student Diagnostics Eliminates funding for the Student Diagnostics pilot program.	($10,000,000)	R	($10,000,000)	R
12 Learn & Earn Virtual Schools Eliminates funding provided to four schools to provide on-line access to Learn & Earn. Students in affected schools may access courses through the Career and College Promise program described in Section 7.1A.	($1,000,000)	R	($1,000,000)	R
13 Learn & Earn Online Eliminates funding for Learn & Earn Online courses provided through the UNC system.	($4,875,000)	R	($4,875,000)	R

	FY 11-12		FY 12-13	
14 Small County Supplemental Funding Restructures this allotment to restrict eligibility to only those counties with ADM of 3,200 or less and provides per-pupil funding on a sliding scale based on the size of the school district. LEAs made ineligible under this formula will have their allotment phased-out over a five-year period. A related provision, Section 7.12, provides additional details on this change. $38.9 million will remain in this allotment in FY 2011-12 and $35.3 million will remain in FY 2012-13.	($5,146,985)	R	($8,818,208)	R
15 Noninstructional Support Personnel Reduces this allotment, which supports clerical, janitorial, substitute teachers, and other personnel, by 15% in both years of the biennium. $337.1 million will remain in this allotment in FY 2011-12 and $340.3 million will remain in FY 2012-13.	($59,497,471)	R	($60,054,792)	R
16 Textbooks Reduces funding for textbooks. $23.4 million will remain in this allotment in FY 2011-12 and $27.2 million will remain available in FY 2012-13.	($13,000,000) ($79,166,861)	R NR	($13,000,000) ($76,500,000)	R NR
17 Central Office Administration Reduces the allotment to LEAs for the salaries and benefits of central office staff by 16%. This staff includes, but is not limited to, superintendents, associate and assistant superintendents, finance officers, athletic trainers, and transportation directors. $90.4 million will remain to support these local staff in FY 2011-12 and $90.5 million will remain available in FY 2012-13.	($17,211,294)	R	($17,254,494)	R
18 School Building Administration Reduces the funding for assistant principal months of employment by approximately 21%. This reduction does not reduce any guaranteed principal positions. $302.0 million will remain in this allotment in FY 2011-12 and $304.0 million will remain available in FY 2012-13.	($24,612,054)	R	($25,023,016)	R
19 School Building Administration Position Conversion Reduces funding for this allotment based on a modification of the allowable conversion of assistant principal and principal months of employment. Currently, LEAs are allowed to "cash-out" their allotted SBA months of employment at the State-average salary and benefits, and then use the money for other purposes. This section would continue to allow conversions, but only at the equivalent amount for a beginning Principal III for converted principal positions, and the equivalent amount for a beginning assistant principal for cashed-out assistant principal positions.	($7,700,000)	R	($7,700,000)	R

	FY 11-12		FY 12-13	
20 Instructional Support Reduces this allotment, which supports guidance counselors, social workers, media specialists, and other miscellaneous personnel, by 5%. $435.8 million will remain in this allotment in FY 2011-12 and $439.9 million will remain available in FY 2012-13.	($22,934,278)	R	($23,149,479)	R
21 School Bus Replacement Provides funding in FY 2011-12 for the purchase of approximately 400 replacement school buses. These buses shall be purchased without the use of extended financing. Additionally, provides funding for the financing payments due for previously purchased buses. Beginning in FY 2012-13, permanently eliminates State support for replacement of school buses not purchased before the end of FY 2010-11 and requires school bus purchases to become a local responsibility. The $21.6 million in FY 2012-13 nonrecurring funding is sufficient to support all financing payments due for previously purchased buses.			($56,851,619) $21,627,977	R NR
22 Mentoring Eliminates funding for this allotment. School districts may use State and other funding sources to provide mentoring services for beginning teachers.	($9,214,190)	R	($9,214,190)	R
23 School Technology Fund Eliminates General Fund support for this purpose. An additional $18.0 million for the Fund will remain available from the proceeds of the Civil Penalty and Forfeiture Fund.	($10,000,000)	R	($10,000,000)	R
24 Staff Development Eliminates funding for this allotment. School districts may use State and other funding sources to support professional development.	($12,565,063)	R	($12,626,995)	R
25 Uniform Education Reporting System (UERS) Reduces funding for the Uniform Education Reporting System (UERS) and the related NC WISE system as it moves into an operations and maintenance phase. This adjustment will leave $10.3 million in annual appropriations available for UERS operations.	($2,101,213)	R	($2,101,213)	R
26 More at Four Funding Reduction Reduces More at Four General Fund support by $16 million, or approximately 20%.	($16,000,000)	R	($16,000,000)	R
27 More at Four Transfer Transfers the remaining $65 million in General Fund appropriations to the Department of Health and Human Service's Division of Child Development (DCD) to provide a dedicated high-quality pre-K program within its Child Care Subsidy program. In addition, Section 5.4 of the budget bill redirects $63 million in Lottery funding for the program to DCD. A related provision in Section 10.7 of the bill details the particulars of the transfer.	($65,011,651)	R	($65,011,651)	R

	FY 11-12		FY 12-13	
28 Geographically Isolated Schools Allotment Eliminates support for the additional 7.5 teaching positions provided to one school district with the characteristics required under Section 7.26 of S.L. 2009-451, as amended.	($411,503)	R	($411,503)	R
29 Liability Insurance for Public School Personnel Establishes a single State-funded liability insurance policy for all North Carolina public schools employees. The State Board of Education shall use funding provided to establish this policy with the North Carolina Department of Public Instruction serving as the master policy holder.	$3,700,000	R	$3,700,000	R
30 JOBS Commission Schools Eliminates planning funding for these two schools which will open in the 2011-12 school year.	($200,000)	R	($200,000)	R
31 Learn and Earn Early College High Schools Transfers planning funding for the two schools recommended by the JOBS Commission. These schools shall be eligible for Learn and Earn Early College allotment funding.	$200,000	R	$200,000	R
C. Pass-through Funds				
32 Teacher Cadet Eliminates State support for this program.	($340,000)	R	($340,000)	R
33 Science Olympiad Eliminates State support for this program.	($127,500)	R	($127,500)	R
34 Kids Voting Eliminates State support for this program.	($50,000)	R	($50,000)	R
35 NC Science, Math and Technical Education Center Eliminates State support for this program.	($100,000)	R	($100,000)	R
36 Tarheel ChalleNGe Academy Provides funds for the phase one construction of the National Guard Tarheel ChalleNGe Academy site in Badin, NC.	$250,000	NR		
37 Teaching Fellows Fund Reduces the General Fund appropriation for the Teaching Fellows Fund. This reduction reflects a decrease in funds available for administrative costs associated with the Teaching Fellows Program in FY 2011-12 and FY 2012-13. Additionally, funds are reduced in FY 2012-13 to phase out support for this program. It is the intent of the General Assembly to support its obligations to the 2011-12 class of Teaching Fellows and prior classes until the State's scholarship commitment is completed.	($210,000)	R	($3,475,000)	R

	FY 11-12		FY 12-13	
D. Department of Public Instruction				
38 DPI Curriculum Division Eliminates 5.5 State-funded positions working on curriculum issues. Of these, 3.5 State-funded positions are eliminated from the Curriculum, Instruction & Technology section, and 2.0 State-funded positions are eliminated from the Career and Technology Education (CTE) section.	($457,690) -5.50	R	($457,690) -5.50	R
39 DPI Technology Services Eliminates 30.0 State-funded positions from DPI's Technology Services section. 102.85 positions (70.72 State-funded) will remain in this section.	($2,712,988) -30.00	R	($2,712,988) -30.00	R
40 DPI Communications Eliminates 4.0 State-funded positions in the Communications section. 15.0 positions (10.8 State-funded) will remain in this section.	($246,586) -4.00	R	($246,586) -4.00	R
41 Learn and Earn Administration Eliminates the State-funded position at DPI supporting Learn & Earn Online.	($139,050) -1.00	R	($139,050) -1.00	R
42 Governor's Education Cabinet Eliminates funding for the 2.0 positions that DPI provides to support the NC Education Cabinet housed in the Office of the Governor.	($206,063) -2.00	R	($206,063) -2.00	R
43 NC Professional Teaching Standards Commission Eliminates the State funding and positions supporting the NC Professional Teaching Standards Commission.	($235,646) -2.00	R	($235,646) -2.00	R
44 Teacher Academy Eliminates State funding for the Teacher Academy, a provider of professional development services for teachers.	($4,762,874) -14.00	R	($4,762,874) -14.00	R
45 North Carolina Center for the Advancement of Teaching (NCCAT) Eliminates State support for the ongoing operations of this teacher professional development provider. $500,000 in nonrecurring support is provided for the upkeep of the two NCCAT facilities until they are conveyed to other entities.	($6,102,495) $500,000 -80.25	R NR	($6,102,495) -80.25	R
46 Connectivity Eliminates the $350,000 annual transfer from Connectivity to support the e-Learning Portal. Also eliminates the $300,000 annual transfer from Connectivity to support the evaluation of the Connectivity initiative.	($650,000)	R	($650,000)	R
47 Governor's Schools Eliminates State funding for the Governor's Schools. A related provision in Section 7.9 provides the State Board with the discretion to make the program receipt-supported beginning with the summer 2012 program. Funding remains available to provide the program in summer 2011.			($849,588)	R

	FY 11-12		FY 12-13	
48 Residential Schools for the Deaf and Blind	($2,500,000)	R	($8,000,000)	R
Eliminates State funding for the superintendent of residential schools position within DPI and eliminates contract for outreach services provided by Beginnings, Inc. In addition, reduces the operating budget for Residential Schools for the Deaf and Blind by approximately 4.4%. For FY 2012-13, DPI must close one of the three residential schools. A related provision, Section 7.25, directs DPI to report to the Joint Education Oversight Committee of the General Assembly the school slated for closure and the Department's plan for consolidating the programs with those at the two remaining schools.	-1.00		-1.00	
Total Legislative Changes	**($618,571,148)**	**R**	**($677,139,628)**	**R**
	($78,216,861)	**NR**	**($54,872,023)**	**NR**
Total Position Changes	-139.75		-139.75	
Revised Budget	**$7,226,755,942**		**$7,191,532,300**	

Community Colleges

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$1,102,475,214**		**$1,102,475,214**	
Legislative Changes				
A. Technical Adjustments				
49 Enrollment Growth Provides funds to fully fund enrollment growth, including enrollment growth for equipment funding, in both years of the biennium. According to the FY 2010-11 spring enrollment census, enrollment has increased by 3.3% (8,081 full-time-equivalent students or FTE) above the FY 2010-11 budgeted enrollment of 243,854. Curriculum enrollment has increased by 6,928 FTE (3.6%), continuing education enrollment has increased by 1,396 FTE (4.9%), and basic skills enrollment has decreased by 243 FTE (-1.1%). Total equipment funding for FY 2011-12 is $5,643,030, which maintains the amount per equipment FTE at the FY 2009-10 level. Total requirements for the enrollment growth increase are $45,058,958, of which $10,918,800 is funded from receipts. Estimated enrollment growth during the FY 2011-12 year is also fully funded with an additional appropriation of $13,559,589, $584,775 of which is for equipment. This adjustment is based on estimated enrollment growth of 1.5% (3,672 FTE). Total requirements for the enrollment growth are $18,478,365, of which $4,918,776 is funded from receipts.	$34,140,158	R	$47,699,747	R
50 Hickory Metro Higher Education Center Transfers categorical funding for the Hickory Metro Higher Education Center at Catawba Valley Community College to the UNC System budget.	($264,833)	R	($264,833)	R
B. State Aid Adjustments				
51 Management Flexibility Reduction 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.	($53,208,568)	R	($60,974,749)	R

	FY 11-12		FY 12-13	
52 Curriculum Tuition Increases curriculum tuition by $10 per credit hour in FY 2011-12 and an additional $2.50 per credit hour in FY 2012-13, and makes a corresponding General Fund reduction in anticipation of increased tuition receipts. For FY 2011-12, resident tuition will increase from $56.50 to $66.50 for residents and from $248.50 to $258.50 for nonresidents. Tuition for full-time resident students will increase by a maximum of $320 per year, from $1,808 to $2,128. For FY 2012-13, resident tuition will increase from $66.50 to $69 for residents and from $258.50 to $261 for nonresidents. Tuition for full-time resident students will increase by a maximum of an additional $80 per year, from $2,128 to $2,208.	($47,664,650)	R	($60,393,549)	R
53 Continuing Education Fee Increases continuing education fees by $5 per course, beginning in FY 2012-13, and takes a corresponding General Fund reduction in anticipation of increased tuition receipts. The new fees will be as follows: Classes 1-24 hours - $70, Classes 25-50 hours - $125, Classes 51+ hours - $180.			($664,509)	R
54 Funding Formula Eliminates categorical funding for Health Sciences ($16,842,300), Technical Education ($5,500,000), and Special High Cost Programs allotment for Heavy Equipment ($328,336), and restructures the curriculum and continuing education funding formulas to provide weighted funding based on the type of instruction, as directed in Section 8.3. Curriculum courses in high-cost areas such as healthcare, technical education, and lab-based science courses shall be weighted more heavily than other curriculum courses. Continuing education courses that lead to a third-party credential or certification and courses providing an industry-designed curriculum shall be weighted more heavily than other continuing education courses.	($22,670,636)	R	($22,670,636)	R
55 Basic Skills Reduces funding for basic skills education by 12.4%. Total funding remaining for the program will be $86,246,787, with $70,483,463 in State funding and $15,763,628 in federal funding.	($10,000,000)	R	($10,000,000)	R
56 Institutional and Academic Support Eliminates funding for one of the 5.5 general institutional positions in the institutional and academic support enrollment allotment funding formula for community colleges. Total funding remaining in this allotment will be $452.5 million.	($8,548,090)	R	($8,548,090)	R

	FY 11-12		FY 12-13	
57 Customized Training Reduces the Customized Training budget on a one-time basis. Total recurring funding for the program is $12,457,121; however, per G.S. 115D-5.1(f2), unexpended funds for the program do not revert and are instead carried forward to the next year. After this reduction, the total amount available for expenditure in the biennium is expected to be $31,710,340, or $15,855,170 per year. Of these funds, up to $75,000 may be used to support curriculum development, materials, and training for Small Business Centers.	($7,600,000)	NR		
58 BioNetwork Reduces funds for BioNetwork grants and centers by 6.6%. $205,582 will be reduced from BioNetwork centers (5% reduction) and $84,646 from grants to colleges (30% reduction). Total funding remaining for the program will be $4,106,056.	($290,228)	R	($290,228)	R
59 Minority Male Mentoring Reduces funding for the Minority Male Mentoring program by 10%. Total funding remaining for the program will be $810,000.	($90,000)	R	($90,000)	R
60 NC Military Business Center Reduces the categorical allotment to the NC Military Business Center at Fayetteville Technical Community College by 10%. Total funding remaining for the program will be $1,125,000.	($125,000)	R	($125,000)	R
61 Textile Technology Center Reduces the categorical allotment to the Textile Technology Center at Gaston College by 10%. Total funding remaining for this program will be $821,258.	($91,251)	R	($91,251)	R
62 Manufacturing Solutions Center Reduces the categorical allotment for the Manufacturing Solutions Center at Catawba Valley Community College by 10%. Total funding remaining for this program will be $514,904.	($57,212)	R	($57,212)	R
63 Haywood Regional High Technology Center Eliminates the categorical allotment for the Regional High Technology Center at Haywood Community College. The college will continue to receive regular FTE formula funding for the enrollment at the Center.	($582,383)	R	($582,383)	R
64 Botanical Laboratory Eliminates the recurring categorical allotment for the botanical laboratory at Fayetteville Technical Community College in both years. The college will continue to receive regular FTE formula funding for the enrollment at the botanical laboratory.	($264,000)	R	($264,000)	R
65 NC REAL Eliminates pass-through funding for NC Rural Entrepreneurship through Action Learning (NC REAL).	($250,000)	R	($250,000)	R

	FY 11-12		FY 12-13	
C. Student Aid Adjustments				
66 NC Community College Grant Program Reverts the existing fund balance of $5.7 million to the Escheats Fund and increases annual appropriations by $2.5 million for a total budget of $16.5 million per year. The funds for this item are shown in the Community College System - Trust - General Fund (Budget Code: 66801) section of this report.				
67 Tuition Waivers Eliminates tuition waivers for community college faculty and staff, NC Civil Air Patrol, and individuals engaged in civil preparedness activities. Colleges are permitted to use State and local funds to pay for tuition and registration fees for one course per semester for full-time faculty and staff.	($444,000)	R	($444,000)	R
D. Community Colleges System Office Adjustments				
68 System Office Positions Eliminates 19 positions in the Community Colleges System Office, including 9 vacant, 2 expected-to-be-vacant, and 8 filled positions. The positions are as follows: Executive Division - 3 vacant and 2 filled positions; IT & Workforce Development Division - 3 vacant, 2 expected-to-be-vacant, and 4 filled positions; Business and Finance Division - 1 vacant and 1 filled position; and Academic and Student Services Division - 2 vacant and 1 filled positions.	($1,265,975) -19.00	R	($1,265,975) -19.00	R
69 System Office Operating Funds Reduces operating funds for travel, training, information technology, and other expenses.	($265,417)	R	($265,417)	R
70 2+2 E-learning Initiative Reduces the budget of the 2+2 E-learning initiative by 13%. Total funding remaining for the program will be $653,000.	($97,000)	R	($97,000)	R
71 Receipt-supported Positions Shifts 3.5 positions from General Fund appropriations to receipts. Positions and receipt source are as follows: Accountant (2 positions) - indirect cost receipts; Education Program Director (1 position) - Proprietary School receipts; Education Consultant II (.25 position) and Education Program Director II (.25 position) - federal receipts.	($322,180) -3.50	R	($322,180) -3.50	R

	FY 11-12		FY 12-13	
72 GED Program Shifts the General Education Development (GED) program entirely to receipt support. Section 31.2 permits the State Board of Community Colleges to increase the fee assessed to individuals taking the GED exam. The current fee is $7.50. The fees will be used to support the costs of administering the tests, including scoring the tests and printing the GED certificates. A total of 2.5 positions will be shifted from appropriation to receipt support, including 2 GED & Adult High School Tech positions, and one-half of the Education Program Director position.	($208,533) -2.50	R	($208,533) -2.50	R
Total Legislative Changes	**($112,569,798)** **($7,600,000)**	**R** **NR**	**($120,169,798)**	**R**
Total Position Changes	-25.00		-25.00	
Revised Budget	**$982,305,416**		**$982,305,416**	

UNC System

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$2,887,492,464**		**$2,886,730,386**	
Legislative Changes				
A. Technical Adjustments				
73 Enrollment Growth Fully funds projected enrollment growth for FY 2011-12 at the University of North Carolina. The projected enrollment increase of 1.2% equates to an additional 2,337 full-time-equivalent (FTE) students. Total requirements will increase by $56,474,924, of which $10,656,801 will be funded by increased tuition receipts, for a net State appropriation of $46,818,123.	$46,818,123	R	$46,818,123	R
74 Hickory Metro Higher Education Center Transfers funds for the Hickory Metro Higher Education Center from the North Carolina Community College System budget to the budget for Appalachian State University.	$264,833	R	$264,833	R
B. Base Budget Adjustments				
75 Management Flexibility Reduction Mandates a management flexibility reduction for the UNC operating budget. As directed in Section 9.6, the UNC Board of Governors shall not allocate this reduction on an across-the-board basis to constituent institutions.	($434,553,826)	R	($436,441,875)	R
76 UNC Hospitals Subsidy Reduces the State subsidy to UNC Hospitals by 43% for two years. $25,000,000 will remain available to UNC Hospitals after this reduction.	($19,011,882)	NR	($19,011,882)	NR
77 Center for Public Television Continuation Review Eliminates recurring funding for the Center for Public Television and provides nonrecurring funds with a twelve percent reduction for FY 2011-12. Restoration of recurring funding is subject to the findings of a legislative continuation review.	($11,997,888) $10,558,141	R NR	($11,997,888) -116.00	R

	FY 11-12		FY 12-13	
78 East Carolina School of Dentistry Operations Provides funds to the East Carolina School of Dentistry for new faculty and staff and operating costs to prepare for its first class of students, which will enroll in fall 2011, and to establish dental service learning centers throughout the State where faculty and students will serve patients. Of the new funds appropriated, approximately $3.4 million in FY 2011-12 and approximately $4.5 million in FY 2012-13 will be used for salaries, wages, and benefits. Total State appropriations will be $15 million in FY 2011-12 and $16.5 million in FY 2012-13.	$3,500,000 27.00	R	$5,000,000 39.00	R
79 Building Reserves Provides funds to operate new or renovated UNC buildings completed in FY 2011-12. Specifically, funds are for the housekeeping, maintenance, and security requirements for the added building square footage. The FY 2011-12 amount provides funding for a partial year; the FY 2012-13 appropriation represents the full-year cost.	$18,531,614 282.80	R	$29,233,551 282.80	R
80 NC A&T/UNC-G Joint School of Nanoscience and Nanoengineering Provides nonrecurring funds for the NC A&T/UNC-G Joint School of Nanoscience and Nanotechnology located the Gateway University Research Park in Greensboro. The program is designed to conduct research in areas such as drug design and delivery, nanobioengineering, and genetic screening.	$1,000,000	NR		

	FY 11-12		FY 12-13	
C. Student Aid Adjustments				
81 UNC Need-based Financial Aid Program Shifts program funding to a higher proportion from the General Fund, due to diminishing Escheat Fund principal. In FY 2011-12, total funds available for the UNC Need-based Financial Aid program from all sources will be $301,446 lower than the FY 2011-12 base budget. In FY 2012-13, total funds available will be $4,956,358 lower, and students will be limited in the length of time they can receive the grant (Section 9.11). An additional $59.9 million in forward-funding is provided in FY 2011-12, to increase program stability (Section 9.9). Total funding includes: FY 2011-12 General Fund - $48,891,429 Escheat Fund - $127,354,154 Lottery Fund - $10,744,733 FY 2012-13 General Fund - $79,608,867 Escheat Fund - $32,122,242 Lottery Fund - $10,744,733 Note: Sections 5.4 and 9.8 appropriate funds from the Lottery Fund and Escheat Fund, respectively.	$37,891,429	R	$68,608,867	R
82 Student Incentive Grant Eliminates funding for the Student Incentive Grant, as federal matching funds have been eliminated. In addition to the funds shown here, $3,613,601 in Escheat Fund program funding is also reduced, for a total reduction of $4,414,428.	($800,827)	R	($800,827)	R
83 Academic Common Market Phases out funding for the Academic Common Market program, beginning in FY 2012-13. Based on tuition waived in FY 2009-10, it is estimated that $970,747 will remain in program funding in FY 2012-13.			($970,747)	R
84 Legislative Tuition Grant Reduces funds for the Legislative Tuition Grant (LTG) by 12.5% in FY 2011-12 and eliminates funding in FY 2012-13. This program will be replaced by the Need-based Scholarships for Students Attending Private Institutions of Higher Education, described below.	($7,283,710)	R	($58,269,681)	R
85 State Contractual Scholarship Fund Reduces funds for the State Contractual Scholarship Fund by 12.5% in FY 2011-12 and eliminates funding in FY 2012-13. This program will be replaced by the Need-based Scholarships for Students Attending Private Institutions of Higher Education, described below.	($5,737,121)	R	($45,896,963)	R

	FY 11-12		FY 12-13	
86 Other Private School Aid Reduces funds for Other Private School Aid by 12.5% in FY 2011-12 and eliminates funding in FY 2012-13. This program will be replaced by the Need-based Scholarships for Students Attending Private Institutions of Higher Education, described below.	($40,125)	R	($321,000)	R
87 Need-based Scholarships for Private College Students Provides funds for the newly established Need-based Scholarships for Students Attending Private Institutions of Higher Education, beginning in FY 2012-13. This program is described in Section 9.18.			$62,286,250	R
88 Private Medical School Aid Eliminates funding for the Private Medical School aid program. Students funded under this program are eligible to apply for the Board of Governors Medical School Loan program.	($1,279,000)	R	($1,279,000)	R
89 Principal Fellows Reduces program slots by 10% beginning in FY 2012-13. Total funding remaining for the program in FY 2012-13 will be $3,258,000.			($362,000)	R
90 Future Teachers Scholarship-loan Eliminates the remaining budget of the Future Teachers Scholarship-loan, which was abolished in 2009.	($455,000)	R	($455,000)	R
91 Health, Science, and Mathematics Scholarship-loan Shifts the portion of program funding previously provided from the Escheat Fund to General Fund support. Total program funding will remain at $1,922,779.	$1,100,000	R	$1,100,000	
92 Board of Governors Medical Scholarship-loan Shifts the portion of program funding previously provided from the Escheat Fund to General Fund support. Total program funding will remain at $1,869,180.	$645,000	R	$645,000	R
93 Board of Governors Dental Scholarship-loan Shifts the portion of program funding previously provided from the Escheat Fund to General Fund support. Total program funding will remain at $939,160.	$450,239	R	$450,239	R
94 Nurse Education Scholarship-loan Shifts the portion of program funding previously provided from the Escheat Fund to General Fund support. Total program funding will remain at $867,756.	$800,000	R	$800,000	R
95 Teacher Assistant Scholarship Fund Shifts the portion of program funding previously provided from the Escheat Fund to General Fund support. Total program funding will remain at $814,714.	$600,000	R	$600,000	R

	FY 11-12		FY 12-13	
Total Legislative Changes	**($351,546,259)**	**R**	**($340,988,118)**	**R**
	($7,453,741)	**NR**	**($19,011,882)**	**NR**
Total Position Changes	309.80		205.80	
Revised Budget	**$2,528,492,464**		**$2,526,730,386**	

NC Community College System – Trust – General

Budget Code: 66801

	FY 2011-12		FY 2012-13	
Beginning Unreserved Fund Balance	**$5,919,657**		**$187,745**	
Recommended Budget				
Requirements	**$26,282,132**		**$26,282,132**	
Receipts	**$26,282,132**		**$26,282,132**	
Positions	**0.00**		**0.00**	
Legislative Changes				
Requirements:				
NC Community College Grant Program	$2,518,798	R	$2,518,798	R
Increases the annual appropriation from the Escheats Fund by $2.5 million, for a total program budget of $16.5 million per year.	$0	NR	$0	NR
	0.00		0.00	
Community College Grant Program Fund Balance	$0	R	$0	R
Appropriates the program's fund balance, which will be transferred to the Escheats Fund.	$5,731,912	NR	$0	NR
	0.00		0.00	
Correction to Base Budget	($11,648,356)	R	($11,648,356)	R
Corrects an error in the Governor's recommended budget for the total requirements in Budget Code 66801, Fund 6102.	$0	NR	$0	NR
	0.00		0.00	
Subtotal Legislative Changes	**($9,129,558)**	R	**($9,129,558)**	R
	$5,731,912	NR	**$0**	NR
	0.00		0.00	
Receipts:				
NC Community College Grant Program	$2,518,798	R	$2,518,798	R
Increases receipts from the Escheats Fund by $2.5 million. Total program receipts will be $16.5 million per year.	$0	NR	$0	NR

	FY 2011-12		FY 2012-13	
Correction to Base Budget	($11,648,356)	R	($11,648,356)	R
Corrects an error in the Governor's recommended budget for the fund balance receipts in Budget Code 66801, Fund 6102.	$0	NR	$0	NR
Subtotal Legislative Changes	**($9,129,558)**	R	**($9,129,558)**	R
	$0	NR	**$0**	NR
Revised Total Requirements	**$22,884,486**		**$17,152,574**	
Revised Total Receipts	**$17,152,574**		**$17,152,574**	
Change in Fund Balance	**($5,731,912)**		**$0**	
Total Positions	**0.00**		**0.00**	
Unappropriated Balance Remaining	**$187,745**		**$187,745**	

HEALTH
&
HUMAN SERVICES
Section G

Health and Human Services

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	$4,927,739,648		$4,928,125,764	
Legislative Changes				
(1.0) Division of Child Development				
1 **Pre-kindergarten Funds Transfer** Transfers $65,011,651 from the Department of Public Instruction to Department of Health and Human Services to operate a pre-kindergarten program within the Division of Child Development. Additionally, lottery funds will be allocated in the amount of $63,135,709 for the continued payment of a high quality pre-kindergarten program. Sec. 10.7	$65,011,651	R	$65,011,651	R
2 **TANF Funding** Replaces State funds for child care subsidy with one time TANF funds. This reduction does not result in loss of services.	($6,352,644)	NR	($6,352,644)	NR
3 **Smart Start** Reduces the Smart Start budget by 20%, leaving $150M available to support activities. Sec. 10.5	($37,600,000)	R	($37,600,000)	R
4 **TEACH Program** Swaps federal Child Care Development Fund Block Grant with state funds for the program. Sec. 10.60 (a)	($3,800,000)	R	($3,800,000)	R
5 **Social Services Administrative Support** Reduces the allowance for County Departments of Social Services administrative allowance from 5% to 4%. This leaves $16.4M County Departments of Social Services may use to support administrative costs. Sec. 10.60 (a)	($3,195,581)	R	($3,195,581)	R
6 **Post-Secondary Education** Reduces child care subsidy funding available for post-secondary education. This reduction will change the existing policy from allowing individuals to receive subsidy for 24 months to 20 months. The combination of changing various policies (items 6-9) will result in a net reduction of $9.7M, leaving approximately $54M. Sec. 10.1 (c)(5)	($7,052,797)	R	($7,052,797)	R

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7 More At Four Match Discontinues payment for the instructional day of More At Four students by child care subsidy funds. The combination of changing various policies (items 6-9) will result in a net reduction of $9.7M, leaving approximately $54M.	($1,305,008)	R	($1,305,008)	R
8 Facility Registration Fees Discontinues payment for child care centers' registration fees by child care subsidy funds. The combination of changing various policies (items 6-9) will result in a net reduction of $9.7M, leaving approximately $54M. Sec. 10.1 (c)(4)	($360,570)	R	($360,570)	R
9 Transportation Services Discontinues payment for transportation services with subsidy funds. The combination of changing various policies (items 6-9) will result in a net reduction of $9.7M, leaving approximately $54M. Sec. 10.1 (c)(4)	($1,001,718)	R	($1,001,718)	R
(2.0) Division of Mental Health, Developmental Disabilities, and Substance Abus Services				
10 Management Funding Reduction Reduces community service funds by 2%; this reduction continues a non-recurring reduction made in FY2010-11. These funds have not been used to pay for services. There is currently $350M in state funding to pay for services managed through Local Management Entities.	($7,180,807)	R	($7,180,807)	R
11 Advocacy Positions Eliminates seven vacant advocacy positions located throughout facilities and/or community settings. There are 56 positions remaining after this reduction; this is an 11% reduction in number of positions for advocacy.	($158,045) -7.00	R	($158,045) -7.00	R
12 Community Service Funds Reduces Community Services funds managed by Local Management Entities. This reduction combined with the Management Funding Reduction leaves $313M of state funds available for purchase of services through Local Management Entities.	($30,000,000)	R	($30,000,000)	R
13 Local Management Entities Reduces administration for Local Management Entities (LME) based upon an overall reduction of 5% state funds across the board and the Secretary of Health and Human Services' plan to transition LME's into 1915bc waiver programs or consolidate with the existing waiver entity. Administrative reimbursement is allowed within the capitated rate funded within the Medicaid program and the funds within Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, will no longer be needed for these LMEs. There is approximately $103M remaining of state and federal funds to continue administrative funding for LME's in FY2011-12 and FY2012-13.	($7,234,005)	R	($7,234,005)	R

	FY 11-12		FY 12-13	
14 Child and Family Support Teams Eliminates funding for coordinator positions located in 15 Local Management Entities. These positions have supported the Child and Family Team Pilot Program. Funds within Division of Social Services for this pilot is also being eliminated within this budget.	($523,638)	R	($523,638)	R
15 Community Services Funds - Swap Replaces Community Services Funds with Local Management Entities' Fund Balance for FY2011-12. There was approximately $210M in fund balances among 17 Local Management Entities, of which $65M was defined as undesignated and unreserved. This reduction is to come from the undesignated/unreserved funding and not further reduce community services. Sec. 10.11 (d)	($25,000,000)	NR		
16 Information Technology Reserve Eliminates the funding for the information technology account that is used to fund the facilities' information technology systems upgrade.	($5,100,390)	R	($5,100,390)	R
(3.0) Division of Central Management and Support				
17 Division of Information Resource Management - Contracts Eliminates recurring funding for the DIRM Contracts. Funding for FY2012-13 is pending the findings and recommendations of a Continuation Review.	($5,599,390) $5,599,390	R NR	($5,599,390)	R
18 Community Health Centers Reduces funding available for grants to community health centers. Grants are awarded on a multi-year basis; this reduction represents the new grants to be awarded in FY2011-12. There will be $5M remaining for grants.	($1,452,527)	R	($1,452,527)	R
19 Loan Repayment Program - Federal Receipts Replaces state funds with increased federal funds available for the loan repayment program. The total program has approximately $1.4M in funds.	($458,395)	R	($458,395)	R
20 Information Resource Management - Operating Budget Reduces excess operating funds within the Division of Resource Management.	($550,556)	R	($550,556)	R
21 Position Eliminations - Office of the Controller Eliminates two positions, one due to transfer of the Residential Schools to Department of Public Instruction and one within Purchase of Medical Care Section.	($76,215) -2.00	R	($76,215) -2.00	R
22 Department Wide Administrative Efficiencies Reduces administrative funds and positions available within the Department of Health and Human Services. Administrative cost savings should include the co-location of various regional and field offices to achieve savings in leased space costs.	($1,869,435) -25.00	R	($1,869,435) -25.00	R

	FY 11-12		FY 12-13	
23 Nonprofit Reductions Reduces grants-in-aid and contract funding for non-profits by $10M. There is currently $75M in state funds for non-profits and this reduction represents 13% of state funding.	($10,000,000)	R	($10,000,000)	R
24 Migrant Fee for Service Program Reduces the program funds for the Migrant Purchase of Medical Care Program; the federal funds will continue. There remains approximately $2.8M in this program.	($736,145)	R	($736,145)	R
25 NC Care Line Eliminates funding and positions for the NC Care Line.	($380,478) -11.00	R	($380,478) -11.00	R
26 Information Resource Management - Conversion of Contracts to Employees Reduces the contractual services line item within Division of Resource Management. This reduction represents cost-savings realized from converting 78 Information Technology Contractors to state employees.	($1,360,982)	R	($1,360,982)	R
27 Position Eliminations Eliminates vacant positions. There are over 1,600 positions vacant.	($7,771,997) -250.00	R	($7,771,997) -250.00	R
28 Budgeting Receipts - Information Resource Management Replaces state appropriations within Division of Resource Management ($410,225) and throughout Central Management and Support ($151,000) with over-realized receipts.	($561,225)	R	($561,225)	R

(4.0) Division of Public Health

29 Division of Environmental Health Transfer

Transfers $14,296,540 from the Department of Environment and Natural Resources to the Department of Health and Human Services to operate various programs and activities that comprised the Division of Environmental Health. In effecting this transfer, the following activities are being eliminated: 1) Public Health Pest Management Section, and 2) the Private Well Program, WaDE Program, and Quality Assurance of the On-Site Water Protection Section.

30 Department of Health and Human Services - Chemical Testing Unit

Shifts a portion of funds for position number 60039654 from Highway Fund receipts to other receipts within the Department of Health and Human Services budget, and reduces funding for purchased services by $6,280.

	FY 11-12		FY 12-13	
31 Early Intervention Requires the Division of Public Health to implement several administrative efficiencies, including: 1) elimination of 11 vacant positions; 2) reducing the contract to the Charlotte Child Development Service Agency (a reduction that can be made up by its implementing Medicaid cost-settlement); and 3) other administrative efficiencies. The program will continue to be funded at nearly $80 million annually, with a combination of federal and state funds.	($3,118,046) -11.00	R	($3,118,046) -11.00	R
32 Office of Minority Health Reduces the administrative staff within the Office of Minority Health with little or no impact on the Division's ability to direct this program or provide technical assistance to Local Health Departments in striving to eliminate health disparities.	($302,262) -4.00	R	($302,262) -4.00	R
33 Consolidate Healthy Carolinians and Health Education Integrates the activities of the Office of Healthy Carolinians and Health Education into the duties of other personnel in the Division of Public Health. The Division will continue to provide technical assistance to local communities in support of the Governor's Task Force on Healthy Carolinians.	($571,447) -10.00	R	($571,447) -10.00	R
34 Local Health Department Accreditation Continues funding for the Accreditation program at a level comparable to FY 2010-11 ($375,000). This allows the program to be funded at a maintenance level.	($400,000)	R	($400,000)	R
35 Reduce Unallocated Funds for School Nurse Initiative Funds Reduces unallocated funds for state-supported school nurses, including FY 2010-11 funding for 10 unfilled nurse positions.	($566,433)	R	($566,433)	R
36 Oral Health Reduction Eliminates the epidemiology survey of children's teeth in grades 3, 5, and 7 and informational services associated with the survey.	($3,000,000) -36.00	R	($3,000,000) -36.00	R
37 Health & Wellness Trust Fund Transfer to DHHS Transfers $32,904,411 from funds available to the Health & Wellness Trust Fund to the Department of Health and Human Services as follows: -- $22,000,000 shall be used to administer the grants associated with the following programs and initiatives; Teen Tobacco Prevention, CheckMeds, Medication Assistance Program, and Obesity Prevention. -- $10,000,000 shall be used to reduce the total savings required to be achieved for the Medicaid program by Community Care of North Carolina -- The remainder shall be used to reduce the Medicaid Provider Rate cut.	$32,904,411	NR		

	FY 11-12		FY 12-13	
(5.0) NC Health Choice				
38 **Modify Health Choice Services** Modifies and ensures the clinical appropriateness of several Health Choice Services, including: 1) Elimination of long-term care, hearing services, and non-emergency transportation; 2) Reduction of dental benefits; and 3) Assurance of evidence-based treatment.	($650,000)	R	($900,000)	R
39 **Benchmark Health Choice to Medicaid** Benchmarks Health Choice services to Medicaid including the amounts, types, and reimbursement rates. The exception is that Health Choice will not be benchmarked to Medicaid's Early Periodic Screening, Diagnosis, and Treatment Program.	($125,000)	R	($350,000)	R
40 **Targeted Rate Adjustments** Adjusts Medicaid provider reimbursement rates. The Division of Medical Assistance will adjust provider reimbursement rates that are above regional rates, or where analysis indicates an adjustment is warranted and appropriate.	($225,000)	R	($250,000)	R
41 **Strengthen and Restructure Program Integrity** Budgets savings to be realized by the Division of Medical Assistance as a result of restructuring and modernizing its program integrity and fraud and abuse operations to enhance recoveries and avoid overpayments. Complementary savings are expected in the Health Choice program.	($500,000)	R	($666,667)	R
42 **Care Coordination through CCNC** Reduces State costs in the Division of Medical Assistance by re-establishing the care and utilization management services of the Community Care of North Carolina program-both Networks and Physician of Health Choice recipients. A per member per month payment will be made to physicians and networks. The cost will be offset by better management of services and improved clinical outcomes which lead to reduced state costs.	($4,255,235)	R	($4,489,274)	R
43 **Health Choice Adjustment** Adjusts funding for Health Choice to reflect the changes in the consumption and mix of services, and payment to cost-settled health care providers. The policy of open enrollment will continue in FY 2011-12 and is projected to increase enrollment to approximately 148,203 children. Open enrollment will continue in FY 2012-13, but at a moderated rate.	($3,166,254)	R	$2,000,000	R

	FY 11-12		FY 12-13	
(6.0) Division of Medical Assistance				
44 Medicaid Provider Assessments Levies an assessment of up to 5.5%, consistent with Federal Regulations, on willing Medicaid healthcare providers. Currently, the list of providers includes: Hospitals, Critical Access Behavioral Health Agencies (CABHA), and Community Alternative Programs for Mentally Retarded (CAP/MR). A portion of the assessment will be retained by the State. The current 5.5% assessment on Nursing Homes is not affected.	($60,183,120)	R	($62,798,614)	R
45 Adjust Assessment on Nursing Facilities to 6% Adjusts the assessment rate on Nursing Facilities upward to 6.0%, as allowed by Federal regulations, effective October 1, 2011, by adjusting the appropriate totals accordingly.	($7,926,122)	R	($10,568,163)	R
46 Implement Pregnancy Home Model Budgets savings to be achieved from the March 2011 implementation of a collaborative effort between Community Care of North Carolina Networks and Local Health Departments to improve the quality of perinatal care and ensure that high-risk pregnant women receive the care and case management required. The improved birth outcomes, especially preventing premature births will reduce state expenditures incurred by the Division of Medical Assistance.	($528,960)	R	($3,457,596)	R
47 Health Homes for Chronically Ill Budgets revenue from the increased federal matching rate for the Health Homes for Chronically Ill Program. The Division of Medical Assistance is taking advantage of the two-year Federal program to enhance comprehensive care management for Medicaid recipients with co-occurring illnesses, including a chronic health condition and severe and persistent mental health condition. The Federal matching rate for this program, during the two-years, is 90%, versus the current rate of approximately 65%.	($16,146,384)	NR	($24,739,541)	NR
48 Strengthen and Restructure Program Integrity Budgets the anticipated savings from the Division of Medical Assistance efforts to reduce, if not eliminate, fraud and abuse in the Medicaid program by restructuring and modernizing current policies and efforts. Through policy and staffing changes and technology improvements, state administrative costs will be reduced, and avoid over payments and improving the recovery of funds.	($19,200,000) -30.00	R	($28,000,000) -40.00	R
49 Generic Substitution for Off-Patent Drugs Budgets anticipated savings in FY 2012-13. In the next 12 months several brand-name drugs are scheduled to go off patent, leading to generic drug substitution savings in FY 2012-13.			($7,000,000)	R

	FY 11-12		FY 12-13	
50 Modify Pharmacy Services Budgets savings to be realized by the Division of Medical Assistance through several actions, including: 1) Better management of drug rebates, 2) Ensuring Medicare Part D correctly reimburses Medicaid, 3) Elimination of automatic refills, and 4) For flexibility to modify dispensing fees.	($10,845,441)	R	($14,436,600)	R
51 Modify Generic Prescription Dispensing Rates Revises generic drug dispensing rates to increase the rate of generic drugs within the Medicaid Program.	($15,000,000)	R	($24,000,000)	R
52 Behavioral Health Medicaid 1915 b/c Waiver Expands the capitated behavioral health program to additional Local Management Entities (LMEs).	($10,537,931)	R	($52,551,082)	R
53 DHHS Savings Through Community Care of North Carolina (CCNC) Budgets savings to be achieved by DHHS, in conjunction with CCNC Networks and North Carolina Community Care, Inc., through the cooperation of Medicaid health care providers. To the extent these savings are not achieved, DHHS is to undertake whatever actions necessary to affect the savings, including: 1) Reducing provider rates, and 2) Eliminating or reducing the level or duration of optional Medicaid services.	($83,071,581)	R	($90,000,000)	R
54 Modify Optional and Mandatory Services Budgets savings to be achieved by the Division of Medical Assistance through adjustments to mandatory and optional Medicaid services. These changes include the following services: Optical, Durable Medical Equipment, Specialized Therapies, Home Health, Dental, and a variety of other services. In the event, these savings are not fully achieved, the elimination of optional service requirements may be required.	($16,732,335)	R	($22,295,678)	R
55 Modify and Eliminate Optional Services Budget savings to be achieved by the Division of Medical Assistance in SFY 2012-13 through adjustments to and elimination of optional Medicaid services. These changes include the following: Specialized Therapies, H Codes for provisionally licensed providers, Adult Dental, Podiatry, Adult Physical, Speech, and Occupational Therapy, Nursing Homes, Respiratory Therapy, Chiropractic Services, and Optical Services and Supplies.			($51,474,609)	R
56 Eliminate Inflationary Increases Eliminates automatic inflation increases for Medicaid providers. The Division of Medical Assistance is not to authorize any inflationary increases to Medicaid provider rates during the 2011-13 biennium, except as provided for in Section 10.43.	($62,853,775)	R	($130,874,505)	R

	FY 11-12		FY 12-13	
57 Adjust Provider Rates Reduces Medicaid provider reimbursement rates. The Division of Medical Assistance is to reduce Medicaid provider rates by 3%, except as provided for in Section 10.46.	($71,420,718)	R	($71,420,718)	R
58 Targeted Rate Adjustments Budgets savings to be achieved by the Division of Medical Assistance adjustments of Medicaid reimbursement rates where its rates are not in-line with regional rates or where analysis indicates a rate adjustment is appropriate to bring it in-line with costs. Current examples include: High-tech Imaging in Hospital Outpatient Departments and Adult Care Home--Special Units.	($8,453,125)	R	($9,000,000)	R
59 Medicaid Rebase Rebases the Medicaid budget to adjust for changes in the number of Medicaid recipients, utilization or consumption of services, mix of services being consumed, inflation for cost-settled providers, and changes to the Federal Medical Assistance Percentage (FMAP).			$196,005,122	R
60 Eliminate Optional Service Home Infusion Therapy Eliminates the Optional Medicaid Service of Home Infusion Therapy. Medicaid recipients will receive such services through outpatient facilities.	($1,361,984)	R	($1,361,984)	R
61 Eliminate Optional Service of Over-the-Counter Drugs Eliminates optional service of Over-the-Counter drugs, similar to private health insurance plans.	($1,976,066)	R	($1,976,066)	R
(7.0) Division of Health Service Regulation				
62 Nursing Home Licensure and Certification Funds Replaces State funds with federal receipts in the Nursing Home Licensure and Certification Section on a non-recurring basis. The receipts come from civil monetary penalties assessed against nursing homes.	($1,792,559)	NR	($1,792,559)	NR
(8.0) Division of Social Services				
63 Vendor Payments for New Special Needs Adoptions Eliminates special vendor payments for all new adoption agreements effective on or after July 1,2011. Special vendor payments, of up to $2,400 a year for non-medical, non-Medicaid reimbursable goods or services for special needs children, remain in effect for adoption agreements signed prior to July 1, 2011.	($550,963)	R	($550,963)	R

	FY 11-12		FY 12-13	
64 **Child and Family Team Pilot Elimination** Eliminates pilot funding for local departments of social services that partially supports Child and Family Team positions. Child and Family Teams will continue to work in schools and DSS will continue to provide training and technical assistance to local departments of social services in order for the initiative to continue.	($420,804)	R	($420,804)	R
65 **Replace State Funding for Child Protective Services** Replaces state funds with federal block grant funds to support Child Protective Services. County departments of social services will receive Social Services Block Grant (SSBG) funds in lieu of state general funds. Sec. 10.60 (a)	($5,040,000)	R	($5,040,000)	R
66 **Eliminate Special Assistance Intervention Team** Eliminates the Special Assistance Intervention team, whose purpose was to provide special assistance and intervention services for low performing counties around child welfare services. The model has not been effective and positions are vacant.	($103,997) -2.00	R	($103,997) -2.00	R
67 **Eliminate State General Funds to Local Departments of Social Services** Continues the reduction in general funds to county departments of social services from the previous biennium. This action eliminates the State general fund contribution to county social services departments to offset the cost of administering public assistance programs. The administrative cost of these programs is shared evenly by the federal and county governments.	($5,473,985)	R	($5,473,985)	R
68 **Prioritize Adult Day Care Funding for Ages 18 to 59** Reduces the State Adult Day Care Fund. Revises the policy regarding the age of persons eligible to receive Fund-supported day care services, with priority given to adults ages 18 - 59. Services will remain available to individuals 60 and older through the Home and Community Block Care Block Grant.	($1,106,000)	R	($1,106,000)	R
69 **Use Social Services Block Grant (SSBG) to Support Adult Protective Services** Replaces State funds with federal funds by requiring all counties to use federal SSBG funds to provide adult protective services. This will require 52 counties to begin using their SSBG allocations to provide this mandated service. Sec. 10.60 (a)	($2,000,000)	R	($2,000,000)	R
70 **Eliminate State Abortion Fund** Eliminates funding for the State Abortion Fund. Sec. 10.53	($50,000)	R	($50,000)	R

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71 Reduce NC Reach Scholarship Funds Reduces the budget for the NC Reach post-secondary education program by 50%, $1,584,125, maintaining the program at the FY 2010-11 funding level. Sec. 10.54 (a)	($1,584,125)	R	($1,584,125)	R
72 Reduce Child Welfare Education Collaborative Funds Eliminates the special appropriation for the Child Welfare Education Collaborative. $1,005,023 in combined federal and other state funds remain to support the program.	($239,453)	R	($239,453)	R
73 Replace Division Admin Funds with Federal Block Grant Replaces State funding for the Division of Social Services administrative costs with federal TANF Block Grant funds. Sec. 10.60 (a)	($1,389,084)	R	($1,389,084)	R
(9.0) Division of Aging and Adult Services				
74 Prioritize Senior Funding Eliminates Senior Center General Purpose Funds for non-certified senior centers and reduces funding for certified centers. Funding is eliminated, $462,589, for all non-certified centers, 85 centers will each lose $5,442. Funding for the remaining 77 certified senior centers is reduced by $197,411, for an average reduction of $2,564 each. $645,377 in state funds remains in the continuation budget for the 77 certified centers.	($660,000)	R	($660,000)	R
75 Replace Funding for Long-Term Care Constituent Advocate Program Replaces State funds with federal Civil Monetary Penalty proceeds to support the Long-Term Care Ombudsman Program, which advocates for the elderly.	($200,000)	R	($200,000)	R
76 Eliminate Volunteer Program Development Eliminates funds for the Volunteer Development Program, one of 18 services funded through the Home and Community Care Block Grant. Currently, only 11 counties elect to provide this service.	($200,000)	R	($200,000)	R
77 Reduce Home and Community Care Block Grant Reduces State funding for the Home and Community Care Block Grant by 3 percent. Approximately $33.7 million in State funds remains in the continuation budget for home-based and community services for elderly and disabled adults.	($1,000,000)	R	($1,000,000)	R
(10.0) Divisions of Services for the Blind and Services for the Deaf and Hard of Hearing				
78 Reduce Medical Eye Care Program Reduces funding for the Medical Eye Program.	($190,961)	R	($190,961)	R

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79 **Independent Living Program Funds** Replaces a portion of the General Fund for the Independent Living Program with an allocation from the Social Services Block Grant.	($1,000,000)	NR	($1,000,000)	NR
(11.0) Division of Vocational Rehabilitation				
80 **Eliminate Recreational Therapists Services** Eliminates recreational therapist services available in only five cities across the state. Four of the five positions to be eliminated are vacant.	($284,501) -5.00	R	($284,501) -5.00	R
81 **Reduce Independent Living Program** Reduces State funding for independent living services by 9%. Services will continue to be prioritized so as to avoid institutional care.	($1,774,021)	R	($1,774,021)	R
82 **Reduce Basic Support Program** Replaces a portion of the State funds for the Basic Support Program with unspent federal funds.	($2,067,928)	NR	($2,067,928)	NR
Total Legislative Changes	**($479,556,982)** **($13,855,714)**	R NR	**($490,410,769)** **($35,952,672)**	R NR
Total Position Changes	-393.00		-403.00	
Revised Budget	**$4,434,326,952**		**$4,401,762,323**	

	FY 2011-12	FY 2012-13

Subcommittee on Health and Human Services

Health & Wellness Trust Fund

Budget Code: 23460

	FY 2011-12		FY 2012-13	
Beginning Unreserved Fund Balance	**$32,904,411**		**$0**	
Recommended Budget				
Requirements	**$0**		**$0**	
Receipts	**$0**		**$0**	
Positions	**0.00**		**0.00**	
Legislative Changes				
Requirements:				
Health & Wellness Trust Fund to General Fund	$0	R	$0	R
Transfers the $32,904,411 in Health and Wellness Trust Fund to the General Fund for use by the Department of Health and Human Services.	$32,904,411	NR	$0	NR
	0.00		0.00	
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$32,904,411	NR	**$0**	NR
	0.00		0.00	
Receipts:				
Health & Wellness Trust Fund to General Fund	$0	R	$0	R
Transfers the $32,904,411 in Health and Wellness Trust Fund to the General Fund for use by the Department of Health and Human Services.	$0	NR	$0	NR
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$0	NR	**$0**	NR

	FY 2011-12	FY 2012-13
Revised Total Requirements	$32,904,411	$0
Revised Total Receipts	$0	$0
Change in Fund Balance	($32,904,411)	$0
Total Positions	0.00	0.00
Unappropriated Balance Remaining	$0	$0

NATURAL & ECONOMIC RESOURCES
Section H

Agriculture and Consumer Services

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$61,754,014**		**$61,754,014**	
Legislative Changes				
Department-wide				
1 Cell Phones	($41,805)	R	($41,805)	R
Reduces General Fund appropriation for cell phones across the Department by 25%. The Department is to reduce the actual number of phones by this percentage as well.				
2 Longevity	($25,000)	R	($25,000)	R
Reduces General Fund appropriation for longevity across the Department to reflect expected longevity needs.				
3 Motor Fleet Management	($127,726)	R	($127,726)	R
Reduces General Fund appropriation for Motor Fleet Management expenditures across the Department by 10%. The Department is to reduce the actual number of Motor Fleet Management vehicles by 10% as well.				
4 Vacant Positions and Salary Reserve	($824,249)	R	($824,249)	R
Eliminates 12 vacant positions and fund shifts one position. Of the eliminated positions, 11 were proposed by the Department and one had been vacant for more than one year as of March 2011. The reduction includes salaries and benefits for these positions and salary reserve. Positions eliminated include:	-13.00		-13.00	

60011803	Research Tech	$34,923
60011834	Technology Support Analyst	$77,114
60011858	Lithographic Press Operator III	$58,413
60011880	Food Compliance Officer I	$50,736
60011976	Food Inspector	$47,631
60012083	Veterinarian	$126,818
60012226	Veterinary Laboratory Asst I	$32,834
60012592	Research Spec	$49,593
60012527	Processing Assistant IV	$40,649
60012095	Veterinarian	$106,463
60012094	Livestock Compliance Officer	$67,706
60011911	Chemist	$42,294
	Salary Reserve	$12,111

Fund shifts one position to the Pesticide Environmental Trust Fund:

60012056	Environmental Toxicologist	$76,964

	FY 11-12		FY 12-13	
5 Forest Resources Transfers the Division of Forest Resources from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services.				
6 Soil & Water Conservation Transfers the Division of Soil and Water Conservation from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services.				
7 Sleep Products Section Transfers the Sleep Products Section of the Division of Environmental Health within the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services. The Sleep Products Section has eight FTE; the $630,337 budget is entirely supported by receipts.				
Reserves & Transfers				
8 S.B. 109 Funds Provides $2.4 million to the Department to restore funds taken to meet the requirements of S.L. 2011-15 (S.B. 109).	$2,400,000	NR		
9 Tobacco Trust Fund Provides General Fund appropriation for the operation of the Tobacco Trust Fund (TTF). Beginning in FY 2011-12, MSA funds are transferred to the General Fund, not directly to TTF. These funds shall be used for administration, grants, and all costs associated with the enforcement of the MSA formerly covered by payments from both TTF and the Health & Wellness Trust Fund.	$8,334,360	NR	$8,790,386	NR
Administration				
10 Ag. Development and Farmland Preservation Trust Fund Reduces funding for the Agricultural Development and Farmland Preservation Trust Fund by 15%. This leaves $1.7 million to be appropriated to the Trust Fund.	($300,000)	R	($300,000)	R
11 Cooperative Grading Service Charge Reduces General Fund support for the General Administration Division, replacing these funds with $20,000 paid by the Cooperative Grading Program for budgeting, accounting, and HR services provided by the Division.	($20,000)	R	($20,000)	R
12 Ag in the Classroom Transfers the appropriation for Ag in the Classroom to Commerce State-Aid. All nonprofits funded by the Natural and Economic Resources Subcommittee will now be funded out of Commerce State-Aid.	($22,077)	R	($22,077)	R

	FY 11-12		FY 12-13	
13 FFA Foundation Transfers the appropriation for the FFA Foundation to Commerce State-Aid. A 15% reduction will be taken when the funds are added into the Commerce State-Aid section, leaving $37,531. All nonprofits funded by the Natural and Economic Resources Subcommittee will now be funded out of Commerce State-Aid.	($44,154)	R	($44,154)	R
Agronomics				
14 Soil Testing Fees Implements two fees related to soil testing: (1) A fee for soil tests on samples sent to the Department from outside of North Carolina and (2) a fee for expedited soil testing. The fee for out-of-state soil tests shall not be less than $5. The expedited service will be for bulk samples and the fee shall not be less than $100.	($50,000)	R	($50,000)	R
Food & Drug				
15 Antifreeze Registration Increases the fee for antifreeze registration from $250 to $500 for each brand of antifreeze. This fee has not been increased since 1979.	($75,000)	R	($75,000)	R
Food Distribution				
16 Administrative Position Eliminates one administrative position within the Food Distribution Division. The reduction includes salaries and benefits for this position. 60012718 Office Assistant III $43,235	($43,235) -1.00	R	($43,235) -1.00	R
17 Position to Federal Receipts Transfers funding for one Storeroom Manager from General Fund support to federal receipts. The reduction includes salaries and benefits for this position. 60012736 Storeroom Manager $48,608	($48,608) -1.00	R	($48,608) -1.00	R
Markets				
18 Piedmont Farmers Market Eliminates General Fund support for the Piedmont Farmers Market. This market will now operate as a self-supporting enterprise budgeted in an Enterprise Fund like the Raleigh Farmers Market.	($22,000)	R	($22,000)	R
19 Lumberton Ag Center and Farmers Market Eliminates recurring funding for the Lumberton Agricultural Center and Farmers Market and makes the funding nonrecurring for FY 2011-12. The Fiscal Research Division will perform a Justification Review of this program.	($362,230) $362,230 -6.00	R NR	($362,230)	R

	FY 11-12		FY 12-13	
20 International Marketing Provides $500,000 NR for international marketing of North Carolina agricultural products.	$500,000	NR		
21 Commodities Marketing Provides $500,000 NR for the promotion of North Carolina commodities. A portion of these funds shall be used for marketing wineries and producing State winery maps.	$500,000	NR		
Plant Industry				
22 Lime Tonnage Fee Increases the lime tonnage fee from $0.10 per ton to $0.50 per ton. This fee has not been increased since 1979.	($250,000)	R	($250,000)	R
23 Over-realized License Revenue Directs the Plant Industry Division to budget over-realized receipts from business licenses in the Seed and Fertilizer Section.	($50,000)	R	($50,000)	R
24 Plant Conservation Eliminates General Fund support for the Plant Conservation program and transfers the program to receipts provided by the Natural Heritage Trust Fund. This transfer fund shifts the salary and benefits of one position: 60012489 Plant Ecologist $68,481	($68,481) -1.00	R	($68,481) -1.00	R
Research Stations				
25 Research Grant Funds Reduces General Fund support for the research stations by $50,000 and directs the Division to increase receipts from University research grants accordingly. Currently few researchers provide funding to the research stations for the services they provide. Researchers are encouraged to include operating support for the research stations in grant proposals and to compensate the research stations for the services they provide.	($50,000)	R	($50,000)	R
Vet Services				
26 Administrative Position Eliminates one administrative position from the Division of Veterinary Services. The Division is to determine which position to eliminate. The reduction reflects the average salary and benefits of an administrative position within the Division.	($51,990) -1.00	R	($51,990) -1.00	R
27 License Fees Increases the license fee for pet shops, public auctions, boarding kennels, and dealers as defined in G.S. 19A-23 from $50 to $75. This fee was last increased in 1989.	($10,000)	R	($10,000)	R

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
28 Animal Welfare Services Provides funds for the Animal Welfare Services program to support operations.	$120,000	R	$120,000	R
Total Legislative Changes	**($2,366,555)**	**R**	**($2,366,555)**	**R**
	$12,096,590	**NR**	**$8,790,386**	**NR**
Total Position Changes	-17.00		-23.00	
Revised Budget	**$71,484,049**		**$68,177,845**	

Labor

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$16,842,679**		**$16,842,679**	
Legislative Changes				
Department-Wide				
29 Cell Phones Reduces General Fund appropriation for cell phones across the Department by 25%. The Department is to reduce the actual number of phones by this percentage as well.	($10,074)	R	($10,074)	R
30 Motor Fleet Management Reduces General Fund appropriation for Motor Fleet Management expenditures across the Department by 10%. The Department is to reduce the actual number of Motor Fleet Management vehicles by this percentage as well.	($22,635)	R	($22,635)	R
Administration				
31 Operating Budget Reduces the operating budget for the Administration Division.	($81,241)	R	($81,241)	
32 IT Operating Budget Reduces the IT operating budget for the Administration Division.	($255,000)	R	($255,000)	R
33 Vacant Position Eliminates the salary and benefits of 1.0 vacant position: 60012904 Labor Library Assistant $48,414	($48,414) -1.00	R	($48,414) -1.00	R
Occupational Safety and Health				
34 Agricultural Safety & Health Vacant Position and Salary Reserve Eliminates the salary and benefits of 1.0 vacant Agricultural Safety & Health position and department-wide salary reserve: 60013261 Processing Assistant IV ($53,579) Department-wide salary reserve ($25,760)	($79,339) -1.00	R	($79,339) -1.00	R
Standards and Inspections				
35 Apprenticeship Bureau Transfers $350,000 in Workforce Investment Act funds from the Department of Commerce to the Department of Labor to be used for the recurring operating costs of the Apprenticeship Program.				

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
36 Mine & Quarry Vacant Position and Salary Reserve	($81,560)	R	($81,560)	R
Eliminates salary and benefits of 1.0 vacant position in the Mine & Quarry Bureau and department-wide salary reserve:	-1.00		-1.00	
60012967 Mine Safety & Health Representative ($69,900)				
Department-wide salary reserve ($11,660)				
37 Employment Discrimination Bureau Vacant Position	($83,622)	R	($83,622)	R
Eliminates the salary, benefits, salary reserve, and operating costs associated with 1.0 vacant position:	-1.00		-1.00	
60013056 Employment Discrimination Investigator ($70,116)				
Salary reserve ($7,981)				
Operating costs ($5,525)				
38 Positions to Receipts and Reduction to Department-wide Salary Reserve	($343,907)	R	($343,907)	R
Shifts the salary and benefits of 5.0 positions to receipt support:	-5.00		-5.00	
60013001 Executive Assistant I $56,190				
60012894 Accounting Technician $45,991				
60012897 Administrative Assistant I $53,488				
60012899 Accounting Technician $52,688				
60012982 Deputy Commissioner Standards & Insp. $114,402				
Department-wide Salary Reserve $21,148				
Total Legislative Changes	**($1,005,792)**	R	**($1,005,792)**	R
Total Position Changes	-9.00		-9.00	
Revised Budget	**$15,836,887**		**$15,836,887**	

Environment & Natural Resources

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$188,972,401**		**$188,972,401**	

Legislative Changes

(1.0) Department-wide

39 Filled and Vacant Positions ($1,099,424) R ($1,099,424) R

Eliminates funding for the salaries and benefits of 14.22 positions and associated operating costs across the Department of Environment and Natural Resources: -14.22 -14.22

60035952	Policy Development Analyst	(1.00)	$75,759
60035964	Environmental Engineer	(1.00)	$87,173
65010186	Engineer	(1.00)	$78,137
60091478	Administrative Asst. II	(1.00)	$43,760
60035980	Artist Illustrator II	(1.00)	$53,067
60035995	Personnel Analyst I	(1.00)	$50,036
60035987	Workers' Comp Program Manager	(1.00)	$69,074
60036011	Accounting Mgr	(1.00)	$110,318
60035072	Environmental Program Supv II	(0.22)	$20,436
60035963	Environmental Specialist	(1.00)	$57,919
60035956	Environmental Specialist	(1.00)	$71,954
60032412	Hydrogeologist	(1.00)	$104,765
60035959	Administrative Asst.	(1.00)	$50,770
60036076	GIS Specialist	(1.00)	$89,804
60036067	Appl Svcs Mgr/Spec. Projects	(1.00)	$113,266
	Operating costs		$23,186

40 Cell Phones ($112,250) R ($112,250) R

Reduces General Fund appropriation for cell phones across the Department by 25%. The Department is to reduce the actual number of phones by this percentage as well.

41 Longevity ($100,000) R ($100,000) R

Reduces General Fund appropriation for longevity across the Department to reflect expected longevity needs.

42 Motor Fleet Management ($265,029) R ($265,029) R

Reduces General Fund appropriation for Motor Fleet Management expenditures across the Department by 15%. The Department is to reduce the actual number of Motor Fleet Management vehicles by 15% as well.

43 Funds for S.B. 709, "Energy Jobs Act"

Provides $100,000 to the Department, contingent upon the adoption of S.B. 709, "Energy Jobs Act," in order to fulfill the reporting requirements of the bill. These funds shall come from the Mercury Pollution Prevention Fund in the Department of Environment and Natural Resources.

(1.0) Reserves & Transfers

44 Clean Water State Revolving Fund

Directs the Department to use $5,567,165 of its loan origination fee fund to provide the 20% State match needed to draw down the maximum available federal funds for the Clean Water State Revolving Fund for FY 2011-12. The US EPA has given the Department permission to use these funds for FY 2011-12 only.

45 Drinking Water State Revolving Fund

Provides funding to meet the 20% State match requirement for drawing down the maximum available federal funds for the Drinking Water State Revolving Fund for FY 2011-12.

	FY 11-12		FY 12-13	
	$7,118,600	NR		

46 Nature Research Center Operating Reserve

Provides funds for the operations of the Nature Research Center building. The Center is scheduled to open in the spring of 2012. These funds are to be transferred to the Department of Administration for utilities, custodial services, maintenance, pest control, etc.

	$417,498	R	$1,253,590	R

47 Nature Research Center Program Operating Reserve

Provides the operating funds and staff required to open the Nature Research Center in the spring of 2012.

	$1,465,460	R	$2,269,798	R
	22.00		22.00	

48 Green Square Office Building Operating Reserve

Provides funds for the operations of the Green Square office building, which DENR plans to move into during the summer of 2011. These funds are to be transferred to the Department of Administration for utilities, custodial services, maintenance, pest control, etc.

	$956,408	R	$1,056,408	R

49 Plains Barn Operating Reserve

Provides the operating funds and staff needed to operate the plains barn and paddock at the North Carolina Zoo.

	$128,409	R	$128,409	R
	1.50		1.50	

50 State Park System Operating Reserve

Provides the operating funds and staff for a new boat ramp at Kerr Lake State Recreation Area and new facilities and trails at Grandfather Mountain, Gorges, and Deep River State Parks. Since the projects for Kerr Lake State Recreation Area and Gorges State Park will not be complete until later in 2011, positions included for these locations shall have an effective date of April 1, 2012.

	$143,030	R	$364,812	R
	5.00		5.00	

	FY 11-12		FY 12-13	
51 Grassroots Science Museums Collaborative Transfers the appropriation for the Grassroots Science Museums Collaborative to Commerce State-Aid. A 15% reduction will be taken when the funds are added into the Commerce State-Aid section, leaving $2,899,885. All nonprofits funded by the Natural and Economic Resources Subcommittee will now be funded out of Commerce State-Aid.	($3,411,713)	R	($3,411,713)	R
52 Partnership for the Sounds Transfers the appropriation for the Partnership for the Sounds to Commerce State-Aid. A 15% reduction will be taken when the funds are added into the Commerce State-Aid section, leaving $409,326 recurring. All nonprofits funded by the Natural and Economic Resources Subcommittee will now be funded out of Commerce State-Aid.	($481,560)	R	($481,560)	R
(1.0) Administration				
53 Vacant Positions Eliminates two positions within the administrative area of the Department. These two positions had been vacant for more than a year as of March 2011. The reduction includes salaries and benefits for these positions. 60036049 Departmental Purchasing Agent II $63,832 60036070 Networking Specialist $95,219	($159,051) -2.00	R	($159,051) -2.00	R
54 Office of Environmental Education and Public Affairs Reduces the environmental education responsibilities of the Office of Environmental Education and Public Affairs, with two positions to remain to administer the environmental teacher certification program and serve as a liaison with the Department of Public Instruction. 60036088 Edu. Dev. Consultant $65,772 60036090 Edu. Dev. Consultant $75,019 60036091 Edu. Dev. Consultant $63,925	($246,134) -3.00	R	($246,134) -3.00	
(1.0) Aquariums				
55 Gate Admissions Reduces General Fund support for the aquariums and budgets $2 million in gate admissions collected by the three aquariums. Currently, all gate admissions are budgeted in a special fund and are used for capital projects, repairs, maintenance, exhibits, etc. Over $7.5 million from the General Fund will continue to be used to support the aquariums.	($2,000,000)	R	($2,250,000)	R
(1.0) Conservation Planning & Comm. Affairs				
56 Working Lands Program Eliminates the Working Lands Program and the position associated with this program. 60036193 Program Development Coordinator $78,195	($78,195) -1.00	R	($78,195) -1.00	R

	FY 11-12		FY 12-13	
57 Program Staff	($279,271)	R	($279,271)	R
Eliminates all remaining General Fund support for the Office of Conservation Planning & Community Affairs and replaces these funds with receipts from the Natural Heritage Trust Fund. All operating expenses and the salaries and benefits associated with three positions are transferred to receipts.	-3.00		-3.00	

60036191 Program Dev Coordinator $80,859
60036192 Program Dev Coordinator $84,110
60036213 Edu. Dev. Consultant $79,213

(1.0) Forest Resources

58 Positions to Receipt Support	($485,148)	R	($485,148)	R
Reduces General Fund support for 13 positions, replacing these funds with receipts. Several of the positions shifted are partial positions; in total, 8.8 FTE are transferred to receipts. Positions and the amount shifted to receipts are listed below:	-8.80		-8.80	

60031721	Office Assistant III	$16,635 (0.4 FTE)
60031762	Office Assistant III	$14,260 (0.4 FTE)
60031781	Office Assistant III	$16,918 (0.4 FTE)
60031786	Office Assistant III	$16,584 (0.4 FTE)
60031808	Office Assistant III	$16,182 (0.4 FTE)
60031919	Office Assistant III	$14,273 (0.4 FTE)
60031944	Office Assistant III	$15,085 (0.4 FTE)
60031995	Forester III	$80,712 (1.0 FTE)
60032202	Extension Educ & Training Spec.	$64,914 (1.0 FTE)
60032214	Forester III	$73,953 (1.0 FTE)
60032220	Forestry Technician	$55,449 (1.0 FTE)
60032221	Forestry Technician	$50,847 (1.0 FTE)
60032224	Accounting Clerk V	$49,336 (1.0 FTE)

59 Operating Reduction	($2,448,094)	R	($2,548,094)	R
Reduces operating expenses of the Division.				
60 Vacant Position	($31,504)	R	($31,504)	R
Eliminates one vacant position in the Division that had been vacant for more than one year as of March 2011.	-1.00		-1.00	

60031683 Cook $31,504

61 Turnbull Educational State Forest	($87,317)	R	($87,317)	R
Replaces General Fund appropriation for the Turnbull Educational State Forest with receipts generated by the Turnbull forest.	-1.00		-1.00	
62 Aviation Base System	($40,000)	R	($40,000)	R
Directs the Division to transition to a three base system for aircraft. Currently the Division operates nine bases across the State. The Conklin & de Decker report issued in late 2010 recommended the three base system.				

63 Forest Resources
Transfers the Division of Forest Resources from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services.

(1.0) Marine Fisheries

64 Operating Expenses ($168,910) R ($168,910) R
Reduces operating expenses across the Division.

65 Operating Expenses to Receipt Support ($200,000) R ($200,000) R
Transfers operating expenses within the Division to commercial fishing receipts.

66 Position Changes ($202,937) R ($202,937) R
Eliminates three permanent positions within the Division: one vacant, two filled, and one temporary position. -3.00 -3.00

Filled
60032651 M.F. Biologist II $67,900
60032556 M.F. Biologist II $56,225

Vacant
60032552 Processing Asst IV $38,761

Temporary Position $40,051

67 Positions to Receipt Support ($297,116) R ($297,116) R
Transfers the salaries and benefits of six positions to federal grant funds. -6.00 -6.00

60032644 Marine Fisheries Biologist II $52,330
60032649 Marine Fisheries Technician II $38,586
60032560 Marine Fisheries Biologist II $62,495
60032650 Marine Fisheries Technician III $52,789
60032645 Marine Fisheries Technician II $38,586
60032642 Marine Fisheries Biologist II $52,330

68 Columbia Office ($55,902) R ($55,902) R
Closes the Columbia Office of the Division of Marine Fisheries. This reduction includes rent and operating expenses associated with the office.

69 River Herring Program ($85,000) R ($85,000) R
Reduces funding for river herring research. This reduction leaves approximately $65,000 and one position to continue to monitor river herring.

70 Oyster Sanctuary Program ($1,451,778) R ($1,451,778) R
Eliminates funding for the Oyster Sanctuary Program.

	FY 11-12		FY 12-13	
71 Shellfish Rehabilitation Program Reduces funding for the Shellfish Rehabilitation program, leaving $315,000 to support the Oyster Shell Recycling program and oyster sanctuary construction projects. This reduction reduces operating funds.	($260,000)	R	($260,000)	R
72 Fishery Resource Grant Program Eliminates the Fishery Resource Grant Program. This program was funded by the Division of Marine Fisheries but operated by the SeaGrant program at North Carolina State University.	($300,000)	R	($300,000)	R
73 Shellfish Mapping Program Reduces operating funds as well as the salaries and benefits for five positions associated with the Shellfish Mapping Program. Four of these positions are filled and one is vacant.	($281,168) -5.00	R	($281,168) -5.00	R
74 Shellfish Sanitation and Recreational Water Quality Moves the Shellfish Sanitation and Recreational Water Quality program from the Division of Environmental Health to the Division of Marine Fisheries.	$1,772,789 24.75	R	$1,772,789 24.75	R

Filled

60032714 M.F. Technician II	$ 38,896
60032771 M.F. Technician II	$ 40,200
60032772 M.F. Technician II	$ 43,584
60032774 M.F. Technician II	$ 38,586

Vacant

60032773 M.F. Technician II	$ 38,896

(1.0) Museum of Natural Sciences

75 Position Changes Eliminates five filled positions within the Division. This reduction includes the salaries and benefits of these positions.	($245,180) -5.00	R	($245,180) -5.00	R

60035038 Natural Science Curator I	$47,502
60035013 Art Exhibit Design Technician	$48,617
60034968 Art Exhibit Design Technician	$46,310
60034980 Natural Science Research Curator II	$62,733
60034966 Maintenance Mechanic II	$40,018

76 Temporary Wages Reduces temporary wages in the Division.	($189,732)	R	($189,732)	R

(1.0) North Carolina Zoo

77 Operating Expenses Reduces General Fund operating expenses at the NC Zoo by approximately 6.5%. The NC Zoo may offset this reduction by increasing fees for gate admissions by $2.	($806,396)	R	($806,396)	R

	FY 11-12		FY 12-13	
78 Operations to Receipt Support Budgets $493,604 in receipts generated by the NC Zoo from revenue sources such as gate admissions, carousel rides, and stroller rentals. These receipts are over-realized and are currently deposited into the Special Zoo Fund.	($493,604)	R	($493,604)	R
79 Gift Shops Outsources at least three gift shops operated by the North Carolina Zoo. Outsourcing the NC Zoo's gift shops will eliminate six filled positions and one vacant position.	($603,198) -7.00	R	($603,198) -7.00	R
60033433 Sales Manager I $33,260 60033304 Sales Manager I $32,505 60033404 Sales Manager I $34,235 60033403 Sales Manager II $35,133 60033402 Sales Manager II $36,506 60033459 Stock Clerk I $34,203 60033405 Sales Manager I $32,505				
80 Vacant Positions Eliminates two positions in the Division that had been vacant for more than one year as of March 2011. This reduction includes the salaries and benefits for these positions.	($68,846) -2.00	R	($68,846) -2.00	R
60033308 Grounds Worker $32,505 60033295 Vehicle Operator II $36,341				
(1.0) Parks & Recreation				
81 Operating Expenses Transfers $6 million in Parks and Recreation Trust Fund receipts to the Division of Parks and Recreation to support park operations for the biennium.	($6,000,000)	NR	($6,000,000)	NR
82 Operation Reduction Reduces operating expenses for the Division of Parks and Recreation.	($1,012,500)	R	($1,012,500)	R

	FY 11-12		FY 12-13	
83 Vacant Positions	($856,447)	R	($856,447)	R
Eliminates 18 vacant positions in the Division. This reduction includes the salaries and benefits for these positions.	-18.00		-18.00	

65007762	Maintenance Mechanic IV	$ 43,651
65007760	Maintenance Mechanic III	$ 39,789
60032890	Park Ranger	$ 45,510
60032962	Maintenance Mechanic IV	$ 42,294
65010034	Maintenance Mechanic IV	$ 46,323
65010033	Natural Science Curator II	$ 58,201
65009861	Office Assistant IV	$ 42,740
65009844	Park Ranger	$ 58,322
65009846	Park Ranger	$ 56,460
60033075	Park Ranger	$ 42,809
60033072	Park Ranger	$ 47,721
60033208	Park Ranger	$ 43,392
60032923	Park Ranger	$ 45,438
60032970	Maintenance Mechanic III	$ 39,789
60033159	Parks Designer II	$ 72,069
60032974	Maintenance Mechanic III	$ 44,165
60033046	Park Ranger	$ 44,806
60033057	Park Ranger	$ 42,968

(1.0) Soil & Water Conservation

84 Operating Reduction	($28,719)	R	($28,719)	R
Reduces operating expenses in the Division.				
85 Filled Positions	($105,990)	R	($105,990)	R
Eliminates the salary and benefits of two filled positions in the Division.	-2.00		-2.00	

60032335	Environmental Specialist	$53,355
60032377	Info & Communication Spec. I	$52,635

86 Soil & Water Conservation Districts	($68,000)	R	($68,000)	R

Reduces funding for soil and water conservation districts by $708 per district. This reduction cuts local matching funds by 10%, or $400 per district. The remainder of the reduction is from funds provided for subsistence expenses for local Supervisors. This reduction means that lunch will no longer be reimbursed on days when the local district boards meet.

	FY 11-12		FY 12-13	
87 Routine Animal Operating Inspections	($472,725)	R	($472,725)	R
Ends the routine operating inspections of animal operations performed by the Division. Both the Division of Soil & Water Conservation and the Division of Water Quality inspect these operations. This reduction eliminates seven positions, their salaries and benefits, and associated operating costs. Two positions remain to provide technical assistance, conduct voluntary inspections, and respond to critical emergencies.	-7.00		-7.00	

60032353	Env. Specialist	$60,358
60032354	Env. Specialist	$51,649
60032355	Env. Program Supervisor II	$83,575
60032358	Engineer	$61,444
60032359	Env. Specialist	$51,649
60032366	Env. Specialist	$53,698
60032356	Env. Specialist	$56,222

88 Cooperative Soil Survey Program	($105,352)	R	($105,352)	R
Reduces operating funds and positions that support the Cooperative Soil Survey Program. This program conducts soil surveys that show the nature and distribution of various kinds of soil within a county and are used on a technical basis for land use decisions. This activity will now be carried out by local governments and the USDA Natural Resource Conservation Service. One position remains to provide technical assistance to local governments.	-2.00		-2.00	

60032322	Soil Specialist	$52,676
60032324	Soil Specialist	$52,676

89 Animal Waste Pilot Program	($51,880)	R	($51,880)	R
Ends the Animal Waste Pilot Program extended in S.L.2009-84. The pilot program currently operates in four counties (Pender, Jones, Columbus, and Brunswick) and is scheduled to sunset in September of 2011. There is one position associated with this program. This reduction includes salary and benefits for this position.	-1.00		-1.00	

60032357	Environmental Specialist	$51,880

90 Soil & Water Conservation

Transfers the Division of Soil and Water Conservation from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services.

(2.0) Coastal Management

91 Positions to Receipt Support	($314,075)	R	($314,075)	R
Shifts the salary and benefits of 5.0 positions to receipt support:	-5.00		-5.00	

60031539	Office Assistant IV	$47,372
60031553	District Planner	$61,397
60031533	Asst Major Permit Coordinator	$63,651
60031546	Rule Making & Policy Analyst	$68,840
60031601	Compliance & Enforcement Field Rep.	$72,815

	FY 11-12		FY 12-13	
92 Raleigh Office	($109,523)	R	($109,523)	R
Closes the Raleigh Office of the Division of Coastal Management and eliminates 1.0 filled receipt-supported position. The Department shall fund shift other positions and operating costs within the Division to be supported by these federal receipts.	-1.00		-1.00	
60031545 Asst Dir For Policy & Planning $109,523				
(2.0) Environmental Assistance and Outreach				
93 Filled Position	($113,994)	R	($113,994)	R
Eliminates the salary and benefits of 1.0 filled position:	-1.00		-1.00	
60035066 Environmental Program Manager $113,994				
94 Customer Service Liaisons				
Directs the Division of Environmental Assistance and Outreach to provide a minimum of one Customer Service Liaison for each of the Department's Regional Offices in order to address customer services issues, complaints, information requests, and the like.				
(2.0) Environmental Health				
95 Private Well Program	($278,129)	R	($348,372)	R
Eliminates operating funding for the Private Well Program and 4.0 filled positions in FY 2011-12:	-4.00		-5.00	
60034257 Environmental Program Supervisor II $73,531 60034539 Environmental Health Regional Specialist $63,332 60034541 Environmental Health Regional Specialist $58,246 60034305 Processing Assistant IV $38,180				
and eliminates the program's remaining position in FY 2012-13:				
60034542 Environmental Health Regional Specialist $55,275				
96 Vector Control Program	($391,311)	R	($391,311)	R
Eliminates operating funding for the Vector Control Program and its 4.26 filled positions:	-4.26		-4.26	
60034360 Enviro. Senior Specialist (1.0 FTE) $72,644 60034361 Enviro. Senior Specialist (1.0 FTE) $59,798 60034359 Enviro. Program Consultant (1.0 FTE) $84,637 60034363 Enviro. Program Consultant (1.0 FTE) $88,214 60034358 Pub. Health Pest Mgmt Sec. Chief (0.26 FTE) $23,949				
Mosquito control grant funds will be administered by existing staff within the Division of Public Health.				

	FY 11-12		FY 12-13	
97 Positions Eliminated and Shifted to Receipt Support	($389,938)	R	($389,938)	R
Eliminates the salary and benefits of 3.0 positions:	-6.50		-6.50	
Filled:				
60034261 Administrative Assistant I $49,013				
60034543 Administrative Assistant I $41,867				
Vacant:				
60034466 Extension Educ & Training Spec III $56,780				
and fund shifts 3.50 positions to receipt support:				
60034300 Nurse Consultant (1.0 FTE) $74,315				
60034293 Enviro. Health Regional Spec. (1.0 FTE) $65,844				
60034495 Enviro. Program Supervisor (0.25 FTE) $19,821				
60034298 Technology Support Analyst (1.0 FTE) $61,118				
60034255 Environmental Program Supv I (0.25 FTE) $21,180				
98 Public Water Supply Positions	($202,628)	R	($202,628)	R
Eliminates the salary and benefits of 2.0 vacant positions in the Public Water Supply Section:	-3.00		-3.00	
60034405 Environmental Senior Specialist $59,750				
60034392 Engineer $98,022				
and 1.0 filled position in the Division Finance Office:				
60034413 Accounting Technician $44,856				
99 Public Water Supply Program	($767,918)	R	($767,918)	R
Transfers the Public Water Supply Program to the Division of Water Resources.	-8.80		-8.80	
100 Food and Lodging Program				
Directs the Division to change the use of the $400,000 appropriation originally intended for aid to counties for local food and lodging programs. The Division is to use those funds to pay for the costs to operate the State elements of the program. Counties will receive a higher percentage of the food and lodging fee that will more than offset not receiving these grant funds.				
101 On-Site Quality Assurance Program	($69,792)	R	($69,792)	R
Eliminates funding for the On-Site Quality Assurance Program and its 1.0 position:	-1.00		-1.00	
60034368 Environmental Health Regional Specialist $69,792				
102 Wastewater Discharge Elimination Program	($160,594)	R	($160,594)	R
Eliminates operating funding for the Wastewater Discharge Elimination Program and its 2.0 filled positions:	-2.00		-2.00	
60034370 Environmental Senior Specialist $55,541				
60034306 Environmental Program Supervisor I $75,547				

	FY 11-12		FY 12-13	
103 Tick Control Program Eliminates operating funding for the Tick Control Program and its 1.0 filled position: 65001605 Environmental Senior Specialist $58,072	($139,499) -1.00	R	($139,499) -1.00	R
104 Sleep Products Program Transfers the Sleep Products Program to the Department of Agriculture and Consumer Services. This program's expenditures of $630,337 and 8.0 positions are fully supported by receipts.				
105 Shellfish Sanitation and Recreational Water Quality Transfers the Shellfish Sanitation and Recreational Water Quality Program to the Division of Marine Fisheries.	($1,772,789) -24.75	R	($1,772,789) -24.75	R
106 Transfer to DHHS - Division of Public Health Eliminates salary and benefits of 2.0 filled positions that will be eliminated as part of the transfer of the Division of Environmental Health to the Division of Public Health in the Department of Health and Human Services: 60034382 Division Deputy Director $116,617 60034417 Information & Communications Spec. I $56,780	($173,397) -2.00	R	($173,397) -2.00	R
(2.0) Land Resources				
107 Eliminate Landslide Mapping Program Eliminates funding for the salaries and benefits of 6.0 positions and operating costs of the Landslide Mapping Program: 60032417 Hydrogeologist $88,164 60032509 Hydrogeologist $60,272 60032510 Hydrogeologist $54,115 60032511 Hydrogeologist $54,115 60032512 Hydrogeologist $76,301 60032414 Hydrogeologist $91,892	($479,674) -6.00	R	($479,674) -6.00	R
(2.0) Waste Management				
108 Operating Budget Reduces the operating budget of the Division of Waste Management.	($23,819)	R	($23,819)	R

	FY 11-12		FY 12-13	
109 Positions Eliminated and Shifted to Receipt Support	($482,878)	R	($482,878)	R
Eliminate the salary and benefits of 3.0 vacant and 1.0 filled positions:	-6.90		-6.90	

Vacant

60034588	Hydrogeologist	(1.0 FTE)	$72,226
60095583	Engineer	(1.0 FTE)	$83,171
60034613	Environmental Sr Specialist	(1.0 FTE)	$59,273

Filled

60034616	Hydrogeologist	(1.0 FTE)	$65,806

and fund shifts 2.9 positions to receipt support:

60034617	Engineer	(0.5 FTE)	$43,137
60034596	Environmental Sr Specialist	(0.2 FTE)	$13,644
60034589	Environmental Sr Specialist	(0.2 FTE)	$14,245
60034607	Environmental Sr Specialist	(1.0 FTE)	$65,101
60034595	Environmental Sr Specialist	(0.25 FTE)	$15,438
60034602	Environmental Supervisor III	(0.25 FTE)	$21,475
60034608	Environmental Sr Specialist	(0.25 FTE)	$14,681
60034594	Environmental Sr Specialist	(0.25 FTE)	$14,681

110 Vacant Position		($63,764)	R	($63,764)	R
Eliminates the salary and benefits of 1.0 position that has been vacant for over a year as of March 2011:		-1.00		-1.00	

60034774 Hydrogeologist $63,764

(2.0) Water Quality

111 Vacant Positions		($84,333)	R	($84,333)	R
Eliminates the salary and benefits of 1.59 positions vacant for over one year:		-1.59		-1.59	

60035518	Environmental Senior Specialist	(0.59 FTE)	$39,110
60035240	Environmental Senior Technician	(1.0 FTE)	$45,223

112 Operating Budget		($442,880)	R	($442,880)	R
Reduces General Fund support of the operating budget of the Division of Water Quality by 15%.					

	FY 11-12		FY 12-13	
113 Positions Eliminated and Shifted to Receipt Support	($1,217,921)	R	($1,217,921)	R
Eliminates the salary and benefits of 6.0 vacant and 2.0 filled positions:	-22.50		-22.50	

60035140	Processing Assistant IV	(1.0 FTE)	$40,481
60035166	Chemist III	(1.0 FTE)	$74,824
60035160	Chemistry Technician III	(1.0 FTE)	$47,705
60035141	Chemistry Technician I	(1.0 FTE)	$46,684
60035489	Environmental Senior Tech.	(1.0 FTE)	$48,425
60035466	Environmental Specialist	(1.0 FTE)	$58,201
60035229	Environmental Technician	(1.0 FTE)	$45,887
60035347	Environmental Senior Tech.	(1.0 FTE)	$48,594

and shifts 14.5 positions to receipt support:

60035164	Chemistry Technician III	(1.0 FTE)	$46,684
60035161	Chemistry Technician III	(0.5 FTE)	$24,752
60035186	Processing Assistant IV	(1.0 FTE)	$40,400
60035139	Enviro. Prog. Supv. IV	(0.5 FTE)	$50,193
60035424	Environmental Engineer	(1.0 FTE)	$70,530
60035104	Accounting Clerk IV	(1.0 FTE)	$38,672
60035398	Environmental Specialist	(1.0 FTE)	$66,022
60035170	Chemistry Technician III	(1.0 FTE)	$50,432
60035099	Processing Assistant IV	(1.0 FTE)	$38,043
60035414	Environmental Engineer	(1.0 FTE)	$66,250
60035381	Environmental Senior Tech.	(1.0 FTE)	$45,181
60035270	Enviro. Prog. Supv. III	(0.5 FTE)	$42,999
60035490	Environmental Specialist	(1.0 FTE)	$58,350
60035231	Environmental Specialist	(1.0 FTE)	$55,793
60035467	Environmental Senior Tech.	(1.0 FTE)	$49,798
60035472	Environmental Engineer	(1.0 FTE)	$63,021

(2.0) Water Resources

114 Public Water Supply Section from Environmental Health	$767,918	R	$767,918	R
Transfers the Public Water Supply Section from the Division of Environmental Health to the Division of Water Resources.	8.80		8.80	
115 Transfer from Capital Improvement Funds				
Transfers $564,227 from Division of Water Resources Capital Improvement funds to Division of Water Resources on a nonrecurring basis for FY 2011-12 and reduces the General Fund operating budget in a like amount.	($564,227)	NR		

Total Legislative Changes	**($21,763,414)**	R	**($20,221,445)**	R
	$554,373	NR	**($6,000,000)**	NR
Total Position Changes	-132.27		-133.27	
Revised Budget	**$167,763,360**		**$162,750,956**	

DENR-Clean Water Management Trust Fund

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$100,000,000**		**$100,000,000**	
Legislative Changes				
Department-wide				
116 Operating Reduction Provides $12.5 million to the Clean Water Management Trust Fund. In addition, the bill repeals G.S. 113A-253.1, which set the Trust Fund's annual appropriation at $100 million.	($87,500,000)	R	($87,500,000)	R
Total Legislative Changes	**($87,500,000)**	**R**	**($87,500,000)**	**R**
Total Position Changes				
Revised Budget	**$12,500,000**		**$12,500,000**	

Commerce

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$38,907,381**		**$38,907,381**	
Legislative Changes				
Department-wide				
117 Employment Security Commission Merger Reduces expenditures due to the merger of the Employment Security Commission with the Department of Commerce. This reduction assumes an effective date of November 1, 2011 for the transfer. This transfer shall be done in accordance with S.B. 532.	($251,376)	R	($377,064)	R
118 Governor's Office Transfer Eliminates funding from various account codes (1x-5x) across the Department which have been used to transfer funds to the Governor's Office to pay for salary and benefits for one position. The Department shall not transfer funds to the Governor's Office for this purpose.	($192,354)	R	($192,354)	R
119 Salary and Operating Reductions to Align Budget Reduces various accounts (1x-5x) across the Department such that the Department may properly budget contracts with the Attorney General's Office, rather than using lapsed salary and operating line items for this purpose.	($235,558)	R	($235,558)	R
120 Cell Phones Reduces cell phones expenditures across the Department by 30%. The Department is to reduce the actual number of cell phones by this percentage as well.	($7,000)	R	($7,000)	R
121 Motor Fleet Management Reduces Motor Fleet Management expenses by 10%. The Department is to reduce the actual number of Motor Fleet Management vehicles by 10% as well.	($27,647)	R	($27,647)	R
Department-wide Reserves and Transfers				
122 Rural Electrification Authority Appropriates $150,000 to be transferred to the Rural Electrification Authority (budget code 54600 5241). In section 2.2(g) of S.L. 2009-451, $210,240 was transferred from this fund to General Fund availability.	$150,000	NR		
Administration				
123 Administrative Assistant Eliminates the salary and benefits for one filled administrative assistant position (60077162).	($54,640) -1.00	R	($54,640) -1.00	R

	FY 11-12		FY 12-13	
124 Attorney General Contracts Directs the Department to properly budget its Attorney General contracts as a separate 2x account line.	$235,558	R	$235,558	R
125 Assistant Secretary for Community Development Transfers the salary and benefits for the Assistant Secretary for Community Development position (60077156) from the Administration fund code (1111) to the Division of Community Assistance fund code (1620) so that the funding can be properly aligned in the correct division. The Department shall physically locate the Assistant Secretary in the same building as the majority of the division's employees.	($125,101) -1.00	R	($125,101) -1.00	R
126 Assistant Secretary for Policy, Research, and Strategic Planning (PRSP) Transfers the Assistant Secretary position (60077183) from the Administration fund code (1111) to the PRSP fund code (1130) so that the funding can be properly aligned in the correct division.	($125,720) -1.00	R	($125,720) -1.00	R
127 Director of Rural Development Programs Eliminates the salary and benefits for the position of Director of Rural Development Programs (60077188). This position oversees the 21st Centuries Communities Program, which is eliminated, and administers Community Development Block Grant (CDBG) programs which can be handled by existing CDBG staff. The Certified Retirement Communities Program shall be transferred to the Division of Tourism, Film, and Sports Development and administered by existing staff.	($99,308) -1.00	R	($99,308) -1.00	R
128 Public Affairs Staff Reduction Eliminates the salary and benefits for one filled position (60077186) in the Secretary's Office, Public Affairs section.	($42,289) -1.00	R	($42,289) -1.00	R
BLNC - Business Link North Carolina				
129 Director Position Eliminates the salary and benefits for the director position (60080987) for BLNC. Employees in this division will report to the Director of Business and Industry.	($131,110) -1.00	R	($131,110) -1.00	R
Business and Industry				
130 Transfer to Biotechnology Center Eliminates the transfer to the Biotechnology Center. The Department and the Biotechnology Center are encouraged to continue the Memorandum of Understanding but without the use of Commerce funds to pay for Biotechnology Center expenses.	($64,125)	R	($64,125)	R
131 Trade Shows Reduces funding for trade shows.	($50,000)	R	($50,000)	R

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
132 Vacant Positions Eliminates the salaries and benefits for two positions which have been vacant for more than one year as of March 2011: 60080967 Econ Development Rep $58,413 60080979 Client Development Manager $83,314	($141,727) -2.00	R	($141,727) -2.00	R
Commerce Finance Center				
133 Industrial Development Fund Eliminates the General Fund appropriation for the Industrial Development Fund. Funding will remain available from loan repayments and in the fund balance to fulfill existing obligations.	($320,107)	R	($320,107)	R
134 Jobs Maintenance and Capital Development Fund (JMAC) Appropriates $6,000,000 for Bridgestone/Firestone and Goodyear agreements for the 2010 grant year.	$6,000,000	NR		
135 One North Carolina Fund Provides additional funding for the One North Carolina Fund.	$10,000,000	NR		
136 Broadband Connectivity Provides $1 million non-recurring for the CDBG-Economic Development section to incent private businesses to provide broadband connectivity. Priority shall be given to unserved areas in mixed urban-rural counties and then to unserved areas in mainly rural counties. The Department shall work with the Rural Economic Development Center in developing and implementing this grant program.	$1,000,000	NR		
Community Assistance				
137 Assistant Secretary Position Transfers the salary and benefits for the Assistant Secretary for Community Development position (60077156) from the Administration fund code (1111) into the Division of Community Assistance fund code (1620) so that the funding can be properly aligned in the correct division. The Department shall physically locate the Assistant Secretary in the same building as the majority of the division's employees.	$125,101 1.00	R	$125,101 1.00	R
138 Senior Advisor/Director Position Eliminates the salary and benefits for the position of director (60081167). This division also has an Assistant. Secretary, and thus the director position is eliminated to more properly align span of control.	($117,624) -1.00	R	($117,624) -1.00	R
139 Vacant Position Eliminates the salary and benefits for one Planner position (60081202) vacant for more than one year as of March 2011.	($71,536) -1.00	R	($71,536) -1.00	R

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
140 21st Century Communities Eliminates operating funding for the 21st Century Communities program and the salaries and benefits for three filled positions. This program was designed to certify counties to be ready for the 21st Century and is no longer needed. 60081236 Planner $58,074 60081237 Planner $55,541 60081238 Planner $63,013	($244,699) -3.00	R	($244,699) -3.00	R
141 Filled Positions Eliminates the salaries and benefits for five filled positions and associated operating costs within the Division. Funding will still be sufficient to meet Community Development Block Grant (CDBG) match requirements. 60081178 Office Assistant IV $31,634 60081182 Comm Dev Planner I $57,511 60081198 Comm Dev Planner II $62,238 60081205 Office Assistant IV $34,305 60089504 Comm Dev Planner I $74,135 Operating Expenses $36,354	($296,177) -5.00	R	($296,177) -5.00	R
Energy				
142 Pass-through Funding to Universities Eliminates pass-through funding to the Energy Center at North Carolina A&T State University. Provides $500,000 in FY 2011-12 and $778,150 in FY 2012-13 for the Solar Center at North Carolina State University to continue energy efficiency programs. $300,000 of this funding shall be used for the Energy Management Program within the Energy Efficiency and Environmental Research in the Department of Mechanical & Aerospace Engineering. No funds shall be used for advertising or promotion of the Solar Center. Provides $200,000 in FY 2011-12 and $311,260 in FY 2012-13 to the Appalachian Energy Center at Appalachian State University.	($1,855,500)	R	($1,466,090)	
143 Operating Reduction Reduces operating expenses (2x-5x) in the division by $21,120, leaving $154,716 for these purposes.	($21,120)	R	($21,120)	R
144 Filled Position Eliminates the salary and benefits for one filled Engineer position (60014891) who currently is assigned to the Utility Savings Initiative program.	($78,880) -1.00	R	($78,880) -1.00	R
Industrial Commission				
145 Over-realized Receipts Directs the Industrial Commission to budget over-realized receipts.	($736,861)	R	($736,861)	R

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
International Trade				
146 Trade Shows Reduces funding for trade shows.	($50,000)	R	($50,000)	R
Management Information Systems				
147 Division Director Eliminates the salary and benefits for the director position (60080825) for the Management Information Systems division.	($153,218) -1.00	R	($153,218) -1.00	R
148 Operating Funds Reduces operating expenses (2x-5x) in the division by $18,552, leaving $163,790 for these purposes.	($18,552)	R	($18,552)	R
Office of Science and Technology				
149 Continuation Review Eliminates recurring funding for the Office of Science and Technology and makes the funding nonrecurring for FY 2011-12. This program is subject to continuation review.	($215,599) $215,599	R NR	($215,599) -2.00	R
Policy, Research, and Strategic Planning				
150 Assistant Secretary Position Transfers the Assistant Secretary position (60077183) from the Administration fund code (1111) into the Policy, Research, and Strategic Planning fund code (1130) so that the funding can be properly aligned in the correct division.	$125,720 1.00	R	$125,720 1.00	R
151 Operating Expenses Reduces operating expenses (2x-5x) in the division by $10,000, leaving $200,753 for these purposes.	($10,000)	R	($10,000)	R
Tourism, Film, and Sports Development				
152 Advertising and Marketing the State as a Tourist Destination Reduces funding for advertising and marketing the State as a tourist destination by $1,000,000, leaving $7,382,399 for these purposes.	($1,000,000)	R	($1,000,000)	R
153 Welcome Centers Position Eliminates the salary and benefits for an Office Assistant IV position (60080870) which has been vacant for more than a year as of March 2011.	($39,102) -1.00	R	($39,102) -1.00	R
154 Welcome Centers Brochure Fees Reduces the recurring appropriation to the Welcome Centers by $500,000. The Department will implement a new brochure fee to offset the General Fund reduction.	($500,000)	R	($500,000)	R
155 Wine and Grape Grower's Council Eliminates funding for the Wine and Grape Grower's Council, including the salary and benefits for one filled position (60080945).	($732,380) -1.00	R	($732,380) -1.00	R

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
Wanchese Seafood Industrial Park				
156 Capital and Operating Funds Eliminates funding most recently used for capital projects and operating expenses.	($248,327)	R	($248,327)	R
157 Receipt Support Shifts the Park to receipt support over the two years of biennium.	($75,000)	R	($167,416) -1.00	R
Workforce Development				
158 Workforce Investment Act Funds Transfers $350,000 in Workforce Investment Act funds from the Department of Commerce to the Department of Labor to be used for the recurring operating costs of the Apprenticeship Program.				
Total Legislative Changes	**($7,846,258)** **$17,365,599**	R NR	**($7,674,952)**	R
Total Position Changes	-20.00		-23.00	
Revised Budget	**$48,426,722**		**$31,232,429**	

Commerce - State Aid

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$31,169,289**		**$31,169,289**	
Legislative Changes				
159 Ag in the Classroom Transfers the appropriation for Ag in the Classroom from Agriculture to Commerce State-Aid. All nonprofits funded by the Natural and Economic Resources Subcommittee will now be funded out of Commerce State-Aid.	$22,077	R	$22,077	R
160 Association of CDCs Reduces the recurring pass-through appropriation for the Association of CDCs by 15%, leaving $833,582.	($147,103)	R	($147,103)	R
161 Biofuels Center Reduces the recurring pass-through appropriation for the Biofuels Center by 20%, leaving $4,000,000 recurring.	($1,000,000)	R	($1,000,000)	R
162 Councils of Government (COGs) Reduces the recurring pass-through appropriation for the COGs.	($60,563)	R	($60,563)	R
163 Community Development Initiative Reduces the recurring pass-through appropriation for the Community Development Initiative by 15%, leaving $3,980,329.	($702,411)	R	($702,411)	R
164 e-NC Authority Eliminates all funding to the e-NC Authority.	($442,035)	R	($442,035)	R
165 FFA Foundation Transfers the appropriation for the FFA Foundation from Agriculture to Commerce State-Aid. A 15% reduction is taken, leaving $37,531 recurring. All nonprofits funded by the Natural and Economic Resources Subcommittee will now be funded out of Commerce State-Aid.	$37,531	R	$37,531	R
166 Grassroots Science Museums Transfers the appropriation for the Grassroots Science Museums Collaborative from DENR to Commerce State-Aid. A 15% reduction is taken, leaving $2,899,885 recurring. All nonprofits funded by the Natural and Economic Resources Subcommittee will now be funded out of Commerce State-Aid.	$2,899,885	R	$2,899,885	R
167 High Point Furniture Market Reduces the recurring pass-through appropriation for the High Point Furniture Market by 15%, leaving $685,507 recurring.	($120,972)	R	($120,972)	R

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
168 Indian Economic Development Initiative Provides recurring funding to the Indian Economic Development Initiative.	$90,000	R	$90,000	R
169 Institute for Regenerative Medicine Reduces the recurring pass-through appropriation for the Institute for Regenerative Medicine.	($2,000,000)	R	($1,660,589)	R
170 Land Loss Prevention Project Reduces the recurring pass-through appropriation for the Land Loss Prevention Project by 15%, leaving $601,345.	($106,119)	R	($106,119)	R
171 Institute of Minority Economic Development Reduces the recurring pass-through appropriation for the Institute of Minority Economic Development by 15%, leaving $2,139,793 recurring.	($377,612)	R	($377,612)	R
172 Minority Support Center Reduces the recurring pass-through appropriation for the Minority Support Center by 15%, leaving $2,659,421.	($469,309)	R	($469,309)	R
173 Partnership for the Sounds Transfers the appropriation for the Partnership for the Sounds from DENR to Commerce State-Aid. A 15% reduction is taken, leaving $409,326 recurring. All nonprofits funded by the Natural and Economic Resources Subcommittee will now be funded out of Commerce State-Aid.	$409,326	R	$409,326	R
174 Regional Economic Development Commissions Eliminates all pass-through funding for the Regional Economic Development Commissions.	($2,500,000)	R	($2,500,000)	R
175 RTI International Provides $500,000 NR for RTI to match US Department of Energy grant funds.	$500,000	NR		
Total Legislative Changes	**($4,467,305)** **$500,000**	**R** **NR**	**($4,127,894)**	**R**
Total Position Changes				
Revised Budget	**$27,201,984**		**$27,041,395**	

N.C. Biotechnology Center

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$19,501,900**		**$19,501,900**	
Legislative Changes				
176 Operating Funds Reduces the recurring pass-through appropriation for the Biotechnology Center by 15%, leaving $16,576,615 recurring.	($2,925,285)	R	($2,925,285)	R
Total Legislative Changes	**($2,925,285)**	**R**	**($2,925,285)**	**R**
Total Position Changes				
Revised Budget	**$16,576,615**		**$16,576,615**	

Rural Economic Development Center

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$22,640,814**		**$22,640,814**	
Legislative Changes				
177 Operating Reductions Reduces the recurring pass-through appropriation for the Rural Center by 15%, leaving $19,244,692 in recurring funding.	($3,396,122)	R	($3,396,122)	R
178 North Carolina Capital Access Program Provides $12,500,000 in nonrecurring funding for FY 2011-12 and FY 2012-13 to establish the Income Producing Property Component of the North Carolina Capital Access Program.	$12,500,000	NR	$12,500,000	NR
179 North Carolina Small Business Express Loan Fund Provides $7,500,000 in nonrecurring funding for FY 2011-12 and FY 2012-13 to establish the North Carolina Small Business Express Loan Fund.	$7,500,000	NR	$7,500,000	NR
Total Legislative Changes	**($3,396,122)**	**R**	**($3,396,122)**	**R**
	$20,000,000	**NR**	**$20,000,000**	**NR**
Total Position Changes				
Revised Budget	**$39,244,692**		**$39,244,692**	

Wildlife Resources Commission

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$0**		**$0**	
Legislative Changes				
180 Operating Funds Transfers the Wildlife Resource Commission to General Fund support. The expected sales tax transfer of $22.97 million is changed to a $16 million General Fund appropriation. Of the $16 million appropriated to the Commission, $250,000 shall be used to supplement the Beaver Management Assistance Program. These funds shall be in addition to the $349,000 of Commission funds currently obligated for the program.	$16,000,000	R	$16,000,000	R
Conservation Education				
181 Conservation Education Eliminates recurring funding for the Conservation Education Division and makes the funding nonrecurring for FY 2011-12. This program is subject to Continuation Review.	($778,821) $778,821	R NR	($778,821)	R
Total Legislative Changes	**$15,221,179** **$778,821**	**R** **NR**	**$15,221,179**	**R**
Total Position Changes				
Revised Budget	**$16,000,000**		**$15,221,179**	

Commerce – Enterprise

Budget Code: 54600

	FY 2011-12		FY 2012-13	
Beginning Unreserved Fund Balance	**$9,069,749**		**$8,440,899**	
Recommended Budget				
Requirements	**$4,479,458**		**$4,479,458**	
Receipts	**$4,100,608**		**$4,100,608**	
Positions	**46.00**		**46.00**	
Legislative Changes				
Requirements:				
Transfer to General Fund	$0	R	$0	R
Directs the ABC Commission to transfer $250,000 in cash balance to the General Fund for general availability.	$250,000	NR	$0	NR
	0.00		0.00	
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$250,000	NR	**$0**	NR
	0.00		0.00	
Receipts:				
ABC Commission	$0	R	$0	R
	$0	NR	$0	NR
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$0	NR	**$0**	NR

Subcommittee on Natural and Economic Resources

	FY 2011-12	FY 2012-13
Revised Total Requirements	**$4,729,458**	**$4,479,458**
Revised Total Receipts	**$4,100,608**	**$4,100,608**
Change in Fund Balance	**($628,850)**	**($378,850)**
Total Positions	**46.00**	**46.00**
Unappropriated Balance Remaining	**$8,440,899**	**$8,062,049**

DENR - Special

Budget Code: 24300

	FY 2011-12	FY 2012-13
Beginning Unreserved Fund Balance	**$2,291,385**	**$2,166,385**
Recommended Budget		
Requirements	**$1,029,288**	**$1,029,288**
Receipts	**$1,029,288**	**$1,029,288**
Positions	**0.00**	**0.00**

Legislative Changes

Requirements:

Mercury Pollution Prevention Fund Provides $100,000 to the Department of Environment and Natural Resources, contingent upon the adoption of S.B. 709, "Energy Jobs Act," in order to fulfill the reporting requirements of the bill. These funds shall come from the Mercury Pollution Prevention Fund in the Department of Environment and Natural Resources.	$0 R $0 NR 0.00	$0 R $0 NR 0.00
Mercury Pollution Prevention Fund Transfers $125,000 from the cash balance of the Mercury Pollution Prevention Fund to the General Fund for general availability.	$0 R $125,000 NR 0.00	$0 R $0 NR 0.00
Subtotal Legislative Changes	**$0** R **$125,000** NR 0.00	**$0** R **$0** NR 0.00

Receipts:

Mercury Prevention Transfer to General Fund	$0 R $0 NR	$0 R $0 NR
Subtotal Legislative Changes	**$0** R **$0** NR	**$0** R **$0** NR

Subcommittee on Natural and Economic Resources

	FY 2011-12	FY 2012-13
Revised Total Requirements	**$1,154,288**	**$1,029,288**
Revised Total Receipts	**$1,029,288**	**$1,029,288**
Change in Fund Balance	**($125,000)**	**$0**
Total Positions	**0.00**	**0.00**
Unappropriated Balance Remaining	**$2,166,385**	**$2,166,385**

DENR - PART F

Budget Code: 24309

	FY 2011-12		FY 2012-13	
Beginning Unreserved Fund Balance	**$13,599,484**		**$201,853**	
Recommended Budget				
Requirements	**$45,793,981**		**$45,793,981**	
Receipts	**$36,613,850**		**$36,613,850**	
Positions	**0.00**		**0.00**	
Legislative Changes				
Requirements:				
Transfer to General Fund	$0	R	$0	R
Diverts $4,217,500 million in Deed Stamp tax revenue to the General Fund for general availability.	$4,217,500	NR	$0	NR
	0.00		0.00	
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$4,217,500	NR	**$0**	NR
	0.00		0.00	
Receipts:				
Transfer to General Fund	$0	R	$0	R
	$0	NR	$0	NR
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$0	NR	**$0**	NR

Subcommittee on Natural and Economic Resources

	FY 2011-12	FY 2012-13
Revised Total Requirements	**$50,011,481**	**$45,793,981**
Revised Total Receipts	**$36,613,850**	**$36,613,850**
Change in Fund Balance	**($13,397,631)**	**($9,180,131)**
Total Positions	**0.00**	**0.00**
Unappropriated Balance Remaining	**$201,853**	**($8,978,278)**

DENR - Recreational/ Natural Heritage Trust Fund

Budget Code: 64302

	FY 2011-12	FY 2012-13
Beginning Unreserved Fund Balance	**($4,355,915)**	**($20,456,577)**
Recommended Budget		
Requirements	**$31,750,487**	**$31,750,487**
Receipts	**$20,149,825**	**$20,149,825**
Positions	**0.00**	**0.00**

Legislative Changes

Requirements:

Transfer to General Fund	$0 R	$0 R
Diverts $4.5 million in Deed Stamp tax revenue to the General Fund for general availability.	$4,500,000 NR	$0 NR
	0.00	0.00
Subtotal Legislative Changes	**$0** R	**$0** R
	$4,500,000 NR	**$0** NR
	0.00	0.00

Receipts:

Transfer to General Fund	$0 R	$0 R
	$0 NR	$0 NR
Subtotal Legislative Changes	**$0** R	**$0** R
	$0 NR	**$0** NR

	FY 2011-12	FY 2012-13
Revised Total Requirements	**$36,250,487**	**$31,750,487**
Revised Total Receipts	**$20,149,825**	**$20,149,825**
Change in Fund Balance	**($16,100,662)**	**($11,600,662)**
Total Positions	**0.00**	**0.00**
Unappropriated Balance Remaining	**($20,456,577)**	**($32,057,239)**

Solid Waste Management Trust Fund

Budget Code: 64303

	FY 2011-12		FY 2012-13	
Beginning Unreserved Fund Balance	**$6,399,207**		**$4,111,370**	
Recommended Budget				
Requirements	**$3,836,277**		**$3,836,277**	
Receipts	**$3,814,277**		**$3,814,277**	
Positions	**1.00**		**1.00**	
Legislative Changes				
Requirements:				
White Goods Transfer to General Fund	$0	R	$0	R
Diverts White Goods tax revenue to the General Fund for general availability.	$1,131,342	NR	$0	NR
	0.00		0.00	
Scrap Tire Transfer to General Fund	$0	R	$0	R
Diverts Scrap Tire tax revenue to the General Fund for general availability.	$1,134,495	NR	$0	NR
	0.00		0.00	
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$2,265,837	NR	**$0**	NR
	0.00		0.00	
Receipts:				
White Goods Transfer to General Fund	$0	R	$0	R
	$0	NR	$0	NR
Scrap Tire Transfer to General Fund	$0	R	$0	R
	$0	NR	$0	NR
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$0	NR	**$0**	NR

Subcommittee on Natural and Economic Resources

	FY 2011-12	FY 2012-13
Revised Total Requirements	**$6,102,114**	**$3,836,277**
Revised Total Receipts	**$3,814,277**	**$3,814,277**
Change in Fund Balance	**($2,287,837)**	**($22,000)**
Total Positions	**1.00**	**1.00**
Unappropriated Balance Remaining	**$4,111,370**	**$4,089,370**

Wildlife Receipts - Non-Interest Earning

Budget Code: 24353

	FY 2011-12		FY 2012-13	
Beginning Unreserved Fund Balance	**$5,375,000**		**$26,875,000**	
Recommended Budget				
Requirements	**$21,500,000**		**$21,500,000**	
Receipts	**$21,500,000**		**$21,500,000**	
Positions	**0.00**		**0.00**	
Legislative Changes				
Requirements:				
Sales Tax Transfer	($21,500,000)	R	($21,500,000)	R
Eliminates the sales tax transfer to the Wildlife Resources Commission. The Commission will now be funded through the General Fund.	$0	NR	$0	NR
	0.00		0.00	
Subtotal Legislative Changes	**($21,500,000)**	R	**($21,500,000)**	R
	$0	NR	**$0**	NR
	0.00		0.00	
Receipts:				
Sales Tax Transfer	$0	R	$0	R
Eliminates the sales tax transfer to the Wildlife Resources Commission. The Commission will now be funded through the General Fund.	$0	NR	$0	NR
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$0	NR	**$0**	NR

	FY 2011-12	FY 2012-13
Revised Total Requirements	**$0**	**$0**
Revised Total Receipts	**$21,500,000**	**$21,500,000**
Change in Fund Balance	**$21,500,000**	**$21,500,000**
Total Positions	**0.00**	**0.00**
Unappropriated Balance Remaining	**$26,875,000**	**$48,375,000**

JUSTICE
&
PUBLIC SAFETY
Section I

Judicial

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$477,189,575**		**$477,189,575**	
Legislative Changes				
1 Eliminate VRIF Positions Eliminates 194.5 full-time equivalent positions within the Judicial Branch. These positions became vacant effective March 1, 2011, through a voluntary reduction in force implemented by the Administrative Office of the Courts.	($12,935,761) -194.50	R	($12,935,761) -194.50	R
2 Freeze Statutory Pay Plans Eliminates a recurring reserve in the continuation budget for statutory pay plans for Deputy Clerks and Magistrates. These pay increases will be frozen for the 2011-13 fiscal biennium.	($6,390,013)	R	($6,390,013)	R
3 Reduce Continuation Budget Increases Reduces restored funds in the Administrative Office of the Courts' continuation budget. The AOC budget included a non-recurring reduction in FY 2010-11; the AOC eliminated positions to comply with this reduction, so the restorations to Personal Services line items can be eliminated as the positions they were associated with no longer exist.	($5,282,000)	R	($5,282,000)	R
4 Freeze Field Vacancies for Two Years Implements a hiring freeze on 35 vacant positions for the 2011-13 fiscal biennium. The freeze includes the following positions: 18 Deputy Clerks 3 Assistant District Attorneys 7 Superior Court Judicial Assistants 4 District Court Judicial Assistants 3 Court Reporters	($1,681,000)	NR	($1,681,000)	NR
5 Discretionary Position Reduction Allows the Administrative Office of the Courts to identify positions, either vacant or filled, to eliminate to achieve required savings level of $256,122. The agency will report on the positions eliminated to the Chairs of the Justice and Public Safety Appropriations Subcommittee.	($256,122)	R	($256,122)	R

	FY 11-12		FY 12-13	
6 Eliminate Dispute Resolution Eliminates all State funding for the non-profit mediation centers. The State appropriation accounts for 19% of the combined budgets for mediation centers on average. Because these centers are not-for-profit, non-State entities, they are able to charge a fee for any service provided to cover their costs.	($1,139,513)	R	($1,139,513)	R
7 Eliminate Juvenile Court Coordinator Pilot Program Eliminates two Juvenile Court Coordinator positions associated with a court improvement pilot initiative that is ending.	($108,678) -2.00	R	($108,678) -2.00	R
8 Reduce Access to Civil Justice Pass-Through Reduces the direct appropriation to the State Bar for Access to Civil Justice by $112,500, leaving $600,000 in the pass-through.	($112,500)	R	($112,500)	R
Office-District Attorney				
9 Reduce District Attorney Support Staff Reduces the number of support staff in District Attorneys' offices. There are currently 599 Assistant District Attorney positions and 550 support staff positions - a ratio of 1:1.08. This reduction establishes a ratio of 1:1.5.	($5,253,111) -151.00	R	($5,253,111) -151.00	R
Technology Services				
10 Reduce AOC Technology Services Reduces the budget for technology within the Judicial Branch. It is the intent of the General Assembly that new application development projects should be funded on a case-by-case basis by the legislature with clear timetables and budget projections.	($4,918,000)	R	($4,918,000)	R
Trial Courts				
11 Eliminate Vacant Magistrate Positions Eliminates vacant magistrate positions based on workload. The Administrative Office of the Courts' workload formula for magistrates indicates that there are over 60 more magistrates than necessary for the workload. Eliminates 19 positions currently vacant and an additional 42 vacancies occurring on January 1, 2013.	($826,272) -19.00	R	($1,739,520) -61.00	R
12 Eliminate Drug Treatment Court Eliminates all State funding for the Drug Treatment Court program.	($2,043,523) -33.00	R	($2,043,523) -33.00	R
13 Continuation Review of Family Court Eliminates recurring funding for the Family Court Program pending the outcome of a Continuation Review.	($2,865,693) $2,865,693	R NR	($2,865,693) -47.00	R

Senate Subcommittee on Justice and Public Safety	FY 11-12		FY 12-13	
Total Legislative Changes	**($42,131,186)**	**R**	**($43,044,434)**	**R**
	$1,184,693	**NR**	**($1,681,000)**	**NR**
Total Position Changes	-399.50		-488.50	
Revised Budget	**$436,243,082**		**$432,464,141**	

Judicial - Indigent Defense

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$122,770,246**		**$122,770,246**	
Legislative Changes				
14 Reduce Private Assigned Counsel Funds Reduces funding to the Private Assigned Counsel fund. The Office of Indigent Defense Services is directed to use its statutory authorization to set reimbursement rates based on projected utilization to minimize potential shortfalls in the fund, including setting differential rates for District and Superior Court work and setting fixed costs for high-volume, standard case types. The Office is also authorized to create regional public defender offices, which is expected to contain costs further.	($8,913,738)	R	($9,486,150)	R
15 Eliminate Sentencing Services Eliminates all State funding for the Sentencing Services Program. Pre-sentencing assessment and referral services may be provided by probation officers and by the Treatment Accountability for Safer Communities (TASC) program in the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services at the request of the court.	($2,123,631) -11.40	R	($2,123,631) -11.40	R
Total Legislative Changes	**($11,037,369)**	R	**($11,609,781)**	R
Total Position Changes	-11.40		-11.40	
Revised Budget	**$111,732,877**		**$111,160,465**	

Justice

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$89,670,944**		**$89,670,944**	

Legislative Changes

A. Department-wide

16 Vacant Position Reduction ($2,527,438) R ($2,527,438) R

Eliminates vacant positions throughout the Department.

-40.31 -40.31

17 Miscellaneous Operating Reductions ($1,325,000) R ($1,325,000) R

Makes recurring operating reductions that were taken on a non-recurring basis in FY 2010-11.

B. Administration

18 Executive Staff ($551,993) R ($551,993) R

Eliminates the following executive staff positions:

-5.00 -5.00

Position Number	Title	Total Position Cost
60010114	Chief Deputy II	$136,803
60010136	Chief Deputy II	$138,294
60010135	Administrative Secretary	$ 55,436
60010111	Special Cnsl for Dev.	$117,057
60010141	Special Counsel	$104,403

19 Information Technology Administration ($250,347) R ($250,347) R

Reorganizes the information technology section administration by eliminating two IT director positions (60011101 and 60011154).

-2.00 -2.00

20 Administrative Efficiencies ($654,404) R ($654,404) R

Reduces administrative positions based on the following ratios:

-10.00 -10.00

Human Resources:	1 position for every 150 full-time equivalent (FTE) employees.
Fiscal/Budgeting:	1 position for every $8 million of total budget requirements.
Purchasing:	1 position for every $11 million of goods or services purchased.

21 Finance Staff Receipts ($100,681) R ($100,681) R

Shifts two finance staff positions to receipt support.

-2.00 -2.00

	FY 11-12		FY 12-13	
22 Postage Budget Reduces the postage budget for the Department.	($93,000)	R	($93,000)	R
C. Legal Services				
23 Consumer Protection Receipts Shifts nine consumer protection staff to receipt support.	($482,105) -9.00	R	($482,105) -9.00	R
24 NC LEAF Eliminates the pass-through appropriation for the NC Legal Education Assistance Foundation.	($356,250)	R	($356,250)	R
25 Legal Services Division Pending passage of H.B. 306, transfers the following positions to the General Assembly:	($259,019) -3.00	R	($259,019) -3.00	R

Position Number	Title	Total Position Cost
60010185	Asst. Attorney General	$115,875
60010191	Asst. Attorney General	$ 94,904
60010189	Administrative Assistant	$ 48,240

D. State Bureau of Investigation				
26 Criminal Background Check Receipts Shifts eight Criminal Background staff to receipt support.	($396,189) -8.00	R	($396,189) -8.00	
27 SBI Personal Services Reduces the personal services line in the SBI budget to more accurately reflect actual expenditures.	($141,797) ($160,125)	R NR	($141,797)	R
28 SBI Workload Reduction Reduces State Bureau of Investigation staff based on actual workloads.	($1,704,338) -28.00	R	($1,704,338) -28.00	R
29 Sale of Aircraft Requires the SBI to sell one of its three aircraft in accordance with the Program Evaluation Division's recommendation in Report #2010-04, and reduces the SBI's operating budget to eliminate funding for insurance and maintenance costs for that aircraft.	($16,835)	R	($16,835)	R
30 SBI Transfer Transfers the State Bureau of Investigation and the NC State Crime Lab to the new NC Department of Public Safety, effective January 1, 2012.	($24,442,880) -646.00	R	($49,045,885) -646.00	R
E. Training and Standards				
31 Academy Bookstore Receipts Shifts three bookstore staff positions to receipt support.	($137,487) -3.00	R	($137,487) -3.00	R

	FY 11-12		FY 12-13	
32 Academy Staff Efficiencies	($390,449)	R	($390,449)	R
Consolidates administration of the two training academies and increases receipts for the use of facilities by non-law enforcement agencies. The following positions are eliminated:	-5.00		-5.00	

Position Number	Title	FTE	Total Position Cost
60011295	CJ Training Coord I	1.0	$62,010
60011353	CJ Training Coord I	0.5	$46,471
60011397	CJ Training Coord I	1.0	$71,173
60011369	Housekeeping Team Ldr	1.0	$37,204

The following positions are shifted to receipt support:

Position Number	Title	FTE	Total Position Cost
60011372	Housekeeper	0.5	$35,459
60011377	Security Guard	1.0	$38,132

33 Training Academies Transfer	($3,350,310)	R	($6,700,619)	R
Transfers the two Justice Training Academies to the new NC Department of Public Safety, effective January 1, 2012.	-127.50		-127.50	
Total Legislative Changes	**($37,180,522)**	**R**	**($65,133,836)**	**R**
	($160,125)	**NR**		
Total Position Changes	-888.81		-888.81	
Revised Budget	**$52,330,297**		**$24,537,108**	

Juvenile Justice & Delinquency Prevention

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$151,295,187**		**$151,295,187**	
Legislative Changes				
A. Department-wide				
34 Longevity Makes a reduction to the budgeted amount for longevity to more accurately reflect actual expenditures.	($138,777)	R	($138,777)	R
35 Equipment Makes a reduction to the budgeted amount for equipment to more accurately reflect actual expenditures.	($197,563)	R	($197,563)	R
36 Computer Services Reduces the budget for computer services throughout the Department.	($472,649)	R	($472,649)	R
37 Art, Artifacts, and Literature Reduces the budget for art, artifacts, and literature to more accurately reflect actual expenditures.	($100,000)	R	($100,000)	R
38 Utilities Reduces the budget for utilities to more accurately reflect actual expenditures.	($114,701)	R	($114,701)	R
39 Repair Services Reduces the budget for repair services to more accurately reflect actual expenditures.	($154,671)	R	($154,671)	R
40 Facility and Hardware Supplies Reduces the budget for facility and hardware supplies.	($25,367)	R	($25,367)	R
41 Vacant Positions Eliminates the following vacant positions:	($222,448)	R	($222,448)	R
	-3.00		-3.00	

Position Number	Title	Total Position Cost
60001018	Business Services Coord.	$ 52,194
60089025	Administrative Officer I	$ 65,489
60000894	Quality Assurance Specialist	$104,765

	FY 11-12		FY 12-13	
B. Administration				
42 Administrative Efficiencies	($1,281,235)	R	($1,281,235)	R
Reduces administrative positions based on the following ratios:	-20.00		-20.00	

Human Resources:	1 position for every 150 full-time equivalent (FTE) employees.
Fiscal/Budgeting:	1 position for every $8 million of total budget requirements.
Purchasing:	1 position for every $11 million of goods or services purchased.

43 Consolidation Reduction	($591,228)	R	($1,182,455)	R
Eliminates executive level positions as a result of consolidation of the Departments of Juvenile Justice and Delinquency Prevention, Crime Control and Public Safety, and Correction. Position eliminations are effective December 31, 2011. The following positions are eliminated in DJJDP:	-11.00		-11.00	

Position Number	Title	Total Position Cost
60000889	Secretary	$146,310
60000900	Chief Operating Officer	$141,425
60000890	Deputy Secretary	$131,110
60000968	Controller	$117,886
60000964	Dir. of Budget Operations	$ 96,241
60000893	Communications Director	$ 79,945
60000896	Human Resources Director	$125,296
60000916	Technical. Services Manager	$125,651
60001485	Legislative Liaison	$ 97,686
60001049	Asst. to Human Resources Dir.	$ 50,325
60000892	Executive Assistant	$ 70,582

44 Staff Development	($300,338)	R	($300,338)	R
Eliminates 5 staff development positions. The Department can work with the Training Academies in the Department of Justice or the NC Community College System to provide this service.	-5.00		-5.00	
45 IT Help Desk	($172,390)	R	($172,390)	R
Eliminates two IT help desk positions. These positions are a duplication of services provided through the State's Office of Information Technology Services.	-1.60		-1.60	
C. Detention Center Services				
46 Detention Centers	($1,143,137)	R	($1,143,137)	R
Eliminates four Staff Psychologists at Wake, Richmond, New Hanover, and Cumberland Detention Centers. Eliminates 14 Youth Counselor Technicians from Perquimans, Pitt, Alexander, Cumberland, Richmond, Gaston, and Wake Detention Centers. Eliminates three Housing Unit Supervisors from Pitt, Alexander, and Cumberland.	-21.00		-21.00	

	FY 11-12		FY 12-13	
47 Detention Center Receipts Eliminates the continuation budget increase for Detention Center receipts. G.S. 143B-530 requires that any county placing a juvenile in a detention facility in another county shall pay fifty percent of the total cost of caring for the juvenile to the Department.	($2,000,000)	R	($2,000,000)	R
D. Youth Development Centers				
48 Swannanoa Youth Development Center Eliminates funding and positions at Swannanoa Youth Development Center. The Department closed Swannanoa effective March 1, 2011.	($5,000,703) -87.00	R	($5,000,703) -87.00	R
49 DHHS Security Contract Eliminates funding for a contract with the Department of Health and Human Services (DHHS) for security services at Swannanoa Youth Development Center.	($137,989)	R	($137,989)	R
50 Samarkand Youth Development Center Eliminates funding and positions at the Samarkand Youth Development Center (YDC). Bed capacity at the remaining seven YDCs is sufficient to house the juveniles currently committed to Samarkand. The Department is encouraged to increase the use of community-based alternatives to commitment to continue to reduce the need for YDCs across the State.	($3,164,764) -57.00	R	($3,164,764) -57.00	R
51 Repair and Renovation Funds Provides repair and renovation funds for Stonewall Jackson Youth Development Center ($2,330,900) and C.A. Dillon Youth Development Center ($1,531,000). Funds are to be used on repairs or renovations that increase the operational capacity of these youth development centers in order to provide more bed space at a lower cost.	$3,861,900	NR		
E. Education and Treatment Services				
52 School Superintendent Eliminates the Superintendent position in DJJDP (position number 60000978). Superintendent responsibilities can be handled by the Chief Deputy Secretary for Juvenile Justice or the head of Education and Treatment Services.	($113,637) -1.00	R	($113,637) -1.00	R
53 Education Directors Eliminates two education directors (position numbers 60001052, 60001058). The Director for Exceptional Children remains, along with one education director that is 50% receipt supported and one education director that is 100% receipt supported. In addition, the Department of Public Instruction is available to provide consultation and assistance to all public education entities in the State.	($155,550) -2.00	R	($155,550) -2.00	R

Senate Subcommittee on Justice and Public Safety	FY 11-12		FY 12-13	
54 Youth Development Center Principals Reduces the number of youth development center principals and assistant principals by four. Two vacant principal positions are eliminated (position numbers 60001614 and 60001205). The Department has discretion to determine which two remaining principal positions to eliminate.	($336,275) -4.00	R	($336,275) -4.00	R
55 Camp Woodson Eliminates funding for Camp Woodson. This therapeutic wilderness program was closed by the Department on March 1, 2011.	($973,570) -19.00	R	($973,570) -19.00	R
F. Community Programs				
56 Juvenile Assessment Center Eliminates the pass-through appropriation to the Juvenile Assessment Center in Cumberland County. This program may continue to receive funding through Juvenile Crime Prevention Council (JCPC) grants.	($124,075)	R	($124,075)	R
57 Project Challenge Eliminates the direct pass-through appropriation for Project Challenge. Project Challenge receives funding through the Juvenile Crime Prevention Council (JCPC) allotment.	($121,600)	R	($121,600)	R
G. Court Services				
58 District Consolidation Reduces the number of districts for the Department from 39 to 30. Eliminates funding for eight chief court counselors (two districts currently share a chief), leaving one chief court counselor for each district.	($563,240) -8.00	R	($563,240) -8.00	R
59 Court Counselor Allotment Reduces the Court Counselor workload to one court counselor for every 32 complaints. This reduction is based on 2005 workload data. The Department is developing a new allotment formula that takes into account workloads and travel requirements. This new formula will be used to distribute court counselors among the 30 districts.	($1,957,488) -39.00	R	($1,957,488) -39.00	R
Total Legislative Changes	**($19,563,395)** **$3,861,900**	R NR	**($20,154,622)**	R
Total Position Changes	-278.60		-278.60	
Revised Budget	**$135,593,692**		**$131,140,565**	

Correction

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$1,421,644,768**		**$1,418,867,332**	

Legislative Changes

A. Department-wide

60 Administrative Efficiencies ($2,983,860) R ($2,983,860) R

Reduces administrative positions based on the following ratios: -60.00 -60.00

Human Resources: 1 position for every 150 full-time equivalent (FTE) employees.
Fiscal/Budgeting: 1 position for every $8 million of total budget requirements.
Purchasing: 1 position for every $11 million of goods or services purchased.

61 Consolidation Reduction ($707,238) R ($1,414,476) R

Eliminates executive level positions as a result of consolidation of the Departments of Juvenile Justice and Delinquency Prevention, Crime Control and Public Safety, and Correction. Position eliminations are effective December 31, 2011. The following positions are eliminated in DOC: -12.00 -12.00

Position Number	Title	Total Position Cost
60056032	Secretary	$146,309
60056034	Administrative Assistant III	$ 68,516
60058360	Deputy Secretary/Commissioner IV	$141,424
60056033	Chief Operating Officer	$151,109
60056056	Administrative Secretary III	$ 51,797
60056384	Accounting Director	$136,885
60056393	Accounting Manager	$117,836
60056146	Information Technology Executive	$156,996
60056264	Agency/University HR Director III	$136,464
60056255	DOC Special Assistant	$ 91,556
60056040	Director of Public Affairs	$ 87,770
60056051	Deputy Secretary/Commissioner II	$127,815

62 Reduce Temporary and Contractual Positions ($1,650,000) R ($1,650,000) R

Reduces the use of temporary and contractual staff department wide.

63 Reduce Longevity Pay ($2,009,625) R ($2,009,625) R

Reduces the longevity pay line item to more accurately reflect actual expenditures.

Senate Subcommittee on Justice and Public Safety	FY 11-12		FY 12-13	
64 Reduce the Motor Vehicle Continuation Budget Reduces the Motor Vehicle Continuation Budget.	($950,000) ($1,500,000)	R NR	($950,000)	R
65 Reduce Clothing Budget Reduces the clothing budget for inmate clothing and officer uniforms.	($1,000,000)	R	($1,000,000)	R
66 Reduce PC Equipment Reduces the budget for personal computers replacement schedule.	($300,000)	R	($300,000)	R
67 Reduce Equipment Budget Reduces the equipment budget.	($1,600,000)	R	($1,600,000)	R
68 Reduce Data Processing Equipment Reduces the funding for data processing equipment.	($300,000)	R	($300,000)	R
69 Reduce Supplies Continuation Budget Reduces the Supplies Continuation Budget.	($1,422,052)	R	($1,422,052)	R
70 Reduce Salary Reserve Reduces funds budgeted for salaries in excess of actual salaries of employees.	($1,000,000)	R	($1,000,000)	R
71 Miscellaneous Contractual Services Reduces the Miscellaneous Contractual Services Continuation Budget.	($750,000)	R	($750,000)	R
72 Reduce Travel Budget Reduces the Department's travel budget.	($500,000)	R	($500,000)	R
73 Reduce Utility Budget Reduces the Department's utility budget.	($2,000,000)	R	($2,000,000)	R
74 Reduce the Fringe Benefit Continuation Budget Reduces the continuation budget increases for various fringe benefits accounts across the Department.	($5,429,410)	R	($5,429,410)	R
75 Eliminate Domestic Violence Rehabilitation Reserve Eliminates the Domestic Violence Rehabilitation Reserve, which was funded in 2008. The Department was able to establish the domestic violence programs without ever making use of the appropriation. The domestic violence programs will continue to serve inmates at the same level.	($100,000)	R	($100,000)	R
76 Eliminate Parole Commission Support Position Eliminates a Parole Commission administrative support position (position number 60076645). This reduction will have minimal impact on the Commission.	($87,369) -1.00	R	($87,369) -1.00	R

	FY 11-12		FY 12-13	
77 Eliminates Vacant Positions Eliminates vacant positions throughout the Department.	($14,132,696) -255.00	R	($14,132,696) -255.00	R
78 Eliminate Restoration Budget Reserve Eliminates a continuation budget increase that restores a non-recurring reduction to the Department's budget for a lower than expected inmate population.	($10,042,999) ($11,957,001)	R NR	($10,042,999) ($11,957,001)	R NR
B. Department Management				
79 Legal, License, and Permit Reduces the Legal, License, and Permit Continuation Budget.	($30,000)	R	($30,000)	R
80 Shift Accountants to Receipts Funds accounting positions that support Correction Enterprise with receipts, eliminates the reimbursement from Correction Enterprise, and transfers the positions to the Correction Enterprise fund.	($110,829) -8.00	R	($110,829) -8.00	R
C. Prisons				
81 Eliminate Maintenance Positions at Central Prison Eliminates five maintenance positions that manage the boiler operation at Central Prison. This reduction is possible due to facility improvements related to the Central Prison Hospital addition.	($221,696) -5.00	R	($221,696) -5.00	R
82 Reduce Inmate Costs Reduces inmate costs by enabling inmates with shorter sentences to be rewarded for positive conduct and good behavior. These inmates would otherwise not be able to benefit from sentence reduction credits for program completion. No inmate would serve less than their minimum sentence.	($2,500,000)	R	($2,500,000)	R
83 Establish Two Release Dates Per Month Establishes two release dates per month for inmates leaving prison. Inmates would still be required to serve their mandatory sentence, but would enable the Department of Correction to reduce the costs associated with transportation and processing inmates by improved coordination.	($571,000)	R	($571,000)	R
84 Shift Inmate Medical Costs to Medicaid Shifts medical costs for Medicaid eligible inmates. The Department of Correction and the Department of Health and Human Services have developed a Memorandum of Understanding related to establishing the Medicaid eligibility of qualified inmates who receive inpatient services at a hospital and are away from the prison housing unit for 24 hours or longer. The Department of Correction will pay the State share of Medicaid.	($3,000,000)	R	($3,000,000)	R

	FY 11-12		FY 12-13	
85 Transfer Inmate Welfare Funds Transfers a one-time payment of $1 million from the Inmate Welfare Fund to the General Fund.	($1,000,000)	NR		
86 Transfer Correction Enterprise Funds Transfers a one-time payment of $1 million from the Correction Enterprise Fund to the General Fund.	($1,000,000)	NR		
87 Correction Enterprise Buy Back Directs Correction Enterprise to buy back items currently held in the Department's Central Supply Warehouse. This reduction would shift the responsibility for storing excess supplies from the Department to the receipt-supported Correction Enterprise Fund.	($1,300,000)	R	($1,300,000)	R
88 Eliminate Community Work Crews Eliminates Community Work Crews, which were partially restored in 2010 after a complete elimination in 2009. The Department was authorized to charge local government entities a $150 per day fee to offset part of the cost of the eight-person crew plus one Correctional Officer. No local entity has ever paid the Work Crew fee.	($1,602,094) -39.00	R	($1,602,094) -39.00	R
89 Reduces Chaplains Reduces Chaplain positions at minimum and medium custody prisons, and maintains at least one Chaplain position at each of the 14 close custody prisons. Each prison facility has a designated staff member responsible for coordinating the involvement and supervision of the Community Volunteer Program. This designee will coordinate the community volunteers, including the religious volunteers, at the minimum and medium custody prisons.	($1,386,653) -25.00	R	($1,386,653) -25.00	R
90 Eliminate Double Celling at Pamlico CI Eliminates funding for double celling of inmates at Pamlico Correctional Institution. Implementation of double celling has been cancelled due to county waste water treatment capacity issues.	($2,395,452) -57.00	R	($2,395,452) -57.00	R
91 Eliminate Correctional Officer Positions Eliminates 39 Correctional Officer positions associated with the Inmate Litter Crews. This reduction will eliminate positions that are not supported by receipts received from the Department of Transportation.	($1,560,000) -39.00	R	($1,560,000) -39.00	R
92 Eliminate Funding For Our Children's Place Eliminates the pass-through appropriation for Our Children's Place, which has yet to become operational.	($104,025)	R	($104,025)	R
93 Justice Reinvestment Act: Prison Closures Closes Bladen Correctional Center, Cabarrus Correctional Center, Durham Correctional Center, and Haywood Correctional Center, effective January 1, 2012. These four minimum custody prisons are closing as part of the Justice Reinvestment Act reforms. Justice Reinvestment Act: Prison Closures	($5,379,669) -203.00	R	($10,759,336) -203.00	R

	FY 11-12		FY 12-13	
94 Justice Reinvestment Act: Diagnostic Center	($616,884)	R	($822,513)	R
Eliminates 18 diagnostic center positions at Neuse Correctional Institution and Fountain Correctional Center for Women. These positions are being eliminated as part of the Justice Reinvestment Act reforms.	-18.00		-18.00	
95 Justice Reinvestment Act: Remove Misdemeanants	($3,980,368)	R	($3,980,368)	R
Removes misdemeanants with sentences of six months or less from State prisons and houses them in county facilities. Structured Sentencing misdemeanants with sentences longer than six months and Driving While Impaired misdemeanants will remain in the custody of the State. This change is part of the Justice Reinvestment Act reforms. The fee section of the budget proposes increasing the following court costs to offset the costs of housing misdemeanants: the District Criminal Court Facility court cost, which will generate an estimated $19 million; and the Service of Civil Process court cost, which will generate an estimated $3.3 million. In addition, the fee section establishes a new court cost for Improper Equipment dispositions, which will generate an estimated $12 million, and increases the daily jail fee and jail inmate medical co-pay. It is unknown how much the daily jail fee and co-pay increase will generate. These court cost increases are contingent upon passage of legislation increasing the number of days misdemeanants are housed in county jails.				
96 Operating Reserves For New Hospital Facilities	($299,859)	R	($299,859)	
Reduces the operating reserves for the new hospitals at Central Prison and NC Correctional Institution for Women Mental Health Facility.	($1,164,417) -3.00	NR	 -3.00	
97 Operating Reserves For New Facilities	$5,874,102	R	$24,196,611	R
Provides funding to operate and staff new add-on facilities at Swannanoa Correctional Center for Women, Lanesboro Correctional Institution, Maury Correctional Institution, and Tabor Correctional Institution. These facilities will become operational in 2011 and 2012.	$4,125,898 280.00	NR	$803,389 340.00	NR

	FY 11-12		FY 12-13	
D. DACDP				
98 Reduce DACDP Administration	($405,875)	R	($405,875)	R
Reduces the Division of Alcoholism and Chemical Dependency Programs (DACDP) administration and eliminates six positions.	-6.00		-6.00	

Position Number	Title	Total Position Cost
60056812	Dep. Dir. Substance Abuse Serv.	$127,095
60056814	Personnel Technician	$ 62,921
60056770	SA Counselor Clinician	$ 53,124
60056816	Administrative Secretary III	$ 46,780
60056679	Accounting Technician	$ 46,736
60056771	Processing Assistant	$ 36,594
	Reduces Lease Savings Projection	$26,355
	Reduces Rent/Lease Motor Vehicles	$6,270

99 Eliminate DACDP Private Treatment Beds	($5,233,354)	R	($5,233,354)	R
Eliminates funding for two private contractual providers of minimum custody level treatment beds.				
E. Community Corrections				
100 Eliminate Women at Risk	($249,375)	R	($249,375)	R
Eliminates all State funding for the Women at Risk program, a substance abuse treatment program for female probationers mainly serving Buncombe and Henderson counties.				
101 Eliminate Summit House	($1,052,756)	R	($1,052,756)	R
Eliminates all State funding for Summit House, a residential facility for female probationers at risk of revocation and their children. The program accepts women from any part of the State, but operates in Guilford and Mecklenburg counties.				
102 Eliminate Harriet's House	($195,937)	R	($195,937)	R
Eliminates all State funding for Harriet's House, a residential facility serving women upon release from prison and their children.				
103 Broaden Access to Community Treatment	$4,138,260	R	$4,138,260	R
Captures funds currently directed through non-profit pass-throughs and contracts into a fund within the Division of Community Corrections to provide community treatment services through fee-for-service contracts with local providers. The Department may use up to $1,683,338 of these funds to contract for services with Summit House, Harriet's House, Women at Risk, the Mary Frances Center, and Evergreen Inc. to allow these programs to complete services to existing populations and to shut down or repurpose their operations.				

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104 Interstate Compact Receipts Funds the non-personnel operating costs of the Interstate Compact with receipts so the Division of Community Corrections can reduce the appropriations used to fund the Compact. This will have no impact on services. The fee is increasing from $150 to $250.	($125,000)	R	($125,000)	R
105 Reorganization of Victim Services Eliminates four victim service positions in the Community Corrections regional offices. The services provided by these positions can be managed within existing resources at the DOC Office of Victim Services.	($201,873) -4.00	R	($201,873) -4.00	R
106 DCC Reduction in Support Positions Eliminates 21 positions associated with middle management at the Division of Community Corrections that have become redundant due to district reorganization.	($880,727) -21.00	R	($880,727) -21.00	R
107 Eliminate DCC Personnel Tech Positions Eliminates the Personnel Technician position at each of the four Community Corrections division offices.	($156,215) -4.00	R	($156,215) -4.00	R
108 Outsource Electronic Monitoring Eliminates positions in the Community Corrections Technology Center overseeing offenders on house arrest with electronic monitoring. The service will be provided through a lower-cost contract with the provider of the monitoring equipment. The contract shall including monitoring services for the Department of Juvenile Justice and Delinquency Prevention to maximize cost savings.	($475,331) -11.00	R	($475,331) -11.00	R
109 Consolidate DCC Drug Lab Functions Closes four Community Corrections drug labs, leaving one open. Developments in the products for drug testing have reduced the need for labs.	($345,043) -8.00	R	($345,043) -8.00	R
Total Legislative Changes	**($71,332,902)** **($12,495,520)**	**R** **NR**	**($59,302,927)** **($11,153,612)**	**R** **NR**
Total Position Changes	-499.00		-439.00	
Revised Budget	**$1,337,816,346**		**$1,348,410,793**	

Crime Control and Public Safety

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$34,175,427**		**$34,175,427**	

Legislative Changes

A. Department-wide

110 Janitorial Services ($47,794) R ($47,794) R

Reduces the line item for janitorial services throughout the Department to more accurately reflect actual expenditures.

111 Waste Removal Services ($64,411) R ($64,411) R

Reduces the line item for waste removal services throughout the Department to more accurately reflect actual expenditures.

112 Utilities ($56,103) R

Reduces the line item for utilities throughout the Department in the second year of the biennium.

B. Administration

113 Criminal Justice Information Network (CJIN) ($154,423) R ($154,423) R

Eliminates two positions assigned to provide support for CJIN. The following positions are eliminated: -2.00 -2.00

Position Number	Title	Total Position Cost
60084100	Admin. Assistant II	$ 50,559
60084125	CJIN Director	$103,864

114 Consolidation Reduction ($620,241) R ($1,240,482) R

Eliminates executive level positions as a result of consolidation of the Departments of Juvenile Justice and Delinquency Prevention, Crime Control and Public Safety, and Correction. Position eliminations are effective December 31, 2011. The following positions are eliminated in CCPS: -11.00 -11.00

Position Number	Title	Total Position Cost
60084098	Secretary	$146,310
60084129	Chief Operating Officer	$136,740
60084134	Assistant Secretary	$131,349
60084686	Deputy Secretary	$133,225
60084138	Controller	$122,290
60084158	Dir. of Human Resources	$119,565
60084127	Director of IT	$131,028
60084159	Leg. Affairs Program Mgr.	$ 87,747
60084130	Special Assistant to the Sec.	$103,608
60084132	Administrative Assistant	$ 68,473
60084133	Administrative Assistant	$ 60,147

Senate Subcommittee on Justice and Public Safety	FY 11-12		FY 12-13	
C. National Guard				
115 Reorganization of National Guard Support Reduces the operating budget for National Guard armories and reduces operating support and staffing costs in the Adjutant General's office.	($754,787)	R	($754,787)	R
D. Butner Public Safety				
116 Butner Public Safety Transfer Transfers Butner Public Safety to the Town of Butner. Provides a pass-through appropriation of $601,040 to the Town of Butner in FY 2011-12 to assist with the transition. All State funding is eliminated in FY 2012-13.	($2,615,663) -47.00	R	($3,216,703) -47.00	R
F. State Capitol Police				
117 Reorganize State Capitol Police Reorganizes State Capitol Police to focus on security in and around State-owned buildings in Wake County.	($2,267,303) -40.00	R	($2,267,303) -40.00	R
G. Alcohol Law Enforcement				
118 ALE Administration Eliminates five positions in Alcohol Law Enforcement administration. Increases Lottery receipts by $200,000 and makes other reductions to operating costs.	($1,064,210) -5.00	R	($1,064,210) -5.00	R
H. Division of Emergency Management				
119 Shift Positions to Receipt Support Makes 16 positions in the Division of Emergency Management 50% receipt supported.	($539,974) -8.00	R	($539,974) -8.00	R
I. Governor's Crime Commission				
120 NC VAN Eliminates the pass-through appropriation for the NC Victims Assistance Network. This reduction will not impact any direct services to victims provided through State agencies.	($112,500)	R	($112,500)	R

	FY 11-12		FY 12-13	
J. Law Enforcement Support Services				
121 General Fund Appropriation for LESS	($203,257)	R	($203,257)	R
Eliminates the General Fund appropriation for LESS and transfers the evidence and DNA storage warehouse to the NC Crime Lab. The Secretary of the Department shall appoint a designee to coordinate the surplus federal property and first-responder purchasing programs for local law enforcement agencies. The following positions are eliminated:	-5.00		-5.00	

Position Number	Title	Total Position Cost
60084103	Director LESS	$95,410
65011786	Processing Assistant V	$37,553
65011787	Processing Assistant V	$37,553
65011788	Processing Assistant V	$37,553
65011789	Processing Assistant V	$37,553

K. Highway Patrol				
122 Highway Patrol	$193,585,434	R	$189,859,507	R
Appropriates funds for the Highway Patrol in a new fund code in Budget Code 14900. In previous years, the budget for the Highway Patrol has been budgeted directly from the Highway Fund. Beginning in FY 2011-12, funds will be transferred from the Highway Fund to the General Fund for the support of the Highway Patrol. Reductions to the Highway Patrol's budget for FY 2011-13 have been itemized in the Transportation section of the Committee Report. Non-Highway Fund receipts collected by the Highway Patrol will also be budgeted in the new fund code.	2,368.50		2,368.50	
L. Department of Public Safety				
123 Consolidation Reserve	$818,139	R	$1,563,124	R
Creates 13 new positions for the new Department of Public Safety. These positions are effective January 1, 2012, except for the secretary position, which is effective October 1, 2011. The following positions are created:	13.00		13.00	

Title	FTE	Total Position Cost
Secretary	1.0	$146,310
Administrative Assistant	2.0	$130,620
Controller	1.0	$136,947
Chief Financial Officer	1.0	$118,364
Dir. of Human Resources	1.0	$136,387
Director of IT	1.0	$157,100
Public Information Officer	1.0	$ 87,771
Legislative Liaison	1.0	$ 97,686
Chief Deputy Secretary	3.0	$416,071
Deputy Secretary	1.0	$135,870

Senate Subcommittee on Justice and Public Safety	FY 11-12		FY 12-13	
124 Anticipated Consolidation Savings Creates a reserve for savings that will be realized as a result of consolidation of the Departments of Juvenile Justice and Delinquency Prevention, Crime Control and Public Safety, and Correction. Savings are anticipated from bulk purchasing, the merger of regional offices in the Law Enforcement Division, and the elimination of duplicative administrative positions identified by the new Department. These savings will be taken from the consolidated budget for the Department of Public Safety, and are not limited to funds currently appropriated to the Department of Crime Control and Public Safety.			($1,417,693)	R
125 SBI Transfer Transfer the State Bureau of Investigation and the NC State Crime Lab to the new NC Department of Public Safety, effective January 1, 2012.	$24,442,880 646.00	R	$49,045,885 646.00	R
126 Training Academy Transfer Transfers the two Justice Training Academies to the new NC Department of Public Safety, effective January 1, 2012.	$3,350,310 127.50	R	$6,700,619 127.50	R
Total Legislative Changes	**$213,752,200**	R	**$236,029,495**	R
Total Position Changes	3,037.00		3,037.00	
Revised Budget	**$247,927,627**		**$270,204,922**	

Highway Patrol

Budget Code: 24960

	FY 2011-12	FY 2012-13
Beginning Unreserved Fund Balance	**$0**	**$0**
Recommended Budget		
Requirements	**$221,219,607**	**$221,219,607**
Receipts	**$221,190,127**	**$221,190,127**
Positions	**2,384.50**	**2,384.50**

Legislative Changes

Requirements:

Transfer SHP Funds to General Fund Support Transfers the budget for the Highway Patrol from Budget Code 24960 to a new fund code in Budget Code 14900 - Crime Control and Public Safety. A corresponding item in the Justice and Public Safety section of the Committee report appropriates funds from the General Fund to the Highway Patrol.	($221,219,607)	R	($221,219,607)	R
	$0	NR	$0	NR
	-2,384.50		-2,384.50	
Subtotal Legislative Changes	**($221,219,607)**	R	**($221,219,607)**	R
	$0	NR	**$0**	NR
	-2,384.50		-2,384.50	

Receipts:

Transfer Highway Fund Receipts Transfers Highway Fund receipts for the Highway Patrol to General Fund availability. The Transportation section of the Committee Report reduces the transfer for the Highway Patrol by $24 million. The total amount transferred to General Fund availability will be $193,585,434 in FY 2011-12 and $189,859,507 in FY 2012-13.	($217,567,328)	R	($217,567,328)	R
	$0	NR	$0	NR
Transfer Highway Patrol Receipts Transfers non-Highway Fund Highway Patrol receipts to a new fund code in Budget Code 14900 - Crime Control and Public Safety.	($3,622,799)	R	($3,622,799)	R
	$0	NR	$0	NR

	FY 2011-12		FY 2012-13	
Subtotal Legislative Changes	**($221,190,127)**	R	**($221,190,127)**	R
	$0	NR	**$0**	NR
Revised Total Requirements	**$0**		**$0**	
Revised Total Receipts	**$0**		**$0**	
Change in Fund Balance	**$0**		**$0**	
Total Positions	**0.00**		**0.00**	
Unappropriated Balance Remaining	**$0**		**$0**	

GENERAL GOVERNMENT
Section J

Administration

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$69,700,026**		**$69,700,026**	
Legislative Changes				
1111 Office of the Secretary				
1 Consolidate Environmental Clearing House Function	($74,144)	R	($74,144)	R
Eliminates Environmental Clearing House Function and position (Community Development Specialist 660013846) and benefits.	-1.00		-1.00	
1121 Fiscal Management				
2 Increase Receipt Support for Positions	($188,907)	R	($188,907)	R
Increases receipt support for the following positions within Fiscal Management (60014119, 60014102, 60014118, 60014100, 60014112, 60014114, 60014107).	-2.44		-2.44	
1122 Human Resources				
3 Reduce Operating Costs	($116,612)	R	($116,612)	R
Reduces operating accounts within the Human Resources Office.				
1123 Historically Underutilized Businesses				
4 Program Reduction	($81,820)	R	($81,820)	R
Eliminates salary ($65,074) and benefits of one filled position: 60014897.	-1.00		-1.00	
1241 Management Information Systems				
5 Move Position to Receipts Support	($83,455)	R	($83,455)	R
Moves a State Construction Office related position (Business and Technology Applications Analyst 60014137) to receipts support.	-0.85		-0.85	

	FY 11-12		FY 12-13	
1264 Agency for Public Telecommunications				
6 Transfer Agency for Public Telecommunications to Receipt Support	($617,497)	R	($617,497)	R
Requires the APT division to become fully receipt supported. In addition to operating costs, the following positions will be receipt supported:	-7.71		-7.71	

Executive Director (60014546)
Administrative Assistant II (60014548)
Television Engineer III (60014554)
Television Producer/Director III (60014564)
Television Producer Director II (60014556)
Television Producer Director III (60014555)
Administrative Officer III (60014547)

1311 Office of State Personnel

	FY 11-12		FY 12-13	
7 Eliminate Positions and Reduce Operating Expenses	($1,159,596)	R	($1,159,596)	R
Eliminates salaries and benefits of 8.25 vacant and 6 filled positions, and transfers .27 position to receipts; and reduces operating expenses.	-14.52		-14.52	

Vacant Positions
60013785 HR Consultant ($65,000)
60013823 HR Consultant ($65,000)
60013793 HR Consultant ($65,124)
60013838 HR Associate ($46,335)
60013764 Adm. Support ($31,889)
60013777 Division Director ($91,500)
60013742 Division Director ($57,010) - .50 FTE
65012021 HR Partner ($40,250) - .75 FTE
60013784 HR Consultant ($50,932)

531211 SPA Reg Salary ($513,040)
531511 Soc Sec ($39,248)
531521 Retirement ($47,910)
531561 Medical ($39,440)
SUBTOTAL Vacant Positions ($639,638)

Filled Positions
60013804 HR Partner Per. Officer ($68,303)
60013744 HR Associate ($47,432)
60013790 HR Manager ($97,353)
60013782 Associate Position ($38,851)
60013798 Partner Position ($70,046)
60013836 Adm. Support Assoc ($26,208)
60013818 HR Manager ($28,300) - .27 FTE

531211 SPA Reg Salary ($376,493)
531511 Soc Sec ($ 28,802)
531521 Retirement ($ 36,780)
531561 Medical ($ 27,100)
SUBTOTAL Filled/Receipted Pos ($469,175)

Operating Expenses
532140 Data Processing ($3,404)
532150 Academic Services ($1,500)
532700 Travel($1,500)
532930 Registration Fees ($5,000)
535830 Member Dues&Subs ($5,000)
536905 OJT Incentive Program ($10,000)
5328XX IT Costs ($24,379)
SUBTOTAL Operating Expenses ($50,783)

	FY 11-12		FY 12-13	
1311 Office of State Personnel				
8 Human Resources Development				
Provides funding to implement two components of a comprehensive Human Capital Management (HCM) System, specifically $1.5 million will support a Learning Management System and $1 million is for a Performance Management System. A comprehensive HCM system will provide significant cost savings to internal state operations as a result of the shift from a paper intensive, manual process to an automated process. Funds from the NCFlex FICA Fund will be used to support the program components. The Office of State Controller will transfer funds from the NCFlex FICA Fund to the Office of State Personnel.				
1411 State Construction				
9 Move Positions to Receipt Support	($750,012)	R	($750,012)	R
Uses a portion of the 5% Contingency Reserve for all capital projects under the State Construction Office's control to fund nine positions. The positions are as follows: 60014589 Mechanical Engineer 60014582 Engineer 60014588 Engineer 60014614 Engineer 60014580 Engineer 60014608 Construction Contracts Administrator 60014700 Control System Technician 60014590 Engineer 60089475 Engineer	-9.00		-9.00	
1412 State Property				
10 Consolidate Position	($89,028)	R	($89,028)	R
Consolidates Plan Review position with Code Review. One Management Engineer III position (60014636) and benefits will be eliminated.	-1.00		-1.00	
11 Move Positions to Receipt Support	($66,047)	R	($66,047)	R
Increases support from the Land Fund for a portion of four positions: 60014639 Real Property Agent II 60014635 Real Property Manager 60014637 Real Property Agent III 60014640 Real Property Agent III	-1.07		-1.07	
1421 Building Reserves				
12 Fund Building Reserve for the Department of Health and Human Services	$1,473,580	R	$3,377,710	R
Funds the Public Health Lab and Office of the Medical Examiner Building that will come online during FY 2011-12.				

	FY 11-12		FY 12-13	
1421 Facilities Management				
13 Eliminate Positions in Facility Management	($544,533)	R	($544,533)	R
Eliminates the following positions in the Facilities Management division. The positions are as follows:	-10.75		-10.75	
60014761 Facilities Maintenance Tech. 60014822 Building and Environmental Tech. 60014824 Building and Environmental Tech. 60014737 Plasterer 65011759 Facilities Maintenance Tech. 65011754 Building and Environmental Tech. 65011755 Building and Environmental Supervisor 60014721 Housekeeping Contract Admin. 60014784 Housekeeping Procurement Asst. 60014708 Painter 60014781 Housekeeping Supervisor				
1421 Facility Management				
14 Consolidate Position	($41,232)	R	($41,232)	R
Consolidates a position within Pest Control and Greenhouse Management. One position (Facilities Maintenance Tech 60014763) and benefits will be eliminated.	-1.00		-1.00	
15 Move Position to Receipts	($51,644)	R	($51,644)	R
Moves a carpenter position (60014730) to receipts support.	-1.00		-1.00	
1511 Purchase and Contract				
16 Eliminate Purchase and Contract Positions	($480,268)	R	($480,268)	R
Eliminates seven vacant purchase and contract positions. Positions affected are as follows:	-7.00		-7.00	
State Procurement Specialist III 60013871 Administrative Assistant III 60013904 Engineer 60013872 Auditor 65011990 State Procurement Specialist 65011994 Auditor 65011991 State Procurement Specialist III 65011993				
1731 NC Council for Women				
17 Program Reduction	($101,839)	R	($101,839)	R
Eliminates regional office and redistributes oversight responsibilities for local grantees.	-2.00		-2.00	
1732 Displaced Homemakers Program				
18 Program Reduction	($45,742)	R	($45,742)	R
Reduces appropriation for Displaced Homemakers grant funding and administrative costs by 15%. The remaining appropriation for Displaced Homemakers is $259,205 each year.				

	FY 11-12		FY 12-13	
1734 Rape Crisis Program				
19 Program Reduction Reduces appropriation for Sexual Assault grant funding and administrative costs by 15%, which provides an appropriation $2,569,031 each year.	($453,359)	R	($453,359)	R
1741 Human Relations Commission				
20 Human Relations Commission Transfer Authorizes a Type I transfer of the Human Relations Commission from the Department of Administration to the Office of Administrative Hearings. The Commission's Fair Housing responsibilities will continue in the Office of Administrative Hearings.	($841,613) -10.68	R	($841,613) -10.68	R
1742 Martin Luther King Commission				
21 Eliminate Grant Funding Eliminates funding for the grants managed by the Commission.	($42,465)	R	($42,465)	R
1761 Youth Advocacy & Involvement Office				
22 Personnel Adjustment and Operations Reduction Transfers information and referral functions with the transfer of five positions to the Governor's Office, and eliminates salaries and benefits of two vacant and three filled positions ($300,577) and reduces funds for operations ($25,632). Vacant Positions: 60014505 Advocacy Specialist II/Assistant Director ($53,879) 60014063 Administrative Officer II ($39,078) Filled Positions 60014064 Executive Director ($64,655) 60014502 Processing Asst/Receptionist ($34,441) 60014506 Administrative Secretary III ($41,467)	($326,209) -5.00	R	($326,209) -5.00	R
1771 Veterans Affairs - Administration				
23 Program Reduction Reduces the appropriation by realigning the budget to more closely reflect actual expenditures, and leaves $73,545 in the account. Eliminates salary and benefits of one filled position: #60014249 531211 SPA Reg Salary ($48,415) 531511 Soc Sec ($ 3,704) 531521 Retirement ($ 5,088) 531561 Medical ($ 4,930)	($562,135) -1.00	R	($562,135) -1.00	R

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
1771 Veterans Affairs - Administration				
24 Reduces Program Funding Reduces funding for the Aid to Counties Program.	($50,000)	R	($50,000)	R
25 Reduced Scholarship Funding Reduces the General Fund appropriation for scholarships by 15%, leaving $1,750,589 in the budget each year.	($308,927)	R	($308,927)	R
1781 Domestic Violence Program				
26 Program Reduction Reduces appropriated share of Domestic Violence grant funding and administrative costs by 15%, which provides $4,132,953 each year.	($729,345)	R	($729,345)	R
1810 State Ethics Commission				
27 Adjust Personnel and Reduce Operating Budget Eliminates salaries and benefits of a vacant Program Assistant V position at $33,582, and an Attorney II position at $85,241 that is filled. Additionally reduces IT Services.	($219,519) -2.00	R	($219,519) -2.00	R
Vacant Position 60088569 Program Assistant V ($33,582) 531211 SPA Reg Salary ($33,582) 531511 Soc Sec ($2,569) 531521 Retirement ($3,529) 531561 Medical ($4,930) Subtotal Vacant Position ($44,610)				
Filled Position 65012031 Attorney II ($85,241) 531211 SPA Reg Salary ($ 85,241) 531511 Soc Sec ($ 6,521) 531521 Retirement ($ 8,959) 531561 Medical ($ 4,930) Subtotal Vacant Position ($105,651)				
Operating Budget Reductions 532140 IT Services ($64,408) IT 5% Reduction ($ 4,850) Subtotal Operating Budget ($72,479)				

	FY 11-12		FY 12-13	
2401 E-Commerce Reserve				
28 Reduce E-Commerce Reserve Reduces the E-Commerce Reserve by eliminating SL. 2010-31, Sec. 6.19 for the purchase of $1,000,0000 in Smart Cards and $3,483,526 in funds to be used in FY 2012 for E-Procurement system upgrades for a total reduction of $4,483,526. Funds are being transferred to General Fund availability.				
Department-wide				
29 Eliminate Vacant Positions Eliminates 15.50 vacant positions and associated benefits at the Department of Administration that have been vacant for more than 100 days. The positions are as follows: 60013868 Processing Assistant V $45,601 60014243 Processing Assistant III $37,150 60014547 Administrative Officer III $81,143 60014663 Facility Maintenance Tech - Mech Trades $53,376 60014117 Accountant $62,792 60014798 Facility Maintenance Tech - Mech Trades $47,446 65011753 Building & Environmental Technician $43,923 65011757 Facility Maintenance Tech-Mech $58,102 60014656 Facility Maintenance Tech - Mech Trades $52,130 60014756 Facility Maintenance Tech - Mech Trades $46,421 60014904 Administrative Officer II $33,390 65011992 State Procurement Specialist III $64,010 60014074 Community Development Specialist I $32,415 60014208 Veterans Service Officer $48,277 60014691 Boiler Operation Shift Supervisor I $45,142 60013926 Administrative Secretary III $42,630	($793,948) -15.50	R	($793,948) -15.50	R
30 Reduce Payments to ITS Reduce payments to ITS by 5% (532800).	($58,871)	R	($58,871)	R
31 Reduce Longevity and Fringe Benefits to Actual Reduces Longevity and Fringe Benefits to actual.	($62,022)	R	($62,022)	R
Total Legislative Changes	**($7,467,209)**	R	**($5,563,079)**	R
Total Position Changes	-94.52		-94.52	
Revised Budget	**$62,232,817**		**$64,136,947**	

Auditor

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$13,063,656**		**$13,063,656**	
Legislative Changes				
1110 - Administration				
32 Reduce Payments to ITS Reduces IT payments to reflect a reduction in Community College and UNC Audits (532800).	($41,992)	R	($41,992)	R
1210 Field Audit Division				
33 Reduce Audits at Community Colleges and University of North Carolina Reduces the number of audits at the North Carolina Community College System (NCCCS) campuses to the statutory minimum of once every five years. The University of North Carolina (UNC) will receive a fiscal control audit every three years. Both UNC and NCCCS campuses will be allowed to use State appropriated funds for private audits as necessary and may contract with the Office of State Auditor for such services. In FY 2011-12, four positions will be eliminated. In FY 2012-13, it is the intention for positions related to UNC and NCCCS audits to become receipt supported. The four positions with associated benefits for elimination are as follows: 60008883 Adm. Support Spec. ($58,496) 60008950 Assistant State Auditor ($96,274) 60008961 Assistant State Auditor ($84,096) 60008811 Assistant State Auditor ($90,595)	($329,461) -4.00	R	($1,511,000) -17.00	R
1210 Field Audit Division				
34 Reduce Performance Audit Division Reduces half of the Performance Audit Division and transfers funding for up to 5 positions to the Program Evaluation Division at the North Carolina General Assembly.	($771,994) -9.00	R	($771,994) -9.00	R
1210 Field Office Division				
35 Lease Reduction Eliminates leases in Asheville, Charlotte, Fayetteville, Edenton, and Greensboro.	($62,635)	R	($62,635)	R

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
Total Legislative Changes	($1,206,082)	R	($2,387,621)	R
Total Position Changes	-13.00		-26.00	
Revised Budget	**$11,857,574**		**$10,676,035**	

Cultural Resources

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	$72,664,633		$72,664,633	
Legislative Changes				
1110 Office of the Secretary				
36 Personnel Adjustment Eliminates salaries and benefits of three vacant positions - 2 in the Cultural Heritage Tourism Program and a Personnel Analyst III. Vacant Positions 60083263 Deputy HR Director ($65,451) 65011686 Multi-Cultural and Development Officer ($38,174) 65011687 Community Development Director ($48,654) 531211 SPA Reg Salary ($152,279) 531511 Soc Sec ($ 11,650) 531521 Retirement ($ 16,005) 531561 Medical ($ 14,787)	($194,721) -3.00	R	($194,721) -3.00	R
1230 Archives & Records				
37 Personnel Adjustment Eliminates salary and benefits of a vacant position: 60083352 (Local Records Supervisor). 531211 SPA Reg Salary ($46,219) 531511 Soc Sec ($3,535) 531521 Retirement ($4,858) 531561 Medical ($4,929)	($59,541) -1.00	R	($59,541) -1.00	R
38 Personnel Adjustment Transfers four positions to Archives and Records Management (ARM) receipts. #60083376 - Processing Assistant IV #60083348 - Accounting Technician #60083346 - Archives and Records Professional #60083353 - Archives and Records Professional 531211 SPA Reg Salary ($145,271) 531511 Soc Sec ($11,113) 531521 Retirement ($15,268) 531561 Medical ($19,716)	($191,368) -4.00	R	($191,368) -4.00	R

	FY 11-12		FY 12-13	
1241 State Historic Sites				
39 Transfer Functions and Positions to Receipts	($576,258)	R	($1,152,515)	R
Transfers the Transportation Museum to 50% receipts-support in FY 2011-12 and total receipts-support in FY 2012-13.	-8.00		-20.50	

FY 2011-12
#60083524 Electrician II
#60083520 Museum Specialist
#60083528 Carpenter II
#60083521 Historic interpreter II
#60083530 Historic interpreter II
#60083533 Security Guard
#60083529 & #60083536 Building Environmental Technician

531211 SPA Reg Salary ($228,999)
531511 Soc Sec ($ 17,518)
531521 Retirement ($ 24,068)
531561 Medical ($ 39,432)
532188 Lawn & Garden Service Agreement ($40,262)
532199 Misc Contractual Service ($43,642)
532210 Enrg Ser - Electrical ($62,338)
532220 Enrg Ser - Nat Gas/ Propane ($26,742)
532230 Enrg Ser - Water & Sewer ($8,123)
532331 Repairs - Motor Vehicles($195)
532333 Repairs - Other Equip ($ 8,460)
532390 Repairs- Other ($40,262)
532430 Maint - Equip ($3,292)
532490 Maint Agreement - Other ($385)
532714 Transp - Grnd -In state ($6,825)
532811 Telephone Service ($5,708)
532840 Postage, Freight, Delivery ($3,241)
532911 Property - Insurance ($3,335)
532919 Other Insurance ($235)
532942 Other Emp Educ Expense ($40)
533320 Diesel Fuel ($860)
533900 Other Materials & Supplies ($2,060)
535830 Membership, Dues, & Subscrip ($236)
TOTAL FY 2011-12 ($576,258)

FY 2012-13
#60083531 NC Transportation History Museum Director
#60083522 Facility Maintenance Supervisor III
#60083527 Maintenance Mechanic V
#60083524 Electrician II
#60083523 and #60083525 Historic Sites Manager II
#60083520 Museum Specialist
#60083519 Information & Communication Specialist I
#60083528 Carpenter II
#60083535 Office Assistant IV
#60083526 and #60083534 Historic Interpreter III
#60083521 and #60083530 Historic interpreter II
#60083529 and #60083536 Building Environmental Technician
#60083532 and #60083533 Security Guard

1241 State Historic Sites

#60083404 Historic Sites Specialist I

531211 SPA Reg Salary ($662,320)
531511 Soc Sec ($50,667)
531521 Retirement ($69,610)
531561 Medical ($101,045)
532188 Lawn & Garden Service Agreement ($40,262)
532199 Misc Contractual Service ($43,642)
532210 Enrg Ser - Electrical ($62,338)
532220 Enrg Ser - Nat Gas/ Propane ($26,742)
532230 Enrg Ser - Water & Sewer ($8,123)
532331 Repairs - Motor Vehicles ($195)
532333 Repairs - Other Equip ($18,460)
532390 Repairs- Other ($40,262)
532430 Maint - Equip ($3,292)
532490 Maint Agreement - Other ($385)
532714 Transp - Grnd -In state ($6,825)
532811 Telephone Serv ($5,708)
532840 Postage, Freight, Delivery ($3,241)
532911 Property - Insurance ($3,335)
532919 Other Insurance ($235)
532942 Other Emp Educ Expense ($40)
533320 Diesel Fuel ($860)
533900 Other Materials & Supplies ($4,692)
535830 Membership, Dues, & Subscrip ($236)
Total FY 2012-13 ($1,152,515)

40 Reduction to Operating Budget — ($1,151,073) R — ($1,064,635) R

Reduces funding for the Division and 24 State Historic Sites by 15%.

1242 Tryon Palace

41 Transfers Positions to Receipts-support — ($375,075) R — ($375,075) R

Transfers the historic site's maintenance program to receipts-support. — -10.00 — -10.00

#60083572 Painter
#60083563 Carpenter II
#65011462 and 60083559 Maintenance Mechanic IV
#60083568, 60083571, 65011458, 65011459, and 60083567 Building Environmental Technicians
#65011430 Assistant Special Events Coordinator

531211 SPA Reg Salary ($275,715)
531511 Soc Sec ($21,092)
531521 Retirement ($28,978)
531561 Medical ($49,290)

42 Changes to Historic Site's Funding — ($846,951) R — ($3,027,879) R

Reduces remaining General Fund appropriation each fiscal year by transferring 10.5 positions in FY 2011-12 and 34.11 positions in FY 2012-13 with the operating budget to receipts-support. — -10.50 — -34.11

	FY 11-12		FY 12-13	
1245 NC Maritime Museum				
43 Transfer to Receipts-support	($59,265)	R	($59,265)	R
Transfers support for the Cape Lookout Studies Program and .75 FTE of position to receipts available from private partnership funds.	-0.75		-0.75	
#60083652 Associate Museum Curator				
531211 SPA Reg Salary ($31,834)				
531511 Soc Sec ($2,435)				
531521 Retirement ($3,346)				
531561 Medical ($3,697)				
532199 Misc Contractual Serv ($7,500)				
532333 Repairs- Other Equip ($863)				
532714 Transp - Grnd, In State ($1,500)				
532715 Transp - Grnd, Out State, In U.S. ($225)				
532721 Lodging - In State ($1,275)				
532724 Meals- In State ($1,013)				
532930 Registration Fees ($750)				
533110 General Office Supplies ($375)				
533720 Educ Supplies ($137)				
534539 Other Equip ($4,315)				
1247 Office of State Archaeology				
44 Program Reductions	($171,242)	R	($171,242)	
Suspends the operations of the Archaeology Laboratory and Curation Facility and eliminates salaries and benefits of three filled positions:	-3.00		-3.00	
#60083679 Archaeological Technician ($27,544)				
#60090495 Archaeologist I ($41,100)				
#60083676 Archaeologist II ($54,341)				
531211 SPA Reg Salary ($122,985)				
531461 Longevity ($2,446)				
531511 Soc Sec ($9,595)				
531521 Retirement ($13,182)				
531561 Medical ($14,790)				
Operating Budget Reductions				
53XXXX ($8,243)				

	FY 11-12		FY 12-13	
1250 Historic Preservation Office				
45 Transfer to Receipts-support	($71,106)	R	($71,106)	R
Transfers 1.5 positions to federal grant receipts.	-1.50		-1.50	
#60083622 Office Assistant III #60083629 Historic Preservation/Restoration Specialist I (.5FTE)				
531211 SPA Reg Salary ($53,921) 531511 Soc Sec ($ 4,124) 531521 Retirement ($ 5,667) 531561 Medical ($ 7,394)				
1320 Museum of Art				
46 Operating Reductions	($471,601)	R	($471,601)	R
Reorganizes and consolidates Museum of Art operations by eliminating salaries and benefits of three vacant positions and 7.25 filled positions; and transfers .25 position to receipts-support.	-10.50		-10.50	
Vacant Positions SPA #65011450 Maintenance Mechanic II ($27,544) #60083791 Office Assistant III ($34,319)				
EPA #65011451 Art Museum Curator ($50,400) SUBTOTAL Vacant Positions ($112,263)				
Filled Positions #60083795 Security Guard ($24,861) #65005187 Security Guard ($24,861) #60083773 Processing Assistant III ($8,119) - (.25 FTE) #60083774 Processing Assistant III ($34,319) #60083772 Program Assistant IV ($29,783) #60083754 Processing Assistant IV ($31,389) #65005027 Art Handler ($32,411) #60083769 Library Technician ($36,378) SUBTOTAL Filled Positions ($222,121)				
Receipts-support Position #60090505 Associate Director ($15,412) - (.25 FTE)				
531111 EPA- Reg Salaries- Approp ($ 50,400) 531211 SPA- Reg Salaries- Appropr ($299,396) 531511 Soc Sec ($26,759) 535121 Retirement ($36,764) 531561 Medical ($49,300)				
Operating Reduction 53XXXX ($8,982)				

	FY 11-12		FY 12-13	
1330 NC Arts Council				
47 Grant Program Reduction Reduces funding for the Basic Grants Program, which provides $3,292,320 for each year of the 2011-2013 Biennium.	($581,000)	R	($581,000)	R
48 Operating Reductions Eliminates 1.75 vacant positions and 1 filled position by reassigning duties and consolidating grant categories. Vacant Positions #60083908 Arts Development Consultant ($40,856) #60083931 Information & Communication Specialist I (.75 FTE) ($27,734) Filled Position #60083927 Information & Communication Specialist II ($38,767) 531211 SPA- Reg Salaries- Appropr ($107,357) 531511 Soc Sec ($8,213) 535121 Retirement ($11,283) 531561 Medical ($13,555)	($140,408) -2.75	R	($140,408) -2.75	R
49 Grant Program Reduction Reduces funding for Grassroots Arts Program which provides $2,303,708 for each year of the 2011-2013 Biennium.	($406,537)	R	($406,537)	R
50 Eliminate Non-Competitive Funding Eliminates funding for the Vagabond School of Drama.	($40,957)	R	($40,957)	
51 Eliminate Non-Competitive Funding Eliminates funding for the Lost Colony.	($218,957)	R	($218,957)	R
52 Eliminate Non-Competitive Funding Eliminates funding for the Shakespeare Festival.	($218,957)	R	($218,957)	R
1340 NC Symphony				
53 Reduce Grant Funding Reduces grant funding for statewide concerts by 10%.	($217,310)	R	($217,310)	R

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
1410 State Library Services				
54 Personnel Adjustment	($499,423)	R	($499,423)	R
Consolidates and eliminates two layers of management in the State Library of NC. Transfers a position to federal receipts.	-9.00		-9.00	
Filled Positions #60083815 Office Assistant V ($36,434) #60083867 Library Technician ($32,029) #60083850 Library Technician ($32,758) #60083853 Library Technician ($28,327) #60083861 Processing Assistant IV ($35,575)				
Vacant Positions 60083822 Assistant State Librarian ($58,701) #60083844 Library Supervisor ($54,692) #60083904 Office Assistant III ($26,646)				
Transferred to Federal Receipts Position #60083901 Library Professional ($79,963)				
531211 SPA Reg Salary ($385,125) 531511 Soc Sec ($ 29,460) 531521 Retirement ($ 40,477) 531561 Medical ($ 44,361)				
1480 Statewide Programs & Grants				
55 Program Reduction	($1,980,543)	R	($1,980,543)	R
Reduces State-Aid to local libraries by 13%.				

	FY 11-12		FY 12-13	
1500 Museum of History				
56 Program Reductions	($383,505)	R	($383,505)	R
Reorganizes and consolidates the museum and its regional branches in the areas of administration, program, and operating functions. Eliminates salaries and benefits of 5 vacant positions and 4 filled positions.	-9.00		-9.00	

Vacant Positions
#60083949 Art Handler ($25,705)
#60083990 Curator of Furnishings & Decorative Arts ($42,860)
#60083981 Library Professional ($40,000)
#60084030 Museum Specialist ($33,229)
#60084043 Security Guard ($24,861)

Filled Positions
#60083942 Public Information Assistant IV ($27,615)
#60083957 Public Information Assistant III ($32,258)
#60084027 Museum Specialist ($32,796)
#60084035 Process Assistant IV ($27,615)

531211 SPA Reg Salary ($287,039)
531511 Soc Sec ($21,934)
531521 Retirement ($30,168)
531561 Medical ($44,361)

	FY 11-12		FY 12-13	
1500 Museum of History				
57 Museum Closure	($519,876)	R	($586,897)	R
Closes the Museum of the Cape Fear and transfers artifacts to the Museum of History in Raleigh.	-6.00		-14.00	

Eliminates salaries and benefits of 1 vacant and 5 filled positions with operating expenses in FY 2011-12 and eliminates salaries and benefits of 8 additional filled positions in FY 2012-13.

FY 2011-12

Vacant Position
#60084056 Security Guard ($26,220)

Filled Positions
#60084055 Museum Specialist ($32,796)
#60084057 Historical Interpreter I ($24,861)
#60084051 Assoc. Museum Curator ($40,105)
#60084053 Bldg. Envir Tech. ($25,718)
#60084052 Exhibit Builder ($30,631)

531211 SPA Reg Salary ($180,061)
531511 Soc Sec ($ 13,775)
531521 Retirement ($ 18,924)
531561 Medical ($ 29,580)
Operating Expenses ($277,536)

FY 2012-13

Filled Positions
#60084047 Administrator ($66,029)
#60084050 Adm Asst V ($33,115)
#60084048 Museum Specialist ($38,824)
#60084058 Bldg. & Env Tech ($25,718)
#60084052 Carpenter ($30,361)
#60084049 Assoc Museum Curator ($38,599)
#60084054 Museum Specialist ($32,796)
#60084059 Historic Interpreter ($27,056)

531211 SPA Reg Salary ($442,468)
531511 Soc Sec ($ 33,849)
531521 Retirement ($ 46,503)
531561 Medical ($ 64,077)

58 Close Museum of the Albemarle	($958,903)	R	($958,903)	R
Closes the Museum of the Albemarle and eliminates salaries and benefits of 15 filled positions.	-15.00		-15.00	

	FY 11-12		FY 12-13	
Department-wide				
59 Personnel Reductions	($1,280,263)	R	($1,280,263)	R
Eliminates salaries and benefits of 8.51 additional positions vacant 6 months or more since January 1, 2011; and 20 positions vacant 100 or more days since March 31, 2011.	-28.51		-28.51	
Positions vacant for 6 months or more				
#60083367 Archives & Records Professional ($1)				
#60083486 Office Assistant IV ($30,417)				
#65010790 Transportation Coordinator ($29,502)				
#60083569 Horticulture/grounds Technician (.38 FTE) ($1,329)				
#65010906 Administrative Officer III ($41,173)				
#65010907 Media Technician I ($25,705)				
#60083505 Historic Interpreter I ($24,861)				
#60090511 Museum Curator ($38,174)				
#60090513 Museum Specialist ($32,796)				
#60090514 Museum Exhibit Designer (.13 FTE) ($6,626)				
531211 SPA Reg Salary ($230,584)				
531511 Soc Sec ($17,640)				
531521 Retirement ($24,234)				
531561 Medical ($103,530)				
Positions vacant for 100 or more days				
#60080925 Heritage Tourism Officer ($38,543)				
#65011681 Maritime Heritage Tourism Officer ($35,337)				
#65011682 Heritage Tourism Officer ($35,337)				
#65011683 Heritage Tourism Officer ($35,337)				
#65011684 Heritage Tourism Officer ($35,337)				
#65011685 Regional Development Officer ($38,174)				
#60083349 Office Assistant IV ($29,656)				
#60090501 Records Management Analyst ($37,000)				
#60083465 Historic Sites Specialist II ($50,000)				
#60083470 Historic Site Assistant ($25,355)				
#60083585 Museum Specialist ($39,162)				
#65011433 Assistant Conservator ($27,942)				
#60083562 Exhibit Designer ($35,498)				
#65010801 Utility Worker Supervisor ($27,380)				
#65011464 Section Gardener ($26,584)				
#65011455 Museum Exhibits Assistant ($29,502)				
#65011424 Processing Assistant III ($24,092)				
#60083777 Building & Environmental Technician ($23,866)				
#60083804 Security Guard ($24,861)				
#60083256 Deputy Secretary ($115,000)				
531211 SPA Reg Salary ($733,963)				
531511 Soc Sec ($56,148)				
531521 Retirement ($77,140)				
531561 Medical ($98,600)				
60 IT Reduction	($55,184)	R	($55,184)	R
Reduces IT by 5%.				

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
Total Legislative Changes	($11,670,024)	R	($14,407,792)	R
Total Position Changes	-122.51		-166.62	
Revised Budget	**$60,994,609**		**$58,256,841**	

Cultural Resources - Roanoke Island Commission

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$2,406,982**		**$2,406,982**	
Legislative Changes				
1584 Roanoke Island Commission				
61 Changes to Commission Funding Reduces General Fund appropriation by 50% in FY 2011-12 and eliminates all state funding in FY 2012-13 with Commission becoming self-supporting.	($1,203,491)	R	($2,406,982)	R
Total Legislative Changes	**($1,203,491)**	R	**($2,406,982)**	R
Total Position Changes				
Revised Budget	**$1,203,491**		**$0**	

General Assembly

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$54,593,047**		**$54,593,047**	
Legislative Changes				
1213 Research Division				
62 Transfer of General Statutes Commission	$270,341	R	$270,341	R
Provides funding for positions and operations of the General statutes Commission that is transferred from the Department of Justice.	3.00		3.00	
1215 Building & maintenance				
63 Reduce Division Budget and Personnel	($292,980)	R	($212,565)	R
Reduces appropriations by funding Building & Maintenance Repairs from Carryforward Reserve each year. Additionally, eliminates salaries and benefits of 3.4 positions in FY 2012-13.			-3.40	
64 Continuation Review of Building & Maintenance Division	($2,572,506)	R	($2,572,506)	R
Conducts a Continuation Review of facility services in the General Assembly during the 2011-12 Interim. The budget for the division, minus reductions authorized for FY 2012-13, is included as non-recurring, pending the findings and recommendations that will be reported to the 2012 Session.	$2,572,506	NR	-31.60	
1216 Food Service				
65 Reduce Operating Budget	($103,648)	R	($210,348)	R
Increases prices in the cafeteria and snack bars by 10%. Additionally, eliminates salaries and benefits of 3.75 positions in FY 2012-13.			-3.75	
1217 Information Systems Division				
66 Various Reductions to Operations	($2,653,145)	R	($2,114,555)	R
Reduces the operating accounts in ISD and uses Carryforward Reserve to support non-personnel costs and 2 Temporary Time-Limited positions to work with Redistricting.				
1219 Program Evaluation Division				
67 Expand Division Staff	$345,000	R	$345,000	R
Expands staff in the Program Evaluation Division with the transfer of funding from the Performance Audit Division in the State Auditor's Office to support up to 5 positions.	5.00		5.00	

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
1900 Committees & Other Reserves				
68 Reduction to Reserves Reduces funding in the Reserves of Committees, Studies, and Contingencies (537195).	($888,527)	R	($636,435)	R
Department-wide				
69 Various Reductions to Operating Budget Reduces the budget each year in the following areas: Reduces the number of interim days budgeted for Legislative Assistants from 3.5 days to 3 days during the first year of the biennium. Both years will be budgeted at 3.0 days during the interim with a reduction of $691,223. Eliminates funding budgeted for the purchase of furniture (desk, chairs, tables & bookshelves)with a reduction of $55,000 in FY 2011-12 and $40,000 in FY 2012-13. Reduces funding for staff travel which includes travel reimbursements, registration fees and education reimbursement. However, funding is maintained for staff in the Program Evaluation Division and Fiscal Research Division to pursue studies and conduct routine visits to state agencies and facilities. The budget is reduced $84,250 in FY 2011-12 and $94,250 in FY 2012-13. Reduces some discretionary contracts and budgeted supplies within the Building & Maintenance and Food Services Sections with a reduction of $57,773 in FY 2011-12 and $81,810 in FY 2012-13. Reduces NCSL annual dues by 20% with a reduction of $51,097 each year. Reduces appropriations by funding the Legislative Library Learning Resources and subscriptions from Carryforward Reserve with a reduction of $188,000 in FY 2011-12 and $175,800 in FY 2012-13.	($1,127,343)	R	($442,957)	R
70 Personnel Adjustments Eliminates salaries and benefits of 17 vacant permanent positions of which 2 are frozen from FY 2010-11 with a reduction of $1,033,504 each year. Also, eliminates salaries and benefits for 47 temporary positions of which 27 are frozen from FY 2010-11 at a reduction of $849,746 in FY 2011-12 and $881,310 in FY 2012-13.	($1,883,250) -17.00	R	($1,914,814) -17.00	R
71 Reserve Funds Appropriates funds for reserve to support security upgrades.	$3,000,000	NR		

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
Department-wide				
72 Reserve for Information Technology Study Provides funding for the General Assembly to conduct a comprehensive, two-year evaluation of information technology operations throughout State government.	$2,000,000	NR	$3,000,000	NR
Total Legislative Changes	**($8,906,058)**	R	**($7,488,839)**	R
	$7,572,506	NR	**$3,000,000**	NR
Total Position Changes	-9.00		-47.75	
Revised Budget	**$53,259,495**		**$50,104,208**	

Governor

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$6,189,478**		**$6,189,478**	
Legislative Changes				
1420 Center for 21st Century Skills				
73 Eliminates Program and Personnel Adjustment	($91,738)	R	($91,738)	R
Eliminates the remainder of budget for the Center for 21st Century Skills, including a vacant position 60008514 (Director of 21st Century Skills Center).	-1.00		-1.00	
531111 Reg Salary ($35,000)				
531511 Social Security ($2,678)				
531521 Retirement ($3,679)				
531561 Medical Insurance ($4,930)				
532199 Misc Contractual Svcs ($45,451)				

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
Department-wide				
74 Personnel and IT Reductions	($1,037,758)	R	($1,037,758)	R
Eliminates the salaries and benefits of 6 vacant positions:	-14.00		-14.00	
#60000881 Policy Analyst ($16,000) #60008496 Policy Analyst ($53,000) #60008480 W/A Administrative Assistant I ($39,000) #60008482 Operations Director ($82,200) #60008494 Deputy Director of Hispanic Affairs ($32,000) #60038174 Policy Analyst ($66,000)				
531111 Reg Salaries ($288,200) 531511 Social Security ($ 22,047) 531521 Retirement ($ 30,290) 531561 Medical Insurance ($ 29,580) SUBTOTAL Vacant Positions ($370,117)				
Eliminates the salaries and benefits of 8 filled positions:				
#65007128 Special Advisor - Education & Innovation ($109,509) #60008516 Deputy Communications Director ($81,000) #60008485 Teacher Advisor ($65,000) #60031506 Policy Analyst ($45,000) #60083951 Regional Director ($50,000) #60008474 Faith Outreach Coordinator ($20,000) #60008507 Governor's Communications Director ($115,200) #60008501 Asst. External Scheduler ($38,780)				
531111 Reg Salaries ($524,489) 531511 Social Security ($ 40,123) 531521 Retirement ($ 55,124) 531561 Medical Insurance ($ 39,440) SUBTOTAL Filled Positions ($660,176)				
Reduces IT each year by 5% ($7,465).				
75 Transfer Personnel	($172,921)	R	($172,921)	R
Transfers the Deputy Legal Counsel (#60008505) and Policy Analyst (#60071726) to the Office of the Lieutenant Governor.	-2.00		-2.00	
531111 Reg Salaries ($138,000) 531511 Social Security ($ 10,557) 531521 Retirement ($ 14,504) 531561 Medical Insurance ($ 9,860)				
Total Legislative Changes	**($1,302,417)**	R	**($1,302,417)**	R
Total Position Changes	-17.00		-17.00	
Revised Budget	**$4,887,061**		**$4,887,061**	

Housing Finance Agency

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$13,877,996**		**$13,877,996**	
Legislative Changes				
76 Program Reduction	($1,123,245)	R	($1,123,245)	R
Reduces funding for the Housing Trust Fund.				
8104 Home Protection Program				
77 Program Reduction	($2,081,700)	R	($2,081,700)	R
Reduces funding for the Home Protection Program.				
Total Legislative Changes	**($3,204,945)**	R	**($3,204,945)**	R
Total Position Changes				
Revised Budget	**$10,673,051**		**$10,673,051**	

Insurance

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	$33,458,756		$33,458,756	

Legislative Changes

1110 Administration

78 Reduce Expenditures ($25,221) R ($25,221) R

Reduces various expenditure accounts in the division to more closely match actual costs.

532199 Misc Contractual Svs	($15,957)
532814 Cellular Phone Svs	($ 4,346)
532942 Other Employees Ed Expense	($ 4,918)

1200 Company Services Group

79 Reduce Expenditures ($50,688) R ($50,688) R

Reduces various expenditure accounts in the division to more closely match actual costs.

532814 Cellular Phone Svs	($ 119)
532942 Other Employees Ed Expense	($50,569)

1300 Technical Services Group

80 Reduce Employee Education Expense ($11,589) R ($11,589) R

Reduces expenditures each fiscal year in 532942 - Employee Education Expense.

1400 Public Services

81 Reduce Cellular Phone Service ($2,200) R ($2,200) R

Reduces expenditures each fiscal year in 532814 - Cellular Phone Service.

1500 Office of State Fire Marshal

82 Adjust Expenditures ($356,265) R ($356,265) R

Reduces expenditures for cellular phone service and eliminates funding for the sale of Code Books as the sale of Code Books is transferred to the publisher.

532814 Cellular Phone Svs	($ 23,315)
532850 Print, Bind, & Duplication	($330,000)
532942 Other Employees Ed Expense	($ 2,950)

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
1500 Office State Fire Marshal				
83 Transfer of Fire Protection Grant Fund Transfers the Fire Protection Grant Fund from the Office of State Budget and Management to the Department of Insurance.	$3,677,513	R	$3,677,513	R
Department-wide				
84 Eliminate Vacant Positions and Reduce Expenditure Accounts Eliminates salaries and benefits of 3 vacant positions.	($139,612)	R	($139,612)	R
	-3.00		-3.00	
Vacant Positions 60013339 Processing Assistant III ($28,490) 60013607 Office Assistant IV ($25,705) 65004532 Insurance Company Examiner ($51,443)				
531211 SPA Reg Salary ($105,638) 531511 Soc Sec ($8,081) 531521 Retirement ($11,103) 531561 Medical ($14,790)				
85 Reduction to Consumer Protection Services Fund Reduces transfer to Consumer Protection Services Fund to more closely match actual expenditures.	($156,773)	R	($156,773)	R
531111 Salaries ($38,473) 531511 Social Security ($2,943) 531521 Retirement ($4,044) 532110 Legal Services ($111,313)				
Total Legislative Changes	**$2,935,165**	R	**$2,935,165**	R
Total Position Changes	-3.00		-3.00	
Revised Budget	**$36,393,921**		**$36,393,921**	

Insurance - Volunteer Safety Workers' Compensation Fund

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$4,500,000**		**$4,500,000**	
Legislative Changes				
1900 Reserves & transfers				
86 Reduce Volunteer Safety Workers' Compensation Fund	($706,000)	R	($1,876,346)	R
Reduces funding for the Volunteer Safety Workers' Compensation Fund.	($1,500,000)	NR		
Total Legislative Changes	**($706,000)**	**R**	**($1,876,346)**	**R**
	($1,500,000)	**NR**		
Total Position Changes				
Revised Budget	**$2,294,000**		**$2,623,654**	

Lieutenant Governor

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$954,868**		**$954,868**	
Legislative Changes				
1110 Administration				
87 Management Flexibility Reduction Requires the Lt. Governor's Office to reduce the operating budget of the office by $284,398 recurring.	($284,398)	R	($284,398)	R
88 Transfer of Positions from the Governor's Office Transfers two positions and benefits from the Governor's Office to the Lt. Governor's Office. Positions and benefits are as follows: 60008505 Deputy Legal Counsel $120,727 60071726 Policy Analyst $52,194	$172,921 2.00	R	$172,921 2.00	R
89 Eliminate Vacant Position and Benefits Eliminates Assistant Policy Director Position and benefits (60008622).	($45,695) -1.00	R	($45,695) -1.00	R
90 Reduce Salary, Benefits, and Longevity to Actual Reduces the following accounts to actual: 531111 Salaries ($8,327) 531511 Social Security ($67) 531521 Retirement ($875) 531521 Longevity ($5,168)	($14,437)	R	($14,437)	R
91 Reduce Operating Expenses Reduces the following operating expense accounts: 532814 Cellular Phones ($6,750) 532870 Cable TV ($689) 532840 Postage ($575)	($8,014)	R	($8,014)	R
Total Legislative Changes	**($179,623)**	R	**($179,623)**	R
Total Position Changes	1.00		1.00	
Revised Budget	**$775,245**		**$775,245**	

Office of Administrative Hearings

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$4,328,822**		**$4,328,822**	
Legislative Changes				
1100 Administration and Operations				
92 Reduce Payments to ITS Reduces data and communications (532800) by 5%.	($7,612)	R	($7,612)	R
93 Type I Transfer of Human Relations Commission to OAH Transfers the Human Relations Commission to the Civil Rights Division at OAH. The transfer detail is in the Department of Administration's section of the report.	$841,613 10.68	R	$841,613 10.68	R
1100 Civil Rights Division				
94 Eliminate Vacant Position Eliminates vacant Civil Rights Investigator Position (60088595) and benefits.	($57,710) -1.00	R	($57,710) -1.00	R
1100 Hearings Division				
95 Eliminate Administrative Law Judge Position Eliminates one Administrative Law Judge position and benefits.	($121,242) -1.00	R	($121,242) -1.00	R
Administrative Hearings				
96 Funding from DHHS for Medicaid Mediation Transfers up to $2.25 million per year from the Department of Health and Human Services to the Office of Administrative Hearings for the purpose of providing Medicaid mediation services.				
Total Legislative Changes	**$655,049**	R	**$655,049**	R
Total Position Changes	8.68		8.68	
Revised Budget	**$4,983,871**		**$4,983,871**	

Revenue

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$88,370,399**		**$88,370,399**	
Legislative Changes				
1600 Collection Division				
97 Close Three Offices	($124,054)	R	($124,054)	R
Closes Offices in Nags Head, Rocky Mount, and Winston-Salem				
1700 Motor Fuels Division				
98 Eliminate Vacant Positions				
Eliminates 15 vacant positions in the Motor Fuels Division funded by the Highway Fund.				
1900 Reserves and Transfers				
99 Remaining Resolution Initiative Funding	($760,075)	R	($760,075)	R
Reduces the remaining funds appropriated for the Resolution Initiative. The funds were originally appropriated in FY 2010-11.				
Department-wide				
100 Reduce General Fund Supported Operating Expenditures	($371,495)	R	($371,495)	R
Reduces additional eight positions and associated benefits that are vacant at the Department	-8.00		-8.00	
60082603 Processing Assistant IV ($37,560)				
60081507 Revenue Tax Technician ($55,395)				
60081800 Processing Assistant III ($34,306)				
60081505 Information Processing Technician ($54,583)				
60093429 Processing Assistant IV ($41,527)				
60082584 Processing Assistant V ($39,907)				
60081612 Revenue Tax Technician ($52,675)				
60082692 Information Processing Technician ($50,861)				

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
Department-wide				
101 Eliminate Vacant Positions	($3,498,026)	R	($3,498,026)	R
Eliminates 61 vacant positions throughout the Department and related benefits. Positions are as follows:	-61.00		-61.00	

60081469 Program Assistant V
60081535 Information Processing Technician
60081540 Team Leader
60082951 Processing Assistant V
60082846 Administrative Officer II
60082953 Processing Assistant IV
60082759 Processing Assistant III
60081588 Processing Assistant III
60082668 Data Entry Specialist
60082564 Information Processing Technician
60081675 Information Processing Technician
60081494 Information Processing Technician
60081482 Information Processing Technician
60082949 Processing Assistant IV
60081660 Revenue Officer I
60081781 Law Enforcement Agent
60082835 Processing Assistant IV
60082685 Revenue Officer II
60081633 Processing Assistant IV
60081597 Processing Assistant III
60081637 Information Processing Technician
60082570 Processing Assistant III
60082756 Processing Assistant III
60081566 Auditor
60082502 Processing Assistant III
60082553 Processing Assistant IV
60082661 Data Entry Specialist
60082599 Administrative Officer II
60082966 Administrative Assistant III
60081512 Processing Assistant V
60082682 Data Entry Specialist
60082569 Processing Assistant IV
60082758 Processing Assistant IV
60081520 Processing Assistant III
60082537 Accounting Manager
60081779 Law Enforcement Agent
60081657 Manager
60081434 Audit Director
60081748 Revenue Officer I
60082594 Processing Assistant V
60083099 Office Assistant V
60081531 Revenue Officer I
60081635 Administrative Assistant II
60081548 Administrative Assistant III
60081579 Administrative Assistant II
60081311 ETM Administrator
60082396 Revenue Administrative Officer
60082169 Field Auditor SCCI
60083224 Special Agent
60082057 Revenue Officer I

	FY 11-12		FY 12-13	
Department-wide				
60081837 Interstate Field Officer 60081337 DTAX/Audit Workbench/Taxmaster Admin 60081405 ETM Developer 60081803 Interstate Field Auditor 60083098 Audit Manager 60082033 Field Auditor 60081817 Interstate Field Auditor 60081399 ETAX/Audit Workbench/Taxmaster Developer 60082444 Revenue Officer Trainee 60082440 Revenue Officer 60082059 Revenue Officer Trainee				
102 Convert Collections Positions to Receipt Supported Converts 30 collections positions to receipt support. The source of the receipt is the Collection Assistance Fee. Positions numbers are as follows: 60082149, 60082449, 60082041, 60082129, 60082154, 60082165, 60082243, 60082244, 60081863, 60081493, 60081550, 60081747, 60082435, 60082132, 60082136, 60082137, 60082451, 60082445, 60082455, 60082047, 60082053, 60082452, 60082148, 60082162, 60082163, 60082152, 60082176, 60082454, 60082077, 60082081.	($1,896,157) -30.00	R	($1,896,157) -30.00	R
103 Reduce Supplemental Wages to FY 2010 Actual Reduces supplemental wages to FY 2009-10 actual. 531411 - OT Pay ($39,766) 531421 - Holiday Perm Pay - ($2,121)	($41,887)	R	($41,887)	R
104 Reduce Temporary Wages Reduce Temporary Wages and benefits in the following areas: 1600 - Administration ($5,018) 1603 - Human Resources ($33,784) 1605 - IT ($39,922) 1621 - Corporate ($18,488) 1643 - TPA (316,547) 1660 - Collections ($286,799) 1670 - USUB ($14,328) 1681 - Administrative Services ($97,025) 1685 - DPPD ($966,912)	($1,778,823)	R	($1,778,823)	R
105 Reduce Budgeted Longevity Reduces budgeted longevity (521461).	($32,459)	R	($32,459)	R
106 Reduce Payments to ITS Reduces payments to Information Technology Services by 5% (532800).	($602,867)	R	($602,867)	R

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
Information Technology				
107 Imaging System License Corrects error, a non-recurring expenditure for an imaging system license was mistakenly coded as recurring in FY 2010-11. This reduction corrects the error.	($613,440)	R	($613,440)	R
Local Government Unit				
108 Local Government Unit to Receipts Moves positions to the Local Government Unit within the Department to receipt support to create a point of contact regarding tax distributions. Over $200 million per year is distributed to local governments each year.	($451,578) -7.00	R	($451,578) -7.00	R
Total Legislative Changes	**($10,170,861)**	R	**($10,170,861)**	R
Total Position Changes	-106.00		-106.00	
Revised Budget	**$78,199,538**		**$78,199,538**	

Secretary of State

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$11,076,972**		**$11,076,972**	
Legislative Changes				
1120 Publications				
109 Reduce Printing Budget Eliminates the printing of the NC Directory of County and State Officials, which is available electronically, and the free distribution of the NC Manual. Budget code affected is 532850.	($77,268)	R	($77,268)	R
1150 Lobbyist Registration				
110 Eliminate Four Positions in Lobbyist Registration Eliminates four positions and benefits in Lobbyist Registration Division. 60008804 Registrar/Examiner ($42,295) 60008805 Registrar/Examiner ($50,469) 65004907 Office Assistant ($36,176) 60008807 Attorney I ($71,851)	($200,791) -4.00	R	($200,791) -4.00	R
Department-wide				
111 Reduce Operating Expenditures and Eliminate Cell Phones Reduces operating expenditures in a variety of accounts and eliminates budget for cellular phones. 532700 Travel and Other Employee Expense ($25,423) 532814 Cellular Phone Service ($9,809) 532900 Other Services ($7,342) 533100 General And Administrative Supplies ($26,100 533900 Other Materials and Supplies 534500 Equipment ($42,966) 534700 Intangible Assets ($17,000)	($136,290)	R	($136,290)	R
112 Reduce Payments to ITS Reduces payments to ITS (532800) by 5%.	($8,060)	R	($8,060)	R
Total Legislative Changes	**($422,409)**	R	**($422,409)**	R
Total Position Changes	-4.00		-4.00	
Revised Budget	**$10,654,563**		**$10,654,563**	

State Board of Elections

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$6,189,011**		**$6,189,011**	
Legislative Changes				
1100 Administration				
113 Correct Error in Base Budget Corrects error, a non-recurring expenditure was miscoded as recurring (532700) related to a move into office space.			($60,000)	R
114 Administrative Services Reduces expenditures for workshops and conferences (532181) and administrative services (532170).	($23,000)	R	($23,000)	R
1200 Campaign Reporting				
115 Reduce Administrative Services Reduces Administrative Services (532170).	($45,110)	R	($45,110)	R
1300 Voter Registration and Systems				
116 Eliminate Positions in Voter Registration and Systems Eliminates all 8 District Elections Technicians ($510,610),Voting Systems Project Manager (60088251 - $65,191), Technology Support Analyst (65006606 - $64,010), and associated benefits.	($637,706) -10.00	R	($637,706) -10.00	R
117 Reduce Assigned Vehicles Reduces payments to Motor Fleet Management for vehicles from 8 District Elections Technicians (532700).	($32,634)	R	($32,634)	R
Department-wide				
118 ITS Reduction Reduces data and procurement purchases by 5% (532800).	($28,787)	R	($28,787)	R
119 Eliminate Vacant Positions Eliminates four vacant positions and benefits in the State Board of Elections 65012228 - Elections Investigator 65005662 - Business Officer 60088258 - Compliance Specialist 65012227 - Attorney II	($235,171) -4.00	R	($235,171) -4.00	R

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
Total Legislative Changes	($1,002,408)	R	($1,062,408)	R
Total Position Changes	-14.00		-14.00	
Revised Budget	**$5,186,603**		**$5,126,603**	

State Budget & Management

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$6,963,796**		**$6,963,796**	
Legislative Changes				
1310 Office of State Budget & Management				
120 Personnel Adjustment and IT Reduction	($546,454)	R	($546,454)	R
Eliminates 6 vacant positions and reduces salary reserves.	-6.00		-6.00	
#60008592 State Budget Management Analyst ($62,463) #60008553 State Budget Management Analyst ($64,383) #60008582 State Budget Management Analyst ($102,163) #60008577 Human Resources Director ($62,429) #60008585 State Budget Management Analyst ($57,000) #60008609 State Budget Management Analyst ($71,925)				
531211 Salaries ($420,363) 531511 Social Security ($32,158) 531521 Retirement ($44,180) 531561 Medical Insurance ($29,580) 531211 Salary Reserves ($ 6,774)				
Reduces funding for the Information Technology Services by 5% ($13,399).				
121 Operating Reductions	($34,900)	R	($34,900)	R
Reduces operating expenses.				
532145 Server Support Services ($29,100) 532840 Postage, Freight & Delivery ($ 3,800) 534530 Other DP Equipment ($ 1,500) 534534 PC/Printer Equipment ($ 500)				
122 Longevity Reduction	($21,867)	R	($21,867)	R
Reduces longevity to actual.				
123 Integrated Budget Information System (IBIS) Funding	($511,912)	R	($511,912)	R
Eliminates funding for the Integrated Budget Information System (IBIS) continuation request for software support, hardware, and databases.				
532199 Miscellaneous Contractual Services ($250,000) 532800 Communication & Data Processing ($261,912)				

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
Total Legislative Changes	($1,115,133)	R	($1,115,133)	R
Total Position Changes	-6.00		-6.00	
Revised Budget	**$5,848,663**		**$5,848,663**	

State Budget and Management - Special

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$5,934,311**		**$5,934,311**	
Legislative Changes				
1022 Special Appropriations				
124 Humanities Council Grant Reduces funding for NC Humanities Council(536G02).	($43,000)	R	($43,000)	R
1023 Fire Protection Grant Fund				
125 Transfer of Fire Protection Grant Fund Transfers management of the State Fire Protection Grant Fund to the Department of Insurance from the Office of State Budget and Management. The General Fund appropriation is reduced 10%.	($3,677,513)	R	($3,677,513)	R
1900 Reserves & Transfers				
126 NC Symphony Provides funding for the NC Symphony to leverage match to support the operation.	$1,500,000	NR		
127 Adjust Funds for Health Care Reform and Board of Elections Software Eliminates funding ($1,101,293) and positions each year for DOI Healthcare Reform Reserve (537122). Additionally, reduces budget for non-recurring ($671,893) expense that was classified as recurring in the 2010 Session for the State Board of Elections Software Purchase (to comply with HB 961).	($1,773,186) -13.00	R	($1,773,186) -13.00	R
Total Legislative Changes	**($5,493,699)** **$1,500,000**	R NR	**($5,493,699)**	R
Total Position Changes	-13.00		-13.00	
Revised Budget	**$1,940,612**		**$440,612**	

State Controller

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$32,517,077**		**$32,517,077**	
Legislative Changes				
1000 Department-wide				
128 Eliminate Vacant Positions	($1,172,321)	R	($1,172,321)	R
Eliminates salaries and benefits of 14 vacant positions and reduces IT costs by 5% or $197,689 each year in expenditure accounts 532800 - Communications/Data Processing.	-14.00		-14.00	

Vacant Positions

60015308	Information Processing Technician	($35,697)
60087149	State Controller Financial Specialist	($51,375)
60087175	Administrative Support Associate	($50,831)
60087196	Bus & Tech Applications Analyst	($80,145)
60090520	State Controller Risk Mitigation Spec	($61,274)
60091131	Information Processing Technician	($39,954)
60091133	Information Processing Technician	($29,502)
60091720	Information Processing Technician	($38,792)
60092194	Administrative Support Specialist	($39,400)
65009029	Business Systems Analyst III	($75,000)
65008979	Staff Development Specialist II	($47,791)
65008981	Staff Development Specialist II	($56,667)
65008996	Business & Technology Applications Spec.	($80,000)
65009030	Bus. Systems Analyst II	($80,000)

531211	SPA Reg Salary	($766,428)
531511	Soc Sec	($ 58,632)
531521	Retirement	($ 80,552)
531561	Medical	($ 69,020)
	Subtotal Positions	($974,632)

129 Reduce BEACON Reserve				
Reduces funding in BEACON Reserve that leaves a balance of $2,427,928 that will support operations in Reporting Support, Production Support, Security, and BASIS support for the biennium.	($536,036)	NR	($536,036)	NR
130 Reduce Account Balance				
Reduces General Fund by transferring funding from the unclaimed property account.	($72,500)	NR	($72,500)	NR

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
1000 Department-wide				
131 Personnel And Operating Budget Reductions to CJLEADS	($2,367,263)	R	($2,367,263)	R
Eliminates salaries and benefits of 4.50 vacant positions and reduces operating budget.	-4.50		-4.50	
Vacant Positions 65011662 Business Systems Analyst III ($75,000) 65011663 Staff Development Specialist II ($47,791) 65011667 Staff Development Specialist II ($56,667) 65011705 Business & Technology Applications Spec. ($80,000) 65011706 Bus. Systems Analyst II ($80,000)				
531211 SPA Reg Salary ($275,000) 531511 Soc Sec ($21,038) 531521 Retirement ($28,903) 531561 Medical ($22,185) SUBTOTAL Positions ($347,126)				
Operating Budget Reductions Reduces SAS Customized Services ($625,000) Reduces State Agency Development ($1,200,000) Reduces Other Technology Services ($192,879) Reduces IT by 5% ($2,262) SUBTOTAL Operating Budget Reductions ($2,620,141)				
Total Legislative Changes	($3,539,584)	R	($3,539,584)	R
	($608,536)	NR	($608,536)	NR
Total Position Changes	-18.50		-18.50	
Revised Budget	**$28,368,957**		**$28,368,957**	

Treasurer

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$10,538,203**		**$10,538,203**	
Legislative Changes				
1300 Local Government Operations				
132 Integrated Document Management System Provides funding for the Integrated Document Management System, which is receipt supported. Requirements total $160,000 in FY 2011-12 of which $15,000 is recurring and $145,000 is non-recurring. The $15,000 is continued in FY 2012-13.				
1310 Local Government Operations				
133 Convert Division to Receipt Support Converts the State and Local Government Finance Division to receipt-support.	($3,324,834) -36.00	R	($3,324,834) -36.00	R
Department-wide				
134 Reduced Funding for Personnel and Operations Reduces funding for five positions that were converted to receipt support with a reduction each year of $526,910. Additionally, reduces Travel & Other Employee Expenses in FY 2011-12 ($23,624), Financial/Audit Services in FY 2012-13 ($58,905), and IT by 5% each year ($5,804).	($556,338)	R	($591,619)	R
Total Legislative Changes	**($3,881,172)**	R	**($3,916,453)**	R
Total Position Changes	-36.00		-36.00	
Revised Budget	**$6,657,031**		**$6,621,750**	

Treasurer - Retirement for Fire and Rescue

	GENERAL FUND	
	FY 11-12	FY 12-13
Recommended Continuation Budget	**$17,812,114**	**$17,812,114**
Legislative Changes		
135 NO LEGISLATIVE ACTION REPORTED		
Total Legislative Changes		
Total Position Changes		
Revised Budget	**$17,812,114**	**$17,812,114**

TRANSPORTATION
Section K

Highway Fund

	HIGHWAY FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$1,806,351,974**		**$1,812,408,831**	
Legislative Changes				
Administration				
1 General Administration - Cuts Decreases funds to the General Administration budget. This includes the elimination of seven (7) vacant positions funded through General Administration funds.	($4,507,486) -7.00	R	($4,507,486) -7.00	R
2 General Administration - Internal Consolidations Reduces budget through internal consolidations and eliminations to the General Administration budget.	($1,071,606) -41.00	R	($1,071,606) -41.00	R
3 Eliminate Aeronautics Council and Funding Eliminates funding for the Aeronautics Council. The Council is funded through General Administration fund code 84210-0041.	($14,435)	R	($14,435)	R
4 Eliminate Bicycle Committee and Funding Eliminates funding for the North Carolina Bicycle Committee. The Committee is funded through General Administration fund code 84210-0035.	($2,070)	R	($2,070)	R
5 Eliminate Vacant Ferry Division Position Eliminates funding for one vacant Administrative Secretary II position in the Ferry Division's Morehead City office. This position is funded through General Administration fund code 84210-7040.	($39,327) -1.00	R	($39,327) -1.00	R
6 Transfer One Public Transportation Employee to Receipt Support Transfers funding for one position (position number 60029757) in the Public Transportation Division to receipt support. This position is funded through General Administration fund code 84210-0036.	($63,528) -1.00	R	($63,528) -1.00	R
7 Highway Administration - Eliminate Keep America Beautiful Transfer Eliminates funding for the Keep America Beautiful grant (non-profit operating grant) in the Highway Administration budget.	($40,000)	R	($40,000)	R
Construction				
8 Access and Public Service Roads Reduces funding to the Access and Public Service Roads. The total budget is $1,758,885 in both years of the biennium.	($101,115)	R	($101,115)	R

	FY 11-12		FY 12-13	
9 Secondary Roads Reduces funding for secondary road construction in order to have greater flexibility to use funds across the State-maintained road network by shifting funds to the maintenance categories of contract resurfacing, system preservation, and to the general maintenance reserve. The total budget is $54,373,921 in FY 2011-12 and $53,480,182 in FY 2012-13.	($35,000,000)	NR	($35,000,000)	NR
10 Spot Safety Program Increases funding to the Spot Safety program to improve safety on State maintained roads. The total budget is $12,100,000 in both years of the biennium.	$3,000,000	R	$3,000,000	R
Department-wide				
11 Consolidate Call Center Functions Transfers funds to the new consolidated call center in FY 2012-13 to support the cost of the ferry reservations line. It is anticipated that the call center will be staffed by contracted employees, not State employees.			$556,074	R
Division of Motor Vehicles				
12 Driver License Continuation Review Eliminates recurring funds for the Driver License program within the Division of Motor Vehicles and supplants with non-recurring funds for FY 2011-12. Program funding will be re-examined for FY 2012-13, per a Continuation Review.	($47,065,069) $47,065,069	R NR	($47,713,947)	R
13 Reduce Driver & Vehicle Services Operating Funds Reduces operating funds per projected driver (license issuance) and vehicle services (contractor commission) transactions. Reductions are net of the expected increase in license production costs upon implementation of the New Generation Driver License System in FY 2011-12.	($4,224,000)	R	($4,224,000)	R
14 Shift Positions to Receipt-Support Increases budgeted emission inspection (electronic authorization) receipts to support half of the personnel costs for License & Theft Bureau law enforcement positions.	($800,319)	R	($800,319)	R
15 Consolidate Inspection Audits Eliminates 39 non-sworn, Emission Specialist positions per a restructuring of the Division of Motor Vehicles Inspection Program. Presently, when an Emission Specialist audits an inspection station and detects a violation, a sworn law enforcement agent is notified for enforcement. Adjustments to Inspector's duties and technological upgrades permit this workflow to be streamlined. Receipts budgeted for these positions are reallocated to offset License & Theft Bureau personnel and operating expenses.	($2,188,668) -39.00	R	($2,188,668) -39.00	R

	FY 11-12		FY 12-13	
16 Establish Per Record Fee for Bulk Data Establishes a fee of three cents ($.03) per partial license, registration, and accident report data record downloaded by third parties, principally for resale. Revenues are projected to increase by $5,049,796 recurring. Highway Fund appropriations are reduced per projected revenues.	($5,049,796)	R	($5,049,796)	R
17 Eliminate Vacant Positions Eliminates vacant positions within the Division of Motor Vehicles.	($343,990) -5.00	R	($417,117) -7.00	R
18 Implement Credit/Debit Payments at Driver License Offices Provides funds to offset transactional costs upon implementation of merchant card (credit/debit) point-of-sale processing at driver license offices. Pilot implementation is proposed for January 2012. Second year transactional costs are annualized. Point-of-sale terminal and other installation costs will be supported with existing funds.	$648,879	R	$1,297,757	R
Governor's Highway Safety Program				
19 GHSP - Cuts Eliminates a Public Relations Officer position supported by 50 percent highway funds and 50 percent federal funds, and shifts the employee into a vacant position fully supported by federal funds.	($28,233) -0.50	R	($28,233) -0.50	R
20 GHSP - Cuts Eliminates costs to Board in fund code 84210-0042.	($3,700)	R	($3,700)	R
Intermodal Divisions				
21 Division-wide Appropriates $24,000,000 of accumulated unencumbered fund balance from the five intermodal divisions. This balance resulted primarily from funds encumbered as the state matching component for grant applications for federal funds that were not awarded.				
22 Aviation Division - Cuts Reduces grant funds for commercial air carrier airports by $1,200,000, miscellaneous aviation programs by $1,100,000, and general aviation airports by $750,000.	($3,050,000)	R	($3,050,000)	R
23 Ferry Division - Cuts Reduces non-essential seasonal temporary employees; reduces fuel costs through engine RPM adjustments and from increasing hull cleanings from every two years to annually; eliminates non-essential overtime; and, reduces consumables used by operations and vessels.	($2,097,950)	R	($2,097,950)	R
24 Ferry Division - Tolling Raises tolling on some existing routes and adds tolls to remaining routes. Revenues will increase by $2,500,000 in FY 2011-12 and by $5,000,000 recurring in FY 2012-13.	($2,500,000)	R	($5,000,000)	R

	FY 11-12		FY 12-13	
25 Ferry Division - Efficiencies Reduces funds through division-wide efficiencies. In order to meet the reduction, the Department is authorized to reduce ferry schedules if reductions cannot be met through efficiencies.	($2,000,000)	R	($2,000,000)	R
26 Ferry Division - Eliminate Vacant Positions Eliminates 23 vacant positions that are determined to be non-critical positions. This includes one position associated with the closure of the Morehead City Office.	($1,115,490) -23.00	R	($1,115,490) -23.00	R
27 Ferry Division - Close Morehead City Field Office Closes the Morehead City Office on Feb. 1, 2012, eliminating four (4) permanent employees and six (6) temporary employees that are responsible for the ferry reservations line. The recurring reduction includes rent for the office. The ferry reservation line will be transferred outside of the Ferry Division so that call center functions may be merged across the Department in a manner selected by the Department to better coordinate communications. Funds transferred to the new call center to support ferry operations will come from existing funds within the ferry system budget for FY 2011-12.	($186,189) -4.00	R	($446,855) -4.00	R
28 Ferry Division - Call Center Transfers funds to the new consolidated call center in FY 2012-13 to support the cost of the ferry reservations line. It is anticipated the call center will be staffed by contracted employees, not State employees. Reservation line costs are anticipated to grow once the additional ferry routes become tolled.			$109,209	R
29 Ferry Division - Replace Dredge Carolina Replaces Dredge Carolina. The current dredge is over 40 years old and in need of replacement. The dredge is used to maintain channels and basins in order for the ferries to operate and keep navigable channels operational.			$10,000,000	NR
30 Public Transportation Division - Cuts Reduces all public transportation grant programs by six (6) percent.	($5,792,654)	R	($5,792,654)	R
31 Public Transportation Division - Cuts Reduces funding to the Regional New Starts and Capital grant program.	($20,750,267)	R	($20,750,267)	R
32 Public Transportation Division - Cuts Reduces the Highpoint Furniture Market grants from $1,200,000 to $1,000,000.	($200,000)	R	($200,000)	R

	FY 11-12		FY 12-13	
33 Rail Division - Transparency Repeals G.S. 136-44.20(d) in order to bring transparency to the Rail Division budget. The funds associated are transferred from the Highway Trust Fund to the Highway Fund fund code 84210-7829 to pay for the Piedmont and Carolinian passenger rail operations. These funds are used to pay Amtrak for the cost to fully operate these trains, less fare receipts.	$5,000,000	R	$5,000,000	R
34 Rail Division - Cuts Reduces funds to the Rail Division's operating budget.	($800,000)	R	($800,000)	R
35 Rail Division - Grants to Short-Line Railroads Provides non-recurring funds to short-line railroads to fund rehabilitation projects that strengthen North Carolina's short-line infrastructure. Grants shall not exceed 50 percent of the nonfederal share and must be matched by equal or greater funding from the applicant.	$400,000	NR	$400,000	NR
Maintenance				
36 Internal Consolidations Decreases funds to Maintenance through internal consolidations and eliminations in the pre-construction and administrative areas, and through the elimination of management layers. Within the Highway Fund, of the 75 positions identified for elimination, 29 positions are vacant and can be eliminated on July 1, 2011. Of the 46 filled positions, 24 positions will be eliminated December 31, 2011. The remaining 22 positions will be eliminated July 1, 2012. Within the Highway Trust Fund, of the 15 positions identified for elimination, nine (9) positions are eliminated immediately, and the remaining six (6) filled positions are eliminated December 31, 2011. Receipts for the Trust Fund positions are reduced $1,339,149 in FY 2011-12 and $1,394,531 in FY 2012-13.	($4,127,167) -53.00	R	($5,913,401) -75.00	R

	FY 11-12		FY 12-13	
37 Privatize and Outsource Functions				
Transfers funds within the Maintenance budget to outsource and further privatize existing functions. These functions include the pre-construction work to increase the amount of work privatized in preliminary engineering and project designs. Some general services functions, such as janitorial work, will be outsourced. Within the Highway Fund, of the positions to be eliminated, 57 positions are vacant and will be eliminated on July 1, 2011. Of the remaining 137 filled positions, 110 will be eliminated on December 31, 2011 and the remaining 27 positions will be eliminated on July 1, 2012. No funds are associated with these position reductions because the funds will be shifted to the costs of outsourcing and privatizing these functions. Within the Highway Trust Fund, of the 16 positions to be eliminated, three (3) positions are vacant and will be eliminated on July 1, 2011. The remaining 13 filled positions will be eliminated on July 1, 2012. No funds are associated with these position reductions because the funds will be shifted to the costs of outsourcing and privatizing these functions.	-167.00		-194.00	
38 Primary System				
Reduces funding to the primary system in order to have greater flexibility to use funds across the State-maintained road network by shifting funds to contract resurfacing, system preservation, and to the general maintenance reserve. The total budget is $184,459,157 in both years of the biennium.	($20,000,000)	NR	($20,000,000)	NR
39 Secondary System				
Reduces funding to the secondary system in order to have greater flexibility to use funds across the State-maintained road network by shifting funds to contract resurfacing, system preservation, and to the general maintenance reserve. The total budget is $267,356,761 in both years of the biennium.	($30,000,000)	NR	($30,000,000)	NR
40 Contract Resurfacing				
Increases funds for Contract Resurfacing. The contract resurfacing program provides funding for resurfacing the paved road system to improve ride quality. Contract resurfacing avoids costly patching and frequent maintenance. The total budget is $415,587,668 in FY 2011-12 and $429,805,388 in FY 2012-13. Notwithstands statutory allocations to visitor centers (G.S. 20-79.7(c)(2)) in FY 2012-13 and budgets $600,000 in Special Registration Plate Account receipts for contract resurfacing.	$141,062,005	NR	$155,279,725	NR

	FY 11-12		FY 12-13	
41 System Preservation				
Increases funds for System Preservation in order to make improvements on structurally deficient bridges. 81.1 percent of structurally deficient bridges are located on the secondary road system. The total budget is $223,109,406 in FY 2011-12 and $237,417,127 in FY 2012-13. Notwithstands statutory allocations to visitor centers (G.S. 20-79.7(c)(2)) in FY 2012-13 and budgets $600,000 in Special Registration Plate Account receipts for system preservation.	$144,520,335	NR	$158,828,056	NR
42 General Maintenance Reserve				
Increases funds for the General Maintenance Reserve in order for the Department to have greater flexibility in programming funds to target the most critical maintenance needs. The total budget is $116,030,243 in FY 2011-12 and $140,636,243 in FY 2012-13.	$78,229,931	NR	$102,835,931	NR
Repairs and Renovations				
43 Funds for Facility Improvements and Repairs				
Provides funds for the Department to address critical life safety repairs, renovations, and replacement of its field facilities. Projects to be funded are critical to the success of the Department to effectively deliver its statutorily mandated programs and services. $250,000 non-recurring in receipts are used in FY 2011-12.	$15,250,000	NR	$15,000,000	NR
Reserves				
44 Reserve for Continuation Reviews			$48,113,947	R
Establishes a reserve for Highway Fund support of the driver licensing program within the Division of Motor Vehicles and operating grants to visitor centers, per directed Continuation Reviews.				
45 Reserve for Global TransPark Authority	($128,000)	R	($128,000)	R
Reduces funding for the Global TransPark Authority (fund code 84210-0869) by ten (10) percent. Highway Fund appropriations for the Authority total $1,152,000 recurring.				
46 State Retirement System Contributions	$13,300,000	R	$18,200,000	R
Increases the State's contribution to the Teachers' and State Employees' Retirement System for the 2011-2013 biennium to fund the Annual Required Contribution.				
47 Salary Adjustment and Performance Pay Reserve			$13,300,000	R
Provides funding for labor market and equity salary increases and funding for performance based pay plans to effectuate recommendations made in connection with the comprehensive review and reform of public employee compensation plans.				
48 State Health Plan	$332,245	R	$4,767,052	R
Provides additional funding to continue health benefit coverage for enrolled active and retired employees supported by the Highway Fund for the 2011-2013 biennium.				

	FY 11-12		FY 12-13	
49 Severance Expenditure Reserve Provides funding for severance salary continuation payments and health benefit coverage under the State Health Plan for employees reduced-in-force. Additional receipts for positions funded from the Highway Trust Fund total $149,083 in FY 2011-12 and $323,012 in FY 2012-13.	$2,552,553	NR	$626,316	NR
50 Reserve for Visitor Centers Eliminates Highway Fund appropriations to the Reserve for Visitor Centers (fund code 84210-0882). Budgets $400,000 of additional title fee receipts, per transfer from the Highway Trust Fund, to offset reductions for visitor center operating grants in FY 2011-12. Total grant funding remains $400,000 for FY 2011-12. Per a Continuation Review of visitor center grants, funding will be re-examined for FY 2012-13.	($400,000)	R	($400,000)	R
Statutory Adjustments				
51 Aid to Municipalities Adjusts funding for Aid to Municipalities based on revised projections for motor fuels tax consumption in accordance with G.S. 136-41.1. The total budget is $89,373,921 in FY 2011-12 and $90,187,224 in FY 2012-13.			$1,707,042	NR
Transfers				
52 Department of Agriculture - Standards Division Eliminates funds for three (3) vacant positions for a total position cost of $146,561, one (1) filled position (Chemical Tech II) for a total position cost of $58,101, and shifts funds for another position from Highway Fund receipts to other receipts within the Department of Agriculture budget (total $57,039). Reduces operating budget for equipment and supplies by $187.	($261,888)	R	($261,888)	R
53 Department of Revenue - Motor Fuels Division Eliminates funds for 15 vacant positions for a total personnel cost savings of $785,704, reduces the "other information technology services" budget by $207,346, and reduces the travel budget by $31,494.	($1,024,544)	R	($1,024,544)	R
54 DENR Lust Trust Fund Eliminates funding for the Leaking Underground Storage Tank (LUST) program through G.S. 119-18(b). The larger transfer to LUST from motor fuels taxes through G.S. 105-449.125, which totaled $17.7 million in FY 2009-10, is not impacted.	($2,171,898)	R	($2,261,898)	R
55 Department of Health and Human Services - Chemical Testing Unit Shifts a portion of funds for position number 60039654 from Highway Fund receipts to other receipts within the Department of Health and Human Services budget, and reduces funding for purchased services by $6,280.	($28,867)	R	($28,867)	R

	FY 11-12		FY 12-13	
56 Department of Public Instruction - Driver Education Program Adjusts funding for the Driver Education Program per revised average daily membership projections for the 2011-2013 biennium.	($133,468)	NR	$194,415	NR
57 State Highway Patrol - Freeze Step Increases Continues the freeze on salary step increases (five percent) for sworn members of the State Highway Patrol for the 2011-2013 biennium.	($3,373,932)	NR	($3,373,932)	NR
58 State Highway Patrol - Management Flexibility Reserve Establishes a management flexibility reserve for the State Highway Patrol.	($5,589,592)	R	($8,722,892)	R
59 State Highway Patrol - Administrative Consolidations Eliminates the Administrative Services Section and other administrative units within the State Highway Patrol, and reduces human resources staffing as follows: - Crime Control & Public Safety Deputy Director: $108,676 (1 FTE) - General Counsel Office: $176,752 (2 FTE) - Public Information/Recruiting: $267,796 (3 FTE) - Administrative Services Section Management: $119,372 (1 FTE) - Assessment Office: $205,123 (3 FTE) - Benefits/Personnel and Performance/Promotion: $502,651 (6 FTE) $592,627 is budgeted on a non-recurring basis in FY 2011-12 for projected severance payments.	($1,380,370) $592,627	R NR	($1,380,370)	R
60 State Highway Patrol - Reduce Operating Funds Reduces funding for purchased services, equipment, and supplies.	($1,450,000)	R	($1,450,000)	R
61 State Highway Patrol - Eliminate Highway Fund Transfer Eliminates Highway Fund appropriations (fund codes 84210-0866 and 84210-1010) for transfer to the Department of Crime Control and Public Safety (budget code 24960) for State Highway Patrol operations. Equivalent transfers to the General Fund offset this reduction. The Department of Transportation shall continue to administer and transfer matching funds for Motor Carrier Safety Assistance Program grants budgeted within fund code 84210-7834 for the State Highway Patrol.	($193,585,434)	R	($189,859,507)	R
62 Transfer to General Fund Transfers funds to the General Fund per the directed certification of the State Highway Patrol budget under a Department of Crime Control and Public Safety fund code within the General Fund.	$193,585,434	R	$189,859,507	R

Senate Subcommittee on Transportation	FY 11-12		FY 12-13	
Total Legislative Changes	($98,317,094)	R	($34,746,384)	R
	$341,165,120	NR	$356,497,553	NR
Total Position Changes	-341.50		-392.50	
Revised Budget	**$2,049,200,000**		**$2,134,160,000**	

Highway Trust Fund

	HIGHWAY TRUST FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$933,800,000**		**$982,400,000**	
Legislative Changes				
Administration				
63 Administration Appropriates $25,000,000 of the accumulated unencumbered fund balance within the Highway Trust Fund Administration budget to Urban Loops.				
Aid to Municipalities				
64 Statutory Adjustment to Aid to Municipalities Allocation Increases funds for State Aid to Municipalities for FY 2011-12 and FY 2012-13, consistent with new revenue estimates and G.S. 136-176(b)(3). The total budget is $51,216,036 in FY 2011-12 and $54,043,432 in FY 2012-13.	$6,365,050	NR	$6,371,287	NR
Construction				
65 Intrastate System Increases funds for the Intrastate System for FY 2011-12 and FY 2012-13, consistent with new revenue estimates and G.S. 136-176(b)(1). The total budget is $460,823,529 in FY 2011-12 and $487,503,034 in FY 2012-13.	$60,663,823	NR	$60,723,266	NR
66 Secondary Roads Notwithstands G.S. 136-176(b)(4) and reduces funding to Secondary Roads. The total budget is $36,155,667 in FY 2011-12 and $41,820,944 in FY 2012-13.	($25,000,000)	NR	($25,000,000)	NR
67 Urban Loops	$35,000,000	R	$35,000,000	R
Increases funds for Urban Loops for FY 2011-12 and FY 2012-13, consistent with new revenue estimates and G.S. 136-176(b)(2). Also budgets $35,000,000 of recurring funds and $20,000,000 of non-recurring funds that are reallocated from the Garden Parkway project. Non-recurring increases also include $25,000,000 of unencumbered administrative funds from prior years and $25,000,000 in funds reallocated from secondary road construction. The total Urban Loops budget is $275,761,364 in FY 2011-12 and $237,407,986 in FY 2012-13.	$108,631,127	NR	$61,350,039	NR

	FY 11-12		FY 12-13	
68 Mobility Fund Budgets title fee revenues per a reduction in the amount statutorily transferred to the Mercury Switch Removal Account (budget code 24300-2119) in the Department of Environment and Natural Resources, per G.S. 20-85(a1). $550,000 of projected title fee revenues are budgeted for FY 2011-12 and $950,000 of projected revenues are budgeted for FY 2012-13. Budgets $9,776,358 in FY 2011-12 and $15,000,000 in FY 2012-13 per reallocation of funds from the Mid-Currituck Bridge project. The total Mobility Fund budget is $41,326,358 in FY 2011-12 and $60,950,000 in FY 2012-13.	$10,326,358	R	$15,950,000	R
Transfers				
69 Transfer to Highway Fund - Reserve for Visitor Centers Appropriates $400,000 for transfer to the Highway Fund Reserve for Visitor Centers for operating grants to nine visitor centers in FY 2011-12. Highway Trust Fund revenues are projected to increase by $950,000 recurring per a reduction in the amount of title fee receipts transferred to the Mercury Switch Removal Account (budget code 24300-2119) in the Department of Environment and Natural Resources. Of these revenues, $400,000 is appropriated to the Highway Fund Reserve for Visitor Centers in FY 2011-12. The remaining balance is appropriated to the Mobility Fund.	$400,000	NR		
70 Transfer to General Fund Increases transfer to the General Fund by $35,223,642 in FY 2011-12 to purchase replacement school buses for local school systems, and by $115,408 in FY 2012-13 in accordance with G.S. 105-187.9(b)2. The total transfer is $76,720,918 in FY 2011-12 and $27,595,861 in FY 2012-13.	$35,223,642	NR	$115,408	R
Turnpike Authority				
71 Mid-Currituck Bridge Project Eliminates recurring gap funding for debt service and related financing costs associated with the Mid-Currituck Bridge project. Reallocates $30,000,000 of unencumbered gap funds appropriated in FY 2009-10 and FY 2010-11, as well as $5,223,642 of FY 2011-12 funds to the General Fund to purchase replacement school buses for local school systems. The remaining recurring funds are appropriated to the Mobility Fund.	($15,000,000)	R	($15,000,000)	R
72 Garden Parkway Project Eliminates recurring gap funding for debt service and related financing costs for the Garden Parkway project. Reallocates $20,000,000 of unencumbered gap funds appropriated in FY 2010-11 for the project to Urban Loops.	($35,000,000)	R	($35,000,000)	R

Senate Subcommittee on Transportation	FY 11-12		FY 12-13	
Total Legislative Changes	($4,673,642)	R	$1,065,408	R
	$186,283,642	NR	$103,444,592	NR
Total Position Changes				
Revised Budget	$1,115,410,000		$1,086,910,000	

Transportation

	SPECIAL REGISTRATION PLATE ACCOUNT	
	FY 11-12	FY 12-13
Recommended Continuation Budget	**$5,076,095**	**$5,076,095**
Legislative Changes		
Special Registration Plate Account		
73 Visitor Center Operating Grants Eliminates $1.2 million of Special Registration Plate Account funds allocated for operating assistance to 12 visitor centers in FY 2012-13. The Department of Transportation is directed to privatize the operations of the State-supported visitor centers by FY 2012-13. Equivalent funds are transferred from the Special Registration Plate Account to the Highway Fund for contract resurfacing and system preservation.		
Total Legislative Changes		
Total Position Changes		
Revised Budget	**$5,076,095**	**$5,076,095**

Turnpike Authority

	TURNPIKE AUTHORITY			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$4,442,571**		**$4,442,571**	
Legislative Changes				
North Carolina Turnpike Authority Administration				
74 Reduce Operating Funds Reduces operating funds for administration of the North Carolina Turnpike Authority by 18 percent. The total budget for Turnpike Authority administration is $3,642,571 for the 2011-2013 biennium.	($800,000)	R	($800,000)	R
Total Legislative Changes	**($800,000)**	R	**($800,000)**	R
Total Position Changes				
Revised Budget	**$3,642,571**		**$3,642,571**	

RESERVES/ DEBT SERVICE/ ADJUSTMENTS
Section L

Statewide Reserves

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	$747,761,563		$747,761,563	

Legislative Changes

A. Employee Benefits

1 Severance Expenditure Reserve Provides funding for severance salary continuation payments and health benefit coverage under the State Health Plan for employees reduced-in-force.	$75,000,000	NR		
2 Comprehensive Review of Public Employee Compensation Plans Provides funding for a comprehensive review of public employee compensation plans as directed by this Act.	$2,000,000	NR		
3 Salary Adjustment and Performance Pay Reserve Provides funding for labor market and equity salary increases and funding for performance based pay plans to effectuate recommendations made in connection with the comprehensive review and reform of public employee compensation plans.			$328,000,000	R
4 State Retirement System Contributions Increases the State's contribution to the Teachers' and State Employees' Retirement System for the 2011-2013 biennium to fund the Annual Required Contribution.	$297,400,000	R	$404,200,000	R
5 Judicial Retirement System Contributions Increases the State's contribution to the Consolidated Judicial Retirement System for the 2011-2013 biennium to fund the Annual Required Contribution.	$7,900,000	R	$9,000,000	R
6 Firemen's and Rescue Squad Workers' Pension Fund Contributions Increases contributions to the Firemen's and Rescue Squad Workers' Pension Fund for the 2011-2013 biennium to fund the Annual Required Contribution.	$5,800,000	R	$6,900,000	R
7 National Guard Pension Fund Contributions Increases the contributions to the National Guard Pension Fund for the 2011-2013 biennium to fund the Annual Required Contribution.	$263,000	R	$523,000	R
8 State Health Plan Provides additional funding to continue health benefit coverage for enrolled active and retired employees supported by the General Fund for the FY 2011-13 biennium.	$7,119,541	R	$102,151,104	R

	FY 11-12		FY 12-13	
B. Other Reserves				
9 Job Development Incentive Grants Reserve Reduces the funding for Job Development Investment Grants to amount needed to meet projected needs for FY 2011-12 grant payments.	($12,000,000)	NR		
10 Reserve for Controller Support for Automated Fraud Detection Provides funding to support the planning, development, and implementation of an automated fraud detection system by the Office of the State Controller.	$500,000	NR	$500,000	NR
11 Reserve for Automated Fraud Detection Development Provides funding to the Office of the State Controller to engage the services of a qualified vendor to plan, develop, and implement an enterprise-level, automated fraud detection system.	$1,000,000	NR	$7,000,000	NR
12 Information Technology Fund	($1,537,574)	R	$162,426	R
Eliminates funds for five positions from the IT Fund and adds two positions for the Criminal Justice Information Network. Provides funding for enterprise-level information technology operation and projects. Shifts enterprise identity management, plus email consolidation, information technology procurement, and archiving to agency fees. Begins process of shifting responsibility for enterprise agreements to participating agencies.	($1,844,284) -3.00	NR	($1,844,284) -3.00	NR
13 Continuation/Justification Review Reserve Creates a reserve to reinstate budgets of programs being reviewed by the General Assembly's Fiscal Research Division (Justification Reviews) or state agencies (Continuation Reviews). The FY 2012-13 budgets for programs under review have been eliminated. The General Assembly in the 2012 Session will determine whether to restore funding based on the results of these reviews.			$22,982,380	NR
C. Debt Service				
14 Adjust Debt Service Payments Adjusts debt service appropriations based on updated cash flow requirements.	($9,567,995)	R	$76,853,698	R
15 Adjust Debt Service - Canceled Projects Adjusts debt service appropriations due to the cancellation of projects in SB 464 (Debt Reduction Act of 2011).	($7,380,000)	R	($22,773,907)	R

Senate Committee on Appropriations/Base Budget	FY 11-12		FY 12-13	
Total Legislative Changes	$299,996,972	R	$905,016,321	R
	$64,655,716	NR	$28,638,096	NR
Total Position Changes	-3.00		-3.00	
Revised Budget	**$1,112,414,251**		**$1,681,415,980**	

State Health Plan (Administration)

Budget Code: 28410

	FY 2011-12	FY 2012-13
Beginning Unreserved Fund Balance	$0	$0
Recommended Budget		
Requirements	$191,734,088	$191,734,088
Receipts	$191,734,088	$191,734,088
Positions	42.00	42.00

Legislative Changes

Requirements:

Medical Benefits/Claims Processing Contract	($1,311,263)	R	$3,622,105	R
Adjust budgeted amounts for the PPO Administrative Services Agreement based on anticipated contractual costs, changes in plan membership and on-going administrative services.	$0	NR	$0	NR
	0.00		0.00	
Pharmacy Benefits Management Contract	($146,568)	R	($3,335,958)	R
Reduce budgeted amount for PPO PBM Contract based on anticipated contractual costs, changes in plan membership and on-going pharmacy benefit and utilization management programs.	$0	NR	$0	NR
	0.00		0.00	
Disease & Case Management Contracts	($6,037,580)	R	($5,284,198)	R
Reduce budgeted amount for Population Health Management Services contracts based on anticipated contractual costs, changes in plan membership and on-going disease and case management services.	$0	NR	$0	NR
	0.00		0.00	
Wellness Initiatives and Programs	($3,130,234)	R	($3,119,350)	R
Reduce budgeted amount for Wellness Initiatives contracts based on anticipated contractual costs, changes in plan membership and on-going wellness programs.	$0	NR	$0	NR
	0.00		0.00	
Other Administrative Cost	($644,294)	R	($12,544)	R
Reduce budgeted amounts for the Plan's other administrative costs to more accurately reflect anticipated expenditures.	$0	NR	$0	NR
	0.00		0.00	

	FY 2011-12		FY 2012-13	
Subtotal Legislative Changes	**($11,269,939)**	R	**($8,129,945)**	R
	$0	NR	**$0**	NR
	0.00		0.00	
Receipts:				
Reduce Transfers from Trust Funds	($11,269,939)	R	($8,129,945)	R
Reduces the amount of transfer from the Plan's health benefit trust fund budget codes to support administrative costs authorized for the FY 2011-13 biennium.	$0	NR	$0	NR
Subtotal Legislative Changes	**($11,269,939)**	R	**($8,129,945)**	R
	$0	NR	**$0**	NR
Revised Total Requirements	**$180,464,149**		**$183,604,143**	
Revised Total Receipts	**$180,464,149**		**$183,604,143**	
Change in Fund Balance	**$0**		**$0**	
Total Positions	**42.00**		**42.00**	
Unappropriated Balance Remaining	**$0**		**$0**	

CAPITAL
Section M

Capital

	GENERAL FUND	
	FY 11-12	FY 12-13
Department of Environment and Natural Resources		
1 Water Resources Development Projects		
Provides funds for the State's share of Water Resources Development Projects. Funds will provide a State match for $20,749,000 in federal funds. Projects are specified in a special provision.	$4,535,000 NR	
Total Appropriation to Capital	**$4,535,000 NR**	

INFORMATION TECHNOLOGY SERVICES
Section N

Information Technology Fund

Budget Code: 24467

	FY 2011-12	FY 2012-13
Beginning Unreserved Fund Balance	**$792,000**	**$0**
Recommended Budget		
Requirements	**$5,685,609**	**$7,485,609**
Receipts	**$4,458,142**	**$6,158,142**
Positions	**35.00**	**35.00**

Legislative Changes

Requirements:

Center for Geographic Information and Analysis Provides funding to support the operations of the Center for Geographic Information and Analysis (CGIA), located in the Office of the State Chief Information Officer. The CGIA is the lead agency for geographic information systems (GIS) services and GIS coordination for the State of North Carolina. CGIA provides GIS services to state and local governments as well as the private sector. Two positions are eliminated, 60036161 and 60036176, for a total savings of $140,653.	$599,347	R	$599,347	R
	$0	NR	$0	NR
	-2.00		-2.00	
Enterprise Security and Risk Management Office Provides funding to support the operation of the Enterprise Security and Risk Management Office (ESRMO) in the Office of the State Chief Information Officer. The ESRMO supports the development, delivery, and maintenance of an information security and risk management program that safeguards the state's information assets and the supporting infrastructure against unauthorized use, disclosure, modification, damage or loss. Reduces position cost with retirement and replacement, resulting in savings of $37,148.	$864,148	R	$864,148	R
	$0	NR	$0	NR
	0.00		0.00	

	FY 2011-12		FY 2012-13	
Enterprise Project Management Office Provides funding to support the operation of the Enterprise Project Management Office (EPMO). The EPMO is responsible for coordinating and standardizing the management of IT projects over their life cycle, to include providing oversight during the design, development, and implementation process. Eliminates one position, 60087262, for a reduction of $121,715.	$1,473,285	R	$1,473,285	R
	$0	NR	$0	NR
	-1.00		-1.00	
Architecture and Engineering Provides funding to support the State Chief Information Officer's efforts to establish and maintain statewide information technology standards, and to design technical solutions for executive branch agencies, as well as local governments, public libraries, and K-20 organizations.	$581,986	R	$581,986	R
	$0	NR	$0	NR
	0.00		0.00	
Statewide Information Technology Procurement Allows the Statewide Information Technology Procurement Office to charge a fee to make up a $550,000 shortfall resulting from a reduction in supplemental staffing contracts. In the past, a 4.5% fee on information technology contracts has funded the Office. Reductions in supplemental staffing contracts have reduced the amount received from this fee.	($550,000)	R	($550,000)	R
	$0	NR	$0	NR
	0.00		0.00	
State Portal Eliminates appropriation for the State Portal. The State Portal was funded at $500,000 last year, but the Department of Administration is converting it to a fee-supported function.	($500,000)	R	($500,000)	R
	$0	NR	$0	NR
	0.00		0.00	
State Web Site Provides funding support to be used only for the State's current nc.gov website.	$0	R	$0	R
	$100,000	NR	$0	NR
	0.00		0.00	

	FY 2011-12		FY 2012-13	
Information Technology Consolidation Provides funding for IT Consolidation to continue the State's efforts to consolidate information technology infrastructure within State agencies, coordinating the use of information technology infrastructure by focusing on the consolidation of local area network, voice, data center (servers), security, desktop, and service desk operations and services. Also begins the process of consolidating applications within the State. Eliminates two positions, 60087232 and 65000717, for a total savings of $218,201.	$776,440	R	$784,440	R
	$0	NR	$0	NR
	-2.00		-2.00	
Data Integration License Transfer to Agencies Transfers, as required by S.L. 2010-31, funding for data integration licenses from the Office of the State Chief Information Officer to State agencies using the licenses. The State Chief Information Officer is required to complete this transfer by September 1 of each State fiscal year and to report to the General Assembly upon completion of the transfer.	$0	R	$0	R
	$200,000	NR	$1,200,000	NR
	0.00		0.00	
Criminal Justice Information Network Provides funding to move two positions, 60084125 and 60084100, to the Office of the State Chief Information Officer from the Department of Crime Control and Public Safety. The Criminal Justice Information Network is responsible for providing the governmental and technical information systems necessary for accomplishing State and local governmental public safety and justice functions in the most efficient manner by appropriately and efficiently sharing criminal justice and juvenile justice information among law enforcement, judicial, and corrections agencies.	$166,422	R	$166,422	R
	$0	NR	$0	NR
	2.00		2.00	
Transfer to OSC for E Forms Initiative Transfers $500,000 from the Office of the State Chief Information Officer to the Office of the State Controller to support the planning and development of an enterprise e forms and digital signatures initiative.	$500,000	R	$500,000	R
	$0	NR	$0	NR
	0.00		0.00	

	FY 2011-12		FY 2012-13	
Transfer IT Analyst Funding to OSBM	$105,000	R	$105,000	R
Transfers funding from the Office of the State Chief Information Officer to the Office of State Budget and Management to be used only for the salary and benefits of an Information Technology Analyst for the Office of State Budget and Management.	$0	NR	$0	NR
	0.00		0.00	
Information Technology Fund Adjustment	$0	R	$0	R
Reduces appropriations to reflect adjustments in General Fund expenditures and receipts, and the use of the Unreserved Fund Balance.	($4,635,609)	NR	($6,435,609)	NR
	0.00		0.00	
Subtotal Legislative Changes	**$4,016,628**	R	**$4,024,628**	R
	($4,335,609)	NR	**($5,235,609)**	NR
	-3.00		-3.00	
Receipts:				
Information Technology Fund Interest	$25,000	R	$25,000	R
Accounts for the interest generated by the balance in the Information Technology Fund.	$0	NR	$0	NR
ITS Overhead	$91,486	R	$91,486	R
Reduces overhead billed to support the Office of Information Technology Services, based on rate reductions projected for the next State fiscal year.	$0	NR	$0	NR
Subtotal Legislative Changes	**$116,486**	R	**$116,486**	R
	$0	NR	**$0**	NR
Revised Total Requirements	**$5,366,628**		**$6,274,628**	
Revised Total Receipts	**$4,574,628**		**$6,274,628**	
Change in Fund Balance	**($792,000)**		**$0**	
Total Positions	**32.00**		**32.00**	
Ending Unreserved Fund Balance	**$0**		**$0**	

Information Technology Internal Service Fund

Budget Code: 74660

	FY 2011-12	FY 2012-13
Beginning Unreserved Fund Balance	**$32,445,864**	**$32,445,864**
Recommended Budget		
Requirements	**$196,263,192**	**$196,263,192**
Receipts	**$196,263,192**	**$196,263,192**
Positions	**592.00**	**592.00**

Legislative Changes

Requirements:

Reduction to IT Internal Service Fund Requires the Office of the State Chief Information Officer and the Office of Information Technology Services to limit requirements for the Information Technology Internal Service Fund to $190,000,000 each State fiscal year, and eliminates 61 positions, to include position numbers 60087678, 60087377, 60087386, 60087436, 60089620, 60090531, 60087478, 60093461, 60087389, 60087453, 60087453, 60087464, 60087472, 60087488, 60087490, 60090526, 60087530, 60087624, 60087512, 60087606, 60087532, 60093453, 65000536, 60087605, 60089810, 60087652, 60087648, 60087520, 60087674, 65010102, 60087727, 60087553, 65005226, 65000702, 65010802, 65010803, 60089805, 60087580, 60087726, 60089804, 60087413, 60087440, 60087414, 60087322, 60093458, 60087227, 60087230, 60087234, 60087246, 60087314, 60087299, 60087286, 60087239, 60087710, 60089801, 60087445, 60089785, 65000706, 60087586, 60087533, 60087544.	$0 ($6,263,192) -61.00	R NR	$0 ($6,263,192) -61.00	R NR
Subtotal Legislative Changes	**$0** **($6,263,192)** -61.00	R NR	**$0** **($6,263,192)** -61.00	R NR

Receipts:

Senate Report on Information Technology

	FY 2011-12		FY 2012-13	
Receipts for Internal Service Fund	$0	R	$0	R
Reduces receipts to Information Technology Internal Service Fund to reflect requirements.	($6,263,192)	NR	($6,263,192)	NR
Subtotal Legislative Changes	**$0**	R	**$0**	R
	($6,263,192)	NR	**($6,263,192)**	NR
Revised Total Requirements	**$190,000,000**		**$190,000,000**	
Revised Total Receipts	**$190,000,000**		**$190,000,000**	
Change in Fund Balance	**$0**		**$0**	
Total Positions	**531.00**		**531.00**	
Ending Unreserved Fund Balance	**$32,445,864**		**$32,445,864**	

GENERAL FUND BUDGET COMPARISON
FY -13

ATTACHMENT 6

	Availability and Budget Items	Governor FY 2011-12	House FY 2011-12	Senate FY 2011-12	Governor FY 2012-13	House FY 2012-13	Senate FY 2012-13
	Unappropriated Balance Remaining					123,284,701	72,311,073
1	Ending Unreserved Fund Balance for FY 2009-10	111,000,000	236,902,394	236,902,394	-	-	-
2	Anticipated Reversions - Senate Bill 109	406,018,097	537,740,799	537,740,799	-	-	-
3	Preliminary Overcollections from FY 2010-11	156,300,000	156,300,000	180,800,000	-	-	-
4	Repayment of DSH Receipts in FY 2010-11	-	(125,000,000)	(125,000,000)	-	-	-
5	**Beginning Unreserved Fund Balance**	673,318,097	805,943,193	830,443,193		123,284,701	72,311,073
6	**Less Statutory Earmarkings:**						
7	Credit to Savings Reserve Account	(150,000,000)	(201,485,798)	(202,994,340)	-	-	-
8	Credit to Repairs & Renovation Reserve Account	(75,000,000)	(201,485,798)	(202,994,339)	-	-	-
9	Subtotal Earmarkings	(225,000,000)	(402,971,596)	(405,988,679)		-	-
10	**Less Other Earmarkings:**						
11	Rebuild Mental Health Trust Fund	(75,000,000)	-	-	-	-	-
12	Establish Consolidation and Efficiency Incentive Fund	(25,000,000)	-	-	-	-	-
13	Invest in Community Colleges Equipment for Worker Training Efforts	(25,000,000)	-	-	-	-	-
14		(125,000,000)	-	-	-	-	-
15	**Unreserved Fund Balance**	**323,318,097**	**402,971,597**	**424,454,514**		**123,284,701**	**72,311,073**
16	**Subtotal Tax Revenue**	**18,129,800,000**	**18,129,800,000**	**18,129,800,000**	**19,181,900,000**	**19,181,900,000**	**19,181,900,000**
17	**Subtotal Non-Tax Revenue**	**692,830,000**	**692,830,000**	**692,830,000**	**702,180,000**	**702,180,000**	**702,180,000**
18	**Changes in Availability: 2011 Session**						
19	Estate Tax Revenue Loss (FY 2011-13)		(57,100,000)	(57,100,000)		(72,200,000)	(72,200,000)
20	Reserve for Finance Committee		(230,000,000)			(405,000,000)	
21	Small Business Job Creation and Tax Relief			(186,400,000)			(485,300,000)
22	Repeal Deduction for Sale of a Manufactured Home Community to Manufactured Home Owners			100,000			100,000
23	Repeal Deduction for Severance Wages			16,000,000			16,400,000
24	Repeal Credit for Recycling Oyster Shells			100,000			100,000
25	Repeal Energy Star Tax Holiday			1,900,000			2,000,000
26	Repeal Sales Tax Exemption for Nutritional Supplements Sold by Chiropractors			300,000			400,000
27	Lower Corporate Tax Rate from 6.9% to 4.9% (eff. 1-1-12)	(115,000,000)	-	-	(303,000,000)	-	-
28	Enact .75% Sales Tax	826,600,000	-	-	863,800,000	-	-
29	Small Business Tax Relief (eff. 1-1-11)	(65,000,000)	-	-	0	-	-
30	Raise Cap on Qualified Business Venture Credit	(2,000,000)	-	-	(2,000,000)	-	-
31	Energy Efficiency Building Home Tax Credit ($1500 per home credit)	-	-	-	(3,300,000)	-	-
32	Repeal Wildlife Resources Commission Sales Tax Earmark		22,970,000	22,970,000		23,920,000	23,920,000
33	Suspend Corporate Income Tax Earmark (Public School Construction)	72,000,000	72,110,000	-	75,000,000	74,750,000	74,750,000
34	Increase in Judicial Fees		57,319,466	60,986,955		57,319,466	60,986,955
35	Loss of Revenues from Butner Public Safety			(1,213,235)			(1,213,235)
36	Increase Parking Fees for Visitors			550,000			550,000
37	Investment Company Notice Filing Fee			1,600,000			1,600,000
38	Redirect Dispute Resolution Fee		(205,535)	-		(205,535)	-
39	Transfer from E-Commerce Reserve Fund		4,483,526	4,483,526		-	-
40	Transfer from Parks & Recreation Trust Fund		8,435,000	4,217,500		-	-

GENERAL FUND BUDGET COMPARISON
FY 2011-13

	Availability and Budget Items	Governor FY 2011-12	House FY 2011-12	Senate FY 2011-12	Governor FY 2012-13	House FY 2012-13	Senate FY 2012-13
41	Transfer from Recreational/ Natural Heritage Trust Fund		8,000,000	4,500,000		-	-
42	Transfer from Commerce - Enterprise Fund		500,000	250,000		-	-
43	Transfer from Highway Fund for State Highway Patrol		193,527,300	193,585,434		190,394,000	189,859,507
44	Transfer from Highway Trust Fund for School Bus Replacement			35,223,642			
45	Transfer from Mercury Prevention Pollution Fund		250,000	125,000		-	-
46	Divert Funds from Scrap Tire Disposal Account		2,268,989	1,134,495		-	-
47	Divert Funds from White Goods Management Account		1,951,465	1,131,342		-	-
48	Department of Revenue - Accounts Receivable Program	25,000,000	15,000,000	15,000,000	25,000,000	15,000,000	15,000,000
49	Disproportionate Share Receipts (DSH)	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
50	Golden LEAF		67,563,760	67,563,760		67,563,760	67,563,760
51	Tobacco Trust Fund		4,292,733	8,334,360		4,348,909	8,790,386
52	Adjust Transfer from Insurance Regulatory Fund			(742,348)			(742,348)
53	Adjust Transfer from Treasurer's Office			(3,881,172)			(3,916,453)
54	Transfer Health and Wellness Trust Fund to Public Health			32,904,411			
55	Health and Wellness Trust Fund		12,292,733	16,334,360		12,348,909	16,790,386
56	**Subtotal Adjustments to Availability**	**756,600,000**	**198,659,437**	**254,958,030**	**670,500,000**	**(16,760,491)**	**(69,561,042)**
57	**Total General Fund Availability**	**19,902,548,097**	**19,424,261,034**	**19,502,042,544**	**20,554,580,000**	**19,990,604,210**	**19,886,830,031**
58							
59	**Subcommittee Budgets:**						
60	**Education**						
61	Public Schools	7,572,712,912	7,164,492,057	7,226,755,942	7,598,568,534	7,188,174,120	7,191,532,300
62	Community Colleges	1,016,629,522	991,518,860	982,305,416	1,022,312,530	991,518,860	982,305,416
63	Universities	2,657,835,835	2,440,375,132	2,528,492,464	2,670,455,384	2,439,731,176	2,526,730,386
64	**Subtotal for Education**	**11,247,178,269**	**10,596,386,049**	**10,737,553,822**	**11,291,336,448**	**10,619,424,156**	**10,700,568,102**
65	Health & Human Services	4,715,218,097	4,462,222,541	4,434,326,952	4,937,497,520	4,455,162,933	4,401,762,323
66	Justice & Public Safety	2,206,925,331	2,329,618,298	2,321,643,921	2,208,699,973	2,326,484,998	2,317,917,994
67	General Government	430,543,973	399,302,789	404,223,216	433,320,080	395,624,497	396,583,634
68	Natural & Economic Resources	357,146,517	378,391,359	402,534,309	335,913,537	331,594,174	376,081,998
69	Clean Water Management Trust Fund	50,000,000	10,000,000	12,500,000	50,000,000	10,000,000	12,500,000
70	**Subtotal Subcommittees**	**19,007,012,187**	**18,175,921,036**	**18,312,782,220**	**19,256,767,558**	**18,138,290,758**	**18,205,414,051**
71	**Statewide & Other Reserves**						
72	Debt Service Continuation Budget	707,521,563	707,521,563	707,521,563	707,521,563	707,521,563	707,521,563
73	Job Development Incentive Grants (JDIG)	27,400,000	27,400,000	27,400,000	27,400,000	27,400,000	27,400,000
74	IT Reserve	7,840,000	7,840,000	7,840,000	7,840,000	7,840,000	7,840,000
75	Contingency and Emergency Reserve	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
76	**Debt Service & Other Reserves**	**747,761,563**	**747,761,563**	**747,761,563**	**747,761,563**	**747,761,563**	**747,761,563**
77	**Subtotal Expenditures**	**19,754,773,750**	**18,923,682,599**	**19,060,543,783**	**20,004,529,121**	**18,886,052,321**	**18,953,175,614**
78	**Adjustments to Reserves and Other Items**						
79	Performance Pay	-	2,000,000	2,000,000	-	-	328,000,000
80	State Health Plan	28,000,000	11,725,587	7,119,541	113,000,000	109,480,158	102,151,104
81	TSERS Retirement System Contribution	115,000,000	297,400,000	297,400,000	230,000,000	404,200,000	404,200,000

GENERAL FUND BUDGET COMPARISON

F .-13

	Availability and Budget Items	Governor FY 2011-12	House FY 2011-12	Senate FY 2011-12	Governor FY 2012-13	House FY 2012-13	Senate FY 2012-13
82	Consolidated Judicial Retirement System Contribution		7,900,000	7,900,000		9,000,000	9,000,000
83	Firemen and Rescue Squad Workers Pension Fund		5,800,000	5,800,000		6,900,000	6,900,000
84	National Guard Pension Fund		263,000	263,000		523,000	523,000
85	Severance Reserve	30,000,000	75,000,000	75,000,000	-	-	-
86	Transfer ESC to Commerce	(251,400)			(377,100)		
87	Management Flex Reserve - Department of Management and Admin.	(1,087,300)			(1,598,600)		
88	Management Flex Reserve - Department of Public Safety	(2,705,100)			(4,057,600)		
89	Centralized Grant System				(700,000)		
90	Continuation Review Reserve		-			36,738,931	22,982,380
91	Centralize Human Resource Function	(2,767,000)	-	-	(4,150,400)	-	-
92	Procurement Reform		-	-	(30,000,000)	-	-
93	Capital - DENR Water Resource Projects	4,535,000	4,535,000	4,535,000	-	-	-
94	Adjustment to Debt Service	(9,567,995)	(16,947,995)	(16,947,995)	76,853,698	54,079,791	54,079,791
95	Adjustment to JDIG Reserve	(7,000,000)	(7,000,000)	(12,000,000)		-	-
96	Adjustment to IT Reserve	(3,381,858)	(3,381,858)	(3,381,858)	(1,681,858)	(1,681,858)	(1,681,858)
97	Reserve for Reduction of Department of Public Safety	(3,000,000)			(3,000,000)		
98	Reserve for Automated Fraud Detection Development			1,000,000			7,000,000
99	Reserve for Controller Support for Automated Fraud Detection			500,000			500,000
100	**Subtotal Adjustments**	**147,774,347**	**377,293,734**	**369,187,688**	**374,288,140**	**619,240,022**	**933,654,417**
101	**Total Preliminary FY 2011-13 Budget**	**19,902,548,097**	**19,300,976,333**	**19,429,731,471**	**20,378,817,261**	**19,505,292,343**	**19,886,830,031**
102							
103	**Unappropriated Balance (Shortfall)**	-	**123,284,701**	**72,311,073**	**175,762,739**	**485,311,867**	-

ATTACHMENT 7

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2011

Legislative Actuarial Note

RETIREMENT

BILL NUMBER: House Bill 200 (Fifth Edition)

SHORT TITLE: Appropriations Act of 2011.

SPONSOR(S):

FUNDS AFFECTED: General Fund, Highway Fund and Receipt Funds for the Teachers' and State Employees' Retirement System.

SYSTEM OR PROGRAM AFFECTED: Teachers' and State Employees' Retirement System.

EFFECTIVE DATE: July 1, 2011

BILL SUMMARY: Section 29.24. The University System administers a Phased Retirement Program in which instructors are allowed to retire from whichever retirement program that they are in (Teachers' and State Employee's Retirement System or the Optional Retirement Program) and continue to teach on a part time basis without the required six month break in service. There are presently 123 retired members participating in the Program and they are allowed to participate for a maximum of 5 years. The present law allows participation in this Program to return without a break in service until the earlier of August 31, 2013 or 12 months after the Internal Revenue Service issues its final phased retirement regulations. This section will remove any deadlines or dates and makes permanent the exemption for allowing members to retire and be reemployed in the Phased Retirement Program without any break in service.

ESTIMATED IMPACT ON STATE: Section 29.24. Buck Consultants, the Retirement Systems' actuary estimates the cost to be 0.01% of the payroll for members of the Teachers' and State Employees' Retirement System.

	2011-12	2012-13	2013-14	2014-15	2015-16
General Fund	$988,300	$1,038,506	$1,091,262	$1,146,698	$1,204,950
Highway Fund	$44,500	$46,761	$49,136	$51,632	$54,255
Receipt Funds	$380,000	$399,304	$419,589	$440,904	$463,302
	$1,412,800	**$1,484,570**	**$1,559,986**	**$1,639,234**	**$1,722,507**

Hartman & Associates, the General Assembly's actuary, does not expect this section to have a material impact on the Teachers' and State Employees' Retirement System due to the small number of participates in the Phased Retirement Program.

BILL SUMMARY: Section 29.25. Under the present law, a retiring member can render no service during the six months immediately following the date of retirement. This section changes the definition of "Retirement" to provide that retirement becomes effective in any month during which the member renders no service during the qualifying period and defines the qualifying period as; (1) three months for members who retire with their last 12 months of service as employees of UNC or any constituent institution and return to service as employees of UNC or any constituent institution, and as; (2) six months for all other teachers and State employees.

ESTIMATED IMPACT ON STATE: Section 29.25. Buck Consultants, the Retirement Systems' actuary estimates the cost to be 0.04% of the payroll for members of the Teachers' and State Employees' Retirement System.

	2011-12	2012-13	2013-14	2014-15	2015-16
General Fund	$3,953,200	$4,154,023	$4,365,047	$4,586,791	$4,819,800
Highway Fund	$178,000	$187,042	$196,544	$206,529	$217,020
Receipt Funds	$1,520,000	$1,597,216	$1,678,355	$1,763,615	$1,853,207
	$5,651,200	**$5,938,281**	**$6,239,946**	**$6,556,935**	**$6,890,027**

Hartman & Associates, the General Assembly's actuary, estimates the cost to be 0.03% of the payroll for members of the Teachers' and State Employees' Retirement System.

	2011-12	2012-13	2013-14	2014-15	2015-16
General Fund	$2,964,900	$3,115,517	$3,273,785	$3,440,093	$3,614,850
Highway Fund	$133,500	$140,282	$147,408	$154,896	$162,765
Receipt Funds	$1,140,000	$1,197,912	$1,258,766	$1,322,711	$1,389,905
	$4,238,400	**$4,453,711**	**$4,679,959**	**$4,917,701**	**$5,167,520**

BILL SUMMARY: Section 29.26. Under the present law, any member of the Optional Retirement Program must have worked for five years in order to be entitled to any contributions that UNC has made on their behalf. This section changes the law so that any participant in the Optional Retirement Program can use membership service under any combination with either the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Consolidated Judicial Retirement System, or the Optional Retirement Program in order to reach the five year vesting requirement in order to not forfeit any contributions made on their behalf from UNC.

ESTIMATED IMPACT ON STATE: Section 29.26. The amount of UNC Employer Contributions for former employee that were in the Optional Retirement Program that did not retire or begin employment with an employer lacking a retirement program with the same underwriter, for the last three years is as follows: 2008-$2.8 million, 2009-$1.3 million, and 2009-$4.8 million. These amounts were transferred to the Teachers' and State Employees' Retirement System.

Both actuaries agree that the amount that is forfeited by members who fail to vest (5 Years) in the Optional Retirement Program will decrease if the members of the Optional Retirement Program

can include service in these various retirement systems to use for vesting in the Optional Retirement Program but the total number that has had or will have dual membership is unavailable.

BILL SUMMARY: Section 29.27 This section allows employees of the University of North Carolina Health Care System to have a choice of whether to participate in the Optional Retirement Program or the Teachers' and State Employees' Retirement System, subject to rules adopted by the UNC Board of Governors.

ESTIMATED IMPACT ON STATE: Section 29.27 Buck Consultants, the Retirement Systems' actuary estimates the cost to be 0.08% of the payroll for members of the Teachers' and State Employees' Retirement System assuming that all 6,574 employees, with an annual payroll of about $375 million during 2010, elect to join the Optional Retirement Program.

	2011-12	2012-13	2013-14	2014-15	2015-16
General Fund	$7,906,400	$8,308,045	$8,730,094	$9,173,583	$9,639,601
Highway Fund	$356,000	$374,085	$393,088	$413,057	$434,040
Receipt Funds	$3,040,000	$3,194,432	$3,356,709	$3,527,230	$3,706,413
	$11,302,400	**$11,876,562**	**$12,479,891**	**$13,113,870**	**$13,780,054**

Hartman & Associates, the General Assembly's actuary, does not expect this section to have a material impact on the Teachers' and State Employees' Retirement System. He estimates the cost in the Teachers' and State Employees' Retirement System will increase if the younger employees select the Optional Retirement Program.

ASSUMPTIONS AND METHODOLOGY: Teachers' & State Employees' Retirement System The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2009 actuarial valuation of the System. The data included 316,647 active members with an annual payroll of $13.3 billion, 156,791 retired members in receipt of annual pensions totaling $3.2 billion and actuarial value of assets equal to $55.8 billion. Significant actuarial assumptions used include (a) an investment return rate of 7.25% which includes inflation of 3%, (b) projected salary increases between 4.25% to 9.10% which includes inflation of 3.5%, (c) RP-2000 Mortality tables for retirees are set back one year for male teachers, set forward one year for all general employees and unadjusted for female teaches and all law enforcement officers, (d) RP-2000 Mortality tables for disabled retirees are set back six years for males and set forward one year for females, (e) RP-2000 Mortality tables for active employees are set back one year for male teachers, set forward one year for all general employees and unadjusted for female teachers and all law enforcement officers, (f) rates of separation from active service based on System experience. The actuarial cost method used was the entry age normal cost method and a amortization period of nine years. Detailed information concerning these assumptions and methods are shown in the actuary's report, which is available upon request from Stanley Moore.

SOURCES OF DATA: Buck Consultants
Hartman & Associates, LLC

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910. The above information is provided in accordance with North Carolina General Statute 120-114 and applicable rules of the North Carolina Senate and House of Representatives.

PREPARED BY: Stanley Moore

APPROVED BY: Lynn Muchmore, Director
Fiscal Research Division

DATE: May 26, 2011

Amendments - Order Considered

ATTACHMENT 8

AMENDMENT LOG HB 200

SENATE APPROPRIATIONS BASE BUDGET COMMITTEE May 25, 2011

DRAFT NUMBER	LOG IN # (Amendment)	SPONSOR	ACTION
H200-ALG-67 v.20	#1	Stevens	Adopted
H200-ARU-8 v.3	2	Rouzer	Adopted
H200-ALE-80 v.3	3	Garvou	FAILED
H200-AMH-64 v.1	4	Jackson	Adopted
H200-AMH-60 v.2	5	Apodaca	Adopted
H200-ALE-86 v.2	6	Stevens	Adopted
H200-AMA-30 v.1	7	Apodaca	Adopted
H200-ALU-32 v.1	8	Jones	TD- Withdrawn
H200-ALE-85 v.1	9	Apodaca.	Adopted
H200-ALU-31 v.5	10	Garvou	Failed
H200-AMA-12 v.13	11	Kinnaird	TD- Withdrawn
H200-ALU-29 v.3	12	Kinnaird	TD- Failed
H200-AMD-51 v.2	13	Dannelly	Failed

VV-VOICE VOTE

D-DIVISION

Possible Actions:

A-Adopted
F-Failed
T-Tabled

W-Withdrawn
TD-Temporarily Displaced

O of O – Out of Order
NA-No Action (not taken up)

Amendments - order considered

AMENDMENT LOG HB 200

SENATE APPROPRIATIONS BASE BUDGET COMMITTEE May 25, 2011

DRAFT NUMBER	LOG IN # (Amendment)	SPONSOR	ACTION
H200-ALU-33 v.1	14	Walters	Failed
H200-ASQ-68 v.3	15	Hartsell	Adopted
H200-ASQ-66 v.2	16	Hartsell	TD- Adopted
H200-ASQ-67 v.2 [illegible]	17	Pate	Adopted
H200-AMD-49 v.1	18	Pate	Adopted
H200-ALD-94 v.2	19	East	TD- Withdrawn
H200-AMA-28 v.3 [illegible] v.1	20	Nesbitt	Adopted
H200-ALM-52 v.1	21	Kinnaird	Failed
H200-ALD-98 v.2	22	Rouzer	Adopted
H200-~~ALD-90~~ ALD-84-v7 ~~v.3~~	23	East	TD- Withdrawn?
H200-ALD-95 v.4	24	Rouzer	Adopted
H200-ALD-89 v.2	25	Tucker	Adopted
H200-ALD-91 v.1	26	Apodaca	Adopted

VV-VOICE VOTE D-DIVISION

Possible Actions:

A-Adopted
F-Failed
T-Tabled
W-Withdrawn
TD-Temporarily Displaced
O of O – Out of Order
NA-No Action (not taken up)

AMENDMENT LOG HB 200

SENATE APPROPRIATIONS BASE BUDGET COMMITTEE May 25, 2011

DRAFT NUMBER	LOG IN # (Amendment)	SPONSOR	ACTION
H200-ALD-88 v.2	27	Rouzer	Adopted
H200-ALL-56 v.4	28	Jones	TD-Withdrawn?
H200-ALD-90 v.3	29	East	Adopted
H200-ALL-55 v.4	30	Jones	Failed
H200-AMD-40 v.3	31	Brown	Adopted
H200-AMA-24 v.3	32	Kinnaird	T.D. - Withdrawn
H200-ALB-88 v.1	33	Graham	Failed
H200-ALB-87 v.1	34	Graham	Failed
H200-AMA-29 v.2	35	Blue	Failed
H200-ALG-68 v.4	36	Brock	Adopted
H200-AMH-58 v.2	37	Hunt	Adopted
H200-ALE-83 v.2	38	Blue	Adopted

VV-VOICE VOTE

D-DIVISION

Possible Actions:

A-Adopted
F-Failed
T-Tabled

W-Withdrawn
TD-Temporarily Displaced

O of O – Out of Order
NA-No Action (not taken up)

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

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

H200-ALG-67 [v.20]

Comm. Sub. [YES]
Amends Title [NO]
PCS30341-LExf-13

Date _____,2011

Senator Stevens

moves to amend the bill on page 34, lines 30-31, by inserting the following language between those lines to read:

"**SECTION 7.1A.(d1)** Community colleges shall generate budget FTE for instruction provided through Career and College Promise.";

and on page 34, lines 31 and 32, by deleting the first sentence of subsection (e) of Section 7.1A.;

and on page 63, line 21, by deleting the phrase "147-69.2" and substituting "147-69.2(a)";

and on page 78, line 18, by deleting the phrase "**116-80**" and substituting "**116-280**";

and on page 78, line 52, by deleting the phrase "**116-81**" and substituting "**116-281**";

and on page 79, line 18, by deleting the phrase "**116-82**" and substituting "**116-282**";

and on page 79, line 34, by deleting the phrase "**116-83**" and substituting "**116-283**";

and on page 155, line 35, by removing the strikethrough from the phrase "or of the Environmental Management Commission";

and on page 155, lines 41-42, by rewriting those line to read:
of the Commission for Public Health or of the Environmental Management Commission. The Department of ~~Environment and Natural Resources~~Health and Human Services shall pay any";

and on page 159, line 31, by removing the strikethrough from the phrase "milk and dairy sanitation;";

and on page 166, lines 47-50, by deleting those lines; and

and on page 201, line 46, by deleting the phrase "G.S. 106-911 and G.S. 106-912" and substituting "G.S. 106-915 and G.S. 106-916"; and

and on page 201, line 51, by deleting the phrase "**106-911**" and substituting "**106-915**";

and on page 202, line 3, by deleting the phrase "**106-912**" and substituting "**106-916**";

and on page 235, lines 34-35, by deleting the phrase "two hundred forty-three thousand one hundred eighty-seven dollars ($243,187)" and substituting " three hundred forty-three thousand one hundred eighty-seven dollars ($343,187)";

and on page 257, line 54, by deleting "The following" and substituting "Except for instances in which language is rewritten pursuant to Subsection (i) of this section, the following";

and on page 259, line 1, by deleting "The following" and substituting "Except for instances in which language is rewritten pursuant to Subsection (m) of this section, the following";

and on page 276, line 18, by deleting the word "of" and substituting "by"; and

and on page 289, lines 52 and 53, by removing the underlining;

and on page 289, line 55, by deleting that line;

and on page 316, line 9, by deleting the phrase "G.S. 136-187(2)" and substituting "G.S. 136-89.183(a)(2)";

and on page 327, line 6, by deleting the phrase "**29.11.**" and substituting "**29.11.(a)**";

and on page 362, lines 13-20, by deleting those lines;

and moves to amend the Money Report on page G9, Item 57, by deleting the phrase "Section 10.46" and substituting "Section 10.37" in the description;

and on page H6, Item 34, by deleting "Processing Assistant IV" and substituting "Agricultural Safety & Health Officer";

and on page H13, Item 73 by deleting "60032714 M.F. Technician II $38,896" and substituting "60032712 M.F. Technician II $40,200" and by deleting "60032772 M.F. Technician II $43584" and substituting "60032713 M.F. Technician II $39,328";

and on page H17, Item 96, by deleting the phrase "-4.26" and substituting "-4.50" and by deleting the phrase "(0.26 FTE) $23,949" and substituting "(0.50 FTE) $45,433";

and on page H18, Item 99, by deleting the phrase "($767,918)" for both fiscal years and substituting "($759,217)";

and on page H19, Item 107, by deleting "60032417 Hydrogeologist $88,164" and substituting "6003208 Tech Support Analyst $68,894" and by deleting "60032414 Hydrogeologist $91,892" and substituting "60032513 Hydrogeologist $84,265";

and on page H21, Item 114, by deleting the phrase "$767,918" for both fiscal years and substituting "$759,217";

and on page J14, Item 43, by deleting "Associate Museum Curator" and substituting "Natural Science Curator";

and on page J34, on the line above Item 97, by deleting "1600 Collection Division" and substituting "1681 Administrative Services";

and page N5, in the description for the Reduction to IT Internal Service Fund, by deleting the second reference to "60087453" and substituting "65010101";

and by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

2

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

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

H200-ALM-51 [v.1]

Comm. Sub. [YES]
Amends Title [NO]
PCS30341-LExf-13

Date _____,2011

Senator Rouzer

moves to amend the bill on page 236, lines 42-43, by inserting between those lines a new subsection to read as follows:

"**SECTION 14.14.(a1)** Except to provide administrative flexibility, up to ten percent (10%) of each of the allocations in subsection (a) of this section may be reallocated to one or more of the other allocations in subsection (a) of this section if, in the judgment of Center management, the reallocation will advance the mission of the Center."

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 3
(to be filled in by Principal Clerk)

H200-ALE-80 [v.3]

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

Date _____,2011

Senator Garrou

moves to amend the committee report on page F1, item 4, by deleting the item; and

on page F1, item 5, by increasing the reduction by $61,697,942 in recurring funds for the 2011-2012 fiscal year and by $62,767,803 in recurring funds for the 2012-2013 fiscal year;

on page F1, item 5, by rewriting the text of the item to read:

"Funds teacher assistants on the basis of $1131.29 per Kindergarten ADM and provides additional partial funding on the basis of grade 1 ADM. LEAs will still have the discretion to place teacher assistants in classrooms serving grades K-3. $199.0 million will be available in FY 2011-12 and $211.2 million will be available in FY 2012-13 to fund teacher assistants."; and

moves to amend the bill on page 37, lines 45-56, by deleting the lines.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED ✓ TABLED _____

H200-ALE-80-V-3

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 4
(to be filled in by
Principal Clerk)

H200-AMH-64 [v.1]

Comm. Sub. [YES]
Amends Title [NO]
PCS

Date _____,2011

Senator Jackson

moves to amend the bill on page 47, line 51, by inserting the following after that line:
"**TRANSFER OF FEDERAL AGRICULTURAL EDUCATION FUNDS**

SECTION 7.15. The Agricultural Education Program in the Department of Agricultural and Extension Education at North Carolina State University shall develop the secondary agricultural education curricula. The Program shall recommend the curricula and corresponding assessment instruments to the State Board of Education, which shall adopt the curricula for inclusion in the Standard Course of Study. This curricula shall include as part of its core content the Future Farmers of America (FFA) student youth organization and the Supervised Agricultural Experience learning program.

Effective with the 2011 federal grant, the State Board of Education shall transfer a prorated share of funds from all federal Career and Technical Education funds available for State-level usage to the Agricultural Education and FFA Program housed in the Department of Agricultural and Extension at North Carolina State University. The transfer of funds shall be a percentage of the total based upon the grades 9-12 duplicated agricultural education enrollment as compared to the total career and technical education grades 9-12 duplicated enrollment. These funds shall be used to support the secondary Agricultural Education Program State-level administration, leadership, curriculum and professional development, operations, innovations and expansions, and the FFA and the Supervised Agricultural Education learning program."

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 5
(to be filled in by Principal Clerk)

H200-AMH-60 [v.2]

Comm. Sub. [YES]
Amends Title [NO]
Senate PCS

Date _____,2011

Senator Apodaca

moves to amend the bill on page 61, lines 4 through 7, by rewriting the lines to read:

"**SECTION 8.18.(b)** G.S. 150B-1 is amended by adding a new subsection to read:

'(g) Exemption for the State Board of Community Colleges. – Except as provided in G.S. 143-135.3, no Article in this Chapter except Article 4 applies to the State Board of Community Colleges.'

SECTION 8.18.(b1) G.S. 115D-80 is repealed.";

and on page 275, lines 42 through 45, by rewriting the lines to read:

"Notwithstanding any other provision of law, the Agency for Public Telecommunications shall be the primary party with whom all State agencies, departments, and institutions other than The University of North Carolina System and the Community College System may contract for media placement and the creation of the media to"

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

#6 Adopted

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. #6 (to be filled in by Principal Clerk)

H200-ALE-86 [v.2]

Comm. Sub. [NO]
Amends Title [NO]
Committee Substitute

Date MAY 25 2011, 2011

Senator Stevens

moves to amend the bill on page 49, lines 54-56, by deleting the lines and substituting the following:

"**SECTION 7.22.(g)** The Board shall direct NCVPS to develop a plan to generate revenue from the sale of courses to out-of-state educational entities. Revenue generated by NCVPS shall be used to offset instructional costs to local school administrative units and charter schools. NCVPS shall submit its plan to the Board by September 15, 2011."; and

on page 50, line 34, by adding after the line the following:

" **SECTION 7.22.(l)** G.S. 66-58(c) is amended by adding a new subdivision to read:

"(c) The provisions of subsection (a) shall not prohibit:

. . .

(20) The sale by the State Board of Education of NCVPS courses to home schools, private schools, and out-of-state educational entities."

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED V FAILED _____ TABLED _____

Comm. Amend. 10
Adopted and Engrossed
Pursuant to Rule 45.1
MAY 25 2011
Sarah Clapp

H200-ALE-86-V-2

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 7
(to be filled in by
Principal Clerk)

H200-AMA-30 [v.1]

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

Date _____,2011

Senator Apodaca

moves to amend the bill on page 65, line 3, by deleting that line; and

further moves to amend the bill on page 65, line 12, by inserting the following language on that line:

"(4) Any special responsibility constituent institution which has the basic type Carnegie classification of "Special Focus Institution".

(5) Any special responsibility constituent institution which has the basic type Carnegie classification of "Baccalaureate-Arts and Science" and which has a total undergraduate and graduate fall 2010 FTE enrollment that exceeds 3.250 FTE."

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

48

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 8
(to be filled in by Principal Clerk)

H200-ALU-32 [v.1]

Withdrawn

Comm. Sub. [YES]
Amends Title [NO]
PCS-30341-LEfx-13

Date _____,2011

Senator E. Jones

moves to amend the bill on page 143, line 6, by deleting the amount "94,453,315" and substituting "94,103,315"; and

on page 143, line 18, by adding the following new item to read:
"07A. Work First – Citizens Schools Programs 350,000"; and

on page 150, lines 40-41, by deleting the phrase "ninety-four million four hundred fifty-three thousand three hundred fifteen dollars ($94,453,315)" and substituting "ninety-four million one hundred three thousand three hundred fifteen dollars ($94,103,315)"; and

on page 151, line 41, by adding the following new subsection to read:
"**SECTION 10.60.(j1)** The sum of three hundred fifty thousand dollars ($350,000) appropriated in this section to the Department of Health and Human Services in TANF funds for the 2011-2012 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."; and

by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 9
(to be filled in by Principal Clerk)

H200-ALE-85 [v.1]

Comm. Sub. [YES]
Amends Title [NO]
Committee Substitute

Date _____,2011

Senator Apodaca

moves to amend the bill on page 122, line 55, by deleting "owned and operated" and substituting "~~owned and operated~~"; and

on page 122, line 56, by deleting "owned and operated" and substituting "~~owned and operated~~".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 10
(to be filled in by Principal Clerk)

H200-ALU-31 [v.5]

Comm. Sub. [YES]
Amends Title [NO]
PCS-30341-LExf-13

Date _____,2011

Senator Garrou

moves to amend the bill on page 84, lines 10-59 through page 90, lines 1-29, by deleting those lines; and

on page 90, lines 36, by deleting the phrase "Division of Child Development" and substituting "North Carolina Partnership for Children, Inc."; and

on page 91, line 1, by rewriting the line to read:

"**SECTION 10.5.(i)** The North Carolina Partnership for Children, Inc., and all local partnerships shall use competitive bidding practices in"; and

on page 91, lines 4-5, by deleting the phrase "Division of Child Development." and substituting "Board of Directors of the North Carolina Partnership for Children, Inc."; and

on page 91, lines 12-48, by rewriting the lines to read:

"**SECTION 10.5.(j)** The North Carolina Partnership for Children, Inc., and all local partnerships shall, in the aggregate, be required to match one hundred percent (100%) of the total amount budgeted for the program in each fiscal year of the biennium. Of the funds the North Carolina Partnership for Children, Inc., and the local partnerships are required to match, contributions of cash shall equal to at least ten percent (10%) and in-kind donated resources equal to no more than three percent (3%) for a total match requirement of thirteen percent (13%) for each 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 thirteen percent (13%) 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."; and

on page 91, lines 51-52, by rewriting the lines to read:

SECTION 10.5.(l) 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"; and

on page 92, line 3, by deleting the phrase "Plan." and substituting "Plan as approved by the North Carolina Partnership for Children, Inc."; and

on page 92, line 26, by deleting the phrase "local partnerships'" and substituting "North Carolina Partnership for Children, Inc.'s"; and

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

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

H200-ALU-31 [v.5]

on page 92, line 34-35, by deleting the phrase "local partnership" and substituting "the North Carolina Partnership for Children, Inc.".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED ✓ _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 11
(to be filled in by Principal Clerk)

H200-AMA-12 [v.3]

Comm. Sub. [YES]
Amends Title [NO]
PCS-CSLExf-13

Date _____,2011

WITHDRAWN

Senator Kinnaird

1 moves to amend the bill on page 101, lines 34 through 38, by deleting those lines.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 12
(to be filled in by Principal Clerk)

H200-ALU-29 [v.3]

Comm. Sub. [YES]
Amends Title [NO]
PCS30341-LExf-13

Date _____, 2011

Senator Kinnaird

moves to amend the bill on page 101, line 37, by deleting the phrase "or other funds"; and

on page 101, line 38, by inserting after "organizations." the following sentence to read: "Planned Parenthood, Inc. shall be eligible for any federal funds through grants or contracts administered by the State.".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED ✓ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 13
(to be filled in by Principal Clerk)

H200-AMD-51 [v.2]

Comm. Sub. [YES]
Amends Title [NO]
PCS30341-LExf-13

Date _____,2011

Senator Dannelly

moves to amend the Senate Appropriations Committee Report on the Continuation, Expansion, and Capital Budgets, dated May 24, 2011, on Page G-9, Item 59, by reducing the amount in the 2012-2013 fiscal year by $86,386,784; and

on Page G-1, Item 3, by decreasing the reduction in the 2012-2013 fiscal year by $28,184,601; and

on Page G-2, Item 12, by decreasing the reduction in the 2012-2013 fiscal year by $30,000,000; and

on Page G-8, Item 55, by decreasing the reduction for the 2012-2013 fiscal year by $28,202,183; and

on Page G-8, Item 55, by rewriting the description of that item by deleting the phrase "Adult Dental, "; and

moves to amend the Proposed Committee Substitute on Page 129, Lines 40 and 41, by deleting the lines; and

moves to adjust the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

H200-AMD-51-V-2

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 14
(to be filled in by
Principal Clerk)

H200-ALU-33 [v.1]

Comm. Sub. [YES]
Amends Title [NO]
PCS-30341-LExf-13

Date _____,2011

Senator Walters

moves to amend the bill on page 144, line 32, by deleting the amount "29,288,783" and substituting "29,085,585"; and

on page 146, line 12, by adding the following new item to read:
"Transfers to Other State Agencies

Department of Administration

33. N.C. State Commission of Indian Affairs 203,198"; and

by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED ✓ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 15
(to be filled in by Principal Clerk)

H200-ASQ-68 [v.3]

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

Date _____,2011

Senator Hartsell

moves to amend the bill on page 138, line 30, by rewriting the line to read:
"**HOME CARE AGENCY LICENSURE MORATORIUM IN HOME AIDE SERVICES**

SECTION 10.49A. Beginning July 1, 2011, and for a period of three years thereafter, the Department of Health and Human Services shall not issue any licenses for home care agencies as defined in G.S. 131E-136(2) that intend to offer in-home aide services. The prohibition shall not restrict the Department from issuing licenses to certified home health agencies as defined in G.S. 131E-176(12) that intend to offer in-home aide services or to agencies that need a new license for an existing home care agency being acquired. The Secretary may at any time license a new home care agency in any area of the State if access to care becomes an issue during the time frame set forth above. Companion and Sitter services are exempt from this restriction. ".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 16
(to be filled in by Principal Clerk)

H200-ASQ-66 [v.2]

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

Date _____,2011

Senator Hartsell

moves to amend the bill on page 96, lines 49-56, by rewriting the lines to read:

" **SECTION 10.11.(d)** The Division is directed to reduce the Community Service Fund by twenty-five million dollars ($25,000,000) for the 2011-2012 fiscal year based on available fund balance reported by the LMEs' 2010 fiscal audit and estimated unspent reserves held by counties of single county LME's. The Division shall review the designation of reserved or designated fund balance accounts to determine whether accounts may be moved to unreserved, undesignated, in essence increasing the unreserved, undesignated fund balance available for purchase of services. The Division is directed to allocate the reduction among LMEs based on unreserved, undesignated fund balance totals, as of June 30, 2010. This includes an estimate of unspent reserves held by counties of single county LME's or as necessary to fairly achieve budget reductions in this act for this purpose giving consider5ation of the LME's unrestricted fund balance and the LME's ability to supplement funding of services without impairing its fiscal stability. LMEs are directed to spend their unreserved, undesignated fund balance on services, commensurate with the reduction directed by the Division pursuant to this subsection.".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 17
(to be filled in by Principal Clerk)

H200-ASQ-67 [v.2]

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

Date _____,2011

Senator Pate

moves to amend the bill on page 101, line 10, by inserting between the words "eliminate" and "250" the words "up to";

and on page 101, line 15, by inserting between the words "eliminate" and "250" the words "up to".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 18
(to be filled in by Principal Clerk)

H200-AMD-49 [v.1]

Comm. Sub. [YES]
Amends Title [NO]
PCS30341-LExf-13

Date _____,2011

Senator Pate

moves to amend the Proposed Committee Substitute on Page 138, Line 6, by inserting immediately after the line the following:

"**SECTION 10.47.(e).** The Department of Health and Human Services, in collaboration with Community Care of North Carolina and Local Management Entities (LMEs) shall ensure the effective integration of behavioral health and physical health services for Medicaid recipients. The Department shall amend the contracts between the Department and LMEs and between the Department and Community Care of North Carolina to include effectiveness measures with regard to data sharing, roles and responsibilities, best practices and budgetary savings to address integration and collaboration of behavioral and physical health.";
and

moves to adjust the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

12

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 19
(to be filled in by Principal Clerk)

H200-ALD-94 [v.3]

WITHDRAWN

Comm. Sub. [YES]
Amends Title [NO]
H200-PCS30341-LExf-13

Date _____,2011

Senator East

moves to amend the Senate Appropriations Committee Report on the Continuation, Expansion and Capital Budgets (May 24, 2011) on page H-15, Item 83, by reducing the recurring reduction for Vacant Positions by $643,648 for the 2011-23012 fiscal year and the 2012-2013 fiscal year; and by rewriting the description for that Item to read:

"Eliminates 4 positions in the Division. This reduction includes the salaries and benefits for these positions.		-4.00	-4.00
65010033 Natural Science Curator II	$ 58,201		
65009861 Office Assistant IV	$ 42,740		
60032970 Maintenance Mechanic III	$ 39,789		
60033159 Parks Designer II	$ 72,069";		

and on page H-9, by adding a new Item after Item 43 to read:

"43A Office Assistants				($643,648) R	($643,648) R
Eliminates 14.75 Office Assistant positions across the Department, including associated operating expenses. This reduction includes the salaries and benefits for these positions.				-14.75	-14.75
60036122	Office Assistant		(1.00)	$ 37,613	
60036126	Office Assistant		(1.00)	$ 40,701	
60036102	Office Assistant		(1.00)	$ 40,701	
60036103	Office Assistant		(1.00)	$ 36,950	
60036106	Office Assistant		(1.00)	$ 39,587	
60036154	Office Assistant		(1.00)	$ 36,354	
60036156	Office Assistant		(1.00)	$ 36,950	
60036115	Office Assistant		(1.00)	$ 39,410	
60036116	Office Assistant		(1.00)	$ 27,637	
60036098	Office Assistant		(1.00)	$ 36,950	
60036099	Office Assistant		(1.00)	$ 47,282	

60036157	Office Assistant	(1.00)	$ 37,454	
60036124	Office Assistant	(1.00)	$ 36,354	
60036143	Office Assistant	(1.00)	$ 35,302	
60036134	Office Assistant	(1.00)	$ 36,950	
Operating costs			$77,453";	

and by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 20
(to be filled in by Principal Clerk)

H200-AMA-28 [v.3]

Comm. Sub. [YES]
Amends Title [NO]
PCS-CSLExf-13

Date _____ ,2011

Senator Nesbitt

moves to amend the Committee Report on page H-19, Item 107, by deleting that item; and

further moves to amend the Committee Report on page H-9, Item 48, reducing the amount by two hundred eight thousand two hundred thirty-five dollars recurring ($208,235) for fiscal year 2011-2012; and

further moves to amend the Committee Report on Page H-9, Item 49, by deleting that item; and

further moves to amend the Committee Report on Page H-9, Item 50, by deleting the item in fiscal year 2011-2012 and by reducing the amount by three hundred fifty-one thousand two hundred sixty-five dollars recurring ($351,265) for fiscal year 2012-2013; and

by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 21
(to be filled in by
Principal Clerk)

H200-ALM-52 [v.1]

Comm. Sub. [YES]
Amends Title [NO]
PCS30341-LExf-13

Date _____,2011

Senator Kinnaird

moves to amend the Money Report on page H11, Item 59, by increasing the reduction for that Item for both fiscal years by $200,000;

and on page H29, Item 164, by reducing the reduction for that Item for both fiscal years by $200,000, and by rewriting the description for that Item to read as follows: "Reduces funding to the e-NC Authority.";

and moves to amend the bill on page 232, line 58, by inserting after the phrase "High Point Market Authority," and before the word "and" the phrase "e-NC Authority,";

and on page 236, lines 19-30, by deleting those lines;

and by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED ✓ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 22
(to be filled in by Principal Clerk)

H200-ALD-98 [v.2]

Comm. Sub. [YES]
Amends Title [NO]
H200-PCS30341-LExf-13

Date _____,2011

Senator Rouzer

moves to amend the Senate Appropriations Committee Report on the Continuation, Expansion and Capital Budgets (May 24, 2011) on page H-8, Item 39,
by deleting from the description for that Item "14.22" and substituting "11.22";
by deleting from the description for that Item "-14.22" the two times it appears and substituting "-11.22" both times;
and by deleting from the description for that Item the following:

"60035952	Policy Development Analyst	(1.00)	$75,759
60035964	Environmental Engineer	(1.00)	$87,173
65010186	Engineer	(1.00)	$78,137
60091478	Administrative Asst. II	(1.00)	$43,760";

and by deleting from the description for that Item the following:

"60036011	Accounting Mgr	(1.00)	$110,318";

and by deleting from the description for that Item the following:

"60032412	Hydrogeologist	(1.00)	$104,765
60035959	Administrative Asst.	(1.00)	$50,770";

and by deleting from the description for that Item the following:

"60036067	Appl Svcs Mgr/Spec. Projects	(1.00)	$113,266
Operating costs			$23,186"

and substituting for this latest deletion the following to read:

"60035006	Nat. Science Curator I	(1.00)	$42,294
60033392	Design Tech	(1.00)	$42,498
60036022	Business Officer	(1.00)	$59,883
60032483	Engineer	(1.00)	$61,444
60032572	Deputy CIO	(1.00)	$116,417
Operating costs			$364,598";

and on page H-16, Item 87,

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

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

H200-ALD-98 [v.2]

by deleting from the description for that Item the following:
"60032359 Env. Specialist $51,649"
and substituting the following to read:
" 60032341 Soil Scientist $51,649";

and by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

Withdrawn

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 23
(to be filled in by Principal Clerk)

H200-ALD-84 [v.7]

Comm. Sub. [YES]
Amends Title [NO]
H200-PCS30341-LExf-13

Date _____,2011

Senator East

moves to amend the Senate Appropriations Committee Report on the Continuation, Expansion and Capital Budgets (May 24, 2011) on page H-8, between Item 39 and Item 40, by adding a new Item to read:

"39A Eliminate Two Assistant Secretary Positions	($269,872) R	($269,872) R
Eliminates the two Assistant Secretary positions within the Department of Environment and Natural Resources	-2.00	-2.00
60036186 Deputy Secretary/ Commission III (1.00) $131,348		
60035951 Assistant Secretary of the Environment (1.00) $138,524"; and		

On page H-19, between Item 107 and Item 108, by adding two new Items to read:

"107A Eliminate Filled Position	($62,878) R	($62,878) R
Eliminates the salary and benefits of one filled position in the Division.	-1.00	-1.00
60032473 Engineer $62,878		
107B Regional Offices	($825,916) R	($825,916) R
Eliminates two positions at each of DENR's seven Regional Offices for a total reduction of 14.0 FTE positions."; and	-14.00	-14.00

on page H-29, by adding a new Item to read as follows:

"163A Defense and Security Technology Accelerator	**$800,000 R**	**$800,000R**
Provides funding to the Defense and Security Technology Accelerator for FY 2011-2012 and FY 2012-2013.";		

and on page H-32, Item 177, by reducing the reduction for that Item by $358,666 for FY 2011-2012 and FY 2012-2013; and by rewriting the description for that Item to read as follows: "Reduces the recurring pass-through appropriation for the Rural Center, leaving $19,603,358 in recurring funding.";

and moves to amend the bill on page 237, lines 35-36, by deleting the phrase "three million three hundred eighty-four thousand six hundred dollars ($3,384,600)" and substituting "three million seven hundred forty-three thousand two hundred sixty-six dollars ($3,743,266)";

and on page 237, line 46, by deleting the figure "$662,960" for both fiscal years and substituting "$1,021,626";

and by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 24
(to be filled in by
Principal Clerk)

H200-ALD-95 [v.4]

Comm. Sub. [YES]
Amends Title [NO]
H200-PCS30341-LExf-13

Date _____,2011

Senator Rouzer

moves to amend the Senate Appropriations Committee Report on the Continuation, Expansion and Capital Budgets (May 24, 2011) on page H-4, Item 22, by deleting that Item;

and on page H-3, immediately after Item 14, by adding a new Item to read:

"**14A Lime Tonnage Fee**	($250,000)	R	($250,000)	R
Replaces the General Fund appropriation with an increase in the lime tonnage fee. The fee will be increased from $.10 per ton to $.50 per ton. All receipts from this increase will be used to support the soil testing program in the Agronomic Services Division. This fee has not been increased since 1979.";				

and on page H-5, Item 28, by rewriting the description for that Item to read:

"Provides two positions and funds for the Animal Welfare Services program to support operations.	2.00	2.00";

and amends the bill on page 154, line 32, by deleting "**THREE VACANT POSITIONS**" and substituting "**VACANT POSITION**";

and on page 154, line 35, by rewriting that line to read:
"reclassify one vacant position within the Department and shall fill this reclassified position";
and by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

H200-ALD-95-V-4

H4

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 25
(to be filled in by Principal Clerk)

H200-ALD-89 [v.2]

Comm. Sub. [YES]
Amends Title [NO]
H200-PCS30341-LExf-13

Date _____,2011

Senator Tucker

moves to amend the bill on page 218, line 14, by deleting "conservation easements," and substituting "land acquisition and conservation easements,"; and

on page 218, lines 16 through 22, by deleting those lines and substituting the following to read:

"**SECTION 13.26.(d)** Any funds that become available to the Clean Water"; and

by adjusting any appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 26
(to be filled in by Principal Clerk)

H200-ALD-91 [v.1]

Comm. Sub. [YES]
Amends Title [NO]
H200-CSLExf-13

Date _____,2011

Senator Apodaca

moves to amend the bill on moves to amend the bill on page 183, line 38, by rewriting that line to read:

"supplies by the preservation of forests; it shall also have the care of State forests and State recreational forests."";

and on page 184, line 54, by deleting "two";

and on page 184, line 59, by rewriting that line to read:

"prevention.
(20) State recreational forests. – Have charge of all State recreational forests."";

and on page 185, line 28, by deleting "three";

and on page 185, line 41, by rewriting that line to read:

"Carolina for the use and benefit of the Department.
(21) State recreational forests. – Have charge of all State recreational forests.
(22) Property for State recreational forests. – Acquire real and personal property as desirable and necessary for the performance of the duties and functions of the Department under subdivision (21) of this section and pay for the property out of any funds appropriated for the Department or available unappropriated revenues of the Department, when such acquisition is approved by the Governor and Council of State. The title to any real estate acquired under this subdivision shall be in the name of the State of North Carolina for the use and benefit of the Department."";

and on page 190, line 18 through 24, by rewriting those lines to read:

"Acquisition and Control of State Forests and State Recreational Forests.

"**§ 106-840. Policy and plan to be inaugurated by Department of Agriculture and Consumer Services.**

(a) In this Article, unless the context requires otherwise, "Department" means the Department of Agriculture and Consumer Services and "Commissioner" means Commissioner of Agriculture.

(b) For purposes of this Chapter, "State recreational forest " means a forest managed primarily for natural resource preservation, scenic enjoyment, and recreational purposes.

(c) The Department shall inaugurate the following policy and plan looking to the";

and on page 193, line 37,
by rewriting that line to read:
"desirable for State forests and State recreational forests.";

and on page 194, line 2,
by rewriting that line to read:
"exchange shall not be contrary to the terms of any contract that it has entered into.

"**§ 106-857. Management of DuPont State Recreational Forest.**

(a) DuPont State Forest is designated as a State Recreational Forest. The Department shall manage DuPont State Recreational Forest: (i) primarily for natural resource preservation, scenic enjoyment and recreational purposes, including horseback riding, hiking, bicycling, hunting, and fishing; (ii) so as to provide an exemplary model of scientifically sound, ecologically-based natural resource management for the social and economic benefit of the forest's diverse community of users; and, (iii) consistent with the grant agreement between the Natural Heritage Trust Fund and the Division of Forest Resources, which grant designates a portion of the forest as a North Carolina Nature Preserve. In addition, the Department may use the forest for the demonstration of different forest management and resource protection techniques for local landowners, natural resource professionals, students, and other forest visitors.

(b) The Department shall adopt a land management plan for DuPont State Recreational Forest, which shall be periodically revised as needed, to: (i) provide the ecological context within which management of the forest will be conducted; (ii) describe the desired future condition of natural resources throughout the forest toward which management will be directed; and, (iii) outline appropriate management techniques to achieve those desired future conditions.

(c) Notwithstanding subsection (a) of G.S. 106-847, with respect to DuPont State Recreational Forest, the Department may cut and remove timber for forest management purposes only, including for the purposes of fire, pest, and disease prevention and control. The Department may cut, remove, and sell timber for the purpose of revenue generation only upon approval of the Governor and the Council of State.

(d) Notwithstanding G.S. 106-856, with respect to property comprising DuPont State Recreational Forest, the Department may sell, lease, or exchange such property only upon approval of the Governor and the Council of State.

(e) The Department may acquire inholdings or lands adjacent to DuPont State Recreational Forest for recreational purposes, natural resource protection or scenic enjoyment purposes, and other purposes described in G.S. 106-846 as appropriate for a recreational forest, and such acquisitions shall be made in accordance with the provisions of G.S. 106-846.

(f) In accordance with subsection (b) of G.S. 106-847, the Department may construct, operate, and maintain within DuPont State Recreational Forest suitable public service facilities and conveniences, and may charge and collect reasonable fees for the use of these facilities and conveniences. The Department may also charge and collect reasonable fees for hunting and fishing privileges in the forest, provided that these privileges shall be extended only to holders of State hunting and fishing licenses who comply with all State game and fish laws.

(g) In accordance with subsection (c) of G.S. 106-847, the Department may grant to private individuals or companies concessions for operation of public service facilities for such periods and upon such conditions as the Department deems to be in the public interest.

(h) The Department shall adopt rules for operation and management of DuPont State Recreational Forest in consultation with interested parties including, but not limited to, local governments with jurisdiction over the area, the Friends of DuPont Forest, and other stakeholders with interests in the property for recreation and protection of its wildlife populations, water quality, biodiversity, or historical and cultural value.

(i) The Department 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 the Department's management activities at DuPont State Recreational Forest during the preceding fiscal year and plans for management of DuPont State Recreational Forest for the upcoming fiscal year."".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 27
(to be filled in by Principal Clerk)

H200-ALD-88 [v.2]

Comm. Sub. [YES]
Amends Title [NO]
H200-PCS30341-LExf-13

Date _____,2011

Senator Rouzer

moves to amend the bill on page 217, lines 45 and 46, by adding a new Section between those lines to read:

"OTHER MATTERS REGARDING THE TRANSFER OF TWO DENR DIVISIONS TO THE DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

SECTION 13.25A.(a) The Department of Environment and Natural Resources shall transfer at least four central business office staff of the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services concurrently with the transfer under this act of the Division of Forest Resources and the Division of Soil and Water Conservation from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services. The Department of Environment and Natural Resources, the Department of Agriculture and Consumer Services, the Office of State Budget and Management, and the Office of State Personnel shall jointly determine which positions from the central business office staff of the Department of Environment and Natural Resources should be transferred under this subsection and shall determine if any additional positions from the central business office should be transferred to the Department of Agriculture and Consumer Services due to the transfer of the Division of Forest Resources and the Division of Soil and Water Conservation from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services under this section.

SECTION 13.25A.(b) The Attorney General shall continue to provide legal counsel and legal support to the Division of Forest Resources and the Division of Soil and Water Conservation after these divisions are transferred from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services under this act.

SECTION 13.25A(c) Subsequent to the transfer of the Division of Forest Resources and the Division of Soil and Water Conservation from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services under this act, the Division of Forest Resources and the Division of Soil and Water Conservation, including the staff and equipment of these two divisions, may continue to occupy the office space that these two divisions occupied prior to the transfer under this act, and the Department of Environment and Natural Resources shall cooperate with this continued use of the office space.

SECTION 13.25A.(d) The Department of Environment and Natural Resources and the Department of Agriculture and Consumer Services shall enter into a memorandum of understanding concerning the sharing of existing databases and any software programs used in

the administration of the programs of the Division of Forest Resources and the Division of Soil and Water Conservation and any other matters addressed in this section in order to assure the uninterrupted continuation of services under these programs during and after the transfer of the Division of Forest Resources and the Division of Soil and Water Conservation from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services under this act."

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 28
(to be filled in by Principal Clerk)

H200-ALL-56 [v.4]

Comm. Sub. [YES]
Amends Title [NO]
PCS30341-LExf-13

Withdrawn

Date _____,2011

Senator Jones

moves to amend the Senate Appropriations Committee Report on the Continuation, Expansion and Capital Budgets, dated May 24, 2011, on page I-2, Item 9,
by rewriting that item to read:

"9 Reduce District Attorney Support Staff Reduces the number of support staff in District Attorneys' offices. There are currently 599 Assistant District Attorney positions statewide and 550 support staff positions – a ratio of 1:1.08.";	($2,576,145) R -55.00	($2,576,145) R -55.00

and on page I-2, Item 7,
by rewriting that item to read:

"7 Eliminate Court Staff in Non-Statewide Programs Eliminates 9 Trial Court Administrator positions, one of which is vacant, and the two juvenile court coordinator positions in the State, one of which is vacant.";	($983,572) R -11.00	($983,572) R -11.00

and on page I-4, Item 14, by increasing the reduction by $1,802,072 in both years,

and moves to amend the bill on page 244, lines 34-37 by rewriting those lines to read:
" TRIAL COURT ADMINISTRATOR POSITIONS

SECTION 15.21. Notwithstanding any other provision of this act, any judicial district wishing to retain or establish a Trial Court Administrator position may petition the Administrative Office of the Courts for the position. The Administrative Office of the Courts will work with the senior resident superior court judge for each district seeking a Trial Court Administrator position to identify other positions or sources of funding within that judicial district to fund the position."

and by adjusting the appropriate totals accordingly.

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

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

H200-ALL-56 [v.4]

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

(29) 14

adopted

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 29
(to be filled in by Principal Clerk)

H200-ALD-90 [v.3]

Comm. Sub. [YES]
Amends Title [NO]
H200-PCS30341-LExf-13

Date _____,2011

Senator East

moves to amend the Senate Appropriations Committee Report on the Continuation, Expansion and Capital Budgets (May 24, 2011) on page H-19, between Item 107 and Item 108, by adding two new Items to read:

"107A Eliminate Filled Position	($62,878) R	($62,878) R
Eliminates the salary and benefits of one filled position in the Division.	-1.00	-1.00
60032473 Engineer $62,878		
107B Regional Offices	($1,238,874) R	($1,238,874) R
Eliminates three positions at each of DENR's seven Regional Offices for a total reduction of 21.0 FTE positions."; and	-21.00	-21.00
on page H-29, by adding a new Item to read as follows:		
"163A Defense and Security Technology Accelerator	**$900,000 R**	**$900,000R**
Provides funding to the Defense and Security Technology Accelerator for FY 2011-2012 and FY 2012-2013.";		

and on page H32, Item 177, by reducing the reduction for that Item by $401,752 for FY 2011-2012 and FY 2012-2013; and by rewriting the description for that Item to read as follows: "Reduces the recurring pass-through appropriation for the Rural Center, leaving $19,646,444 in recurring funding.";

and moves to amend the bill on page 237, lines 35-36, by deleting the phrase "three million three hundred eighty-four thousand six hundred dollars ($3,384,600)" and substituting "three million seven hundred eighty-six thousand three hundred fifty-two dollars ($3,786,352)";

and on page 237, line 46, by deleting the figure "$662,960" for both fiscal years and substituting "$1,064,712";

and by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 30
(to be filled in by
Principal Clerk)

H200-ALL-55 [v.4]

Comm. Sub. [YES]
Amends Title [NO]
PCS30341-LExf-13

Date _____,2011

Senator Jones

moves to amend the Proposed Committee Substitute on Page 254, Line 8, by inserting the word "AND" after the comma;

and on Page 254, Lines 9 and 10, by deleting "PREVENTION, THE STATE BUREAU OF INVESTIGATION, AND THE NORTH CAROLINA JUSTICE ACADEMY" and substituting "PREVENTION"; and

on Page 254, Lines 21-23 and 22, by deleting the lines; and

on Page 254, Lines 52 and 53, by deleting "Division, and the State Bureau of Investigation." and substituting "Division."; and

on Page 255, Lines 14 and 15, by deleting those lines and renumbering the subsequent subdivision accordingly; and

on Page 255, Line 57, by deleting the line; and

on Page 260, Lines 12 through 14, by deleting "Article 4 of Chapter 114 of the General Statutes, other than G.S. 114-16, is recodified as Subpart B of Part 4 of Article 5A of Chapter 143B of the General Statutes, G.S. 143B-272.46A through G.S. 143B-272.46L."; and

on Page 260, Lines 33 through 38, by deleting the lines; and

on Page 261, Lines 44 through 56, by deleting the lines; and

on Page 262, Line 20, by deleting "Department of Public Safety" and substituting "Department of Justice" in both instances in which it appears; and

on Page 262, Lines 22 and 23, by deleting "S.L. 2011-19 and recodified by subsection (x2) of this section," and substituting "S.L. 2011-19,"; and

on Page 262, Line 25, by deleting "143B-272.108" and substituting "114-16"; and

on Page 262, Line 27, by deleting "said North Carolina State Crime Laboratory" and substituting "~~said Bureau~~Department of Justice"; and

on Page 262, Line 36, by deleting "State Crime Laboratory" and substituting "~~Bureau~~Department of Justice"; and

on Page 262, Line 41, by deleting "State Crime Laboratory," and substituting "~~Bureau,~~Department of Justice,"; and

on Page 262, Line 43, by deleting "State Crime Laboratory" and substituting "~~Bureau~~Department of Justice"; and

on Page 263, Line 51 through Page 264, Line 39, by deleting the lines; and

on Page 263, Lines 1-3, by deleting the lines; and

on Page 264, Lines 11-39, by deleting the lines; and

on Page 269, Lines 45 and 46, by deleting "the State Bureau of Investigation, the Alcohol Law Enforcement Section, and the State Highway Patrol." and substituting "the Alcohol Law Enforcement Section and the State Highway Patrol."; and

on Page 269, Line 48, by deleting "one district of personnel and equipment for the State Bureau of Investigation Section,"; and

on Page 269, Line 54 and 55, by deleting "the State Bureau of Investigation, the Alcohol Law Enforcement Section, and the State Highway Patrol" and substituting "the Alcohol Law Enforcement Section and the State Highway Patrol"; and

on Page 270, Lines 2 through 4, by deleting "the State Bureau of Investigation, the Alcohol Law Enforcement Section, and the State Highway Patrol" and substituting "the Alcohol law Enforcement Section and the State Highway Patrol"; and

on Page 270, Line 6, through Page 271, Line 35, by deleting the lines; and

on Page 271, Line 40, by rewriting the line to read:
"Control and Public Safety, and the Department of Correction shall"; and

moves to amend the Senate Appropriations Committee Report on the Continuation, Expansion and Capital Budgets, dated May 24, 2011, on Page I-6, Item 30, by deleting the item; and

on Page I-7, Item 33, by deleting the item; and

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

H200-ALL-55 [v.4]

on Page I-22, Items 125 and 126, by deleting the items; and

moves to adjust the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED ✓ TABLED _____

38

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 31
(to be filled in by Principal Clerk)

H200-AMD-40 [v.3]

Comm. Sub. [YES]
Amends Title [NO]
PCS30341-LExf-13

Date _____,2011

Senator Brown

moves to amend the Senate Appropriations Committee Report on the Continuation, Expansion, and Capital Budgets, dated May 24, 2011, on Page I-18, Item 109, by rewriting the description of that item to read: "Closes three Community Corrections drug labs, leaving ~~one~~ two open. Developments in products for drug testing have reduced the need for labs."; and

moves to adjust the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

32

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 32
(to be filled in by Principal Clerk)

H200-AMA-24 [v.3]

Page 1 of 1

Withdrawn

Comm. Sub. [YES]
Amends Title [NO]
PCS-CSLExf-13

Date _____,2011

Senator Kinnaird

moves to amend the Money Report on page I-17, Item 100, by deleting the item; and

+ 101

further moves to amend the Money Report on Page 1-17, Item 103, by reducing the total recurring appropriation by two hundred forty nine thousand three hundred seventy-five dollars ($249,375) for both years of the biennium; and

further moves to adjust the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

H200-AMA-24-V-3

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 33
(to be filled in by Principal Clerk)

H200-ALB-88 [v.1]

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

Date _____,2011

Senator Graham

moves to amend the committee report on page J-24 Item 71 by reducing the nonrecurring appropriation for FY 2011-2012 by $670,340

moves to amend the committee report on page J-39 by adding the following new item under 1300 Voter Registration and Systems:

"117A Grants for early voting for federal primaries and elections $670,340 NR
Provides grants from State Board of Elections to county boards of elections for early voting in evenings and on Saturdays for federal primaries and elections. SBOE to amend State Plan to Election Assistance Commission to substitute this item."

Moves to amend the bill on page 299, lines 35-37 by deleting "2011-2012" and substituting "2012-2013"

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED ✓ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 34
(to be filled in by Principal Clerk)

H200-ALB-87 [v.1]

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

Date _____,2011

Senator Graham

moves to amend the committee report on page J-24 Item 71 by reducing the nonrecurring appropriation for FY 2011-2012 by $670,340

moves to amend the committee report on page J-39 by adding the following new items under 1300 Voter Registration and Systems:

"117A Time Limited Positions in Voter Registration and Systems $637,706 NR
+10.00

As time limited positions: 8 District Elections Technicians $510,610, Voting Systems Project Manager(60088251 – $65,191), Technology Support Analyst(65006606 – $64,010), and associated benefits.

117B Assigned Vehicles
Payment to Motor Fleet Management for vehicles for
8 District Election Technicians $32,634 NR"

Moves to amend the bill on page 299, lines 35-37 by deleting "2011-2012" and substituting "2012-2013"

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED ✓ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 35
(to be filled in by Principal Clerk)

H200-AMA-29 [v.2]

Comm. Sub. [YES]
Amends Title [NO]
PCS-CSLExf-13

Date _____,2011

Senator Blue

moves to amend the Committee Report on page J-6, Item 19, by changing the amount in fiscal year 2011-2012 to $453,359 NR; and

further moves to amend the Committee Report on page J-7, Item 26, by changing the amount in fiscal year 2011-2012 to $729,345 NR; and

further moves to amend the Committee Report on page J-24, Item 71, by reducing the amount for fiscal year 2011-2012 by one million one hundred eighty-two thousand seven hundred four dollars ($1,182,704); and

by adjusting the totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED ✓ TABLED _____

17

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 36
(to be filled in by Principal Clerk)

H200-ALG-68 [v.4]

Comm. Sub. [YES]
Amends Title [NO]
PCS30341-LExf-13

Date _____,2011

Senator Brock

moves to amend the bill on page 298, lines 31-35, by rewriting those lines to read as follow:

"**SECTION 24.1.** G.S. 150B-21.24 reads as rewritten:

"**§ 150B-21.24. Access to Register and Code.**

(a) Register. – The Codifier of Rules shall make available the North Carolina Register on the Internet at no charge. ~~Upon request the Codifier shall provide a free copy of the current volume of the Register to any person who receives a free copy of the North Carolina Administrative Code or any member of the General Assembly.~~

(b) Code. – The Codifier of Rules shall make available the North Carolina Administrative Code on the Internet at no charge. ~~The Codifier shall distribute copies of the North Carolina Administrative Code as soon after publication as practical, without charge, to the following:~~

~~(1) One copy to the board of commissioners of each county that specifically requests a printed copy, to be placed at the county clerk of court's office or at another place selected by the board of commissioners. The Codifier of Rules is not required to provide a copy of the Administrative Code to any board of county commissioners unless a request is made.~~

~~(2) One copy to the Commission.~~

~~(3) One copy to the Clerk of the Supreme Court and to the Clerk of the Court of Appeals of North Carolina.~~

~~(4) One copy to the Supreme Court Library and one copy to the library of the Court of Appeals.~~

~~(5) One copy to the Administrative Office of the Courts.~~

~~(6) One copy to the Governor.~~

~~(7) One copy to the Legislative Services Commission for the use of the General Assembly.~~

~~(8) Repealed by Session Laws 2002-97, s. 1, effective August 29, 2002.~~

~~(9) One copy to the Division of State Library of the Department of Cultural Resources pursuant to G.S. 125-11.7.~~'";

and by adjusting the appropriate totals accordingly.

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

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

H200-ALG-68 [v.4]

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 37
(to be filled in by Principal Clerk)

H200-AMH-58 [v.2]

Comm. Sub. [YES]
Amends Title [NO]
Senate PCS

Date _____,2011

Senator Hunt

moves to amend the Senate Appropriations Committee Report on the Continuation, Expansion and Capital Budgets (May 24, 2011) on page F-10, item 64, by deleting the item;

and on page F-8, item 51, by increasing the reduction by $264,000 recurring in each year of the biennium.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 38
(to be filled in by Principal Clerk)

H200-ALE-83 [v.2]

Comm. Sub. [YES]
Amends Title [NO]
Committee Substitute

Date _____,2011

Senator Blue

moves to amend the bill on page 339, line 52, by adding a new section after the line to read:
" **REPORTING OF POSITION ELIMINATIONS**

SECTION 29.22A. The Office of State Personnel, the Administrative Officer of the Courts, the Legislative Services Officer, the Department of Public Instruction, the North Carolina Community Colleges System Office and the University of North Carolina – General Administration shall report to the Fiscal Research Division no later than May 1, 2012 position eliminations during fiscal year 2011-2012 as follows:

(1) For the Office of State Personnel, the total numbers of SPA and EPA position eliminations in the State agencies, departments, institutions, boards and commissions directly attributable to funding reductions imposed by this Act including, by funding source, the number filled versus vacant, the annual salary savings, the total annual savings (including employer benefits costs), total severance wages paid, total discontinued service retirement allowance costs paid, and the total projected employer paid health benefit coverage premiums to be paid during fiscal year 2011-2012 for employees reduced-in-force as provided by G.S. 135-45.2(a)(8).

(2) For the Administrative Officer of the Courts, the total number of position eliminations in the Judicial Branch directly attributable to funding reductions imposed by this Act including, by funding source, the number filled versus vacant, the annual salary savings, the total annual savings (including employer benefits costs), total severance wages paid, total discontinued service retirement allowance costs paid, and the total projected employer paid health benefit coverage premiums to be paid during fiscal year 2011-2012 for employees reduced-in-force as provided by G.S. 135-45.2(a)(8).

(3) For the Legislative Services Officer, the total number of position eliminations in the Legislative Branch directly attributable to funding reductions imposed by this Act including the number filled versus vacant, the annual salary savings, the total annual savings (including employer benefits costs), total severance wages paid, total discontinued service retirement allowance costs paid, and the total projected employer paid health benefit coverage premiums to be paid during fiscal year 2011-2012 for employees reduced-in-force as provided by G.S. 135-45.2(a)(8).

(4) For the Department of Public Instruction, the total number of General Fund supported position eliminations in the local school administrative units directly attributable to funding reductions imposed by this Act including the number filled versus vacant, the annual salary savings, the total annual savings (including employer benefits costs), and the total projected employer paid health benefit coverage premiums to be paid during fiscal year 2011-2012 for employees reduced-in-force as provided by G.S. 135-45.2(a)(8).

(5) For the North Carolina Community Colleges System Office, the total number of General Fund supported position eliminations in the local community college institutions directly attributable to funding reductions imposed by this Act including the number filled versus vacant, the annual salary savings, the total annual savings (including employer benefits costs), and the total projected employer paid health benefit coverage premiums to be paid during fiscal year 2011-2012 for employees reduced-in-force as provided by G.S. 135-45.2(a)(8).

(6) For the University of North Carolina – General Administration, the total numbers of SPA, EPA non-faculty and EPA faculty position eliminations in the constituent institutions directly attributable to funding reductions imposed by this Act including, by funding source, the number filled versus vacant, the annual salary savings, the total annual savings (including employer benefits costs), total severance wages paid, total discontinued service retirement allowance costs paid, and the total projected employer paid health benefit coverage premiums to be paid during fiscal year 2011-2012 for employees reduced-in-force as provided by G.S. 135-45.2(a)(8)."

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

ATTACHMENT 10

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

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

H200-AMCxf-17 [v.1]

Comm. Sub. [YES]
Amends Title [NO]
H200-PCS30341-LExf-13

Date May 24 ,2011

Senator Newton

moves to amend the bill on page 357, line 34, by inserting between the words "filing" and "containing" the phrase "requiring a notice of hearing and";

and by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED X FAILED _____ TABLED _____

H200-AMCXF-17-V-1

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

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

H200-AMCf-18 [v.2]

Comm. Sub. [YES]
Amends Title [NO]
H200-PCS30341-LExf-13

Date May 24 ,2011

Senator Brown

moves to amend the bill on page 359, line 14, to page 360, line 49, by deleting those lines and substituting the following language to read:

"**SECTION 31.26.(a)** If House Bill 642 or other substantially similar legislation that requires a misdemeanant with a period of confinement of six months or less to serve the period in a local confinement facility becomes law, then Chapter 148 of the General Statutes is amended by adding a new section to read:

'**§ 148.10. Statewide Misdemeanor Confinement Fund established.**

There is created within the Department of Correction a special, non-reverting fund called the Statewide Misdemeanor Confinement Fund.'

SECTION 31.26.(b) If House Bill 642 or other substantially similar legislation that requires a misdemeanant with a period of confinement of six months or less to serve the period in a local confinement facility becomes law, then G.S. 7A-304(a) is amended by adding a new subdivision to read:

'(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.

...

(2b) For the maintenance of misdemeanors in county jails, the sum of eighteen dollars ($18.00) in the district court to be remitted to the Statewide Misdemeanor Confinement Fund in the Department of Correction.

....'

SECTION 31.26.(c) If House Bill 642 or other substantially similar legislation that requires a misdemeanant with a period of confinement of six months or less to serve the period in a local confinement facility becomes law, then G.S. 7A-304(a) is amended by adding a new subdivision to read:

'(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.

...

(4b) To provide for contractual services to reduce county jail populations, the sum of fifty dollars ($50.00) for all offenses arising under Chapter 20 of the General Statutes and resulting in a conviction of an improper equipment offense, to be remitted to the Statewide Misdemeanor Confinement Fund in the Department of Correction.'

SECTION 31.26.(d) If House Bill 642 or other substantially similar legislation that requires a misdemeanant with a period of confinement of six months or less to serve the period in a local confinement facility becomes law, then G.S. 7A-311(a) reads as rewritten:

'(a) In a civil action or special proceeding, except for actions brought under Chapter 50B of the General Statutes, the following fees and commissions shall be assessed, collected, and remitted to the county:

(1) a. For each item of civil process served, including summons, subpoenas, notices, motions, orders, writs and pleadings, the sum of ~~fifteen~~ thirty dollars ~~($15.00).~~($30.00). When two or more items of civil process are served simultaneously on one party, only one ~~fifteen-dollar ($15.00)~~thirty-dollar ($30.00) fee shall be charged.

....'

SECTION 31.26.(e) If House Bill 642 or other substantially similar legislation that requires a misdemeanant with a period of confinement of six months or less to serve the period in a local confinement facility becomes law, then G.S. 7A-313 reads as rewritten:

'**§ 7A-313. Uniform jail fees.**

Persons who are lawfully confined in jail awaiting trial shall be liable to the county or municipality maintaining the jail in the sum of ~~five~~ ten dollars ~~($5.00)~~($10.00) for each 24 hours' confinement, or fraction thereof, except that a person so confined shall not be liable for this fee if the case or proceeding against him is dismissed, or if acquitted, or if judgment is arrested, or if probable cause is not found, or if the grand jury fails to return a true bill.

Persons who are ordered to pay jail fees pursuant to a probationary sentence shall be liable to the county or municipality maintaining the jail at the same per diem rate paid by the Department of Correction to local jails for maintaining a prisoner, as set by the General Assembly in its appropriations acts.'

SECTION 31.26.(f) If House Bill 642 or other substantially similar legislation that requires a misdemeanant with a period of confinement of six months or less to serve the period in a local confinement facility becomes law, then G.S. 153A-225(a) reads as rewritten:

'(a) Each unit that operates a local confinement facility shall develop a plan for providing medical care for prisoners in the facility. The plan

(1) Shall be designed to protect the health and welfare of the prisoners and to avoid the spread of contagious disease;

(2) Shall provide for medical supervision of prisoners and emergency medical care for prisoners to the extent necessary for their health and welfare;

(3) Shall provide for the detection, examination and treatment of prisoners who are infected with tuberculosis or venereal diseases.

The unit shall develop the plan in consultation with appropriate local officials and organizations, including the sheriff, the county physician, the local or district health director, and the local medical society. The plan must be approved by the local or district health director after consultation with the area mental health, developmental disabilities, and substance abuse authority, if it is adequate to protect the health and welfare of the prisoners. Upon a determination that the plan is adequate to protect the health and welfare of the prisoners, the plan must be adopted by the governing body.

As a part of its plan, each unit may establish fees of not more than ~~ten dollars ($10.00)~~ twenty dollars ($20.00) per incident for the provision of nonemergency medical care to prisoners. In establishing fees pursuant to this section, each unit shall establish a procedure for waiving fees for indigent prisoners.'";

and by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 3
(to be filled in by Principal Clerk)

H200-ARB-32 [v.1]

Comm. Sub. [YES]
Amends Title [NO]
H200-PCS30341-LExf-13

Date May 24 ,2011

Senator Brock

moves to amend the bill on page 364, lines 47-49, by rewriting the lines to read:

"0	$12,750	~~6%~~5.75%
$12,750	$60,000	~~7%~~6.75%
$60,000	NA	~~7.75%~~7.5%".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED X FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 4
(to be filled in by Principal Clerk)

H200-ARB-33 [v.1]

Comm. Sub. [YES]
Amends Title [NO]
H200-PCS30341-LExf-13

Date May 24 ,2011

Senator Brock

moves to amend the bill on page 363, line 20, by deleting the word "TEMPORARILY";

and on page 367, lines 54 and 55, by rewriting those lines to read:
"income under the Code.";

And on page 374, lines 20 through 52, by deleting those lines;

And on page 374, lines 53 and 54, by rewriting the lines to read:
"**SECTION 31A.1.(f)** This section becomes effective for taxable years beginning on or after January 1, 2012.".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED X FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 200

AMENDMENT NO. 5
(to be filled in by Principal Clerk)

H200-ASV-13 [v.1]

Comm. Sub. [YES]
Amends Title [NO]
~~Fourth Edition~~ H200-PCS30341-LEXF-13 Date May 24 ,2011

Senator Hartsell

moves to amend the bill on page 374, lines 52-53, by inserting the following new section between the lines:

"**SECTION 31A.1(g)** G.S. 105-122(b)(2) reads as rewritten:

'(2) Taxes accrued, dividends declared, and reserves for depreciation of tangible assets and for amortization of intangible assets as permitted for income tax purposes.'";

And by relettering the remaining subsection in that section accordingly.

SIGNED Hutchens L. Hartsell Jr.
Amendment Sponsor

SIGNED R A Rucho
Committee Chair if Senate Committee Amendment

ADOPTED X FAILED _____ TABLED _____

ATTACHMENT 11

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget
Name of Committee

May 25, 2011
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS

Regina Conley	
David Travis	NCCAT/NCADA
Elaine Franklin	NCCAT
Tom Mahe	J/DS
Kay Parsley	NASW-NC
Krista Anderson	NCDP
Christopher Jones	OSBM
Elizabeth Groomsbee	OSBM
[illegible]	OSBM
Joyce Wallace	OSBM
Paula A. Wolf	March of Dimes Foundation
Sarah Preston	ACLU-NC
Jeff Hunt	DA-29B
Rick Shaffer	DA 27B
Andie Watkins	SEANC
Suzanne Beasley	SEANC
Yolanda Stith	Longmire Mfg.
Mitch Leonard	SEANC
Kristin Szafranski	JLF
Erin McBrayer	JLF
Tom Bennett	NCVAN
PAT NADOLSKI	D.A. - ALAMANCE COUNTY
Barbara Moore	Conf of Clerks of Sp Ct

Daniel Ambura	NCLM
Steve Saucier	All Classrooms
Tommy Clark	NCWRC
Amy Bowman	NCDST
Carl Goodwin	OSP
Carl Degn	OSP
Cathy Hardy	DENR
Daniel Rimi	DENR
Brenna Burch	NC Budget & Tax
Tom Fransham	NC Public Interest Research
Peter Kuo	CTNC
Marge Foreman	NCHE
Fran Lawrence	NCDST
Dianne Jones	PRC, Inc
Lao Rubber	CJPC
Kathy Johnson	Sentencing Services
Attn BHLA	UNC Board of Governors
Art Britt	NCDOL
Jennifer Haigwood	"
Natalie Caviness	"
Gerry Hancock	EGH
David Starling	NCDST
Heather Barrett	Williams Mullen
Will Parry-Hill	NCHFA

Andrew Murray	Mecklenburg DA
Ernie Lee	Onslow, Sampson, Duplin, Jones DA
Brandy Cook	Rowan County DA
Branny Vickory	DA - Wayne, Lenoir, Greene
Sam Currin	D.A. Franklin, Vance, Warren & Granville
Mark Gregory	A.D.A " "
Seth Edwards	DA - District 2
Carye Dunn	DRNC
Mark Gregory	ADA - Franklin Vance Warren Granv
Icdeso	DPI
[illegible]	NC Commerce
Joey Peters	JP Assoc
Lou Kelen	NCAATCF
W. Gardner Culpepper	DLC & Assoc.
Danielle Mearis	APPCNC & LLPP
Martez Hill	SBE
Melvin Lee	OSBM
Amy Sawyer	Mount Airy
Elaine Hauser	Mt Airy (Surry Co.)
DAVID RICE	MANNING FULTON
Frank R. Parrish	— District Attorney, First District
Steve Brewer	CTL
Jaime King	NCEL
Pam McKoon	CenturyLink
Bob Davis	Scotland County Comm'
Alison Kisor	PPCNC
Melissa Pelfrey	DA Halifax Co.
Barbara Canales	BBC

Connie Wilson	Smart Start
Joni Allen	BEGINNINGS
John Bowdish	Astra Zeneca
Doug Lassiter	NCSTA
Scott Gunn	
Kay Emanuel	Legislative Reporting Services
H. TASAICO	NCDOT
Matt Mansell	NCSBA
Leanne Winner	NCSBA
Katherine Joyce	ASA
Amy Whited	NC med. Society
McKillian	Nelson Mullins
Aunt HAAS	NMSS
EMILY Doyle	NCPAPA
Laura Blair	NC State Ports Authority
Mark Lanier	aNCW
[illegible]	NCFA
Paul Sherman	NCFB
[illegible] Causby	NCCCA
[illegible]	NCICU
Dick Barnes	OSP
Kris Morton	DHHS
Jim Slate	DHHS
Dick Carlton	Law Offices of RH Carlton
Leah Elliott	intern
Ashley Jones	Boyles Ctr of NC
Amy McConkey	NC Beverage Assn

Tracy Colvard	FANHP
Mary MacLean Asbill	SELC
Barbara Goeltzer	NC Housing Coalition
Jennie Renner-Vanvans	NC Housing Coalition
Colleen Kocharek	ICLG
Melissa Nixon	QSC
Debra Torrence	NCICDP
Ana Mercer-McLean	NCICDP
Ann McCoy	SBE
Nancy Routh	Guilf. County Bd of Ed.
Hal Carr	Guilford County Schools
B. Jesses	Forsyth County Division
Sharon Shepard	Guilford County PTA Council
[illegible]	NCACC
Brent Troxell	NCACC
Elizabeth Biser	Brooks Pierce
MIKE WATERS	NCRPA
Jon Cogs	TNC
Richard Rivers	CWMTF
Kevin FitzGerald	UNC rep.
Erin Schweitzer	UNC-CH
MICHELLE STEELY	SMITH ANDERSON
Maeve [illegible]	Smith Anders
Allison Waller	Nelson Mullins
Vicky Young	NCDOT
Chris [illegible]	DOA
Alan Briggs	NC Food Banks

Erica Nelson	NCCCP
TARA FIELDS	Benchmarks
[illegible]	Benchmarks
and Fogleman	Fogleman
Emily Grimm	mwc
Stephanie Williams	NC Employers
Melanie Soles	DCR
[illegible]	KBCW
Joann Norris	Public Sch. Forum

VISITOR REG. SHEET

Senate Appropriations / Base Budget 5-25-2011

Jennifer Willis	NLCCS
Betsy Blackwell	House Intern
Matt Gross	NCPC
Tracy Zimmerman	NCPC
Jenna Pruitt	UNC GA
Ginger Burks	UNC GA
Charles Perine	UNC GA
Joy Hicks	NCBA
Billy Bob Beamer	Citizen
Thomas Bowman	NCAS
Laura Arnold	HWTF
Cameron Graham	HWTF
Victor Gallowway	Staff
Ha Nguyen	NCCOB
Judy Heinz	NC DHHS
Tom BERN	EDF, NCSEA, NCWF
Thomas C. Caves, Jr.	Dept. of Crime Control & Public Safety
Wayne Hodgson	CCPS / Butner Public Safety
Barbara Baker	NC DOC
Darlene Langston	NC DOC
DAN JOHNSTON JR	NCAMVRC
Rebecca Smith	NCAMVRC
	LRA-5 RMNC

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — MAY 25th, 2011
Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Joyce Wallace	OSBM
Lee Leaman	OSBM
Elizabeth Swanston	OSBM
Carolyn McKinney	NCPTSC
Dawn Battiste	Land Loss Prevention Project
Caron Orenitz	NC Brain Injury Advisory Council

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget
Name of Committee

MAY 25th, 2011
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Chip Killian	Nelson Mullins
Greg Flynn	gregflynn.org
Virginia Lifsnez	Harris & Assoc.

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — MAY 25th, 2011

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Leah Elliott	intern
Corye Dunn	DRNC
Jim Slate	DHHS
Kak Hatton	DHHS
Cag Lf	DENR
Daniel Rainey	DENR
Heather Barrett	Williams Mullen
Jaime King	NCEL
Meredith Swindell	Policy Group
Steve Sawyer	AR
Will Pamyjtra	NCHFA

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — MAY 25th, 2011
Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Bruce Thompson	Retired POB
Regina Conley	Cortus Institute
Neil Inman	" "
R Rogers	CWMTF
J Normento	Ward and Smith
David Winslow	Self
Mark Gross	NCDL
Tracy Colvard	AHHC
Jennifer Pruitt	UNC-GA
Ginger Barker	UNC-GA
Niels Rasband	NCDOJ

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — May 25th, 2011

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mitney Christensen	Jordan Price
Carl Dean	DSP
Edgar Miller	CTVC
Carl Howell	DST
Amy Bowman	DST
Dianne Jones	PRC Inc -
Lou Rubert	CJPC
Kathy Johnson	Sentencing Services
Jon David	District Attorney - 13
Art Britt	NCDOL
Jennifer Haigwood	"
Natalie Caviness	"
Ben David	DA-5

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — MAY 25th, 2011
Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Ed Turlington	Brooks Pierce
Jay Hitchcock	NCAA
MICHELLE HENRY	SMITH ANDERSON
Maeve Hill	Smith Anderson
Allison Waller	Nelson Mullins
[illegible]	Longmire Group
Kim Crouch	NCBA
Wayne Hobgood	CCPS / Butner Public Safety
Frank Rogers	NC DOC
SUSAN BROOKS	IDS / OSS
Melissa Reed	PPTS

ATTACHMENT 12

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

Wednesday, May 25, 2011

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

FAVORABLE, AS AMENDED, UN-ENGROSSED

H.B.(SCS #1) **200** Appropriations Act of 2011.
Sequential Referral:
Recommended Referral: Pensions & Retirement and Aging
Long Title Amended: No

TOTAL REPORTED: 1

Committee Clerk Comments:

Senator Stevens

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
Wednesday, May 31, 2011 at 1:00 PM
Room 643
MINUTES

The Senate Appropriations/Base Budget Committee met at 1:05 PM on May 31, 2011 in room 643 of the Legislative Office Building. All 24 members of the Committee were present. Senator Neal Hunt presided. Senator Hunt called the meeting to order and recognized the Sergeant-at-arms and the Pages.

Senator Brunstetter moved to adopt the *Proposed Senate Committee Substitute # 2* for H.B. 200: Appropriations Act of 2011 (see attachments 3 and 4) for discussion. The motion carried. Senator Hunt announced that no amendments would be taken and gave a short history of the bill's progress in the Committee.

Senator Hunt recognized Senator Richard Stevens to explain the *Proposed Senate Committee Substitute # 2* for H.B. 200: Appropriations Act of 2011. Senator Stevens provided an overview (see attachment 5) of the major differences between the Proposed Committee Substitute #2 and the previous Senate budget.

Senator Hunt then introduced members of the Fiscal Research Staff to give summaries of the individual changes in each subcommittee budget. The presentations were given in the following order:

- **Overall budget figures for availability and expenditures:** Evan Rodewald (see attachment 6)
- **Education:** Brian Matteson, Kris Nordstrom, Andrea Poole, and Denise Harb (see attachment 7)
- **Transportation:** Amna Cameron (see attachment 8)
- **Natural and Economic Resources:** Kristin Walker (see attachment 9)
- **Health and Human Services:** Lee Dixon, Lisa Hollowell (see attachment 10)
- **Justice and Public Safety:** Kristine Leggett (see attachment 11)
- **General Government:** Michele Nelson, Mark Bondo (see attachment 12)
- **Information Technology:** Karlynn O'Shaughnessy (see attachment 13)
- **Salaries and Benefits:** Marshall Barnes (see attachment 14)

A period of questions and answers followed, during which Senator Martin Nesbitt requested a list of changes in availability and a list of the special provisions that had been changed. Staff agreed to provide those lists for him.

Senator Apodaca moved for an unfavorable report as to Senate Committee Substitute Bill #2 and a favorable report as to Senate Committee Substitute Bill #3 with a serial referral to Finance. The motion carried.

Attachments:

1. Committee Notice
2. Agenda
3. Proposed Senate Committee Substitute #2 HB 200
4. Report on the Continuation, Expansion and Capital Budgets
5. Major Subcommittee Items in Senate Budget Bill
6. Overall Budget Figures for Availability and Expenditures Report
7. Education Subcommittee Report
8. Transportation Subcommittee Report
9. Natural and Economic Resources Subcommittee Report
10. Health and Human Services Subcommittee Report
11. Justice and Public Safety Subcommittee Report
12. General Government Subcommittee Report
13. Information Technology Subcommittee Report
14. Salaries and Benefits
15. Visitor's Log
16. Committee Report

The meeting adjourned at 2:07 PM.

Senator Neal Hunt, Presiding

Mary Marchman, Committee Clerk

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	May 31, 2011	1:00PM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
HB 200	Appropriations Act of 2011.	Representative Brubaker

Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

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
Tuesday	May 31, 2011	1:00PM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR

TBA

Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

ATTACHMENT 2

Senate Appropriations/Base Budget Committee
Tuesday, May 31, 2011, 1:00 PM
643 LOB

AGENDA

Welcome and Opening Remarks

Introduction of Pages/Sergeant-at-Arms

Bills

HB 200	Appropriations Act of 2011.	Representative Brubaker

Presentations

Other Business

Adjournment

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

H D

HOUSE BILL 200

Committee Substitute Favorable 4/26/11
Committee Substitute #2 Favorable 4/28/11
Fourth Edition Engrossed 5/4/11
Senate Finance Committee Substitute Adopted 5/25/11
Senate Pensions & Retirement and Aging Committee Substitute Adopted 5/26/11
PROPOSED SENATE COMMITTEE SUBSTITUTE H200-PCS30000-LEf-17

Short Title: Appropriations Act of 2011. (Public)

Sponsors:

Referred to:

March 2, 2011

A BILL TO BE ENTITLED

AN ACT TO SPUR THE CREATION OF PRIVATE SECTOR JOBS; REORGANIZE AND REFORM STATE GOVERNMENT; MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS OF STATE DEPARTMENTS AND INSTITUTIONS; AND TO ENACT BUDGET RELATED AMENDMENTS.

The General Assembly of North Carolina enacts:

PART I. INTRODUCTION AND TITLE OF ACT

TITLE

SECTION 1.1. This act shall be known as the "Current Operations and Capital Improvements Appropriations Act of 2011."

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.

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 fiscal biennium ending June 30, 2013, according to the following schedule:

Current Operations – General Fund	**2011-2012**	**2012-2013**
EDUCATION		

Community Colleges System Office	$ 985,000,000	$ 985,000,000
Department of Public Instruction	7,464,492,057	7,450,000,000
University of North Carolina – Board of Governors		
Appalachian State University	145,563,319	145,680,676
East Carolina University		
Academic Affairs	247,397,807	247,397,807
Health Affairs	65,196,439	65,196,439
Elizabeth City State University	38,226,042	38,398,361
Fayetteville State University	56,925,951	56,925,951
NC A&T State University	105,355,805	105,794,754
NC Central University	94,342,683	94,342,683
NC State University		
Academic Affairs	434,563,241	434,677,423
Agricultural Research	59,239,461	59,239,461
Agricultural Extension	43,539,609	43,539,609
UNC-Asheville	42,004,444	42,004,444
UNC-Chapel Hill		
Academic Affairs	309,481,584	312,843,120
Health Affairs	219,507,009	222,570,732
AHEC	49,747,851	49,747,851
UNC-Charlotte	216,455,073	217,471,216
UNC-Greensboro	173,180,926	173,180,926
UNC-Pembroke	61,534,005	62,277,254
UNC-School of the Arts	27,796,473	27,796,473
UNC-Wilmington	105,943,181	107,138,757
Western Carolina University	90,591,556	91,070,460
Winston-Salem State University	76,496,951	76,496,950
General Administration	38,186,863	27,628,722
University Institution Programs	(375,153,400)	(383,808,914)
Related Educational Programs	85,679,060	115,272,420
UNC Financial Aid Private Colleges	91,635,664	86,534,065
NC School of Science & Math	18,937,535	18,937,535
UNC Hospitals	18,000,000	18,000,000
Total University of North Carolina – Board of Governors	$ 2,540,375,132	$ 2,551,672,698
HEALTH AND HUMAN SERVICES		
Department of Health and Human Services		
Division of Central Management and Support	$ 50,177,377	$ 44,577,987
Division of Aging and Adult Services	37,019,667	37,019,667
Division of Services for Blind/Deaf/Hard of Hearing	8,389,110	8,372,886
Division of Child Development	266,102,933	266,102,933
Division of Health Service Regulation	16,133,031	16,133,031
Division of Medical Assistance	2,958,388,184	2,907,276,302
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	665,712,232	710,712,232
NC Health Choice	79,452,317	83,717,865
Division of Public Health	190,443,245	157,538,834
Division of Social Services	186,183,068	186,183,068
Division of Vocational Rehabilitation	37,125,788	37,528,128
Total Health and Human Services	$ 4,495,126,952	$ 4,455,162,933
NATURAL AND ECONOMIC RESOURCES		
Department of Agriculture and Consumer Services	$ 65,460,864	$ 62,198,634

Department of Commerce		
Commerce	50,852,340	33,250,463
Commerce State-Aid	32,851,025	30,151,984
NC Biotechnology Center	17,551,710	17,551,710
Rural Economic Development Center	25,376,729	25,376,729
Department of Environment and Natural Resources	165,784,887	148,148,105
DENR Clean Water Management Trust Fund	11,250,000	11,250,000
Department of Labor	15,836,887	15,836,887
Wildlife Resources Commission	18,000,000	17,221,179
JUSTICE AND PUBLIC SAFETY		
Department of Correction	$ 1,337,816,346	$ 1,348,410,793
Department of Crime Control and Public Safety	225,258,795	215,164,518
Judicial Department	438,920,048	435,141,107
Judicial Department – Indigent Defense	110,091,526	112,748,733
Department of Justice	80,704,013	80,864,138
Department of Juvenile Justice and Delinquency Prevention	135,593,692	131,140,565
GENERAL GOVERNMENT		
Department of Administration	$ 63,607,330	$ 65,511,460
Department of State Auditor	11,857,574	10,676,035
Office of State Controller	28,368,957	28,368,957
Department of Cultural Resources		
Cultural Resources	63,524,857	61,697,001
Roanoke Island Commission	1,805,236	1,203,491
State Board of Elections	5,186,603	5,126,603
General Assembly	53,259,495	50,104,208
Office of the Governor		
Office of the Governor	4,741,157	4,741,157
Office of State Budget and Management	5,848,663	5,848,663
OSBM – Reserve for Special Appropriations	1,940,612	440,612
Housing Finance Agency	9,673,051	9,673,051
Department of Insurance		
Insurance	36,393,921	36,393,921
Insurance – Volunteer Safety Workers' Compensation	2,294,000	2,623,654
Office of Lieutenant Governor	695,324	695,324
Office of Administrative Hearings	4,983,871	4,983,871
Department of Revenue	78,199,538	78,199,538

Department of Secretary of State	10,654,563	10,654,563
Department of State Treasurer		
State Treasurer	6,657,031	6,621,750
State Treasurer – Retirement for Fire and Rescue Squad Workers	17,812,114	17,812,114
RESERVES, ADJUSTMENTS, AND DEBT SERVICE		
Contingency and Emergency Fund	$ 5,000,000	$ 5,000,000
State Retirement System Contribution	248,100,000	336,000,000
Judicial Retirement System Contribution	6,800,000	7,800,000
Firemen's & Rescue Squad Workers' Pension Fund	4,318,042	5,366,928
State Health Plan	7,119,541	102,151,104
Information Technology Fund	4,458,142	6,158,142
Reserve for Job Development Investment Grants (JDIG)	15,400,000	27,400,000
Continuation Review Reserve	0	35,576,758
Comprehensive Review of Compensation Plans	2,000,000	0
Compensation Adjustment and Performance Pay Reserve	0	121,105,840
Severance Expenditure Reserve	69,000,000	0
Automated Fraud Detection Development	1,000,000	7,000,000
Controller – Fraud Detection Development	500,000	500,000
Debt Service		
General Debt Service	688,957,188	759,984,974
Federal Reimbursement	1,616,380	1,616,380
TOTAL CURRENT OPERATIONS – GENERAL FUND	**$ 19,678,116,193**	**$ 19,943,327,275**

GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2.(a) The General Fund availability used in developing the 2011-2013 biennial budget is shown below.

	FY 2011-2012	FY 2012-2013
Unappropriated Balance Remaining	$ 0	$ 13,980,015
Ending Unreserved Fund Balance for FY 2009-2010	236,902,394	0
Anticipated Reversions for FY 2010-2011	537,740,799	0
Anticipated Over-collections from FY 2010-2011	180,800,000	0
Repayment of Medicaid Receipts in FY 2010-2011	(125,000,000)	0
Statutory Earmarks:		
Savings Reserve Account	(185,000,000)	0
Repairs and Renovations Reserve Account	(125,000,000)	0
Beginning Unreserved Fund Balance	**$ 520,443,193**	**$ 13,980,015**
Revenues Based on Existing Tax Structure	**$ 18,129,800,000**	**$ 19,181,900,000**

Nontax Revenues		
Investment Income	$ 59,400,000	$ 76,700,000
Judicial Fees	217,800,000	217,800,000
Disproportionate Share	100,000,000	100,000,000
Insurance	71,400,000	73,500,000
Other Nontax Revenues	182,500,000	182,500,000
Highway Trust Fund/Use Tax Reimbursement Transfer	41,500,000	27,600,000
Highway Fund Transfer	20,230,000	24,080,000
Subtotal Nontax Revenues	**$ 692,830,000**	**$ 702,180,000**
Total General Fund Availability	**$ 19,343,073,193**	**$ 19,898,060,015**
Adjustments to Availability: 2011 Session		
Loss of Estate Tax	$ (57,100,000)	$ (72,200,000)
Small Business Tax Relief Package	(131,600,000)	(335,600,000)
Repeal Wildlife Resources Commission Sales Tax Earmark	22,970,000	23,920,000
Suspend Corporate Income Tax Earmark (Public School Construction)	72,110,000	74,750,000
Increase in Judicial Fees	61,765,715	61,765,715
Increase Investment Company Notice Filing Fee	1,600,000	1,600,000
Increase Parking Fees for Visitors	550,000	550,000
Loss of Revenue from the Town of Butner	(1,213,235)	(1,213,235)
Transfer from E-Commerce Reserve Fund	4,483,526	0
Divert Funds from Parks & Recreation Trust Fund	8,435,000	0
Divert Funds from Recreational/Natural Heritage Trust Fund	8,000,000	0
Transfer from Highway Fund for State Highway Patrol	196,849,542	188,209,049
Transfer Additional Funds from Highway Trust Fund	35,223,642	0
Transfer from Mercury Prevention Pollution Fund	250,000	0
Transfer from Commerce – Enterprise Fund	500,000	0
Divert Funds from Scrap Tire Disposal Account	2,268,989	0
Divert Funds from White Goods Management Account	1,951,465	0
Diversion of Golden LEAF Funds	17,563,760	17,563,760
Master Settlement Agreement Funds	24,668,720	25,580,772
Transfer Health and Wellness Trust Funds to Public Health	32,904,411	0
Department of Revenue – Accounts Receivable Program	25,000,000	25,000,000
Medicaid Disproportionate Share Receipts	15,000,000	15,000,000
Adjust Transfer from Insurance Regulatory Fund	(742,348)	(742,348)
Adjust Transfer from Treasurer's Office	(3,881,172)	(3,916,453)
Transfer from NC Flex FICA Funds	1,000,000	0
Proceeds from the Sale of State Assets	15,000,000	25,000,000
Subtotal Adjustments to Availability: 2011 Session	**$ 353,558,015**	**$ 45,267,260**
Revised General Fund Availability	**$ 19,696,631,208**	**$ 19,943,327,275**
Less General Fund Appropriations	**$ (19,682,651,193)**	**$ (19,943,327,275)**
Unappropriated Balance Remaining	**$ 13,980,015**	**$ 0**

SECTION 2.2.(b) Notwithstanding the provisions of G.S. 105-187.9(b)(1) and G.S. 105-187.9(b)(2), the sum to be transferred from the Highway Trust Fund under those subdivisions for the 2011-2012 fiscal year is seventy-six million seven hundred twenty-three thousand six hundred forty-two dollars ($76,723,642) and for the 2012-2013 fiscal year is twenty-seven million six hundred thousand dollars ($27,600,000).

SECTION 2.2.(c) Notwithstanding the provisions of G.S. 115C-546.1, the Secretary of Revenue shall transfer the corporate income tax funds specified in

G.S. 115C-546.1(b) to the State Controller for deposit in Nontax Budget Code 19978 (Intrastate Transfers) during the 2011-2012 and 2012-2013 fiscal years to offset continued operations of the State's public schools.

SECTION 2.2.(d) Notwithstanding any other provision of law to the contrary, effective July 1, 2011, the following amounts shall be transferred to the State Controller to be deposited in Nontax Budget Code 19878 (Intrastate Transfers) or the appropriate budget code as determined by the State Controller. These funds shall be used to support the General Fund appropriations as specified in this act for the 2011-2012 fiscal year.

Budget Code	Fund Code	Description	Amount
24100	2514	E-Commerce Reserve	$ 4,483,526
54600	5881	Commerce Enterprise Fund	500,000
24300	2119	Mercury Prevention Pollution Fund	250,000

SECTION 2.2.(e) Of the 2011-2012 and the 2012-2013 annual installment payments to the North Carolina State Specific Account that would have been transferred to The Golden L.E.A.F. (Long-Term Economic Advancement Foundation), Inc., pursuant to Section 2(b) of S.L. 1999-2, seventeen million five hundred sixty-three thousand seven hundred sixty dollars ($17,563,760) for the 2011-2012 fiscal year and seventeen million five hundred sixty-three thousand seven hundred sixty dollars ($17,563,760) for the 2012-2013 fiscal year is transferred to the General Fund.

SECTION 2.2.(f) Notwithstanding the provisions of G.S. 105-187.19(b), effective for taxes levied during the 2011-2012 fiscal year, the Secretary of Revenue shall credit to the General Fund the sum of two million two hundred sixty-eight thousand nine hundred eighty-nine dollars ($2,268,989) from the net tax proceeds that G.S. 105-187.19(b) directs the Secretary to credit to the Scrap Tire Disposal Account.

SECTION 2.2.(g) Notwithstanding the provisions of G.S. 105-187.24, effective for taxes levied during the 2011-2012 fiscal year, the Secretary of Revenue shall credit to the General Fund the sum of one million nine hundred fifty-one thousand four hundred sixty-five dollars ($1,951,465) from the net tax proceeds that G.S. 105-187.24 directs the Secretary to credit to the White Goods Management Account.

SECTION 2.2.(h) Notwithstanding the provisions of G.S. 105-228.30(b) and G.S. 113-44.15, effective for taxes levied during the 2011-2012 fiscal year, the Secretary of Revenue shall credit the sum of eight million four hundred thirty-five thousand dollars ($8,435,000) to the General Fund of the net tax proceeds that G.S. 105-228.30(b) directs the Secretary to credit to the Parks and Recreation Trust Fund.

SECTION 2.2.(i) Notwithstanding the provisions of G.S. 105-228.30(b) and G.S. 113-77.9, effective for taxes levied during the 2011-2012 fiscal year, the Secretary of Revenue shall credit the sum of eight million dollars ($8,000,000) to the General Fund of the net tax proceeds that G.S. 105-228.30(b) directs the Secretary to credit to the Natural Heritage Trust Fund.

SECTION 2.2.(j) Of the funds available in the year-end 2010-2011 fiscal year fund balance, the Director of the Budget may use up to one hundred twenty-five million dollars ($125,000,000) to pay Medicaid costs associated with the early draw down of Medicaid funds during the 2009-2010 fiscal year and are thereby appropriated for such purpose. The Director of the Budget shall report the amount of funds used under this section no later than 30 days after payment to the Joint Legislative Commission on Governmental Operations, the Chairs of the Senate and House of Representatives Appropriations Committees, and the Fiscal Research Division.

SECTION 2.2.(k) Notwithstanding the provisions of G.S. 143C-4-3, the State Controller shall transfer only one hundred twenty-five million dollars ($125,000,000) from the unreserved fund balance to the Repairs and Renovations Reserve Account on June 30, 2011. This subsection becomes effective June 30, 2011.

SECTION 2.2.(l) Funds transferred under this section to the Repairs and Renovations Reserve Account are appropriated for the 2011-2012 fiscal year to be used in accordance with G.S. 143C-4-3.

SECTION 2.2.(m) Notwithstanding G.S. 143C-4-2, the State Controller shall transfer only one hundred eighty-five million dollars ($185,000,000) from the unreserved fund

balance to the Savings Reserve Account on June 30, 2011. This is not an "appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution. This subsection becomes effective June 30, 2011.

SECTION 2.2.(n) Notwithstanding the provisions of Article 6 of Chapter 143C of the General Statute or any other law to the contrary, the State Controller shall transfer one million dollars ($1,000,000) from the NC FICA Account for deposit in the Nontax Budget Code 19878 (Intrastate Transfers) for the 2011-2012 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, 2013, according to the following schedule:

Current Operations – Highway Fund	**2011-2012**	**2012-2013**
Department of Transportation		
Administration	$ 85,412,594	$ 85,412,594
Division of Highways		
Administration	34,836,793	34,836,793
Construction	87,232,806	86,339,067
Maintenance	1,185,080,215	1,244,588,354
Planning and Research	4,055,402	4,055,402
OSHA Program	372,792	372,792
Ferry Operations	34,189,589	43,538,132
State Aid		
Municipalities	89,373,921	90,187,224
Public Transportation	90,551,575	90,551,575
Airports	18,401,413	22,311,031
Railroads	21,701,153	21,701,153
Governor's Highway Safety	273,093	273,093
Division of Motor Vehicles	90,142,238	43,004,042
Other State Agencies, Reserves, Transfers	292,326,416	351,988,748
Capital Improvements	15,250,000	15,000,000
Total	**$ 2,049,200,000**	**$ 2,134,160,000**

HIGHWAY FUND AVAILABILITY STATEMENT

SECTION 3.2. The Highway Fund availability used in developing the 2011-2013 fiscal biennial budget is shown below:

Highway Fund Availability Statement	**2011-2012**	**2012-2013**
Unappropriated Balance from Previous Year	$ 24,000,000	$ 0
Beginning Credit Balance	0	0
Estimated Revenue	2,025,200,000	2,134,160,000
Total Highway Fund Availability	$ 2,049,200,000	$ 2,134,160,000
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 fiscal biennium ending June 30, 2013, according to the following schedule:

Current Operations – Highway Trust Fund	**2011-2012**	**2012-2013**
Intrastate	$ 460,823,529	$ 487,503,034
Aid to Municipalities	51,216,036	54,043,432
Secondary Roads	43,655,667	49,320,944
Urban Loops	263,587,722	212,957,986
Program Administration	44,774,400	47,107,200
Turnpike Authority	64,000,000	81,500,000
Transfer to General Fund	76,720,918	27,595,861
Transfer to Highway Fund	400,000	400,000
Debt Service	79,231,728	81,481,543
Mobility Fund	31,000,000	0
Reserves	0	45,000,000
GRAND TOTAL CURRENT OPERATIONS	**$ 1,115,410,000**	**$ 1,086,910,000**

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

SECTION 4.2. The Highway Trust Fund availability used in developing the 2011-2013 fiscal biennial budget is shown below:

Highway Trust Fund Availability	**2011-2012**	**2012-2013**
Unappropriated Balance	$ 75,000,000	$ 0
Estimated Revenue	1,040,410,000	1,086,910,000
Total Highway Trust Fund Availability	**$ 1,115,410,000**	**$ 1,086,910,000**

PART V. OTHER APPROPRIATIONS

APPROPRIATION OF OTHER FUNDS

SECTION 5.1.(a) State funds, as defined in G.S. 143C-1-1(d)(25), are appropriated as provided in G.S. 143C-1-2 for the 2011-2013 fiscal biennium, with the adjustments made to the continuation budget as reflected in the Governor's Recommended Budget and Budget Support Document, as follows:

(1) For all budget codes listed in "The State of North Carolina Governor's Recommended Budget, 2011-2013" and in the Budget Support Document, cash balances and receipts are appropriated up to the amounts specified, as adjusted by the General Assembly, for the 2011-2012 fiscal year and the 2012-2013 fiscal year. Funds may be expended only for the programs, purposes, objects, and line items or as otherwise authorized by the General Assembly. Expansion budget funds listed in those documents are appropriated only as otherwise provided in this act.

(2) Notwithstanding the provisions of subdivision (1) of this subsection:

a. 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 2011-2012 fiscal year and the 2012-2013 fiscal year and shall be used only to pay debt service requirements.

b. Other funds, 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 2011-2012 fiscal year and the 2012-2013 fiscal year.

SECTION 5.1.(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.

SECTION 5.1.(c) 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 5.1.(d) 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 5.2.(a) Notwithstanding G.S. 143C-6-4, State agencies may, with approval of the Director of the Budget and after consultation with the Joint Legislative Commission on Governmental Operations, spend funds received from grants awarded subsequent to the enactment of this act.

SECTION 5.2.(b) 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 authorized budget of the recipient State agency.

SECTION 5.2.(c) Notwithstanding the provisions of this section, no State agency may accept a grant not anticipated in this act if acceptance of the grant would obligate the State to make future expenditures relating to the program receiving the grant or would otherwise result in a financial obligation as a consequence of accepting the grant funds.

SECTION 5.2.(d) Notwithstanding G.S. 143C-6-4, the Department of Public Instruction may spend funds received from the following grants for the 2011-2012 fiscal year awarded subsequent to the enactment of this act for up to the specified amounts:

(1)	Child Nutrition Equipment Assistance	$815,762
(2)	Verizon Thinkfinity State Education Partnership	$ 40,000
(3)	State Abstinence Education Program	$1,585,347.

Neither the approval of the Director of the Budget nor consultation with the Joint Legislative Commission on Governmental Operations is required prior to the expenditure of these funds. The provisions of subsection (b) of this section do not apply to these funds.

CIVIL FORFEITURE FUNDS

SECTION 5.3. Appropriations. – Appropriations are made from the Civil Penalty and Forfeiture Fund for the fiscal biennium ending June 30, 2013, as follows:

	FY 2011-2012	FY 2012-2013
School Technology Fund	$ 18,000,000	$ 18,000,000
State Public School Fund	120,362,790	120,362,790
Total Appropriation	$ 138,362,790	$ 138,362,790

EDUCATION LOTTERY

SECTION 5.4.(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 four hundred twenty-four million nine hundred seventy-three thousand six hundred thirty dollars ($424,973,630) for the 2011-2012 fiscal year.

SECTION 5.4.(b) Notwithstanding G.S. 18C-164, the appropriations made from the Education Lottery Fund for the 2011-2012 fiscal year are as follows:

Teachers in Early Grades	$220,643,188
Prekindergarten Program	$ 63,135,709
Public School Building Capital Fund	$100,000,000
Scholarships for Needy Students	$ 30,450,000
UNC Need-Based Financial Aid	$ 10,744,733
Total Appropriation	$424,973,630

SECTION 5.4.(c) Notwithstanding G.S. 18C-164, the North Carolina State Lottery Commission shall not transfer funds to the Education Lottery Reserve Fund for the 2011-2012 fiscal year or the 2012-2013 fiscal year.

SECTION 5.4.(d) 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 2011-2012 fiscal year shall be allocated to counties on the basis of average daily membership (ADM).

SECTION 5.4.(e) Notwithstanding G.S. 18C-164(c), Article 35A of Chapter 115C of the General Statutes, or any other provision of law, the funds appropriated in this section for UNC Need-Based Financial Aid shall be administered in accordance with the policy adopted by the Board of Governors of The University of North Carolina.

SECTION 5.4.(f) Notwithstanding G.S. 18C-164(f), if the actual net lottery revenues for the 2011-2012 fiscal year exceed the amounts appropriated in subsection (b) of this section, the excess net lottery revenues shall be allocated for school capital on the basis of average daily membership.

SECTION 5.4.(g) Funds appropriated in this section for scholarships for needy students shall be used only for students at the constituent institutions of The University of North Carolina and the constituent institutions of the Community College System.

PART VI. GENERAL PROVISIONS

CLARIFY CERTIFIED BUDGET

SECTION 6.1.(a) The purpose of this section is to clarify the distinction between changes to the budget enacted by the General Assembly in this act and changes made by the Director of the Budget pursuant to other authority.

SECTION 6.1.(b) For the 2011-2013 fiscal biennium, and notwithstanding the provisions of Chapter 143C of the General Statutes or any other provision of law, the certified budget for each State agency shall reflect only the total of all appropriations enacted for each State agency by the General Assembly in this act as modified by this act; therefore, the Director of the Budget shall modify the certified budget only to reflect the following actions and only to the extent that they are authorized by this act:

(1) The allocation of funds set out in reserves.
(2) Government reorganizations.

The Director of the Budget shall set out all other budget modifications in the authorized budget.

CONTINGENCY AND EMERGENCY FUND LIMITATION

SECTION 6.2. For the 2011-2013 fiscal biennium, and notwithstanding the provisions of G.S. 143C-4-4(b), funds appropriated to the Contingency and Emergency Fund may be used only for expenditures required (i) by a court or Industrial Commission order or (ii) to respond to events as authorized under G.S. 166A-5(1)a.9. of the North Carolina Emergency Management Act of 1977. These funds shall not be used for other statutorily authorized purposes or for any other contingencies and emergencies.

ESTABLISHING OR INCREASING FEES UNDER THIS ACT

SECTION 6.3.(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 to the level authorized or anticipated in this act.

SECTION 6.3.(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.

CONSULTATION REQUIRED BEFORE CREATION OF NEW FUNDS

SECTION 6.4. Notwithstanding G.S. 143C-1-3 or any other provision of law to the contrary, the Office of State Budget and Management and the Office of the State Controller shall consult with the Joint Legislative Commission on Governmental Operations prior to the establishment of a new fund as defined in G.S. 143C-1-3.

INTERIM APPROPRIATIONS COMMITTEES/MEETINGS/CONSULTATION BY GOVERNOR

SECTION 6.5.(a) The General Assembly finds that:

(1) The power of appropriation is vested only with the General Assembly.

(2) Section 7 of Article V of the North Carolina Constitution requires that no money shall be drawn from the State treasury but in consequence of appropriations made by law.

(3) Section 5 of Article III of the North Carolina Constitution requires the Governor to administer the budget as enacted by the General Assembly; and

(4) Proper oversight of public funds and oversight of the execution and administration of the State's budget are tantamount to good stewardship and proper governance.

(5) It is the proper duty of a legislative body to examine and review the expenditure of public funds on an ongoing basis and that the appropriations committees of the General Assembly shall meet as needed to fulfill this duty.

SECTION 6.5.(b) Purpose. – The Appropriations Committee of the House of Representatives and the Appropriations/Base Budget Committee of the Senate (the Committees) may meet monthly during the period between legislative sessions to perform ongoing examination and oversight of State agencies' execution and administration of the budget, including review of agency expenditures and collections of receipts, agency compliance with State laws governing the expenditure of public moneys, compliance with legislative policies and intent, and the ongoing fiscal stability and integrity of State government.

SECTION 6.5.(c) The Committees may perform the following:

(1) Review the expenditure of State funds as to:
  a. Conformity with State law.
  b. Conformity with legislative intent.
  c. Necessity with meeting program or purpose objectives.

(2) Conduct zero-based budgeting or another systematic approach to examine the use of State funds on an ongoing basis.

(3) Receive quarterly analyses of the State's revenues and expenditures as prepared by the Fiscal Research Division of the Legislative Services Commission.

(4) Propose legislation that would result in enhanced program accountability.

(5) Provide oversight of fiscal studies.

(6) Provide oversight of justification reviews conducted by the Fiscal Research Division of the Legislative Services Commission, whereby programs are evaluated periodically for continuing appropriations. The results of these justification reviews shall be made to the Appropriations Committees at the beginning of each legislative session.

(7) Evaluate State agencies' plans or proposals regarding the funding of new or expanded programs and services not previously approved by the General Assembly as part of its Appropriations Act.

(8) Produce written reports of findings and recommendations as follows:
  a. To the General Assembly. – If findings arrived at during a study have a potential impact on appropriations deliberations, the findings shall be presented immediately to the Committees. These reports shall contain recommendations for appropriate executive action, and when legislation is considered necessary to effect change, draft legislation for that purpose may be included.
  b. To the Governor. – If findings arrived at during a review have a potential impact on the current budget, the findings shall be

presented immediately to the Governor and shall contain recommendations for appropriate executive action.

SECTION 6.5.(d) The Committees shall be consulted by the Governor prior to any of the following:

(1) Establishment of permanent State positions in the executive branch unless authorized in this act.

(2) Expenditures in excess of the total requirements of a purpose or program as enacted by the General Assembly and as provided by G.S. 143C-6-4.

(3) Extraordinary measures taken under Section 5(3) of Article III of the North Carolina Constitution to effect necessary economies in State expenditures required for balancing the budget due to a revenue shortfall, including, but not limited to, the following: loans among funds, personnel freezes or layoffs, capital project reversions, program eliminations, and use of reserves. However, if the Committees fail to meet within 10 calendar days of a request by the Governor for its consultation, the Governor may proceed to take the appropriate and necessary actions and shall then report those actions at the next meeting of the Committees.

(4) Notwithstanding G.S. 143C-8-7, G.S. 143C-8-12, or any law to the contrary, the Committees shall be consulted by the Governor prior to approval of new capital improvement projects funded from gifts, grants, receipts, special funds, self-liquidating indebtedness, and other funds or any combination of funds for projects not specifically authorized by the General Assembly. The consultation shall include a description for each proposed capital project as delineated in G.S. 143C-8-6(e).

JUSTIFICATION/OPERATIONAL REVIEWS

SECTION 6.6.(a) It is the intent of the General Assembly to subject the operations of State government and the operations of nongovernmental entities receiving State funds to periodic Justification Reviews. The Reviews shall be conducted by the Fiscal Research Division and shall specifically address the following questions:

(1) Is the program or service fulfilling the letter and/or intent of its legislative mandate?

(2) Is that mandate still justified, either in its original form or some modified form?

(3) Does the program follow identified best practices to address its mandate?

(4) Is the program duplicative of other services provided by the public or private sectors?

(5) Is the program effective?

(6) Is the program efficient?

(7) Are there any other obstacles that might limit the program's ability to accomplish its mission?

SECTION 6.6.(b) For the fiscal year 2011-2012, the following programs or services shall be the subject of review:

(1) Lumberton Southeastern Agricultural Center and Farmer's Market – Department of Agriculture and Consumer Services.

(2) DENR Regional Offices – Department of Environment and Natural Resources.

(3) DHHS postsecondary education programs.

(4) Environmental Rating Scales Contract.

SECTION 6.6.(c) By May 1, 2012, the Fiscal Research Division shall report its findings and recommendations to the Appropriations Committee of the House of Representatives and the Appropriations/Base Budget Committee of the Senate. The report shall:

(1) Provide a description of each program.

(2) Identify major policy issues that the General Assembly should address.

(3) Explore means to achieve program objectives more efficiently.

(4) Characterize the likely results of alternative funding levels and/or opportunities to save taxpayer dollars.

(5) Identify performance measures that have been established by the agency and the usefulness of those performance measures, as well as the agency's progress toward meeting their established measures.

CONTINUATION REVIEW OF CERTAIN FUNDS/PROGRAMS/DIVISIONS

SECTION 6.7.(a) It is the intent of the General Assembly to periodically and systematically review the funds, agencies, divisions, and programs financed by State government. This process is known as the Continuation Review Program. The Continuation Review Program is intended to assist the General Assembly in determining whether to continue, reduce, or eliminate funding for the State's funds, agencies, divisions, and programs subject to continuation review.

SECTION 6.7.(b) The Appropriations Committee of the House of Representatives and the Appropriations/Base Budget Committee of the Senate may review the funds, programs, and divisions listed in this section and shall determine whether to continue, reduce, or eliminate funding for the funds, programs, and divisions, subject to the Continuation Review Program. The Fiscal Research Division may issue instructions to the State departments and agencies subject to continuation review regarding the expected content and format of the reports required by this section. No later than December 1, 2011, the following agencies shall report to the Fiscal Research Division:

(1) Justice and Public Safety. – Family Court.
(2) Education. – Center for Public Television as provided by Section 9.1 of this act.
(3) Natural and Economic Resources. –
  a. Commerce/Office of Science and Technology.
  b. Wildlife Resources Commission/Conservation Education.
(4) Health and Human Services. – Division of Information Resource Management.
(5) General Government. – General Assembly Facility Services.
(6) Transportation. – Division of Motor Vehicles Drivers License Program.

SECTION 6.7.(c) The continuation review reports required in this section shall include the following information:

(1) A description of the fund, agency, division, or program mission, goals, and objectives.
(2) The statutory objectives for the fund, agency, division, or program and the problem or need addressed.
(3) The extent to which the fund, agency, division, or program objectives have been achieved.
(4) The fund's, agency's, division's, or program's functions or programs performed without specific statutory authority.
(5) The performance measures for each fund, agency, division, or program and the process by which the performance measures determine efficiency and effectiveness.
(6) Recommendations for statutory, budgetary, or administrative changes needed to improve efficiency and effectiveness of services delivered to the public.
(7) The consequences of discontinuing funding.
(8) Recommendations for improving services or reducing costs or duplication.
(9) The identification of policy issues that should be brought to the attention of the General Assembly.
(10) Other information necessary to fully support the General Assembly's Continuation Review Program along with any information included in instructions from the Fiscal Research Division.

SECTION 6.7.(d) State departments and agencies identified in subsection (b) of this section shall submit a final report to the General Assembly by March 1, 2012.

STATE GOVERNMENT REORGANIZATION

SECTION 6.8. The Joint Legislative Commission on Governmental Operations (Commission) shall study the feasibility of creating a single department to support State departments, agencies, and offices with services, including, but not limited to, human resource

management, information technology, purchasing, and budget and financial management. The Commission shall report to the House of Representatives and Senate Appropriations Committees on its findings and recommendations upon the convening of the 2012 Regular Session of the 2011 General Assembly.

In the conduct of this study, the Commission may consider the Governor's proposed Department of Management and Administration as included in Executive Order 85, dated March 25, 2011, entitled "Consolidation and Reorganization of Executive Branch Agencies to Improve the Efficiency of State Government."

UTILIZATION REVIEW/PUBLIC SCHOOL AND PUBLIC HEALTH NURSES

SECTION 6.9.(a) Beginning July 1, 2011, the Fiscal Research Division, in consultation with the Department of Public Instruction and the Department of Health and Human Services, shall review all publicly (federal and State) funded public school nurse positions assigned within or connected to those respective organizations in order to determine the most effective and cost-efficient ways to provide needed nursing service to public school students. The review shall identify specific areas where overlaps of service provision may exist. The review shall focus on ways to maximize existing nursing resources and to change prospectively the manner in which local school nurses are allocated to better address the needs of students in the public schools at reasonable cost. Specifically, the review shall examine at least all of the following:

(1) Feasibility of having the money all flow to local public health departments for management and administration purposes to align health-related activities with the local entity best equipped to manage.

(2) Feasibility of using a mix of licensed nurses, both registered nurses (RN) and licensed practical nurses (LPN), to provide health care services in the public schools.

(3) Feasibility of allowing a school nurse to be licensed as an LPN as long as the nurse works under the direct supervision of an RN.

(4) Development of a new allocation formula that considers:

a. Average daily membership.

b. Local match requirement.

c. A base amount for each local school administrative unit.

SECTION 6.9.(b) By May 1, 2012, the Fiscal Research Division shall report to the House and Senate Appropriations Committees.

GLOBAL TRANSPARK DEBT, REPORT, AND STUDY

SECTION 6.10.(a) 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, Section 27.7 of S.L. 2007-323, and Section 25.2 of S.L. 2009-451, 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, ~~2011.~~ 2012. 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."

SECTION 6.10.(b) The Global TransPark Authority shall report to the Program Evaluation Division on its strategic, business, and financial plans. The report shall be made by no later than January 1, 2012, and shall include the Authority's proposed schedule to achieve financial self-sufficiency and proposed schedule to repay to the Escheat Fund the investment authorized under G.S. 147-69.2(b)(11) plus any accumulated interest, both of which totaled forty million sixty-seven thousand nine hundred eighteen dollars and twenty cents ($40,067,918.20) as of March 31, 2011.

SECTION 6.10.(c) The Program Evaluation Division of the General Assembly shall study the feasibility and implications of (i) transferring the entire Global TransPark Authority to another State agency and (ii) transferring functions of the Global TransPark Authority to other State agencies as part of a consolidation. The term "functions of the Global TransPark Authority" includes, but is not limited to, administration, planning, economic development and marketing, property management, and training center functions. The Program Evaluation Division shall report its findings and make a recommendation from this study to the Joint Legislative Program Evaluation Oversight Committee no later than May 1, 2012.

HEALTH AND WELLNESS TRUST FUND AND TOBACCO TRUST FUND/FUTURE MSA PAYMENTS

SECTION 6.11.(a) The Health and Wellness Trust Fund (HWTF) and Health and Wellness Trust Fund Commission are abolished, and Article 6C of Chapter 147 of the General Statutes is repealed.

SECTION 6.11.(b) Funds remaining in the Health and Wellness Trust Fund on June 30, 2011, shall be transferred to the State Controller to be deposited in Nontax Budget code 19878 (Intrastate Transfers) for fiscal year 2011-2012 to be used by the Department for the following purposes:

(1) Up to the sum of twenty-two million dollars ($22,000,000) shall be used to administer grants associated with the following programs and initiatives:
   a. Teen Tobacco Prevention.
   b. ChecKmeds.
   c. Medication Assistance Programs.
   d. Obesity Prevention.

(2) The sum of ten million dollars ($10,000,000) shall be used to reduce the total savings required to be achieved for the Medicaid program by Community Care of North Carolina.

(3) The remainder shall be used to reduce the Medicaid Provider Rate cut.

SECTION 6.11.(c) G.S. 116-29.1(b)(1) reads as rewritten:

"(b) The General Assembly finds that it is imperative that the State provide a minimum of fifty million dollars ($50,000,000) each calendar year to the University Cancer Research Fund; therefore, effective July 1 of each calendar year:

(1) ~~Notwithstanding G.S. 143C-9-3, of~~Of the funds credited to ~~the Tobacco Trust Account,~~Budget Code 69430 in the Department of State Treasurer, the sum of eight million dollars ($8,000,000) is transferred from ~~the Tobacco Trust Account~~Budget Code 69430 to the University Cancer Research Fund and appropriated for this purpose.

...."

SECTION 6.11.(d) Section 6 of S.L. 1999-2 reads as rewritten:

"Section 6. (a) Except as provided in subsection (b) of this section, it ~~It~~ is the intent of the General Assembly that the funds under the Master Settlement Agreement, which is incorporated into the Consent Decree, be allocated as follows:

(1) Fifty percent (50%) to the nonprofit corporation as provided by the Consent Decree.

(2) ~~Twenty-five percent (25%) to a trust fund to be established by the General Assembly~~Fifty percent (50%) shall be allocated as follows:
   a. Debt service as authorized by the State Capital Facilities Act of 2004, Part 1 of S.L. 2004-179 and S.L. 2004-124. As soon as practicable after the beginning of each fiscal year, the State Treasurer shall estimate and transfer to Budget Code 69430 the amount of debt service anticipated to be paid during the fiscal year for special indebtedness authorized by the State Capital Facilities Act of 2004.

b. The sum of eight million dollars ($8,000,000) is credited to Budget Code 69430 and shall be transferred to the University Cancer Research Fund in accordance with G.S. 116-29.1.

c. The balance remaining to be credited to the State General Fund to be used for the following purposes:

1. ~~for the~~The benefit of tobacco producers, tobacco allotment holders, and persons engaged in tobacco-related ~~businesses, with this trust fund to be governed by a board of trustees representing these interests.~~businesses. To carry out this purpose, ~~this trust fund~~funds may provide direct and indirect financial ~~assistance, in accordance with criteria established by the trustees of the trust fund and~~assistance, to the extent allowed by law, to (i) indemnify tobacco producers, allotment holders, and persons engaged in tobacco-related businesses from the adverse economic effects of the Master Settlement Agreement, (ii) compensate tobacco producers and allotment holders for the economic loss resulting from lost quota, and (iii) revitalize tobacco dependent communities.

2. The benefit of health to fund programs and initiatives that include research, education, prevention, and treatment of health problems in North Carolina and to increase the capacity of communities to respond to the public's health needs through programs such as Health Choice and the State's Medicaid program.

~~(3) Twenty-five percent (25%) to a trust fund to be established by the General Assembly for the benefit of health, with this trust fund to be governed by a board of trustees comprised of a broad representation of health interests.~~

(b) Any monies paid into the North Carolina State Specific Account from the Disputed Payments Account on account of the Non-Participating Manufacturers that would have been transferred to The Golden L.E.A.F. (Long-Term Economic Advancement Foundation), Inc., or to the trust funds established in accordance with subdivision (a)(2) of this section shall be deposited in the General Fund Account of the Settlement Reserve Fund."

SECTION 6.11.(e) The funds allocated in subdivision (2)a. of Section 6 of S.L. 1999-2, as rewritten by subsection (d) of this section, are appropriated from the General Fund for fiscal years 2011-2012 and 2012-2013 and shall be expended in accordance with the provisions of subdivision (2)a. of Section 6 of S.L. 1999-2, as amended by subsection (d) of this section.

SECTION 6.11.(f) Notwithstanding the provisions of G.S. 143-717(i), the administrative costs of the Tobacco Trust Fund shall not exceed six hundred twenty-five thousand dollars ($625,000) for fiscal year 2011-2012 and fiscal year 2012-2013.

SECTION 6.11.(g) The fifty percent (50%) of any monies paid into the North Carolina State Specific Account from the Disputed Payments Account on account of the Non-Participating Manufacturers that would have been transferred to The Golden L.E.A.F. (Long-Term Economic Advancement Foundation), Inc., pursuant to Section 2(b) of S.L. 1999-2, is transferred to the General Fund Account within the Settlement Reserve Fund.

SECTION 6.11.(h) The Attorney General shall take all necessary actions to notify the court in the action entitled State of North Carolina v. Philip Morris Incorporated, et al., 98 CVS 14377, in the General Court of Justice, Superior Court Division, Wake County, North Carolina, and the administrators of the State Specific Account established under the Master Settlement Agreement of this action by the General Assembly redirecting the payments set forth in subsection (g) of this section.

SECTION 6.11.(i) G.S. 143C-9-3(b) and (c) are repealed.

SECTION 6.11.(j) Subsection (a) of this section shall be effective 60 days after this act becomes law or on October 1, 2011, whichever occurs first. Subsection (b) of this section becomes effective on June 30, 2011.

CONSOLIDATION OF AIR SERVICES AND CENTRALIZATION OF AIR MANAGEMENT/STATE-OWNED PASSENGER AND NON-PASSENGER VEHICLES

SECTION 6.13.(a) The State Motor Fleet project in the Work Plan of the Program Evaluation Division approved April 5, 2011, by the Joint Legislative Program Evaluation Oversight Committee is amended as described in this section.

SECTION 6.13.(b) The Program Evaluation Division shall evaluate the consolidation of air services provided by the Department of Transportation, the State Bureau of Investigation, and the University of North Carolina Passenger Mission and shall recommend the most appropriate agency to house the consolidated services. Other air services may be examined for consolidation by the Program Evaluation Division. The study shall evaluate savings through consolidation, including potential savings from the following:

(1) Reduction in aircraft.
(2) Reduction in personnel.
(3) Reduction in State facilities.
(4) An improved level of service.
(5) The potential sale of the DOT Beechcraft B200 aircraft tail number N3NC and if so when the sale should take place.

SECTION 6.13.(c) The Program Evaluation Division shall study the formation of an Aviation Management Authority, as recommended by the Program Evaluation Division's April 2010 Report "Selling 25 Underutilized Aircraft May Yield Up to $8.1 Million and Save $1.5 Million Annually."

SECTION 6.13.(d) The Program Evaluation Division shall study all passenger and non-passenger vehicles owned and operated by all State government departments, institutions, and entities. The study shall include motor fleet fees and associated cash balances, mechanic operations, the use and purpose of assigned vehicles, and State fueling stations and associated fees.

SECTION 6.13.(e) The Program Evaluation Division shall report its findings and recommendations from the State Motor Fleet project described under this section to the Joint Legislative Program Evaluation Oversight Committee no later than May 1, 2012.

TORNADO ASSISTANCE

SECTION 6.14. The General Assembly finds that on April 16, 2011, heavy thunderstorms and powerful tornadoes swept through this State, with 18 counties sustaining the most extensive damage. Those counties are Bertie, Bladen, Craven, Cumberland, Currituck, Greene, Halifax, Harnett, Hertford, Hoke, Johnston, Lee, Onslow, Pitt, Robeson, Sampson, Wake, and Wilson Counties. It is the intent of the General Assembly to provide State matching funds to help mitigate losses, rebuild infrastructure, and aid affected citizens and businesses.

STATE-OWNED DISPOSABLE ASSETS

SECTION 6.15.(a) Definition. – For purposes of this section, the term "State-owned disposable assets" or "assets" means State-owned land, buildings, and other assets that are unused, underused, or do not involve a core function of government.

SECTION 6.15.(b) By September 1, 2011, the Department of Administration, in consultation with all other affected State departments, agencies, and institutions, shall do all of the following:

(1) Implement a system for the sale of State-owned disposable assets, considering the following:
   a. The condition of the asset.
   b. The extent to which the asset meets the purpose for which it was intended.
   c. The future needs of the State to perform the service intended at the location.
   d. The best and most cost-effective manner in which these future needs can be serviced.
   e. The practicability of moving the function of the services performed at a location to another area that might reduce acquisition, construction, and labor costs without diminishing the quality of service.
   f. The manner in which an asset should be (i) sold or retained, (ii) renovated, (iii) expanded for future use, or (iv) sold with a leaseback.
   g. Other factors regarding use of the asset.

(2) Examine current State law to determine amendments to allow for the most efficient and effective disposition of assets.

SECTION 6.15.(c) The Department of Administration shall take the action necessary to effectuate the sale of State-owned disposable assets in accordance with Section 2.2(a) of this act.

SECTION 6.15.(d) By March 31, 2012, the Department of Administration shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on all asset sales made pursuant to this section.

UNEMPLOYMENT INSURANCE/IMPLEMENT THREE-YEAR LOOK BACK

SECTION 6.16.(a) G.S. 96-12.01(a1)(4)c. is amended by adding a new sub-sub-subdivision to read:

"3. This section applies as provided under the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312) as it existed on December 17, 2010, and is applicable to compensation for weeks of unemployment beginning after December 17, 2010, and ending on or before December 31, 2011, provided that:

I. The average rate of (i) insured unemployment, not seasonally adjusted, equaled or exceeded one hundred twenty percent (120%) of the average of such rates for the corresponding 13-week period ending in all of the preceding three calendar years and equaled or exceeded five percent (5%) or (ii) total unemployment, seasonally adjusted, as determined by the United States Secretary of Labor, for the period consisting of the most recent three months for which data for all states are published before the close of the week equals or exceeds six and one-half percent (6.5%); and

II. The average rate of total unemployment in this State, seasonally adjusted, as determined by the United States Secretary of Labor, for the three-month period referred to in this subsection, equals or exceeds one hundred ten percent (110%) of the average for any of the corresponding three-month periods ending in the three preceding calendar years."

SECTION 6.16.(b) G.S. 96-12.01(a1)(4)e. reads as rewritten:

"(4) There is an "on indicator" for this State for a week if the Commission determines, in accordance with the regulations of the United States Secretary of Labor, that for the period consisting of such week and the immediate preceding 12 weeks, the rate of insured unemployment (not seasonally adjusted) under this Chapter:

...

e. Total extended benefit amount.

1. The total extended benefit amount payment to any eligible individual with respect to the applicable benefit year shall be the least of the following amounts:

I. Fifty percent (50%) of the total amount of regular benefits which were payable to the individual under this Chapter in the individual's applicable benefit year; or

II. Thirteen times the individual's weekly benefit amount that was payable to the individual under this Chapter for a week of total unemployment in the applicable benefit year.

2. I. Effective with respect to weeks beginning in a high unemployment period, sub-subdivision e.1. of this subdivision shall be applied by substituting:

A. "Eighty percent (80%)" for "fifty percent (50%)" in sub-subdivision e.1.I., and
B. "Twenty" for "thirteen" in sub-subdivision e.1.II.

II. For purposes of sub-subdivision 2.I., the term "high unemployment period" means any period during which an extended benefit period would be in effect if sub-subdivision c. of this subdivision were applied by substituting "eight percent (8%)" for six and one-half percent (6.5%)".

3. This subdivision applies as provided under the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312) as it existed on December 17, 2010, and is applicable to compensation for weeks of unemployment beginning after December 17, 2010, and ending on or before December 31, 2011, provided that:

I. The average rate of total unemployment, seasonally adjusted, as determined by the United States Secretary of Labor, for the period consisting of the most recent three months for which data for all states are published before the close of the week equals or exceeds eight percent (8%); and

II. The average rate of total unemployment in this State, seasonally adjusted, as determined by the United States Secretary of Labor, for the three-month period referred to in this subdivision equals or exceeds one hundred ten percent (110%) of the average for any of the corresponding three-month periods ending in the three preceding calendar years."

SECTION 6.16.(c) The intent of this section is to allow extended benefits to be paid as provided under the federal Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 so long as the payment of the benefits does not hinder the State's ability to reduce the debt it owes the federal government to pay unemployment benefits. It is not the intent of this section to pay for the extended benefits with contributions paid by employers under Chapter 96 of the General Statutes or with contributions paid by employers under the federal payroll tax that would otherwise be used to pay down the amount borrowed from the federal government by the State to pay unemployment benefits. Nothing in this section obligates the State to pay extended benefits provided by this section with contributions payable under Chapter 96 of the General Statutes or with any other State funds. This section is null and void if the payment of the benefits would divert federal payroll tax revenue payable by North Carolina employers that would otherwise be used to pay down the amount borrowed from the federal government by the State to pay unemployment benefits.

SECTION 6.16.(d) This section becomes effective April 16, 2011, and expires January 1, 2012.

PART VI-A. INFORMATION TECHNOLOGY

INFORMATION TECHNOLOGY FUND/AVAILABILITY

SECTION 6A.1.(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 2011-2012	FY 2012-2013
Appropriation from General Fund	$4,458,142	$6,158,142
Interest	$ 25,000	$ 25,000
IT Fund Balance June 30	$ 792,000	$ 0
Total Funds Available	**$5,275,142**	**$6,183,142**

Appropriations are made from the Information Technology Fund for the 2011-2013 fiscal biennium as follows:

	FY 2011-2012	FY 2012-2013
Information Technology Operations		
Center for Geographic Information and Analysis	$ 599,347	$ 599,347
Enterprise Security Risk Management	$ 864,148	$ 864,148
Enterprise Project Management Office	$1,473,285	$1,473,285
Architecture and Engineering	$ 581,986	$ 581,986
Criminal Justice Information Network	$ 166,422	$ 166,422
Statewide IT Procurement	$ 0	$ 0
State Web site	$ 100,000	$ 0
ITS Overhead Reduction	($91,486)	($91,486)
Subtotal Information Technology Operations	$3,693,702	$3,593,702
Information Technology Projects		
State Portal	$ 0	$ 0
IT Consolidation	$ 776,440	$ 784,440
Transfer to OSC for E-Forms	$ 500,000	$ 500,000
Subtotal Information Technology Projects	$1,276,440	$1,284,440
Data Integration License Funding Transfer to State Agencies	$ 200,000	$1,200,000
Position Transfer to Office of State Budget and Management	$ 105,000	$ 105,000
Total	**$5,275,142**	**$6,183,142**

SECTION 6A.1.(b) By September 1 of each year, data integration funding in the Information Technology Fund for that State fiscal year shall be transferred to State agencies in proportion to their use of data integration licenses at that point in time. The State Chief Information Officer shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division by September 2 of each year on the status of the transfer.

Any licensing requirements after the 2011-2013 fiscal biennium shall be the responsibility of the participating agency. For the 2012-2013 fiscal year, the State Chief Information Officer shall provide funding in the amount of one million two hundred thousand dollars ($1,200,000) to offset data integration licensing costs and shall charge agencies based on license usage for license costs in excess of one million two hundred thousand dollars ($1,200,000). The State Chief Information Officer shall notify affected agencies of this requirement by September 1, 2011. The State Chief Information Officer shall ensure that agencies choosing to participate after that date are notified prior to agreeing to participate in the data integration license agreement. The State Chief Information Officer shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division by September 2, 2011, on agency notification of their responsibility to fund any data integration license requirements after the 2011-2013 fiscal biennium.

SECTION 6A.1.(c) Unless a change is approved by the State Chief Information Officer after consultation with the Office of State Budget and Management, funds appropriated to the Information Technology Fund shall be spent only as specified in this section. Changes shall not result in any degradation to the operation or project for which the funds were originally appropriated.

Any changes to the specified uses shall be approved in writing by the State Chief Information Officer and shall immediately be reported to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Subcommittee on General Government, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on General Government and Information Technology, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management. This report shall include detailed reasons for the changes in use and shall explain why each change does not have any potential impact on the operation or project for which the funding was originally appropriated.

SECTION 6A.1.(d) The Office of the State Controller shall coordinate with the Office of the State Chief Information Officer to identify four positions in the Office of the State Chief Information Officer that shall be used, effective August 1, 2011, to support planning and

implementation of an automated fraud detection capability and an e-forms/digital signature project.

SECTION 6A.1.(e) This section is effective when it becomes law.

INFORMATION TECHNOLOGY OPERATIONS

SECTION 6A.2.(a) Information Technology Internal Service Fund 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 Information Technology Internal Service Fund 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 and approved by the Office of State Budget and Management.

Any uses of the Internal Service Fund not specifically related to the operation of the Office of Information Technology Services shall immediately be reported to the Office of State Budget and Management and the Fiscal Research Division with an explanation as to why it was necessary to use the Fund.

SECTION 6A.2.(b) Enterprise Projects. – The State Chief Information Officer shall consult the respective State agency chief information officer and obtain approval from the Office of State Budget and Management prior to the initiation of any enterprise project or contract. State agency requirements shall be incorporated into any enterprise agreement signed by the State Chief Information Officer or his or her representative. Enterprise projects shall not exceed the participating State agencies' ability to financially support the contracts.

SECTION 6A.2.(c) The State Chief Information Officer shall not enter into any information technology contracts without obtaining written agreements from participating State agencies regarding the apportionment of the contract cost. 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 or project.

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

The State Chief Information Officer shall ensure that enterprise project and contract costs are allocated to participating agencies in an equitable manner.

SECTION 6A.2.(d) Agency Projects. – Prior to initiation, any information technology project, or any segment of a multipart project, costing more than two hundred fifty thousand dollars ($250,000) shall be included in the agency's most recent information technology plan and shall be approved by the General Assembly.

SECTION 6A.2.(e) Three-Year Contracts. – 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 price at the beginning of the contract agreement. All of the following conditions shall be met before payment for these agreements may be disbursed:

(1) Any advance payment can be accomplished within the Information Technology Internal Service Fund 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 interest 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 Information Technology Internal Service Fund

rate calculations before the Office of State Budget and Management annually approves proposed rates. Any savings resulting from the agreements shall be returned to agencies included in the contract in the form of reduced rates. The Office of Information Technology Services shall submit a quarterly written report to the Office of State Budget and Management on any State agency budget impacts resulting from multiyear contracts. Under no circumstances shall multiyear contracts result in rate increases for participating agencies. The Office of Information Technology Services shall submit a quarterly written report of any authorizations granted under this section to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division of the North Carolina General Assembly.

SECTION 6A.2.(f) Information Technology Hosting. – State agencies developing and implementing information technology projects/applications shall use the State infrastructure to host their projects. An exception to this requirement may be granted only if approved by both the State Chief Information Officer on the basis of technology requirements and by the Office of State Budget and Management based on cost savings, subject to consultation with the Joint Legislative Commission on Governmental Operations and a report to the Joint Legislative Oversight Committee on Information Technology.

Projects/applications currently hosted outside the State infrastructure shall be returned to State infrastructure not later than the end of any current contract.

By October 1, 2011, the State Chief Information Officer shall report to the Joint Legislative Oversight Committee on Information Technology regarding projects currently hosted outside State infrastructure and a schedule to return those projects to State infrastructure.

SECTION 6A.2.(g) Service Level Agreements. – Service level agreements developed with supported State agencies shall include metrics for the Office of Information Technology Services as well as the supported agencies. When the Office of Information Technology Services or an agency fails to meet metrics established by the service level agreement, a report shall be provided to the Office of State Budget and Management and the Fiscal Research Division of the General Assembly within 10 days, detailing the shortfall and providing a corrective action plan with a time line.

SECTION 6A.2.(h) The Office of Information Technology Services shall assist State agencies in identifying the least expensive source and best value for the purchase of IT goods and services and shall ensure that agencies receive every available discount when purchasing IT goods and services. When the best value and the least expensive sources are different, the Office of Information Technology Services shall report to the Office of State Budget and Management and the Fiscal Research Division on why the least expensive vendor was not the best value.

SECTION 6A.2.(i) Agency Billing and Payments. – The State CIO shall ensure that bills from the Office of Information Technology Services are easily understood and fully transparent. If a State agency fails to pay its IT Internal Service Fund bills within 30 days of receipt, the Office of State Budget and Management may transfer funds from the agency to cover the cost of the bill from that agency to the IT Internal Service Fund.

COORDINATION OF INFORMATION TECHNOLOGY REQUIREMENTS AND GEOGRAPHIC INFORMATION SYSTEM REQUIREMENTS

SECTION 6A.3. The State Chief Information Officer, through the Enterprise Project Management Office, shall develop a plan and adopt measures to avoid the duplication of information technology capabilities and resources across State agencies. When multiple agencies require the same or substantially similar information technology capability, the State Chief Information Officer 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 State Chief Information Officer maintaining oversight of the effort. Further, the Enterprise Project Management Office shall:

(1) Review all ongoing and future 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. Information Technology Procurement shall work to develop contracts for information technology projects to allow the addition of other agencies' requirements within the terms of the existing contract.

(2) Identify existing projects that can best support a particular requirement for multiple agencies and work to transition agencies to those projects.
(3) 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.
(4) Upon identifying an existing information technology capability needed by a State agency, assist that agency in determining how best to access existing projects.
(5) Implement the State Chief Information Officer's plan to reduce duplication.
(6) Deny approval for new projects that duplicate existing capabilities within State agencies.
(7) Provide quarterly reports to the Fiscal Research Division of the General Assembly on progress toward eliminating duplication. The report shall include a list of duplicate projects across State agencies, both ongoing and legacy, and shall document explicit efforts to reduce the duplication. It shall specifically address progress during the quarter for which the report is being submitted. It shall also include a list of projects denied approval because of duplication, with a description of the measures taken to access an existing project with the same capabilities.

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 of each year, the CGIA shall make a written report to the Joint Legislative Oversight Committee on Information Technology and to the Fiscal Research Division of the General Assembly on the results of these efforts.

CRIMINAL JUSTICE LAW ENFORCEMENT AUTOMATED DATA SERVICES (CJLEADS)

SECTION 6A.4.(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), expanding it throughout the State of North Carolina;
(2) Review plans to transition CJLEADS to the Department of Justice, determining if that is still the best course of action, and identifying an alternative, if required;
(3) By October 1, 2011, provide a recommendation to the Joint Legislative Oversight Committee on Information Technology on the best alternative for managing and hosting CJLEADS, along with a time line for the transition; and
(4) Provide quarterly reports on the status of the Program to the Joint Legislative Oversight Committee on Information Technology beginning October 1, 2011.

SECTION 6A.4.(b) The Office of the State Controller shall administer CJLEADS with the assistance of a Leadership Council consisting of:

(1) The Attorney General;
(2) The Director of the 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 President of the North Carolina Sheriffs' Association, Inc.;
(9) A representative of the Federal Bureau of Investigation, who shall be a nonvoting member;
(10) The State Controller; and

(11) The State Chief Information Officer.

SECTION 6A.4.(c) Data that is not classified as a public record under G.S. 132-1 shall not be considered a public record when incorporated into the CJLEADS database.

SECTION 6A.4.(d) To maintain the confidentiality requirements attached to the information provided to CJLEADS by the various State and local agencies, each source agency providing data for CJLEADS shall be the sole custodian of the data for the purpose of any request for inspection or copies thereof under Chapter 132 of the General Statutes. CJLEADS shall only allow access to data from the source agencies in accordance with rules adopted by the respective source agencies.

SECTION 6A.4.(e) Agencies shall use existing resources to provide required support for CJLEADS.

SECTION 6A.4.(f) Section 6.10 of S.L. 2010-31 is repealed.

CONTINUING PILOT PROGRAM TO ALLOW PUBLIC-PRIVATE PARTNERSHIPS TO MEET DEPARTMENT OF REVENUE TECHNOLOGY NEEDS

SECTION 6A.5.(a) To speed the implementation of the Tax Information Management System (TIMS) and the additional components of the Planning and Design Project (PDP) through June 30, 2015, the Secretary of the Department of Revenue may enter into public-private arrangements where (i) the funding of the project 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. All such arrangements shall terminate June 30, 2015.

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 Fund, Highway Funds, and the State portion of the Unauthorized Substance Tax collections of the Special Revenue Fund, up to forty-five million five hundred thousand dollars ($45,500,000) may be authorized by the Office of State Budget and Management for the purchases related to the implementation of TIMS and the additional components of the PDP, including payment for services from non-State entities. The Department of Revenue may retain an additional six million six hundred forty-six thousand five hundred fifty-seven dollars ($6,646,557) from benefits generated for the General Fund since the beginning of the public-private partnership. These funds shall be used as payment of internal costs for the fiscal biennium, and such funds are hereby appropriated for this purpose.

If the Department of Revenue finds that it cannot generate additional benefits totaling forty-five million five hundred thousand dollars ($45,500,000) through June 30, 2015, or that total costs exceed the total available appropriations and earned benefits, then the Department shall do all of the following: (i) immediately notify the Chairs of the House of Representatives and Senate Appropriations Committees and the Fiscal Research Division, (ii) identify any obligations to vendors, (iii) identify options for meeting obligations to vendors, and (iv) 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 6A.5.(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 6A.5.(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 in writing all contracts, including change orders, amendments to contracts, and addendums to contracts, before they are 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. Within five days of entering into a contract, the Department shall provide copies of each contract and all associated information to the Joint Legislative Oversight Committee on Information Technology, the Chairs of the House of Representatives and Senate Committees on Appropriations, and the Fiscal Research Division.

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, 2015.

The Department shall provide copies of the minutes of each meeting and all associated information to the Joint Legislative Oversight Committee on Information Technology, the Chairs of the House of Representatives and Senate Committees on Appropriations, and the Fiscal Research Division.

SECTION 6A.5.(d) Beginning August 1, 2011, and quarterly thereafter, the Department of Revenue shall submit detailed written reports to the Chairs of the House of Representatives and Senate Committees on Appropriations, 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 time line, (iv) and any issues associated with the operation of the public-private partnership.

SECTION 6A.5.(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 and the TIMS project management shall comply with all statutory requirements and other requirements established by the State Chief Information Officer and the Office of State Budget and Management for information technology projects. The State Chief Information Officer and the Office of State Budget and Management shall immediately report any failure to do so to the Joint Legislative Oversight Committee on Information Technology, the Chairs of the House of Representatives and Senate Committees on Appropriations, and the Fiscal Research Division.

SECTION 6A.5.(f) Section 6.20 of S.L. 2009-451, as rewritten by Section 2.3 of S.L. 2010-123, is repealed.

INFORMATION TECHNOLOGY PERSONAL SERVICES CONTRACT REQUIREMENTS

SECTION 6A.6.(a) Effective for the 2011-2013 fiscal biennium, 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 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, the Office of State Budget and Management, the Office of State Personnel, the Office of Information Technology Services, and to the Fiscal Research Division. The report shall explain:

a. The proposed duration of the contract position. If the contract is for more than 12 months, why recruitment of a State employee is not feasible.

b. Whether the contract position requires unique skills for which the State has a short-term need.

c. Whether the position is required for 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) All contract positions requiring information technology skills are subject to the provisions of this section. The Office of State Budget and Management may immediately terminate the funding for any information technology contractor position that is filled without following defined procedures.

(4) All information technology personnel contracts shall be competitive and shall be subject to competition each time they expire. Exceptions must be approved by the Office of Information Technology Services, the Office of State Personnel, and the Office of State Budget and Management. Approved exceptions must immediately be reported to the Fiscal Research.

(5) Agencies shall make every effort to convert SAP and Curam contractors supporting permanent requirements to State employees. Beginning October 1, 2011, agencies shall submit written quarterly reports to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division documenting their progress in converting these contractors to State employment.

Contract positions subject to this section shall be reviewed and approved by the Statewide Information Technology Procurement Office and shall be entered into the project portfolio management tool.

The Statewide Information Technology Procurement Office shall determine the market rate for the type of contract required, as well as to determine the comparable cost for a State employee. Agencies may not exceed the market rate determined by the Statewide Information Technology Procurement Office. After the Statewide Information Technology Procurement Office provides cost data, the Office of State Budget and Management must approve funding for the position.

SECTION 6A.6.(b) 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 the position within 12 months. Within 60 days of hiring the contractor, this plan shall be forwarded to the Office of State Budget and Management, the Office of State Personnel, the Office of Information Technology Services, and the Fiscal Research Division.

SECTION 6A.6.(c) Beginning August 1, 2011, and monthly thereafter, each State agency, department, and institution employing information technology personal services contractors, or contract personnel performing information technology functions, shall provide a detailed report on those contracts to the Office of State Budget and Management, the Office of State Personnel, the Office of Information Technology Services, the Joint Legislative Oversight

Committee on Information Technology, and the Fiscal Research Division of the General Assembly. 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 employs that individual.
  c. The type of contract, start date, and termination date.
  d. The length of time that the individual filling the contracted position has been employed by the State as a contractor in any position.
  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 will be certified by the State Information Technology Purchasing Office.
  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 the contractor can be performed by State employees.

(4) All information required by this subsection related to information technology contractors regardless of the contracting source.

SECTION 6A.6.(d) Each State agency shall provide a detailed explanation of any differences between the agency report required by subsection (b) of this section and the Information Technology Expenditures Report published annually by the Office of the State Controller. This report of differences shall be due 30 days after the publication of the Office of the State Controller's report and shall be submitted to the Office of State Budget and Management, the Fiscal Research Division, and the Joint Legislative Oversight Committee on Information Technology.

SECTION 6A.6.(e) This section does not apply to The University of North Carolina and its constituent institutions.

STATE INFORMATION TECHNOLOGY CONSOLIDATION

SECTION 6A.7.(a) By November 1, 2011, the State Chief Information Officer (State CIO), in conjunction with the Office of State Budget and Management (OSBM), shall develop a detailed plan for consolidating the information technology infrastructure and applications of all State agencies, departments, and institutions in the executive branch. Information technology infrastructure includes personal computers, hosting and network environments, the help desk, call centers, and information technology security. Applications include enterprise software, on-demand software, and customized software. At a minimum, the consolidation plan shall include the following:

(1) Defined targets and priorities with a detailed time line for the implementation of consolidation.

(2) The costs of consolidation by fiscal year and by agency.

(3) The anticipated savings to result from consolidation and a time line for actual achievement of those savings.

(4) Technical, policy, or other issues associated with achieving a timely and effective consolidation.

(5) A process to transfer all information technology hardware and software funding to the Office of the State CIO.

(6) Creation of a project management organization to manage all information technology projects.

(7) Review of agency, Office of Information Technology Services, and Office of the State CIO to identify redundant personnel positions.

When setting consolidation targets, the State CIO shall give high priority to infrastructure issues that pose significant risk to agency operations or data, that provide opportunities for immediate cost savings, and where a statewide approach would minimize disruption of services. In carrying out the consolidation, the Office of Information Technology Services shall utilize the authority set out in G.S. 147-33.83.

SECTION 6A.7.(b) Beginning July 1, 2011, the State CIO shall plan and implement an enterprise level grants management system. Similar systems currently under development may be suspended by the State CIO with funding reprogrammed to support development of the enterprise level grants management system.

In coordination with the State CIO, the Department of Health and Human Services shall develop a plan to implement a single case management system throughout that Department, beginning in the 2012-2013 fiscal year, and shall report to the Joint Legislative Oversight Committee on Information Technology by February 1, 2012, on its initiatives to implement the system. The report shall include a detailed time line for completion and an explanation of the costs associated with case management consolidation.

SECTION 6A.7.(c) Beginning September 1, 2011, and quarterly thereafter, the Office of State Budget and Management, in conjunction with the State CIO, shall provide written reports to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division relating to State information technology consolidation.

ITS/INTERNAL SERVICE FUND RATE ESTABLISHMENT/CASH MANAGEMENT

SECTION 6A.8.(a) For each year of the 2011-2013 fiscal biennium, receipts for the Information Technology Internal Service Fund shall not exceed one hundred ninety million dollars ($190,000,000), excluding a 60-day balance for contingencies. Rates established by the Office of State Budget and Management (OSBM) to support the IT Internal Service Fund shall be based on this required fund limit. Established rates shall be adjusted within 30 days in the event the fund exceeds the prescribed limit. In the event that an increase in receipts for the IT Internal Service Fund is required, the Office of Information Technology Services may implement the increase after consultation with the Joint Legislative Commission on Governmental Operations.

SECTION 6A.8.(b) Rates shall be set to support a specific service for which an agency is being charged. Overhead charges to agencies must be consistently applied and must not exceed industry standards. Rate increases shall require approval of the OSBM. Rate reductions shall be immediately implemented following notification of the OSBM.

SECTION 6A.8.(c) Beginning October 1, 2011, the State Chief Information Officer shall submit a quarterly report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on collections for, expenditures from, and the balance of the IT Internal Service Fund. The report shall include all expenditures made from the fund to support the Office of Information Technology Services and the activities of the State Chief Information Officer.

INFORMATION TECHNOLOGY PRIVATIZATION

SECTION 6A.9.(a) Any privatization of any grouping of information technology services, or "towers," identified in the Infrastructure Study and Assessment (INSA) shall require prior approval from the General Assembly. Funding to support any outsourcing of any of these towers shall be specifically appropriated by the General Assembly for that purpose, to include any use of Information Technology Internal Service Fund receipts.

SECTION 6A.9.(b) Before privatizing any major information technology function during the 2011-2013 fiscal biennium, the State Chief Information Officer shall do all of the following:

(1) Develop a detailed plan for implementing any privatization initiative to include the following:
   a. A governance and accountability structure for the privatization effort.
   b. Detailed time line with milestones.
   c. Any costs necessary to accomplish outsourcing with funding sources identified.
   d. Estimated monthly cost for each participating agency for the first five years of privatization.

e. Risks associated with privatization, measures being taken to mitigate those risks, and any costs associated with the mitigation measures.
f. Any security issues associated with outsourcing each application impacted by the outsourcing, with a detailed plan to mitigate those issues.
g. A list of State employees to be terminated with information on their job description and how long they have been employed by the State, a schedule of when the terminations are to occur, the cost of terminating each employee, and plans to assist each terminated employee.

The State Chief Information Officer shall consult the Joint Legislative Commission on Governmental Operations and report to the Joint Legislative Oversight Committee on Information Technology on the completed plan prior to any implementation of privatization.

(2) Have a detailed plan in place, to include associated costs and sources of funding, to return the function to State control in the event privatization fails to provide anticipated cost-savings or required service levels.
(3) Privatize only those individual functions where verifiable market data shows that privatization will result in cost-savings to the State and there is no data identifying alternatives that generate greater savings, ensuring that agencies receive at a minimum the same level of service and functionality as the level prior to privatization.
(4) Document and certify any anticipated savings resulting from privatization by individual function.
(5) Ensure full disclosure of any privatization decisions that combine multiple services or towers into a single contract, including the costs associated with each specific service or tower included in the contract.
(6) Ensure that any changes are made across the entire executive branch.
(7) Consult the Joint Legislative Commission on Governmental Operations and report to the Joint Legislative Oversight Committee on Information Technology regarding the plan for funding any requirements formerly covered by the receipts from the privatized function.

SECTION 6A.9.(c) After privatizing any major information technology function, the State Chief Information Officer shall do all of the following:

(1) Report quarterly on the results of the privatization, including a detailed comparison of projected savings to actual cost, data on whether or not the vendor is meeting service level agreements, and an explanation of the reasons for any deficiency or difference.
(2) Immediately notify the Joint Legislative Commission on Governmental Operations of any outsourcing effort that does not meet projected savings or required service levels for two quarters in a row or during any two quarters of a fiscal year, and develop a corrective action plan.
(3) Terminate any contract where privatization fails to achieve projected savings or meet service levels over a period of 12 months.

STATE PORTAL IMPLEMENTATION AND OPERATION

SECTION 6A.10.(a) The Department of Administration may implement and operate a statewide electronic enterprise portal to increase the convenience of members of the public in conducting online transactions with, and obtaining information from, State government and to facilitate their interactions and communications with government agencies. The portal shall be hosted on State information technology infrastructure.

SECTION 6A.10.(b) Prior to any development or implementation of a State portal, the Department of Administration shall provide all of the following to the General Assembly:

(1) A detailed plan for development and implementation of the portal, to include a list of applications being considered for implementation during the 2011-2013 and 2013-2015 biennia, including:
a. A description of how the portal is to be implemented, to include the use of outside vendors, with detailed information on their

participation and the potential cost to the State, businesses, and anyone doing business with the State.

b. A list of potential services and a time line for implementing each service.

c. Detailed information on the anticipated cost of ownership of the portal and any services proposed for implementation during the period, to include the amount of any payments received by vendors supporting the project.

(2) A funding model for the implementation that does not increase the cost of services for anyone doing business with the State or reduce the receipts or other funding currently available to State agencies or included in appropriations for the 2011-2013 biennium.

(3) If the portal is outsourced, a detailed, fully executable plan to return portal operations to the State, with associated costs.

(4) Identification of internal resources that could potentially be used to develop and implement a State portal.

SECTION 6A.10.(c) All portal services requiring fees shall be approved by the General Assembly, and all funding for the portal, to include fees, shall be appropriated by the General Assembly. Any fees or other charges collected under this section for the State portal or any supporting functions shall be:

(1) Subject to approval by the General Assembly.

(2) Deposited in the General Fund, or in the Highway Fund for fees collected from the Department of Transportation.

The portal shall not increase fees or impose a new fee for services already provided online or through any automated means.

SECTION 6A.10.(d) Participation by State agencies in the portal shall be voluntary.

SECTION 6A.10.(e) There shall be a convenient, free alternative for any online service provided.

SECTION 6A.10.(f) The State portal project shall meet all requirements for project management established by the State Chief Information Officer. Nothing in this section shall exempt the State portal project from the laws governing State information technology and purchasing.

SECTION 6A.10.(g) Notwithstanding G.S. 114-2.3, the Department of Administration shall engage the services of private counsel with the pertinent information technology and computer law expertise to negotiate and review contracts associated with the State portal.

SECTION 6A.10.(h) Each quarter, beginning October 1, 2011, the Department of Administration shall provide detailed information to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Subcommittee on General Government, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on General Government and Information Technology, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management on the total amount of each fee and any other charge collected by the vendor for each service provided, the amount of funding collected by the State for each service and for each participating agency, and any other costs associated with operating the portal.

SECTION 6A.10.(i) Committee Established. – There is established in the Department of Administration the Portal Project Review Committee, which shall review services and applications proposed for inclusion in the State portal.

SECTION 6A.10.(j) Membership. – The Committee shall be composed of seven members as follows:

(1) Two members appointed by the Governor.

(2) Two members appointed by General Assembly, as recommended by the Speaker of the House of Representatives.

(3) Two members appointed by the General Assembly, as recommended by the President Pro Tempore of the Senate.

(4) The State Controller shall be designated as the Chair.

SECTION 6A.10.(k) Vacancies. – Any vacancy on the Committee shall be filled by the appointing authority.

SECTION 6A.10.(l) Expenses of Members. – Members of the Committee shall receive per diem, subsistence, and travel allowances in accordance with G.S. 120-3.1, 138-5, or 138-6, as appropriate.

SECTION 6A.10.(m) Staff. – Adequate staff shall be provided to the Committee by the Department of Administration.

SECTION 6A.10.(n) Cooperation. – The Committee may call upon any department, agency, institution, or officer of the State or any political subdivision thereof for facilities, data, or other assistance.

SECTION 6A.10.(o) Meeting Location. – The Committee shall hold public meetings at various locations around the State for each proposed service or application to allow interested parties and participating agencies to comment on proposed services in order to promote greater public participation in its deliberations. The Department of Administration shall grant adequate meeting space to the Committee in the State Administration Building or other State office facility as needed.

SECTION 6A.10.(p) Approval Authority. – The Committee shall have approval authority for services and applications not requiring a fee or imposing any cost on any State or local agency or anyone doing business with the State. For services or applications supported by fees, the Committee shall make recommendations to the next regular session of the General Assembly on the feasibility of developing and implementing these services or applications.

TRANSFER CRIMINAL JUSTICE INFORMATION NETWORK TO THE OFFICE OF THE STATE CHIEF INFORMATION OFFICER

SECTION 6A.11.(a) The Criminal Justice Information Network (CJIN), as provided in Article 69 of Chapter 143 of the General Statutes, is hereby transferred to the Office of the State Chief Information Officer. The transfer shall have all the elements of a Type II transfer, as defined in G.S. 143A-6.

SECTION 6A.11.(b) G.S. 143-661(a) reads as rewritten:

"(a) The Criminal Justice Information Network Governing Board is established within the ~~Department of Crime Control and Public Safety,~~ Office of the State Chief Information Officer to operate the State's Criminal Justice Information Network, the purpose of which shall be to provide the governmental and technical information systems infrastructure necessary for accomplishing State and local governmental public safety and justice functions in the most effective manner by appropriately and efficiently sharing criminal justice and juvenile justice information among law enforcement, judicial, and corrections agencies. The Board is established within the ~~Department of Crime Control and Public Safety~~ Office of the State Chief Information Officer, for organizational and budgetary purposes only and the Board shall exercise all of its statutory powers in this Article independent of control by the ~~Department of Crime Control and Public Safety.~~Office of the State Chief Information Officer."

SECTION 6A.11.(c) G.S. 143-664(b) reads as rewritten:

"(b) ~~Pending permanent staffing, the Department~~ The staff of the Criminal Justice Information Network shall provide the Board with professional and clerical ~~staff~~ support and any additional support the Board needs to fulfill its mandate. The ~~Board may meet in an area provided by the Department of Crime Control and Public Safety and the~~ Board's staff shall use space provided by the ~~Department.~~Office of the State Chief Information Officer."

INTEGRATED BUDGET INFORMATION SYSTEM

SECTION 6A.12.(a) The Office of State Budget and Management (OSBM) shall create a detailed, comprehensive plan for the development and implementation of the Integrated Budget Information System (IBIS). By August 1, 2011, the IBIS plan shall be submitted to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division. The plan must include at least the following:

(1) A detailed description of the system with a list of the functions.
(2) A projected time line for completion with detailed milestones.
(3) Total cost of the project, including five years of operations and maintenance costs.
(4) Projected costs for the project each month, including how the funding is to be spent.

(5) Funds identified to support the project from its inception, with the amounts and sources of funding.
(6) Personnel involved in the project, their position and responsibilities, their qualifications, the amount of time each devotes to the project, and their cost, including both State employees and contract personnel.
(7) Number and cost of personnel required to operate the system after its completion.
(8) Total number of hours required to complete the project.
(9) Outside vendors supporting the project, their functions, and their total cost.
(10) Implementation plan, to include a time line for fielding it to participating agencies.
(11) A training plan with a time line.
(12) Any risks to the project, with a strategy to mitigate those risks.

SECTION 6A.12.(b) Beginning August 1, 2011, on the first day of each month, the Office of State Budget and Management shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the status of IBIS. The monthly reports shall be signed by the project sponsor, who shall verify in writing that the information contained in the report is current, complete, and accurate. The monthly report shall include the following:

(1) Project status, to include any issues identified by the Enterprise Project Management Office.
(2) Comparison of project status to the time line, with an explanation of any differences.
(3) Detailed descriptions of milestones to be completed that month and the following month.
(4) Any changes in project cost.
(5) Actual expenditures to date and during that month.
(6) Any variances from projected expenditures and the reasons for the variance.
(7) Any potential funding shortfalls and their impact.
(8) Total hours worked each month and cumulative total hours.
(9) Any variance between projected and actual hours and the reason.
(10) Any issues identified during the month, with a corrective action plan and a time line for resolving them.
(11) Impact of any issues identified on the project schedule.
(12) Impact of any issues identified on project cost.
(13) Any changes to the project.
(14) Any change requests submitted to project vendors and their cost.

SECTION 6A.12.(c) The State Chief Information Officer shall immediately suspend the project if OSBM fails to provide a monthly report required by subsection (b) of this section in a timely manner until such time as the report is submitted.

SECTION 6A.12.(d) If OSBM fails to submit reports to the Enterprise Project Management Office for inclusion in the project portfolio management tool on time, the State CIO shall immediately suspend the project until the information is completed in the tool.

USE OF MOBILE ELECTRONIC COMMUNICATIONS DEVICES

SECTION 6A.14.(a) Every executive branch agency within State government shall develop a policy to limit the issuance and use of mobile electronic devices to the minimum required to carry out the agency's mission. By September 1, 2011, each agency shall provide a copy of its policy to the Chairs of the Appropriations Committee and the Appropriations Subcommittee on General Government of the House of Representatives, the Chairs of the Appropriations/Base Budget Committee and the Appropriations Committee on General Government and Information Technology of the Senate, the Chairs of the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management.

State-issued mobile electronic devices shall be used only for State business. Agencies shall limit the issuance of cell phones, smart phones, and any other mobile electronic devices to employees for whom access to a mobile electronic device is a critical requirement for job performance. The device issued and the plan selected shall be the minimum required to support the employees' work requirements. This shall include considering the use of pagers in

lieu of a more sophisticated device. The requirement for each mobile electronic device issued shall be documented in a written justification that shall be maintained by the agency and reviewed annually. All State agency heads, in consultation with the Office of Information Technology Services and the Office of State Budget and Management, shall document and review all authorized cell phone, smart phone, and other mobile electronic communications device procurement, and related phone, data, Internet, and other usage plans for and by their employees. Agencies shall conduct periodic audits of mobile device usage to ensure that State employees and contractors are complying with agency policies and State requirements for their use.

Beginning October 1, 2011, each agency shall report quarterly to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Subcommittee on General Government, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on General Government and Information Technology, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management on the following:

(1) Any changes to agency policies on the use of mobile devices.
(2) The number and types of new devices issued since the last report.
(3) The total number of mobile devices issued by the agency.
(4) The total cost of mobile devices issued by the agency.
(5) The number of each type of mobile device issued, with the total cost for each type.

SECTION 6A.14.(b) This section does not apply to the legislative branch or the judicial branch of State government.

USE OF DMV INSPECTION PROGRAM ACCOUNT FUND

SECTION 6A.15. G.S. 20-183.7(d) reads as rewritten:

"(d) Inspection Program Account. – The Inspection Program Account is created as a nonreverting account within the Highway Fund. The Division shall administer the Account. Revenue in the Account may be used only to fund the vehicle inspection and maintenance ~~program.~~program and to fund replacement of the State Titling and Registration System and the State Automated Driver License System."

STATEWIDE INFORMATION TECHNOLOGY PROCUREMENT

SECTION 6A.16. Statewide Information Technology Procurement shall be funded through fees charged to agencies using Statewide Information Technology Procurement services. The Office of the State Chief Information Officer shall provide a fee schedule to allow cost recovery to the Office of State Budget and Management.

If agencies fail to pay for services within 30 days of billing, the Office of State Budget and Management shall transfer the unpaid amount to the State Information Technology Procurement Office.

REPLACEMENT OF THE STATE TITLING AND REGISTRATION SYSTEM (STARS) AND THE STATE AUTOMATED DRIVER LICENSE SYSTEM (SADLS)

SECTION 6A.17.(a) The Department of Transportation Division of Motor Vehicles shall begin the replacement of the State Titling and Registration System (STARS) and the State Automated Driver License System (SADLS). By October 1, 2011, the Department shall develop a plan and associated time line for accomplishing the replacement of both systems. The Department shall determine the cost for the replacement of each system and then develop a strategy for funding each. This strategy may include, but is not limited to, funding from statutory sources and bulk data fees.

For the 2011-2013 fiscal biennium, there is appropriated for system replacement (i) the sum of up to twenty-four million dollars ($24,000,000) from the DMV Inspection Program Account Fund and (ii) the sum of up to ten million dollars ($10,000,000) from bulk data fees.

Priority for replacement and for funding shall be to STARS, but the Department may make the decision to concurrently initiate the replacements if sufficient funding can be identified to cover the costs for both during the time frames for each. By October 1, 2011, the Department shall provide the plan and funding strategy to the Joint Legislative Oversight Committee on Information Technology, the Joint Legislative Transportation Oversight Committee, and the Fiscal Research Division.

SECTION 6A.17.(b) Beginning October 1, 2011, and quarterly thereafter until the systems replacement projects are complete, the Department shall report to the Joint Legislative Oversight Committee on Information Technology, the Joint Legislative Transportation Oversight Committee, and the Fiscal Research Division on the status of the systems replacement. The report shall include the following for each replacement project:

(1) Current status of the replacement projects.
(2) Any changes in the scope of either project and associated change requests.
(3) Any changes in cost for each project.
(4) Changes in status since the previous report.
(5) Costs during the previous quarter.
(6) Funding sources and uses during the previous quarter.
(7) Anticipated funding and expenditures by quarter for the next two years.
(8) Any issues associated with the system development and identified solutions.

SECTION 6A.17.(c) The Office of the State Chief Information Officer (SCIO) and the Office of Information Technology Services (ITS) shall ensure that the Department receives all required support and that the replacements are not delayed as a result of any action on the part of either office. Requirements for project review and approval shall be expedited. If the Department does not receive project approvals within two weeks after submitting required data, the SCIO shall notify immediately the Office of State Budget and Management, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division. If the SCIO or ITS determines it is necessary to delay or suspend the project based on technical or funding issues, either office, or the Department of Transportation, may request committee review as defined in G.S. 147-33.72D. This review must be completed within five business days.

ENTERPRISE ELECTRONIC FORMS AND DIGITAL SIGNATURES

SECTION 6A.18.(a) Under the direction of the State Controller, the State shall plan, develop, and implement a coordinated enterprise electronic forms and digital signatures capability. In developing this capability, the State Controller shall determine the cost of converting forms to an electronic format, determine priorities for converting forms, and establish milestones for completing this conversion.

The State Controller shall integrate executive branch agencies already in the process of developing electronic forms and digital signatures projects. Before beginning this effort, the State Controller shall determine specific agency requirements and incorporate their requirements into its planning efforts.

SECTION 6A.18.(b) Beginning October 1, 2011, the State Controller shall present quarterly reports on the status of the project to the Joint Legislative Oversight Committee on Information Technology.

EVALUATION OF STATE INFORMATION TECHNOLOGY OPERATIONS

SECTION 6A.19.(a) The General Assembly shall conduct a detailed, comprehensive evaluation of information technology operations, infrastructure, systems, ongoing projects, and applications within State government. This evaluation shall include, but is not limited to, the following:

(1) Documentation of the information technology organization and function within State government and individual agencies.
(2) Development of a complete inventory of information technology assets and resources within the State.
(3) Documentation and review of agencies' information technology operations.
(4) Documentation of actual agency information technology costs.
(5) Identification and documentation of the costs associated with specific information technology projects and support.
(6) Identification and documentation of funding sources.
(7) Identification and documentation of common requirements for information technology infrastructure, systems, projects, or applications.

The General Assembly may enter into any contracts necessary to facilitate completion of this evaluation.

SECTION 6A.19.(b) The chairs of the Appropriations Committee of the House of Representatives and the Appropriations/Base Budget Committee of the Senate shall establish a

project team to develop an evaluation plan/methodology and manage the day-to-day operation of the evaluation.

SECTION 6A.19.(c) The project team shall develop a detailed schedule prior to the initiation of the evaluation. The schedule shall provide for the evaluation to be conducted in phases. The initial phase shall include all agencies within the executive branch, both Cabinet and Council of State agencies. The scope of subsequent phases shall be determined by the project team during or immediately following the initial phase.

SECTION 6A.19.(d) Agencies shall provide all requested support for evaluation requirements and deliver accurate, complete, and timely data as required to facilitate the evaluation. The agency head shall verify, in writing, the accuracy, completeness, and timeliness of the data. If any support or data provided by an agency does not meet study standards, the agency's information technology functions shall automatically be subject to a continuation review the next fiscal year.

In instances where an immediate change may create opportunities for savings or efficiencies are identified, the project team may recommend implementation of the change prior to completion of the evaluation.

SECTION 6A.19.(e) The General Assembly shall establish an advisory committee that includes business and information technology subject matter experts to provide advice and assistance during the evaluation. The State Controller shall serve as Chairman of the committee.

The President Pro Tempore of the Senate shall appoint five members to the advisory committee, to include an executive from an information technology company, an executive from a Cabinet agency, a Council of State agency Chief Information Officer, a Cabinet agency Chief Financial Officer, and a representative from the Office of Information Technology Services. The Speaker of the House of Representatives shall appoint five members, to include an executive with a private industry management consulting background, an executive from a Council of State agency, a Cabinet agency Chief Information Officer, a Council of State agency Chief Financial Officer, and a representative from the Office of State Budget and Management.

Staff to the committee shall be provided by the General Assembly and shall include analysts and attorneys with a thorough knowledge of information technology operations within the State.

SECTION 6A.19.(f) The Joint Legislative Oversight Committee on Information Technology shall monitor the progress of the evaluation.

Beginning October 1, 2011, the project team shall provide quarterly reports to the chairs of the Appropriations Committee of the House of Representatives and the Appropriations/Base Budget Committee of the Senate, the chairs of the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division.

SECTION 6A.19.(g) Of the funds appropriated to the General Assembly in Section 2.1 of this act, the sum of two million dollars ($2,000,000) for the 2011-2012 fiscal year and the sum of three million dollars ($3,000,000) for the 2012-2013 fiscal year shall be used to implement this section.

COMPREHENSIVE ENTERPRISE-LEVEL DATA INTEGRATION CAPABILITY

SECTION 6A.20.(a) The Office of the State Controller (OSC) shall continue the development of a comprehensive enterprise-level data integration capability, providing broad access to and analysis of information across State government. As part of this development effort, by October 1, 2011, OSC shall update the BEACON Strategic Plan for Data Integration and shall provide the updated plan to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division of the General Assembly. The priority of effort for data integration shall be the Criminal Justice Law Enforcement Automated Data System (CJLEADS).

The strategic 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. OSC shall also develop, document, and enforce security requirements for data integration initiatives, to include establishing and monitoring security standards for vendors supporting development and implementation efforts.

SECTION 6A.20.(b) There is created a Data Integration Steering Committee that shall have responsibility for overseeing all data integration efforts in the State. This Committee shall assume all of the BEACON Project Steering Committee roles and responsibilities for

oversight of data integration projects. This Committee shall be chaired by the State Controller and shall include the following six voting members:

(1) One member appointed by the Governor with an information technology background and experience.
(2) One member appointed by the Governor with a background in law enforcement.
(3) One member appointed by the President Pro Tempore of the Senate with a background in government accounting.
(4) One member appointed by the President Pro Tempore of the Senate with government operations experience.
(5) One member appointed by the Speaker of the House of Representatives with a background in information technology.
(6) One member appointed by the Speaker of the House of Representatives with a background in business management.

Members shall not have any association with potential vendors.

The Director of the Office of State Budget and Management, the State Chief Information Officer, the State Treasurer, and the State Auditor shall serve as advisory members.

The Committee shall be housed in and supported by the Office of the State Controller.

SECTION 6A.20.(c) As part of the State's continuing effort to develop a comprehensive enterprise-level data integration capability, the Office of the State Controller shall develop an enterprise process to detect fraud, waste, and improper payments across State agencies. State agencies shall fully support and participate in OSC's efforts to develop an automated fraud detection system.

In support of the automated fraud detection effort, the OSC shall:

(1) Develop a detailed long-range plan to implement an automated fraud detection system within State agencies.
(2) Determine costs, to include vendor costs, for the effort for five years, beginning July 1, 2011.
(3) Coordinate with State agencies to determine interest in participating in the project and to identify potential applications that can be included in an initial request for proposal.
(4) Establish priorities for developing and implementing potential applications.
(5) Evaluate savings resulting from each effort.
(6) Coordinate efforts with the State's data integration vendor to begin the implementation process.
(7) Establish a pilot to begin the implementation process and to identify and resolve issues associated with expansion of the initiative.
(8) Coordinate with participating agencies to ensure that each has the resources and processes necessary to follow up on incidents of fraud identified by the vendor.
(9) Provide recommendations to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division of the General Assembly on potential future initiatives and the cost and savings associated with each.

SECTION 6A.20.(d) Beginning October 1, 2011, the OSC shall provide quarterly reports to the chairs of the Appropriations Committee of the House of Representatives and the Appropriations/Base Budget Committee of the Senate, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division of the General Assembly. These reports shall include the following:

(1) Incidents, types, and amounts of fraud identified, by agency.
(2) The amount actually recovered as a result of fraud identification, by agency.
(3) Agency procedural changes resulting from fraud identification and the time line for implementing each.
(4) State costs for fraud detection for the previous quarter.
(5) Payments to the vendor for the previous quarter.

(6) Anticipated costs and vendor payments for each of the next two years from the date of the report.

SECTION 6A.20.(e) The Office of the State Controller is authorized to enter into an enterprise automated fraud detection contract for eight million dollars ($8,000,000) for a two-year contract period. Under the terms of the contract, payments are limited to the following payment schedule:

(1) December 2011–$1,000,000.
(2) July 2012–$3,000,000.
(3) December 2012–$3,000,000.
(4) June 2013–$1,000,000.

Further, payments shall be contingent upon achieving the anticipated schedule of benefits realization. To maximize cost reductions and savings, the Office of the State Controller shall enter into the agreement no later than September 1, 2011. To ensure this is a Public-Private Partnership, the Office of the State Controller shall ensure that the chosen vendor shall contribute resources valued at least five million dollars ($5,000,000) during each of fiscal year 2011-2012 and fiscal year 2012-2013 for the project's success.

SECTION 6A.20(f) The Office of State Controller shall ensure that the State receives an appropriate share of intellectual property ownership or residuals, or both, accruing as a result of subsequent contracts between the vendor and third parties that utilize the innovations developed as a result of this contract.

SECTION 6A.20.(g) Of the funds appropriated from the General Fund to the Office of the State Controller, the sum of one million five hundred thousand dollars ($1,500,000) for the 2011-2012 fiscal year and the sum of seven million five hundred thousand dollars ($7,500,000) for the 2012-2013 fiscal year shall be used to support the enterprise process to detect fraud, waste, and improper payments across State agencies in each year of the biennium. Of these funds, five hundred thousand dollars ($500,000) each year shall be used by the Office of the State Controller to support the initiative. The remainder may be used to fund payments to the vendor.

PART VII. PUBLIC SCHOOLS

EDUCATION REFORM IN NORTH CAROLINA

SECTION 7.1.(a) It is a priority of the General Assembly that high school graduates enter the workforce or higher education fully prepared. To implement this priority, the Joint Education Oversight Committee shall study (i) literacy and (ii) ways to reduce the need for remedial or developmental education in the State's higher education institutions so that students and the State do not pay repeatedly for the same education. The Committee shall report to the 2012 Regular Session of the 2011 General Assembly with a comprehensive plan, including implementation dates and schedules, that addresses the following items:

(1) Implementation of a third grade literacy policy, including the advisability of a program for third grade reading specialists modeled on Florida's reading specialist program.
(2) Ways to hold high schools accountable for the higher education performance of their students, including requiring funding for developmental education to come from high schools.
(3) The most cost-effective way to provide remedial education in higher education, including funding summer term developmental courses at community colleges based on successful course completions, focusing remediation at the community colleges, and redirecting university appropriations for remedial education to the community colleges.

SECTION 7.1.(b) In all cases, any program implemented needs to be structured so that ongoing, evaluable performance and outcome data is available.

SECTION 7.1.(c) Funds appropriated to implement this section may be used by the Committee to hire one or more external consultants to complete these studies.

CAREER AND COLLEGE PROMISE

SECTION 7.1A.(a) The State Board of Education and the North Carolina Community College System shall establish the Career and College Promise program. The purpose of Career and College Promise is to offer structured opportunities for qualified high

school students to dually enroll in community college courses that provide pathways consistent with subsection (b) of this section that lead to a certificate, diploma, or degree as well as provide entry-level jobs skills. Academic credits earned through Career and College Promise shall enable students who continue into postsecondary education after graduating from high school to complete a postsecondary credential in less time than would normally be required. All existing high school transition programs, including Huskins, Concurrent Enrollment, Cooperative and Innovative High Schools, Learn and Earn, and Learn and Earn Online shall be consolidated and replaced by Career and College Promise.

SECTION 7.1A.(b) North Carolina community colleges, subject to approval by the State Board of Community Colleges, may offer the following Career and College pathways aligned with the K-12 curriculum and career and college ready standards adopted by the State Board of Education:

(1) A Career Technical Education Pathway, leading to a certificate or diploma aligned with one or more high school Tech Prep Career Clusters.

(2) A College Transfer Pathway, leading to a college transfer certificate requiring the successful completion of thirty semester hours of transfer courses, including English and mathematics, for qualified junior and senior high school students.

(3) A cooperative innovative high schools program approved under Part 9 of Article 16 of Chapter 115C of the General Statutes.

SECTION 7.1A.(c) Constituent institutions of The University of North Carolina System, subject to approval by the Board of Governors of The University of North Carolina, may offer as a Career and College pathway a cooperative innovative high schools program approved under Part 9 of Article 16 of Chapter 115C of the General Statutes. The pathway must align with the K-12 curriculum and career and college ready standards adopted by the State Board of Education.

SECTION 7.1A.(d) The North Carolina Community College System and the Department of Public Instruction shall jointly develop and implement a program accountability plan to evaluate short-term and long-term outcomes for Career and College Promise. Outcomes to be measured shall include the following items:

(1) The impact of dual enrollment on high school completion.

(2) The academic achievement and performance of dually enrolled high school students.

(3) The number of students who successfully complete college certificates while dually enrolled.

(4) The impact of dual enrollment and certificate completion on enrollment in college.

(5) The persistence and completion rates of students who continue into college programs after high school graduation.

(6) The academic achievement and performance of students who continue into colleges programs after high school graduation.

SECTION 7.1A.(e) Community colleges shall generate budget FTE for instruction provided through Career and College Promise. The Community Colleges System Office shall report to the Joint Education Oversight Committee or, if the General Assembly is in session, to the House and Senate Education Committees no later than February 1 regarding the number and cost of high school FTE served as a result of the Career and College Promise program created by this section.

SECTION 7.1A.(f) G.S. 115D-1.1 and G.S. 115D-1.2 are repealed.

SECTION 7.1A.(g) G.S. 115D-41 reads as rewritten:

"**§ 115D-41. Restrictions on contracts with local school administrative units; use of community college facilities by public school students pursuant to cooperative programs.**

(a) Community college contracts with local school administrative units shall not be used by these agencies to supplant funding for a public school high school teacher providing courses offered pursuant to G.S. 115D-20(4) who is already employed by the local school administrative unit. ~~However, if a community college contracts with a local school administrative unit for a public high school teacher to teach a college level course, the community college shall not generate budget FTE for that course. Its reimbursement in this case shall be limited to the direct instructional costs contained in the contract, plus fifteen~~

~~percent (15%) for administrative costs.~~ In no event shall a community college contract with a local school administrative unit to provide high school level courses.

...."

SECTION 7.1A.(h) G.S. 115D-20 reads as rewritten:

"**§ 115D-20. Powers and duties of trustees.**

The trustees of each institution shall constitute the local administrative board of such institution, with such powers and duties as are provided in this Chapter and as are delegated to it by the State Board of Community Colleges. The powers and duties of trustees shall include the following:

...

(4) To apply the standards and requirements for admission and graduation of students and other standards established by the State Board of Community Colleges. ~~Provided, notwithstanding~~Notwithstanding any law or administrative rule to the contrary, ~~local administrative boards and local school boards may establish cooperative programs in the areas they serve to provide for college courses to be offered to qualified high school students with college credits to be awarded to those high school students upon the successful completion of the courses. Provided, further, that during~~local community colleges are permitted to offer the following programs:

a. Subject to the approval of the State Board of Community Colleges, local community colleges may collaborate with local school administrative units to offer courses through the following programs:

1. Cooperative innovative high school programs as provided by Part 9 of Article 16 of Chapter 115C of the General Statutes.

2. Academic transition pathways for qualified junior and senior high school students that lead to a career technical education certificate or diploma.

3. College transfer certificates requiring the successful completion of thirty semester credit hours transfer courses, including English and mathematics, for junior and senior high school students.

b. During the summer quarter, persons less than 16 years old may be permitted to take noncredit courses on a self-supporting basis, subject to rules of the State Board of Community Colleges. ~~Provided, further, that high~~

c. High school students may be permitted to take noncredit courses in safe driving on a self-supporting basis during the academic year or the summer.

...."

SECTION 7.1A.(i) The North Carolina Community College System, University of North Carolina General Administration, and the North Carolina Independent Colleges and Universities shall develop a plan for articulation of a college transfer certificate to all UNC institutions and participating independent colleges and universities. North Carolina Independent Colleges and Universities, Inc., shall also be included in the development of the plan if it chooses to participate. College transfer certificates shall require the successful completion of thirty credit hours of college transfer courses, including English and mathematics, for qualified junior and senior high school students.

SECTION 7.1A.(j) Part 9 of Article 16 of Chapter 115C of the General Statutes reads as rewritten:

"Part 9. Cooperative Innovative High School Programs.

"**§ 115C-238.50. Purpose.**

(a) The purpose of this Part is to authorize local boards of education to jointly establish with one or more boards of trustees cooperative innovative programs in high schools and colleges or universities that will expand students' opportunities for educational success through high quality instructional programming. These cooperative innovative high school programs shall ~~target:~~target any of the following groups:

(1) High school students who are at risk of dropping out of school before attaining a high school ~~diploma; or~~diploma.

(2) High school students with parents who did not continue education beyond high school.

~~(2)~~(3) High school students who would benefit from accelerated academic instruction.

(b) All the cooperative innovative high school programs established under this Part shall:

(1) Enable students to concurrently obtain a high school diploma and begin or complete an associate degree program, master a certificate or vocational program, or earn up to two years of college credit within five years.

(1a) Prepare students adequately for future learning in the workforce or in an institution of higher education.

~~(2) Expand students' educational opportunities within the public school system.~~

~~(3) Be centered on the core academic standards represented by the college preparatory or tech prep program of study as defined by the State Board of Education.~~

(4) Encourage the cooperative or shared use of resources, personnel, and facilities between public schools and colleges or universities, or both.

~~(5) Integrate and emphasize both academic and technical skills necessary for students to be successful in a more demanding and changing workplace.~~

(6) Emphasize parental involvement and provide consistent counseling, advising, and parent conferencing so that parents and students can make responsible decisions regarding course taking and can track the students' academic progress and success.

~~(7) Be held accountable for meeting measurable student achievement results.~~

~~(8) Encourage the use of different and innovative teaching methods.~~

~~(9) Establish joint institutional responsibility and accountability for support of students and their success.~~

~~(10) Effectively utilize existing funding sources for high school, college, university, and vocational programs and actively pursue new funding from other sources.~~

(11) Develop methods for early identification of potential participating students in the middle grades and through high ~~school.~~school and provide outreach to those students to promote academic preparation and awareness of the cooperative innovative high school programs.

~~(12) Reduce the percentage of students needing remedial courses upon their initial entry from high school into a college or university.~~

~~(c) Programs developed under this Part that target students who are at risk of dropping out of high school before attaining a high school diploma shall:~~

~~(1) Provide these students with the opportunity to graduate from high school possessing the core academic skills needed for postsecondary education and high skilled employment.~~

~~(2) Enable students to complete a technical or academic program in a field that is in high demand and has high wages.~~

~~(3) Set and achieve goals that significantly reduce dropout rates and raise high school and college retention, certification, and degree completion rates.~~

~~(4) Enable students who complete these programs to pass employer exams, if applicable.~~

~~(d) Cooperative innovative high school programs that offer accelerated learning programs shall:~~

~~(1) Provide a flexible, customized program of instruction for students who would benefit from accelerated, higher level coursework or early graduation from high school.~~

~~(2) Enable students to obtain a high school diploma in less than four years, to begin or complete an associate degree program, to master a certificate or vocational program, or to earn up to two years of college credit.~~

~~(3) Offer a college preparatory academic core and in depth studies in a career or technical field that will lead to advanced programs or employment opportunities in engineering, health sciences, or teaching.~~

~~(e) Cooperative innovative high school programs may include the creation of a school within a school, a technical high school, a high school or technical center located on the campus of a college or university, or a five year career academy operating as part of an existing high school.~~

(f) Students are eligible to attend these programs as early as ninth grade.

"**§ 115C-238.50A. Definitions.**

The following definitions apply in this Part:

(1) Constituent institution. – A constituent institution as defined in G.S. 116-2(4).

(2) Education partner. – An education partner as provided in G.S. 115C-238.52.

(3) Governing board. – The State Board of Education, the State Board of Community Colleges, the Board of Governors of The University of North Carolina, or the Board of the North Carolina Independent Colleges and Universities.

(4) Local board of trustees. – The board of trustees of a community college, constituent institution of The University of North Carolina, or private college located in North Carolina.

(5) Cooperative innovative high school. – A high school that meets the following criteria:

a. It has no more than 100 students per grade level.

b. It partners with an institution of higher education to enable students to concurrently obtain a high school diploma and begin or complete an associate degree program, master a certificate or vocational program, or earn up to two years of college credit within five years.

c. It is located on the campus of the institution of higher education, unless the governing board specifically waives the requirement through adoption of a formal resolution.

"**§ 115C-238.51. Application process.**

(a) A local board of education and at least one local board of trustees shall jointly apply to establish a cooperative innovative high school program under this Part.

...

(e) No additional State funds shall be provided to approved programs unless appropriated by the General Assembly.

...

"**§ 115C-238.54. Funds for programs.**

(a) The Department of Public Instruction shall assign a school code for each program that is approved under this ~~Part, with the exception of a five year career academy operating as part of an existing high school, which shall continue to use the existing school code. All positions and other State and federal allotments that are generated for this program shall be assigned to that school code.~~ Part. Notwithstanding G.S. 115C-105.25, once ~~funds are assigned to that school code,~~ the program has been assigned a school code, the local board of education may use these funds for the program and may transfer these funds between funding allotment categories.

~~(a1) A five year career academy operating as part of an existing high school shall maintain records to identify and evaluate students enrolled in the five year career academy program distinct from the general school population.~~

...."

SECTION 7.1A.(k) Cooperative innovative high schools approved by the State Board of Education prior to July 1, 2011, shall meet the requirements of G.S. 115C-238.50A(5) as enacted by subsection (j) of this section no later than July 1, 2014. Any cooperative innovative high school which fails to meet the requirements by that date shall no longer be authorized as a cooperative innovative high school.

SECTION 7.1A.(l) Subsection (e) of this section takes effect January 1, 2013, and is repealed effective June 30, 2015. The remainder of this section becomes effective January 1, 2012.

CLASS SIZE REDUCTION FOR GRADES 1-3

SECTION 7.1B. The General Assembly finds that educational research has shown that small classes of 15 or fewer students result in marked improvement in learning in grades

1-3, as measured by standardized tests in reading and mathematics, that the advantages gained from being in small classes have been shown to have a lasting benefit into the later years of students' lives, and that these studies have shown that small classes have a particularly beneficial effect on the academic achievement of children from disadvantaged backgrounds. The General Assembly further finds that larger class sizes allow less time to develop relationships with students, colleagues, and parents, and prevent the implementation of new and more dynamic and individualized teaching strategies and techniques. Therefore, it is the intent of the General Assembly to reduce class size in grades 1 through 3 to a class size allotment not exceeding 1:15 as funds become available.

FUNDS FOR CHILDREN WITH DISABILITIES

SECTION 7.2. The State Board of Education shall allocate additional funds for children with disabilities on the basis of three thousand five hundred eighty-five dollars and eighty-eight cents ($3,585.88) 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 its 2011-2012 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 7.3. 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 for fiscal year 2011-2012 and one thousand one hundred ninety-two dollars and ninety cents ($1,192.90) per child for fiscal year 2012-2013. A local school administrative unit shall receive funds for a maximum of four percent (4%) of its 2011-2012 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.

USE OF SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES

SECTION 7.4.(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 and (ii) for salary supplements for instructional personnel and instructional support personnel. 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 7.4.(b) Definitions. – As used in this section, the following definitions apply:

(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 following:

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.

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 following:

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.

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 7.4.(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 7.4.(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 7.4.(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 7.4.(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 7.4.(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 2011-2013 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 the following apply:

(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.(h) Reports. – The State Board of Education shall report to the Joint Legislative Education Oversight Committee prior to May 1, 2012, if it determines that counties have supplanted funds.

SECTION 7.4.(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.

LITIGATION RESERVE FUNDS

SECTION 7.5. The State Board of Education may expend up to five hundred thousand dollars ($500,000) each year for the 2011-2012 and 2012-2013 fiscal years from unexpended funds for certified employees' salaries to pay expenses related to litigation.

UNIFORM EDUCATION REPORTING SYSTEM (UERS) FUNDS

SECTION 7.6.(a) Funds appropriated for the Uniform Education Reporting System shall not revert at the end of the 2010-2011 fiscal year.

SECTION 7.6.(b) This section becomes effective June 30, 2011.

FOCUSED EDUCATION REFORM PROGRAM FUNDS DO NOT REVERT

SECTION 7.7.(a) Funds appropriated for the Focused Education Reform Pilot Program that are unexpended and unencumbered at the end of the 2010-2011 fiscal year shall not revert but shall remain available for expenditure for that purpose through the 2011-2012 fiscal year.

SECTION 7.7.(b) This section becomes effective June 30, 2011.

DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING (DSSF)

SECTION 7.8.(a) Funds appropriated for disadvantaged student supplemental funding shall be used, consistent with the policies and procedures adopted by the State Board of Education, only to:

(1) Provide instructional positions or instructional support positions and/or professional development;

(2) Provide intensive in-school and/or after-school remediation;

(3) Purchase diagnostic software and progress-monitoring tools; and

(4) Provide funds for teacher bonuses and supplements. The State Board of Education shall set a maximum percentage of the funds that may be used for this purpose.

The State Board of Education may require districts receiving funding under the Disadvantaged Student Supplemental Fund to purchase the Education Value Added Assessment System in order to provide in-depth analysis of student performance and help identify strategies for improving student achievement. This data shall be used exclusively for

instructional and curriculum decisions made in the best interest of children and for professional development for their teachers and administrators.

SECTION 7.8.(b) Funds appropriated to a local school administrative unit for disadvantaged student supplemental funding shall be allotted based on (i) the local school administrative unit's eligible DSSF population and (ii) the difference between a teacher-to-student ratio of 1:21 and the following teacher-to-student ratios:

(1) For counties with wealth greater than ninety percent (90%) of the statewide average, a ratio of 1:19.9.

(2) For counties with wealth not less than eighty percent (80%) and not greater than ninety percent (90%) of the statewide average, a ratio of 1:19.4.

(3) For counties with wealth less than eighty percent (80%) of the statewide average, a ratio of 1:19.1.

(4) For LEAs receiving DSSF funds in 2005-2006, a ratio of 1:16. These LEAs shall receive no less than the DSSF amount allotted in 2006-2007.

For the purpose of this subsection, wealth shall be calculated under the low-wealth supplemental formula.

SECTION 7.8.(c) If a local school administrative unit's wealth increases to a level that adversely affects the unit's DSSF allotment ratio, the DSSF allotment for that unit shall be maintained at the prior year level for one additional fiscal year.

TUITION CHARGE FOR GOVERNOR'S SCHOOL

SECTION 7.9. G.S. 115C-12(36) reads as rewritten:

"(36) Duty to Charge Tuition for the Governor's School of North Carolina. – The State Board of Education ~~shall~~ may implement a ~~five hundred dollar ($500.00)~~ tuition charge for students attending the Governor's School of North ~~Carolina.~~Carolina to cover the costs of the School."

SCHOOL CONNECTIVITY INITIATIVE FUNDS

SECTION 7.10.(a) Section 7.9(b) of S.L. 2010-31 reads as rewritten:

"**SECTION 7.9.(b)** Up to three hundred fifty thousand dollars ($350,000) of the funds for the School Connectivity Initiative may be used for ~~this and subsequent fiscal years~~ the 2010-2011 fiscal year by the Office of the Governor for education innovation and the education E-learning portal. These funds may be used to provide services to coordinate e-learning activities across all education agencies and to support the operating of the E-learning portal."

SECTION 7.10.(b) Section 7.6(a) of S.L. 2008-107, as rewritten by Section 7.12(b) of S.L. 2009-451, reads as rewritten:

"**SECTION 7.6.(a)** Up to three hundred thousand dollars ($300,000) may be transferred annually through June 30, ~~2013,~~ 2011, 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."

SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING

SECTION 7.12.(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 do all of the following:

(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 provide 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 seventeen thousand three hundred sixty dollars ($717,360), excluding textbooks, for the 2011-2012 fiscal year and a base of seven hundred seventeen thousand three hundred sixty dollars ($717,360) for the 2012-2013 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 also is not intended to reflect any commitment by the General Assembly to appropriate any additional supplemental funds for such county administrative units.

SECTION 7.12.(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 2011-2013 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 the following apply:

(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 7.12.(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 seven years after the unit becomes ineligible.

SECTION 7.12.(d) Definitions. – As used in this section, the following definitions apply:

(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 7.12.(e) Reports. – The State Board of Education shall report to the Joint Legislative Education Oversight Committee prior to May 1, 2012, if it determines that counties have supplanted funds.

SECTION 7.12.(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.

ELIMINATION OF REPORTING REQUIREMENTS

SECTION 7.13.(a) G.S. 115C-12(25) reads as rewritten:

"**§ 115C-12. Powers and duties of the Board generally.**

The general supervision and administration of the free public school system shall be vested in the State Board of Education. The State Board of Education shall establish policy for the system of free public schools, subject to laws enacted by the General Assembly. The powers and duties of the State Board of Education are defined as follows:

...

(25) Duty to Report to Joint Legislative Education Oversight Committee. – Upon the request of the Joint Legislative Education Oversight Committee, the State Board shall examine and evaluate issues, programs, policies, and fiscal information, and shall make reports to that Committee. Furthermore, beginning October 15, 1997, and annually thereafter, the State Board shall submit reports to that Committee regarding the continued implementation of Chapter 716 of the 1995 Session Laws, 1996 Regular Session. Each report shall include information regarding the composition and activity of assistance teams, schools that received incentive awards, schools identified as low-performing, ~~school improvement plans found to significantly improve student performance,~~ personnel actions taken in low-performing schools, and recommendations for additional legislation to improve student performance and increase local flexibility."

SECTION 7.13.(b) G.S. 115C-47(38) is repealed.

SECTION 7.13.(c) G.S. 115C-84.2(a)(1) reads as rewritten:

"(1) **(See notes)** A minimum of 180 days and 1,000 hours of instruction covering at least nine calendar months. The local board shall designate when the 180 instructional days shall occur. The number of instructional hours in an instructional day may vary according to local board policy and does not have to be uniform among the schools in the administrative unit. ~~Local boards may approve school improvement plans that include days with varying amounts of instructional time.~~ If school is closed early due to inclement weather, the day and the scheduled amount of instructional hours may count towards the required minimum to the extent allowed by State Board policy. The school calendar shall include a plan for making up days and instructional hours missed when schools are not opened due to inclement weather."

SECTION 7.13.(d) G.S. 115C-84.2(a)(5) reads as rewritten:

"(5) The remaining days scheduled by the local board in consultation with each school's principal for use as teacher workdays, additional instructional days, or other lawful purposes. ~~Before consulting with the local board, each principal shall work with the school improvement team to determine the days to be scheduled and the purposes for which they should be scheduled.~~ Days may be scheduled and planned for different purposes for different

personnel and there is no requirement to schedule the same dates for all personnel. In order to make up days for school closing because of inclement weather, the local board may designate any of the days in this subdivision as additional make-up days to be scheduled after the last day of student attendance."

SECTION 7.13.(e) G.S. 115C-98(b2) reads as rewritten:

"(b2) Local boards of education ~~may:~~

~~(1)~~ ~~Select,~~ may select, procure, and use textbooks that have not been adopted by the State Board of Education for use throughout the local school administrative unit for selected grade levels and ~~courses; and~~courses.

~~(2)~~ ~~Approve school improvement plans developed under G.S. 115C-105.27 that include provisions for using textbooks that have not been adopted by the State Board of Education for selected grade levels and courses.~~

All textbook contracts made under this subsection shall include a clause granting to the local board of education the license to produce braille, large print, and audiocassette tape copies of the textbooks for use in the local school administrative unit."

SECTION 7.13.(f) G.S. 115C-105.20(b)(5) is repealed.

SECTION 7.13.(g) G.S. 115C-105.25 reads as rewritten:

"§ 115C-105.25. Budget flexibility.

...

(b) Subject to the following limitations, local boards of education may transfer and may approve transfers of funds between funding allotment categories:

(1) ~~In accordance with a school improvement plan accepted under G.S. 115C-105.27,~~ State funds allocated for teacher assistants may be transferred only for personnel (i) to serve students only in kindergarten through third grade, ~~or~~ (ii) to serve students primarily in kindergarten through third grade when the personnel are assigned to an elementary school to serve the whole school ~~school. Funds allocated for teacher assistants may be transferred to reduce class size~~ or (iii) to reduce the student-teacher ratio in kindergarten through third grade so long as the affected teacher assistant positions are not ~~filled when the plan is amended or approved by the building level staff entitled to vote on the plan or the affected teacher assistant positions are not expected to be filled on the date the plan is to be implemented.~~ filled. Any State funds appropriated for teacher assistants that were converted to certificated teachers before July 1, 1995, in accordance with Section 1 of Chapter 986 of the 1991 Session Laws, as rewritten by Chapter 103 of the 1993 Session Laws, may continue to be used for certificated teachers.

(2) ~~In accordance with a school improvement plan accepted under G.S. 115C-105.27, (i)~~ State funds allocated for classroom materials/instructional supplies/equipment may be transferred only for the purchase of ~~textbooks; (ii)~~ textbooks. State funds allocated for textbooks may be transferred only for the purchase of instructional supplies, instructional equipment, or other classroom ~~materials; and (iii)~~materials. State funds allocated for noninstructional support personnel may be transferred only for teacher positions.

...

(8) Funds allocated for academically or intellectually gifted students may be used only (i) for academically or intellectually gifted students; (ii) to implement the plan developed under G.S. 115C-150.7; or (iii) in accordance with an accepted school improvement plan, for any purpose so long as that school demonstrates it is providing appropriate services to academically or intellectually gifted students assigned to that school in accordance with the local plan developed under G.S. 115C-150.7.

...."

SECTION 7.13.(h) G.S. 115C-105.26 reads as rewritten:

"§ 115C-105.26. Waivers of State laws, rules, or policies.

(a) ~~When included as part of a school improvement plan accepted under G.S. 115C-105.27, local~~ Local boards of education shall submit requests for waivers of State

laws, rules, or policies to the State Board of Education. A request for a waiver shall (i) identify the school making the request, (ii) identify the State laws, rules, or policies that inhibit the school's ability to improve student performance, (iii) set out with specificity the circumstances under which the waiver may be used, and (iv) explain how the requested waiver will permit the school to improve student performance. Except as provided in subsection (c) of this section, the State Board shall grant waivers only for the specific schools for which they are requested and shall be used only under the specific circumstances for which they are requested.

(b) ~~When requested as part of a school improvement plan, the~~ The State Board of Education may grant waivers of:

(1) State laws pertaining to class size and teacher certification; and

(2) State rules and policies, except those pertaining to public school State salary schedules and employee benefits for school employees, the instructional program that must be offered under the Basic Education Program, the system of employment for public school teachers and administrators set out in G.S. 115C-287.1 and G.S. 115C-325, health and safety codes, compulsory attendance, the minimum lengths of the school day and year, and the Uniform Education Reporting System.

...."

SECTION 7.13.(i) G.S. 115C-105.27 is repealed.

SECTION 7.13.(j) G.S. 115C-105.30 is repealed.

SECTION 7.13.(k) G.S. 115C-105.31(b)(3) is repealed.

SECTION 7.13.(l) G.S. 115C-105.32 is repealed.

SECTION 7.13.(m) G.S. 115C-105.33 reads as rewritten:

"**§ 115C-105.33. Safe and orderly schools.**

A ~~school improvement team or a~~ parent organization at a school may ask the local board of education to provide assistance in promoting or restoring safety and an orderly learning environment at a school. The ~~school improvement team or~~ parent organization shall file a copy of this request with the State Board. If the local board fails to provide adequate assistance to the school, then the ~~school improvement team or~~ parent organization may ask the State Board to provide an assistance team to the school.

The State Board may provide an assistance team, established under G.S. 115C-105.38, to a school in order to promote or restore safety and an orderly learning environment at that school if one of the following applies:

(1) The local board of education or superintendent requests that the State Board provide an assistance team to a school and the State Board determines that the school needs assistance.

(2) The State Board determines within 10 days after its receipt of the request for assistance from a ~~school improvement team or~~ parent organization of a school that the school needs assistance and that the local board has failed to provide adequate assistance to that school.

If an assistance team is assigned to a school under this section, the team shall spend a sufficient amount of time at the school to assess the problems at the school, assist school personnel with resolving those problems, and work with school personnel and others to develop a long-term plan for restoring and maintaining safety and an orderly learning environment at the school. The assistance team also shall make recommendations to the local board of education and the superintendent on actions the board and the superintendent should consider taking to resolve problems at the school. These recommendations shall be in writing and are public records. If an assistance team is assigned to a school under this section, the powers given to the State Board and the assistance team under G.S. 115C-105.38 and G.S. 115C-105.39 shall apply as if the school had been identified as low-performing under this Article."

SECTION 7.13.(n) G.S. 115C-105.37A(a) reads as rewritten:

"(a) Definition of Continually Low-Performing Schools. – A continually low-performing school is a school that has received State-mandated assistance and has been designated by the State Board as low performing for at least two of three consecutive years. ~~If the State Board identifies a school as continually low-performing:~~

~~(1) The school improvement team at that school shall review its school improvement plan to ensure consistency with the plan adopted pursuant to G.S. 115C-105.38(b)(3), and~~

~~(2) The plan must be reviewed and approved by the State Board of Education.~~"

SECTION 7.13.(o) G.S. 115C-105.38(b)(6) reads as rewritten:

"(6) Report, as appropriate, to the local board of education, the community, and the State Board on the school's progress. ~~If an assistance team determines that an accepted school improvement plan developed under G.S. 115C-105.27 is impeding student performance at a school, the team may recommend to the local board that it vacate the relevant portions of that plan and direct the school to revise those portions.~~"

SECTION 7.13.(p) G.S. 115C-105.47(b)(13) is repealed.

SECTION 7.13.(q) G.S. 115C-174.12(a)(3) reads as rewritten:

"(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.~~without the approval of the principal of the school."

SECTION 7.13.(r) G.S. 115C-238.31(a) reads as rewritten:

"(a) Local school administrative units are encouraged to implement extended services programs that will expand students' opportunities for educational success through high-quality, integrated access to instructional programming during nonschool hours. ~~Extended services programs may be incorporated into school improvement plans developed in accordance with G.S. 115C-105.27.~~ Calendar alternatives include, but are not limited to, after-school hours, before-school hours, evening school, Saturday school, summer school, and year-round school. Instructional programming may include, but is not limited to, tutoring, direct instruction, enrichment activities, study skills, and reinforcement projects."

SECTION 7.13.(s) G.S. 115C-288(h) reads as rewritten:

"(h) To Make Available School ~~Budgets and School Improvement Plans.~~ Budgets. – The principal shall maintain a copy of the school's current ~~budget and school improvement plan, including any amendments to the plan,~~ budget and shall allow parents of children in the school and other interested persons to review and obtain such documents in accordance with Chapter 132 of the General Statutes."

SECTION 7.13.(t) G.S. 115C-288(l) is repealed.

SECTION 7.13.(u) G.S. 143B-146.6(b)(6) reads as rewritten:

"(6) Report, as appropriate, to the Secretary, the State Board, and the parents on the school's progress. ~~If an assistance team determines that an accepted school improvement plan developed under G.S. 143B-146.12 is impeding student performance at a school, the team may recommend to the Secretary that he vacate the relevant portions of that plan and direct the school to revise those portions.~~"

SECTION 7.13.(v) G.S. 143B-146.12 is repealed.

SECTION 7.13.(w) G.S. 115C-47(32a) reads as rewritten:

"(32a) To Establish Alternative Learning Programs and Develop Policies and Guidelines. – Each local board of education shall establish at least one alternative learning program and shall adopt guidelines for assigning students to alternative learning programs. These guidelines shall include (i) a description of the programs and services to be provided, (ii) a process for ensuring that an assignment is appropriate for the student and that the student's parents are involved in the decision, and (iii) strategies for providing alternative learning programs, when feasible and appropriate, for students who are subject to long term suspension or expulsion. In developing these guidelines, local boards shall consider the State Board's standards developed under G.S. 115C-12(24). ~~Upon adoption of policies and guidelines under this subdivision, local boards are encouraged to incorporate them in their safe school plans developed under G.S. 115C-105.47.~~

The General Assembly urges local boards to adopt policies that prohibit superintendents from assigning to any alternative learning program any professional public school employee who has received within the last three years a rating on a formal evaluation that is less than above standard.

Notwithstanding this subdivision, each local board shall adopt policies based on the State Board's standards developed under G.S. 115C-12(24). These policies shall apply to any new alternative learning program or alternative school that is implemented beginning with the 2006-2007 school

year. Local boards of education are encouraged to apply these standards to alternative learning programs and alternative schools implemented before the 2006-2007 school year.

Local boards shall assess on a regular basis whether the unit's alternative schools and alternative learning programs comply with the State Board's standards developed under G.S. 115C-12(24) and whether they incorporate best practices for improving student academic performance and reducing disruptive behavior, are staffed with professional public school employees who are well trained and provided with appropriate staff development, are organized to provide coordinated services, and provide students with high quality and rigorous academic instruction."

SECTION 7.13.(x) G.S. 115C-105.27(b)(2) reads as rewritten:

"(2) Shall include a plan to address school safety and discipline ~~concerns in accordance with the safe school plan developed under Article 8C of this Chapter;~~concerns."

SECTION 7.13.(y) G.S. 115C-105.46 reads as rewritten:

"**§ 115C-105.46. State Board of Education responsibilities.**

In order to implement this Article, the State Board of Education:

~~(1) Shall adopt guidelines for developing local plans under G.S. 115C-105.47.~~

~~(2) Shall provide, in cooperation with the Board of Governors of The University of North Carolina, ongoing technical assistance to the local school administrative units in the development, implementation, and evaluation of their local plans under G.S. 115C-105.47.~~

~~(3) May require a local board of education to withhold the salary of any administrator or other employee of a local school administrative unit who delays or refuses to prepare and implement local safe school plans in accordance with G.S. 115C-105.47.~~

~~(4) May revoke the certificate of the superintendent, pursuant to G.S. 115C-274(e), for failure to fulfill the superintendent's duties under a local safe school plan.~~

(5) Shall adopt policies that define who is an at-risk student."

SECTION 7.13.(z) G.S. 115C-105.47 is repealed.

SECTION 7.13.(aa) G.S. 115C-102.6C is repealed.

SECTION 7.13.(bb) G.S. 115C-102.6D(d) is repealed.

SECTION 7.13.(cc) G.S. 115C-102.7 reads as rewritten:

"**§ 115C-102.7. Monitoring and evaluation of State and local school system technology plans; reports.**

(a) The Department of Public Instruction shall monitor and evaluate the development and implementation of the State ~~and local school system technology plans.~~ technology plan. The evaluation shall consider the effects of technology on student learning, the effects of technology on students' workforce readiness, the effects of technology on teacher productivity, and the cost-effectiveness of the technology.

(a1) Repealed by Session Laws 1997-18, s. 15(k).

(b) Repealed by Session Laws 2009-451, s. 7.31, effective July 1, 2009.

~~(c) The Department of Public Instruction shall randomly check local school system technology plans to ensure that local school administrative units are implementing their plans as approved. The Department shall report to the State Board of Education on which local school administrative units are not complying with their plans. The report shall include the reasons these local school administrative units are out of compliance and a recommended plan of action to support each of these local school administrative units in carrying out their plans.~~"

SECTION 7.13.(dd) Section 7.61(b) of S.L. 2005-276, as rewritten by Section 7.22(d) of S.L. 2010-31, is repealed.

SECTION 7.13.(ee) G.S. 115C-105.41 is repealed.

RENEWAL OF PROFESSIONAL EDUCATOR'S LICENSE

SECTION 7.13A. The State Board of Education shall not require more than five semester hours or seven and one-half units of renewal credits in order to renew a North Carolina Standard Professional 2 professional educator's license.

SCHOOL BUILDING ADMINISTRATION

SECTION 7.14.(a) A school with less than 100 students in final average daily membership is not entitled to 12 months of employment for a principal.

SECTION 7.14.(b) Local school administrative units may transfer funds for school building administration for any purpose, not otherwise prohibited by the State Board of Education's ABC transfer policy, by submitting an ABC Transfer Form to the Department of Public Instruction. For funds related to principal positions, the salary transferred shall be based on the first step of the principal III salary schedule. For funds related to assistant principal months of employment, the salary transferred shall be based on the first step of the assistant principal salary schedule. No local school administrative unit shall convert certified position allotments to dollars in order to hire the same type of position.

SECTION 7.14.(c) Subsection (a) of this section applies only to schools created after July 1, 2011.

TRANSFER OF FEDERAL AGRICULTURAL EDUCATION FUNDS

SECTION 7.15. The Agricultural Education Program in the Department of Agricultural and Extension Education at North Carolina State University shall develop the secondary agricultural education curricula. The Program shall recommend the curricula and corresponding assessment instruments to the State Board of Education, which shall adopt the curricula for inclusion in the Standard Course of Study. This curricula shall include as part of its core content the Future Farmers of America (FFA) student youth organization and the Supervised Agricultural Experience learning program.

Effective with the 2011 federal grant, the State Board of Education shall transfer a prorated share of funds from all federal Career and Technical Education funds available for State-level usage to the Agricultural Education and FFA Program housed in the Department of Agricultural and Extension Education at North Carolina State University. The transfer of funds shall be a percentage of the total based upon the grades 9-12 duplicated agricultural education enrollment as compared to the total career and technical education grades 9-12 duplicated enrollment. These funds shall be used to support the secondary Agricultural Education Program State-level administration, leadership, curriculum and professional development, operations, innovations and expansions, and the FFA and the Supervised Agricultural Education learning program.

SCHOOL CALENDAR PILOT PROGRAM

SECTION 7.17.(a) The State Board of Education shall establish a school calendar pilot program in the Wilkes County Schools, the Montgomery County Schools, and the Stanly 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 2011-2012 calendar year for the pilot school systems shall include a minimum of 185 days or 1,025 hours of instruction covering at least nine calendar months.

If the local board of education in a pilot school system adds instructional hours to previously scheduled days under this section, the local school administrative unit is deemed to have a minimum of 185 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, 2012, on the administration of the pilot program, cost savings realized by it, and its impact on student achievement.

SECTION 7.17.(b) If the State Board of Education finds that it will enhance student performance to do so, the State Board may grant a pilot school system a waiver to use up to five instructional days or an equivalent number of instructional hours as teacher workdays.

BUDGET REDUCTIONS/DEPARTMENT OF PUBLIC INSTRUCTION

SECTION 7.19.(a) Notwithstanding G.S. 143C-6-4 or Section 7.14 of S.L. 2009-451, the Department of Public Instruction may, after consultation with the Office of State Budget and Management and the Fiscal Research Division, reorganize if necessary to

implement the budget reductions set out in this act. This consultation shall occur prior to requesting budgetary and personnel changes through the budget revision process. The Department shall provide a current organization chart in the consultation process. The Department shall report to the Joint Legislative Commission on Governmental Operations on any reorganization.

SECTION 7.19.(b) The Department of Public Instruction shall not increase the number of State-funded positions in any Department of Public Instruction divisions identified for reductions in this act.

SECTION 7.19.(c) In implementing budget reductions under this act, the Department of Public Instruction shall make no reduction in funding or positions for the Positive Behavioral Support program.

LEA BUDGET ADJUSTMENT

SECTION 7.20.(a) 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 or charter school must reduce from the State General Fund appropriations. The State Board shall determine the amount of the reduction for each unit and charter school on the basis of average daily membership.

SECTION 7.20.(b) Each unit or charter school 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.

LEA BUDGETARY FLEXIBILITY

SECTION 7.21.(a) For fiscal years 2011-2012 and 2012-2013, the State Board of Education is authorized to extend its emergency rules, in accordance with G.S. 150B-21.1A, granting 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. However, these rules shall not permit the following transfers:

(1) The transfer of funds into central office administration.

(2) The transfer of funds from the classroom teachers allotment to any allotment other than teacher assistants allotment.

(3) The transfer of funds from the teacher assistants allotment to any allotment other than the classroom teachers allotment.

SECTION 7.21.(b) For fiscal years 2011-2012 and 2012-2013, local school administrative units shall make every effort to reduce spending whenever and wherever such budget reductions are appropriate, with the goal of protecting direct classroom services such as teacher assistants and classroom teachers. In making reductions, local school administrative units shall first consider reductions to central office administration and other administrative functions. 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. Class size requirements in grades K-3 shall remain unchanged.

NORTH CAROLINA VIRTUAL PUBLIC SCHOOLS

SECTION 7.22.(a) The North Carolina Virtual Public School (NCVPS) program shall report to the State Board of Education and shall maintain an administrative office at the Department of Public Instruction.

SECTION 7.22.(b) The Director of NCVPS shall ensure that students residing in rural and low-wealth county local school administrative units have access to e-learning course offerings in order to expand available instructional opportunities. E-learning instructional opportunities shall include courses required as part of the standard course of study for high school graduation and AP offerings not otherwise available.

SECTION 7.22.(c) Section 7.4 of S.L. 2010-31 is repealed.

SECTION 7.22.(d) The State Board of Education shall take the following steps to implement an allotment formula for NCVPS beginning with the 2011-2012 school year:

(1) Project NCVPS student enrollment by semester and year-long course types for each local school administrative unit and charter school.

(2) Establish a per course teacher payment structure for the instructional costs of NCVPS. In establishing this payment structure, the Board shall consider the following:
a. The payment structure is based on a total compensation analysis to ensure NCVPS teacher pay has parity with similar programs. The total compensation analysis shall take into account salaries, benefits, and work effort to ensure valid comparisons between occupations.
b. The effects any change in NCVPS teacher payments may have on the attraction and retention of NCVPS teachers.
(3) Develop a per student fee structure for in-State students that is based on the per course teacher pay structure. The fee structure for in-State students shall ensure that the projected cost for local school administrative units and charter schools equals the projected instructional cost for NCVPS courses.
(4) Multiply the per course fees for in-State students by the projected enrollment by course type to determine the total instructional cost for each local school administrative unit and charter school.
(5) Transfer a dollar amount equal to seventy-five percent (75%) of the local school administrative unit's or charter school's projected instructional cost from the classroom teacher allotment to NCVPS.
(6) No later than February 21 of each year, calculate the actual instructional cost for each local school administrative unit and charter school based upon actual NCVPS enrollment as of that date.
(7) Subtract the amount transferred pursuant to subdivision (5) of this subsection from the actual instructional cost for each unit or charter school and transfer the remaining dollar amount owed, up to a maximum of one hundred percent (100%) of the projected cost.
(8) Develop and implement a policy regarding returning funds to local school administrative units and charter schools in cases where the amount transferred pursuant to subdivision (5) of this subsection exceeds the actual instructional costs.

NCVPS shall use funds transferred to it to provide the NCVPS program at no cost to all 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 7.22.(e) In establishing the fee structure and payment structure for NCVPS, the State Board shall consider recommendations from the eLearning Commission and the NCVPS Advisory Board.

SECTION 7.22.(f) The State Board shall establish a separate per student tuition for out-of-state students, home-schooled students, and private school students, which shall be adjusted upward from the in-State student fee structure by an amount determined appropriate by the State Board.

SECTION 7.22.(g) The Board shall direct NCVPS to develop a plan to generate revenue from the sale of courses to out-of-state educational entities. Revenue generated by NCVPS shall be used to offset instructional costs to local school administrative units and charter schools. NCVPS shall submit its plan to the Board by September 15, 2011.

SECTION 7.22.(h) Beginning in 2011, the Director of NCVPS shall submit an annual report on NCVPS to the State Board of Education no later than December 1 of each year. The report shall use data from the previous fiscal year and shall include statistics on actual versus projected costs to local school administrative units and charter schools, student enrollment, virtual teacher salaries, and measures of academic achievement.

The Director of NCVPS shall continue to ensure the following:
(1) Course quality standards are established and met.
(2) All e-learning opportunities other than virtual charter schools offered by State-funded entities to public school students are consolidated under the NCVPS program, eliminating course duplication.
(3) All courses offered through NCVPS are aligned to the North Carolina Standard Course of Study.

SECTION 7.22.(i) The State Board of Education shall reduce each local school administrative unit's or charter school's classroom teacher allotment, or other allotment, as determined by the State Board of Education, on the basis of ADM in grades 6-12 to provide the

sum of two million eight hundred sixty-six thousand nine hundred twenty-three dollars ($2,866,923) for the State-level operations and administration of NCVPS for the 2011-2012 fiscal year. The allotment reduction for State-level operations and administration shall continue in future fiscal years and be adjusted annually based upon the percentage growth in NCVPS enrollment, ensuring the expansion of services due to increased virtual student enrollment.

SECTION 7.22.(j) For fiscal year 2011-2012, the State Board of Education shall reduce each local school administrative unit's or charter school's classroom teacher allotment, or other allotment, as determined by the State Board of Education, on the basis of ADM in grades 6-12 to provide the sum of two million dollars ($2,000,000) in order to create an NCVPS enrollment reserve. The NCVPS enrollment reserve shall be used to cover the NCVPS instructional costs of local school administrative units or charter schools with enrollments exceeding projected NCVPS enrollment.

Beginning in fiscal year 2012-2013, and annually thereafter, the State Board of Education shall reduce each local school administrative unit's or charter school's classroom teacher allotment, or other allotment, as determined by the State Board of Education, on the basis of ADM in grades 6-12 an amount that is the difference between two million dollars ($2,000,000) and the balance of the NCVPS enrollment reserve.

Amounts available in the NCVPS enrollment reserve shall not revert.

SECTION 7.22.(k) The State Board shall use only funds provided through the North Carolina Virtual Public Schools Allotment Formula and the NCVPS enrollment reserve as set forth in this section to fund instructional costs of NCVPS.

SECTION 7.22.(l) G.S. 66-58(c) is amended by adding a new subdivision to read:

"(c) The provisions of subsection (a) shall not prohibit:

...

(20) The sale by the State Board of Education of NCVPS courses to home schools, private schools, and out-of-state educational entities."

PERFORMANCE-BASED REDUCTIONS IN FORCE

SECTION 7.23.(a) Local school administrative units shall adopt a Reduction in Force policy that includes the following criteria:

(1) In determining which positions shall be subject to a reduction in force, a local school administrative unit shall consider the following:

a. Structural considerations, such as identifying positions, departments, courses, programs, operations, and other areas where there are (i) less essential, duplicative, or excess personnel; (ii) job responsibility and/or position inefficiencies; (iii) opportunities for combined work functions; and/or (iv) decreased student or other demands for curriculum, programs, operations, or other services.

b. Organizational considerations, such as anticipated organizational needs of the school system and program/school enrollment.

(2) In determining which employees in similar positions shall be subject to a reduction in force, a local school administrative unit shall consider work performance.

Each local school administrative unit shall have this policy in place on or before July 15, 2011.

SECTION 7.23.(b) G.S. 115C-325(e)(2) reads as rewritten:

"(2) Reduction in Force. – Before recommending to a board the dismissal or demotion of the career employee pursuant to G.S. 115C-325(e)(1)l., the superintendent shall give written notice to the career employee by certified mail or personal delivery of his intention to make such recommendation and shall set forth as part of his recommendation the grounds upon which he believes such dismissal or demotion is justified. The notice shall include a statement to the effect that if the career employee within 15 days after receipt of the notice requests a review, he shall be entitled to have the proposed recommendations of the superintendent reviewed by the board. Within the 15-day period after receipt of the notice, the career employee may file with the superintendent a written request for a hearing before the board within 10 days. If the career employee requests a hearing before the board, the hearing procedures provided in G.S. 115C-325(j3) shall be

followed. If no request is made within the 15-day period, the superintendent may file his recommendation with the board. If, after considering the recommendation of the superintendent and the evidence adduced at the hearing if there is one, the board concludes that the grounds for the recommendation are true and substantiated by a preponderance of the evidence, the board, if it sees fit, may by resolution order such dismissal. Provisions of this section which permit a hearing by a case manager shall not apply to a dismissal or demotion recommended pursuant to G.S. 115C-325(e)(1)l.

When a career employee is dismissed pursuant to G.S. 115C-325(e)(1)l. above, his name shall be placed on a list of available career employees to be maintained by the board. ~~Career employees whose names are placed on such a list shall have a priority on all positions in which they acquired career status and for which they are qualified which become available in that system for the three consecutive years succeeding their dismissal. However, if the local school administrative unit offers the dismissed career employee a position for which he is certified and he refuses it, his name shall be removed from the priority list.~~"

TEACHING FELLOWS ADMINISTRATIVE REDUCTION

SECTION 7.24. G.S. 115C-363.23A(f) reads as rewritten:

"**§ 115C-363.23A. Teaching Fellows Program established; administration.**

...

(f) All funds appropriated to or otherwise received by the Teaching Fellows Program for scholarships, all funds received as repayment of scholarship loans, and all interest earned on these funds, shall be placed in a revolving fund. This revolving fund shall be used for scholarship loans granted under the Teaching Fellows Program. With the prior approval of the General Assembly in the Current Operations Appropriations Act, the revolving fund may also be used for campus and summer program support, and costs related to disbursement of awards and collection of loan repayments.

The Public School Forum, as administrator for the Teaching Fellows Program, may use up to ~~eight hundred ten thousand dollars ($810,000)~~six hundred thousand dollars ($600,000) annually from the fund balance for costs associated with administration of the Teaching Fellows Program."

RESIDENTIAL SCHOOLS

SECTION 7.25.(a) The General Assembly finds that the operation of the Eastern North Carolina School for the Deaf, the Governor Morehead School for the Blind, and the North Carolina School for the Deaf (collectively, the "residential schools") no longer meets the needs of the populations they serve in an efficient and effective manner, and that current levels of utilization of the residential schools can be accommodated with two schools. No later than January 15, 2012, the Department shall report to the Joint Legislative Education Oversight Committee of the General Assembly the residential school it has decided to close and the Department's plan for consolidating the programs with those at the two remaining schools. The Department shall base its choice of the residential school to be closed on the following considerations:

(1) Minimization of impact on services to deaf and blind students currently served by the residential schools.

(2) Minimization of costs of modifications at the two remaining residential schools to accommodate students from the closed school.

(3) Maximization of funds generated or net savings to the State from costs avoided due to the closure of one school and the sale or transfer to other State agencies of the school campus and other physical assets.

(4) Minimization of required travel for students of the school that is closed.

(5) Historical and cultural significance of the school.

Effective July 1, 2012, the Department of Public Instruction shall carry out the closure and consolidation described in its report.

SECTION 7.25.(b) The Department of Public Instruction shall ensure that the residential and instructional schedules for the residential schools that were in effect before

February 8, 2010, shall remain in effect unless the General Assembly approves a material change to the instructional week. 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 shall also maintain summer school programming at the residential schools in substantially the same manner as in prior years and shall make no material changes to summer school programming without the approval of the General Assembly.

SECTION 7.25.(c) The Department of Public Instruction may create a principal position at each residential school not currently assigned a principal position from funds appropriated in this act for the residential schools.

SECTION 7.25.(d) The position of superintendent for the residential schools within the Department of Public Instruction is eliminated. The Department shall designate one of the directors of the residential schools to serve as the superintendent for the residential schools. Of funds previously appropriated to the Department for the position of superintendent for the residential schools, the sum of twenty thousand dollars ($20,000) shall be used to supplement the salary of the director who also serves as superintendent of residential schools. The remaining funds shall be used to offset other reductions to the residential schools made in this act.

SECTION 7.25.(e) G.S. 115C-325(p) reads as rewritten:

"(p) Section Applicable to Certain Institutions. – Notwithstanding any law or regulation to the contrary, this section shall apply to all persons employed in teaching and related educational classes in the schools and institutions of the Departments of Health and Human Services, Public Instruction, Correction, or Juvenile Justice and Delinquency Prevention regardless of the age of the students."

DEPARTMENT OF PUBLIC INSTRUCTION RECEIPTS

SECTION 7.27. Notwithstanding G.S. 143C-6-4(b)(3), the Department of Public Instruction may realign receipts among the following General Fund purpose codes on a recurring basis through the budget certification process for the sole purpose of correctly aligning the certified budget with the appropriate purpose or programs as defined in G.S. 143C-1-1(d)(23): 1000, 1100, 1300, 1330, 1430, 1500, 1600, 1640, and 1660.

INCREASE NUMBER OF INSTRUCTIONAL DAYS

SECTION 7.29.(a) G.S. 115C-84.2 reads as rewritten:

"**§ 115C-84.2. School calendar.**

(a) School Calendar. – Each local board of education shall adopt a school calendar consisting of 215 days all of which shall fall within the fiscal year. A school calendar shall include the following:

(1) **(See notes)** A minimum of ~~180~~185 days and ~~1,000~~1,025 hours of instruction covering at least nine calendar months. The local board shall designate when the ~~180~~185 instructional days shall occur. The number of instructional hours in an instructional day may vary according to local board policy and does not have to be uniform among the schools in the administrative unit. Local boards may approve school improvement plans that include days with varying amounts of instructional time. If school is closed early due to inclement weather, the day and the scheduled amount of instructional hours may count towards the required minimum to the extent allowed by State Board policy. The school calendar shall include a plan for making up days and instructional hours missed when schools are not opened due to inclement weather.

(1a) Repealed by Session Laws 2004-180, s. 1, effective August 9, 2004.

(2) A minimum of 10 annual vacation leave days.

(3) The same or an equivalent number of legal holidays occurring within the school calendar as those designated by the State Personnel Commission for State employees.

~~(4) Five days, as designated by the local board, for use as teacher workdays. These days shall be protected to allow teachers to complete instructional and classroom administrative duties. The local school administrative unit shall not impose any additional tasks on these days. The local board shall~~

~~schedule one of these days at the beginning of the school year and one at the end of each academic quarter.~~

(5) The remaining days scheduled by the local board in consultation with each school's principal for use as teacher workdays, additional instructional days, or other lawful purposes. Before consulting with the local board, each principal shall work with the school improvement team to determine the days to be scheduled and the purposes for which they should be scheduled. Days may be scheduled and planned for different purposes for different personnel and there is no requirement to schedule the same dates for all personnel. In order to make up days for school closing because of inclement weather, the local board may designate any of the days in this subdivision as additional make-up days to be scheduled after the last day of student attendance.

If the State Board of Education finds that it will enhance student performance to do so, the State Board may grant a local board of education a waiver to use up to five of the instructional days required by subdivision (1) of this subsection as teacher workdays. For each instructional day waived, the State Board shall waive an equivalent number of instructional hours.

Local boards and individual schools are encouraged to use the calendar flexibility in order to meet the annual performance standards set by the State Board. Local boards of education shall consult with parents and the employed public school personnel in the development of the school calendar.

Local boards shall designate at least ~~seven~~ two days scheduled under ~~subdivisions (4) and~~ subdivision (5) of this subsection as days on which teachers may take accumulated vacation leave. Local boards may designate the remaining days scheduled in ~~subdivisions (4) and~~ subdivision (5) of this subsection as days on which teachers may take accumulated vacation leave, but local boards shall give teachers at least 14 calendar days' notice before requiring a teacher to work instead of taking vacation leave on any of these days. A teacher may elect to waive this notice requirement for one or more of these days.

(b) Limitations. – The following limitations apply when developing the school calendar:

(1) The total number of teacher workdays for teachers employed for a 10 month term shall not exceed 195 days.

(2) The calendar shall include at least 42 consecutive days when teacher attendance is not required unless: (i) the school is a year-round school; or (ii) the teacher is employed for a term in excess of 10 months. At the request of the local board of education or of the principal of a school, a teacher may elect to work on one of the 42 days when teacher attendance is not required in lieu of another scheduled workday.

(3) School shall not be held on Sundays.

(4) Veterans Day shall be a holiday for all public school personnel and for all students enrolled in the public schools.

(c) Emergency Conditions. – During any period of emergency in any section of the State where emergency conditions make it necessary, the State Board of Education may order general, and if necessary, extended recesses or adjournment of the public schools.

(d) Opening and Closing Dates. – Local boards of education shall determine the dates of opening and closing the public schools under subdivision (a)(1) of this section. Except for year-round schools, the opening date for students shall not be before August 25, and the closing date for students shall not be after June 10. On a showing of good cause, the State Board of Education may waive this requirement to the extent that school calendars are able to provide sufficient days to accommodate anticipated makeup days due to school closings. A local board may revise the scheduled closing date if necessary in order to comply with the minimum requirements for instructional days or instructional time. For purposes of this subsection, the term "good cause" means either that:

(1) Schools in any local school administrative unit in a county have been closed eight days per year during any four of the last 10 years because of severe weather conditions, energy shortages, power failures, or other emergency situations; or

(2) Schools in any local school administrative unit in a county have been closed for all or part of eight days per year during any four of the last 10 years

because of severe weather conditions. For purposes of this subdivision, a school shall be deemed to be closed for part of a day if it is closed for two or more hours.

The State Board also may waive this requirement for an educational purpose. The term "educational purpose" means a local school administrative unit establishes a need to adopt a different calendar for (i) a specific school to accommodate a special program offered generally to the student body of that school, (ii) a school that primarily serves a special population of students, or (iii) a defined program within a school. The State Board may grant the waiver for an educational purpose for that specific school or defined program to the extent that the State Board finds that the educational purpose is reasonable, the accommodation is necessary to accomplish the educational purpose, and the request is not an attempt to circumvent the opening and closing dates set forth in this subsection. The waiver requests for educational purposes shall not be used to accommodate system-wide class scheduling preferences.

The required opening and closing dates under this subsection shall not apply to any school that a local board designated as having a modified calendar for the 2003-2004 school year or to any school that was part of a planned program in the 2003-2004 school year for a system of modified calendar schools, so long as the school operates under a modified calendar.

(e) Nothing in this section prohibits a local board of education from offering supplemental or additional educational programs or activities outside the calendar adopted under this section."

SECTION 7.29.(b) G.S. 115C-238.29F(d)(1) reads as rewritten:

"(1) The school shall provide instruction each year for at least ~~180~~185 days. If the State Board of Education finds that it will enhance student performance to do so, the State Board may grant a charter school a waiver to use up to five of these instructional days as teacher workdays."

TESTING PROGRAM

SECTION 7.30.(a) 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 federal grants.

(b) Repealed by Session Laws 2009-451, s. 7.20(c), effective July 1, 2009.

(c) Annual Testing Program.

(1) The State Board of Education shall adopt the tests for grades three through 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 for grades nine through 12. Students who do not pass the tests adopted for eighth grade shall be provided remedial instruction in the ninth grade.

(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.

(3) The State Board of Education shall continue to participate in the development of the Common Core State Standards in conjunction with the consortium of other states, review all national assessments developed by both multistate consortia, and implement the assessments that the State Board deems most appropriate to assess student achievement on the Common Core State Standards.

(4) To the extent funds are made available, the State Board shall plan for and require the administration of the ACT test for all students in the eleventh grade unless the student has already taken a comparable test and scored at or above a level set by the State Board.

(d) Except as provided in ~~subdivision (2) of~~ subsection (c) of this section, 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 7.30.(b) Article 10A of Chapter 115C of the General Statutes is amended by adding two new Parts to read:

"Part 4. Student Diagnostic Tests.

"**§ 115C-174.20. Tools for student learning.**

To the extent funds are made available for this purpose, the State Board shall plan for and require the administration of diagnostic tests in the eighth and tenth grades that align to the ACT test in order to help diagnose student learning and provide for students an indication of whether they are on track to be remediation-free at a community college or university.

"Part 5. Career Readiness.

"**§ 115C-174.25. WorkKeys.**

To the extent funds are made available for this purpose, the State Board shall plan for and require local school administrative units to make available the appropriate WorkKeys tests for all students who complete the second level of vocational/career courses."

SECTION 7.30.(c) This section applies beginning with the 2011-2012 school year.

PART VIII. COMMUNITY COLLEGES

REORGANIZATION OF THE COMMUNITY COLLEGES SYSTEM OFFICE

SECTION 8.1.(a) Notwithstanding any other provision of law, and consistent with the authority granted in G.S. 115D-3, the President of the North Carolina Community College System may reorganize the System Office in accordance with recommendations and plans submitted to and approved by the State Board of Community Colleges.

SECTION 8.1.(b) This section expires June 30, 2012.

REPEAL OBSOLETE REPORTING REQUIREMENTS

SECTION 8.2.(a) G.S. 115D-4.1(e) reads as rewritten:

"(e) The State Board of Community Colleges shall develop appropriate criteria and standards to regulate the operation of college transfer programs. ~~The criteria and standards shall require all college transfer programs to continue to meet the accreditation standards of the Southern Association of Colleges and Schools.~~

~~The State Board of Community Colleges shall report annually to the General Assembly on compliance of the community colleges with these criteria and standards.~~"

SECTION 8.2.(b) G.S. 115D-5(j) reads as rewritten:

"(j) The State Board of Community Colleges shall use its Board Reserve Fund for feasibility studies, pilot projects, start-up of new programs, and innovative ideas. ~~The State Board shall report to the Joint Legislative Education Oversight Committee on expenditures from the State Board Reserve Fund on January 15 and June 15 each year.~~"

IMPLEMENT ALTERNATIVE FORMULA MODEL

SECTION 8.3.(a) The State Board of Community Colleges shall consolidate the Health Sciences Allotment, the Technical Education Allotment, and the Special High Cost Allotment for Heavy Equipment with formula funds to support curriculum instruction.

SECTION 8.3.(b) The State Board of Community Colleges shall allocate formula funds appropriated to support curriculum instruction and the occupational education component of continuing education through a formula that provides an instructional base allocation to all colleges and allocates remaining funds on a weighted full-time equivalent (FTE) basis. In determining the appropriate weighting, the State Board of Community Colleges shall weigh curriculum courses in high-cost areas such as health care, technical education, and lab-based science courses more heavily than other curriculum courses. The State Board of Community Colleges shall also weigh continuing education courses that lead to a third-party credential or certification and courses providing an industry-designed curriculum more heavily than other occupational extension courses.

USE OF OVERREALIZED RECEIPTS TO SUPPORT ENROLLMENT GROWTH RESERVE RATHER THAN EQUIPMENT RESERVE

SECTION 8.4. G.S. 115D-31(e) reads as rewritten:

"(e) If receipts for community college tuition and fees exceed the amount certified in General Fund Codes at the end of a fiscal year, the State Board of Community Colleges shall transfer the amount of receipts and fees above those budgeted to the ~~Equipment Reserve Fund.~~Enrollment Growth Reserve. Funds in the Enrollment Growth Reserve shall not revert to the General Fund and shall remain available to the State Board until expended. The State Board may allocate funds in this reserve to colleges experiencing an enrollment increase greater than five percent (5%) of budgeted enrollment levels."

BASIC SKILLS PLUS

SECTION 8.5.(a) Notwithstanding any other provision of law, the State Board may authorize a local community college to use up to twenty percent (20%) of the State Literacy Funds allocated to it to provide employability skills, job-specific occupational and technical skills, and developmental education instruction to students concurrently enrolled in a community college course leading to a high school diploma or equivalent certificate.

SECTION 8.5.(b) Notwithstanding any other provision of law, if a community college is authorized by the State Board to provide employability skills, job-specific occupational or technical skills, or developmental education instruction to students concurrently enrolled in a community college course leading to a high school diploma or equivalent certificate, the college may waive the tuition and registration fees associated with this instruction.

CARRYFORWARD OF COLLEGE INFORMATION SYSTEM FUNDS

SECTION 8.6. Of the funds appropriated to the Community Colleges System Office for the 2011-2013 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 be used only to purchase periodic system upgrades.

EQUIPMENT FUNDING

SECTION 8.8.(a) For the 2011-2013 fiscal biennium, community colleges may expend regular equipment allocations on equipment, repairs and renovations of existing facilities, and new construction. Colleges must match funds expended on new construction on an equal matching-fund basis in accordance with G.S. 115D-31. Notwithstanding any other provision of law, community colleges are not required to match funds expended on repairs and renovations of existing facilities.

Colleges must have capital improvement projects approved by the State Board of Community Colleges and any required matching funds identified by June 30, 2013.

SECTION 8.8.(b) Of the funds appropriated to the Community Colleges System Office for the 2011-2012 fiscal year for equipment, the State Board of Community Colleges shall allocate the sum of two hundred fifty thousand dollars ($250,000) to Forsyth Technical Community College. These funds shall be used only for the purpose of building and equipping the Stokes County multicampus site. These funds shall not be considered for a management flexibility reduction.

CLARIFICATION REGARDING EQUIPMENT TITLED TO STATE BOARD

SECTION 8.9. G.S. 115D-15(a) reads as rewritten:

"(a) The board of trustees of any institution organized under this Chapter may, with the prior approval of the North Carolina Community Colleges System Office, convey a right-of-way or easement for highway construction or for utility installations or modifications. When in the opinion of the board of trustees the use of any other real property owned or held by the board of trustees is unnecessary or undesirable for the purposes of the institution, the board of trustees, subject to prior approval of the State Board of Community Colleges, may sell, exchange, or lease the property. The board of trustees may dispose of any personal property owned or held by the board of trustees without approval of the State Board of Community Colleges. Personal property titled to the State Board of Community Colleges consistent with G.S. 115D-14 and G.S. 115D-58.5 may be transferred to another community

college at no cost and without the approval of the Department of Administration, Division of Surplus Property.

Article 12 of Chapter 160A of the General Statutes shall apply to the disposal or sale of any real or personal property under this subsection. Personal property also may be disposed of under procedures adopted by the North Carolina Department of Administration. The proceeds of any sale or lease shall be used for capital outlay purposes, except as provided in subsection (b) of this section."

NO STATE FUNDS FOR INTERCOLLEGIATE ATHLETICS

SECTION 8.10. Article 3 of Chapter 115D of the General Statutes is amended by adding a new section to read:

"**§ 115D-42.1. Funds for an intercollegiate athletics program.**

No State funds, student tuition receipts, or student aid funds shall be used to create, support, maintain, or operate an intercollegiate athletics program at a community college."

COMMUNITY COLLEGE TUITION WAIVERS

SECTION 8.12.(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. The State Board of Community Colleges may provide by general and uniform regulations for waiver of tuition and registration fees ~~for:~~for the following:

(1) Persons not enrolled in elementary or secondary schools taking courses leading to a high school diploma or equivalent ~~certificate;~~certificate.

(2) ~~Training courses for~~ Courses requested by the following entities that support the organizations' training needs and are on a specialized course list approved by the State Board of Community Colleges:

a. ~~(i) volunteer firemen,~~Volunteer fire departments.

b. ~~(ii) local fire department personnel,~~ Municipal, county, or State fire departments.

c. ~~(iii) volunteer rescue and lifesaving department personnel,~~Volunteer EMS or rescue and lifesaving departments.

d. ~~(iv) local rescue and lifesaving department personnel,~~ Municipal, county, or State EMS or rescue and lifesaving departments.

e. Radio Emergency Associated Citizens ~~Team~~ Teams (REACT) ~~members when the REACT team is~~ under contract to a ~~county as an emergency response agency,~~ county as an emergency response agency.

f. Municipal, county, or State law enforcement agencies.

g. ~~(vii) all full-time custodial employees of the Department of Correction, and~~ The Department of Correction for the training of full-time custodial employees and employees of the Department's Division of Community Corrections required to be certified under Chapter 17C of the General Statutes and the rules of the Criminal Justice and Training Standards Commission.

h. ~~(viii) employees of the Department's Division of Community Corrections and employees of the~~ The Department of Juvenile Justice and Delinquency Prevention for the training of employees 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;~~

(4) Trainees enrolled in courses conducted under the Customized Training ~~Program;~~Program.

~~(5) Clients of sheltered workshops;~~

~~(6) Clients of adult developmental activity programs;~~
~~(7) Students in Health and Human Services Development Programs;~~
~~(8) Juveniles of any age committed to the Department of Juvenile Justice and Delinquency Prevention by a court of competent 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;~~
(10) Elementary and secondary school employees enrolled in courses in first aid or cardiopulmonary resuscitation ~~(CPR);~~(CPR).
(11) Up to six hours of credit instruction and one course of noncredit instruction per academic semester for senior citizens age 65 or older who are qualified as legal residents of North ~~Carolina;~~Carolina.
(12) All curriculum 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.
(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; and~~guidelines.
~~(14) Prison inmates.~~

The State Board of Community Colleges shall not waive tuition and registration fees for other individuals."

SECTION 8.12.(b) G.S. 115D-5 is amended by adding a new subsection to read:

"(b1) The State Board of Community Colleges shall not waive tuition and registration fees for community college faculty or staff members. Community colleges may, however, use State or local funds to pay tuition and registration fees for one course per semester for full-time community college faculty or staff members employed for a nine-, ten-, eleven-, or twelve-month term."

SECTION 8.12.(c) The Community Colleges System Office shall transfer funds appropriated for curriculum and continuing education instruction to the Department of Correction. The Department of Correction shall use these funds to pay tuition and fees for prisoners.

The amount transferred shall be calculated by multiplying the number of curriculum and continuing education FTE served in prisons in the 2010-2011 fiscal year by the per capita budgeted receipts for curriculum and continuing education.

This subsection is projected to result in a reduction of up to forty-three percent (43%) in the number of curriculum and continuing education courses provided to prisoners.

SECTION 8.12.(d) G.S. 115D-39(a1) reads as rewritten:

"(a1) In addition, ~~any~~ federal law enforcement ~~officer~~ officers, firefighters, EMS personnel, and rescue and lifesaving personnel whose permanent duty station is within North Carolina shall also be eligible for the State resident community college tuition rate for ~~law enforcement training courses.~~courses that support their organizations' training needs and are approved for this purpose by the State Board of Community Colleges."

FUNDING FOR MULTICAMPUS CENTERS

SECTION 8.13. 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 December 1 of each year.

All multicampus centers approved by the State Board of Community Colleges shall receive funding under the same formula. The State Board of Community Colleges shall not approve any additional multicampus centers without identified recurring sources of funding."

STUDY COMMUNITY COLLEGE PERFORMANCE MEASURES

SECTION 8.14. The State Board of Community Colleges shall report to the Joint Legislative Education Oversight Committee by March 1, 2012, on a revised set of accountability measures and performance standards by which to evaluate and measure student progress and student success, including measures of graduation rates and course completions. The report shall include a plan to incorporate these revised accountability measures and performance standards into regular formula funding. These revised accountability measures and performance standards shall also be the basis for the allocation of performance funding, in accordance with G.S. 115D-31.3(g) and (h).

COMMUNITY COLLEGE AUDITS

SECTION 8.15. Article 4A of Chapter 115D of the General Statutes is amended by adding a new section to read:

"**§ 115D-58.16. Audits.**

(a) Each community college shall be audited a minimum of once every two years. Community colleges may use State funds to contract with the State Auditor or with a certified public accountant to perform the audits. The colleges shall submit the results of the audits to the State Board of Community Colleges.

The State Board of Community Colleges shall ensure that all colleges are audited in accordance with this section.

(b) Notwithstanding the provisions of Chapter 143D of the General Statutes, a community college shall not be subject to the EAGLE program administered by the Office of the State Controller unless (i) there is a finding of internal control problems in the most recent financial audit of the college or (ii) the State Board of Community Colleges determines that a college should be subject to the program."

ENROLLMENT GROWTH

SECTION 8.16.(a) It is the intent of the General Assembly to ensure that there is an increase in funding for community college technology and equipment when enrollment increases; therefore, the continuation budget requirements proposed by the Director of the Budget in accordance with G.S. 143C-3-5 to fund the community college enrollment growth shall include adjustments necessary to fund additional equipment FTE at the prior year's rate.

SECTION 8.16.(b) Beginning with any adjustments to the 2011-2012 fiscal year budget, and annually thereafter, the State Board of Community Colleges' requests for funding enrollment growth shall provide a detailed description of the costs of educating community college students. This request shall be based on the current year's enrollment, listed by college and aggregated for the system as a whole.

SECTION 8.16.(c) Enrollment requests shall include the following information for each community college:

(1) The budgeted enrollment for the current year, divided between the categories of instruction: curriculum, continuing education, and Basic Skills.

(2) The budgeted enrollment for the current year, divided between tiers of instruction, as set forth in Section 8.3 of this act.

(3) The actual enrollment for the two years prior to the current year.

(4) A five-year enrollment projection at each community college by category and tier of instruction.

(5) The projected requirements and anticipated tuition receipts for the growth in regular-term enrollment.

(6) The costs per FTE in each category and tier of instruction, to include the following component parts:

a. Instructional costs, including faculty salaries and other costs.

b. Student support services and other college administrative costs.

EXEMPT COMMUNITY COLLEGES FROM APA

SECTION 8.18.(a) G.S. 150B-1(d)(14) and (19) are repealed.

SECTION 8.18.(b) G.S. 150B-1 is amended by adding a new subsection to read:

"(g) Exemption for the State Board of Community Colleges. – Except as provided in G.S. 143-135.3, no Article in this Chapter except Article 4 applies to the State Board of Community Colleges."

SECTION 8.18.(b1) G.S. 115D-80 is repealed.

SECTION 8.18.(c) This act is effective when it becomes law.

CAPITAL IMPROVEMENTS AT COMMUNITY COLLEGES

SECTION 8.19.(a) G.S. 115D-9 reads as rewritten:

"**§ 115D-9. Powers of State Board regarding certain fee negotiations, contracts, and capital improvements.**

(a) The expenditures of any State funds for any capital improvements of existing institutions shall be subject to the prior approval of the State Board of Community Colleges and the Governor. The expenditure of State funds at any institution herein authorized to be approved by the State Board under G.S. 115D-4 shall be subject to the terms of the State Budget Act unless specifically otherwise provided in this Chapter.

(b) Notwithstanding G.S. 143-341(3), the State Board of Community Colleges may, with respect to design, construction, repair, or renovation of buildings, utilities, and other ~~State or non-State funded~~ State-funded property developments of the North Carolina Community College System requiring the estimated expenditure of public money of ~~one million dollars ($1,000,000)~~ four million dollars ($4,000,000) or less:

(1) Conduct the fee negotiations for all design contracts and supervise the letting of all construction and design contracts.

(2) Develop procedures governing the responsibilities of the North Carolina Community College System and its community colleges to perform the duties of the Department of Administration and the Director or Office of State Construction under G.S. 133-1.1(d) and G.S. 143-341(3).

(3) Use existing plans and specifications for construction projects, where feasible. Prior to designing a project, the State Board shall consult with the Department of Administration on the availability of existing plans and specifications and the feasibility of using them for a project.

(c) The State Board may delegate its authority under subsection (b) of this section to a community college if the community college is qualified under guidelines adopted by the State Board and approved by the State Building Commission and the Director of the Budget.

(d) The North Carolina Community College System shall use the standard contracts for design and construction currently in use for State capital improvement projects by the Office of State Construction of the Department of Administration.

(e) A contract may not be divided for the purpose of evading the monetary limit under this section.

(f) Notwithstanding any other provision of this Chapter, the Department of Administration shall not be the awarding authority for contracts awarded under subsections (b) or (c) of this section.

(g) The State Board shall annually report to the State Building Commission the following:

(1) A list of projects governed by this section.

(2) The estimated cost of each project along with the actual cost.

(3) The name of each person awarded a contract under this section.

(4) Whether the person or business awarded a contract under this section meets the definition of "minority business" or "minority person" as defined in G.S. 143-128.2(g).

(h) The provisions of G.S. 143-341(3) shall not apply to a capital improvement project funded with non-State funds if the State Board of Community Colleges determines that the college has the expertise necessary to manage the project unless the assistance of the Office of State Construction is requested."

SECTION 8.19.(b) This section is effective when it becomes law and applies to projects initiated on or after that date.

GRANTING COMMUNITY COLLEGES ADDITIONAL FLEXIBILITY WITH REGARD TO INVESTMENTS

SECTION 8.20.(a) G.S. 115D-58.6 reads as rewritten:

"**§ 115D-58.6. Investment of idle cash.**

(a) Definitions. – As used in this section, the following definitions apply:

(1) Cash balance. – The amount equal to all moneys received into institutional fund accounts minus all expenses and withdrawals from those accounts in an official depository of the institution as designated by the local board of trustees consistent with G.S. 115D-58.7.

(2) Official depository. – One or more banks, savings and loan associations, or trust companies in North Carolina that a community college board of trustees has designated consistent with G.S. 115D-58.7.

(a1) Deposits. – The institution may deposit at interest ~~or invest~~ all or part of the cash balance of any fund in an official depository of the institution. ~~The institution shall manage investments subject to whatever restrictions and directions the board of trustees may impose. The institution shall have the power to purchase, sell, and exchange securities on behalf of the board of trustees. The investment program shall be so managed that investments and deposits can be converted into cash when needed.~~ Moneys may be deposited at interest in any official depository of the institution in the form of certificates of deposit or such other forms of time deposits as may be approved for county governments. In addition, moneys may be deposited in the form of certificates of deposit as provided for a local government or public authority in G.S. 159-30(b1). Investment deposits shall be secured as provided in G.S. 159-31(b).

~~(b) Moneys may be deposited at interest in any bank, savings and loan association or trust company in this State in the form of certificates of deposit or such other forms of time deposits as may be approved for county governments. In addition, moneys may be deposited in the form of certificates of deposit as provided for a local government or public authority in G.S. 159-30(b1). Investment deposits shall be secured as provided in G.S. 159-31(b).~~

~~(c) Moneys may be invested in the form of investments pursuant to G.S. 159-30(c) to county governments and no others. Money in endowment funds may be invested pursuant to G.S. 147-69.2. Provided, however, the institution may elect to deposit at interest any local funds with the State Treasurer for investment as special trust funds pursuant to the provisions of G.S. 147-69.3, and the interest thereon shall accrue to the institution as local funds.~~

~~(d) Investment securities may be bought, sold, and traded by private negotiation, and the institutions may pay all incidental costs thereof and all reasonable costs of administering the investment and deposit program from local funds. The institution shall be responsible for their safekeeping and for keeping accurate investment accounts and records.~~

(d1) Investments. – The institution may invest all or part of the cash balance of any fund in an official depository of the institution. The institution shall manage investments subject to whatever restrictions and directions the board of trustees may impose. The institution shall have the power to purchase, sell, and exchange securities on behalf of the board of trustees. The investment program shall be so managed that investments and deposits can be converted into cash when needed.

(1) Moneys shall be invested only in the form of investments pursuant to G.S. 159-30(c) to county governments or in any form of investment established or managed by an investment advisor who is registered and in good standing with either the Securities and Exchange Commission or the North Carolina Secretary of State, Securities Division, and is a member of the Securities Investor Protection Corporation. Money in endowment funds may be invested pursuant to G.S. 147-69.2. Provided, however, the institution may elect to deposit at interest any local funds with the State Treasurer for investment as special trust funds pursuant to the provisions of G.S. 147-69.3, and the interest thereon shall accrue to the institution as local funds.

(2) The investment securities listed in G.S. 159-30(c) may be bought, sold, and traded by private negotiation, and the institutions may pay all incidental costs thereof and all reasonable costs of administering the investment and deposit program from local funds. The institution shall be responsible for their safekeeping and for keeping accurate investment accounts and records.

(e) Interest earned on deposits and investments shall be credited to the fund whose cash is deposited or invested. Cash of several funds may be combined for deposit or investment if not otherwise prohibited by law; and when such joint deposits or investments are made, interest earned shall be prorated and credited to the various funds on the basis of the amounts thereof invested, figured according to an average periodic balance or some other sound accounting

principle. Interest earned on the deposit or investment of bond funds shall be deemed a part of the bond proceeds.

(f) Registered securities acquired for investment may be released from registration and transferred by signature of the official designated by the board of ~~trustees."~~trustees.

(g) The board of trustees shall appoint an Investment Committee which shall consist of a minimum of three people who have sufficient financial background to review and evaluate investment options. These individuals should have experience in institutional or retail investment management with knowledge of fixed income and public equities. This committee shall make recommendations to the Board on those investment options, as well as monitor the performance of investments once made.

(h) The board of trustees shall discharge their duties with respect to the management and investment of college funds as follows:

(1) Investment decisions shall be solely in the interest of the college and the students, faculty, and staff of the college.

(2) The investments shall be for the exclusive purpose of providing an adequate return to the college.

(3) Investments shall be made with the care, skill, and caution under the circumstances then prevailing which a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of like character and purpose.

(4) Investment decisions shall be made impartially, taking into account the best interest of the college, with special attention to conflicts of interest or potential conflicts of interest.

(5) Investments shall incur only costs that are appropriate and reasonable."

SECTION 8.20.(b) G.S. 115D-58.7 reads as rewritten:

"§ 115D-58.7. Selection of depository; deposits to be secured.

(a) Each board of trustees shall designate as the official depositories of the institution one or more banks, savings and loan associations or trust companies in this State. It shall be unlawful for any money belonging to an institution, other than moneys required to be deposited with the State Treasurer, to be deposited in any place, bank, savings and loan associations, or trust company other than an official depository except as permitted in ~~G.S. 115D-58.6(b).~~G.S. 115D-58.6(a1). However, public moneys may be deposited in official depositories in Negotiable Order of Withdrawal (NOW) accounts where permitted by applicable federal or State regulations.

(b) Money deposited in an official depository or deposited at interest pursuant to ~~G.S. 115D-58.6(b)~~ G.S. 115D-58.6(a1) shall be secured in the manner prescribed in G.S. 159-31(b). When deposits are secured in accordance with this subsection, no public officer or employee may be held liable for any losses sustained by an institution because of the default or insolvency of the depository."

SECTION 8.20.(c) G.S. 147-69.2 is amended by adding a new subdivision to read:

"(20) Institutional funds of the colleges of the North Carolina Community College System."

PART IX. UNIVERSITIES

CENTER FOR PUBLIC TELEVISION CONTINUATION REVIEW

SECTION 9.1.(a) A continuation review of the Center for Public Television shall be prepared jointly by The University of North Carolina General Administration and The University of North Carolina Center for Public Television. The review shall be submitted to the House of Representatives and Senate Appropriations Subcommittees on Education no later than March 31, 2012. The written report shall include the information listed in subsection (b) of this section.

SECTION 9.1.(b) The continuation review required by this section shall include all of the following information:

(1) A description of the services provided by the Center for Public Television and its mission, goals, and objectives.

(2) The program's statutory objectives and the problem or need addressed.

(3) The extent to which the program's objectives have been achieved.

(4) The program's functions or programs performed without specific statutory authority.
(5) The program's performance measures and the process by which the performance measures determine efficiency and effectiveness.
(6) Recommendations for statutory, budgetary, or administrative changes needed to improve efficiency and effectiveness of services delivered to the public.
(7) The consequences of discontinuing funding.
(8) Recommendations for improving services or reducing costs or duplication.
(9) The identification of policy issues that should be brought to the attention of the General Assembly.
(10) Any other information necessary to fully support the General Assembly's Continuation Review Program, along with any information included in instructions from the Fiscal Research Division.

UNIVERSITY CANCER RESEARCH FUND REPORTING REQUIREMENT

SECTION 9.4. G.S. 116-29.1 is amended by adding a new subsection to read:

"(g) Report. – By November 1 of each year, the Cancer Research Fund Committee shall provide to the Joint Legislative Education Oversight Committee and to the Office of State Budget and Management an annual financial report which shall include the following components:

(1) Accounting of expenditures of State funds related to strategic initiatives, development of infrastructure, and ongoing administrative functions.
(2) Accounting of expenditures of extramural funds related to strategic initiatives, development of infrastructure, and ongoing administrative functions.
(3) Measures of impact to the State's economy in the creation of jobs, intellectual property, and start-up companies.
(4) Other performance measures directly related to the investment of State funds.
(5) Accounting of any fund balances retained by the Fund, along with information about any restrictions on the use of these funds."

UNC BOARD OF GOVERNORS REVIEW OF FACULTY RECRUITMENT AND RETENTION

SECTION 9.5. The Board of Governors of The University of North Carolina shall review its current policies regarding financial incentives to retain faculty. The review shall focus on the prioritization of recruitment and retention funds and the identification of key metrics to measure overall program effectiveness. The Board of Governors shall report its findings and recommendations for changes to the policies, if any, to the Joint Legislative Education Oversight Committee, the Office of State Budget and Management, and the Fiscal Research Division by April 1, 2012.

UNC MANAGEMENT FLEXIBILITY REDUCTION

SECTION 9.6.(a) 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 all of the following:

(1) Reducing State funding for centers and institutes, speaker series, and other nonacademic activities.
(2) Faculty workload adjustments.
(3) Restructuring of research activities.
(4) Implementing cost-saving span of control measures.
(5) Reducing the number of senior and middle management positions.
(6) Eliminating low-performing, redundant, or low-enrollment programs.

(7) Protecting direct classroom services, including faculty members and adjunct professors.

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 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.

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.

When implementing personnel reductions, the Board of Governors and the campuses shall make every effort to abolish vacant positions first.

SECTION 9.6.(b) In allocating the management flexibility reduction, State funds shall not be reduced in either fiscal year of the biennium by more than twelve and three-tenths of one percent (12.3%) from the Governor's Recommended Continuation Budget for the 2011-2013 fiscal biennium for any of the following:

(1) Agricultural Extension.

(2) North Carolina Judicial College of the UNC School of Government.

SECTION 9.6.(c) In allocating the management flexibility reduction, no reduction in State funds shall be allocated in either fiscal year of the 2011-2013 biennium to any of the following:

(1) Hickory Metro Higher Education Center.

(2) Joint Graduate School of Nanoscience and Nanoengineering at North Carolina Agricultural and Technical State University and the University of North Carolina at Greensboro.

(3) The North Carolina Research Campus.

(4) Center for Turfgrass Environmental Research and Education at North Carolina State University.

(5) Need-Based Financial Aid.

(6) Aid to Private Colleges.

(7) Any special responsibility constituent institution which has been granted a basic type designation of "Special Focus Institution" under the Carnegie Classification of Institutions of Higher Education.

(8) Any special responsibility constituent institution which has been granted a basic type designation of "Baccalaureate Colleges–Arts & Sciences" under the Carnegie Classification of Institutions of Higher Education.

(9) The Coastal Wave Energy Research Project led by the UNC Coastal Studies Institute.

SECTION 9.6.(d) In allocating the management flexibility reduction, State funds shall not be reduced in either fiscal year of the biennium by more than twelve and three-tenths of one percent (12.3%) from the Governor's Recommended Continuation Budget for the 2011-2013 fiscal biennium for Agricultural Research programs, except that State funds shall not be reduced in either fiscal year of the biennium by more than ten percent (10%) from the Governor's Recommended Continuation Budget for the 2011-2013 fiscal biennium for Agricultural Research Stations.

ADVISORY COMMISSION ON MILITARY AFFAIRS/MODIFY MEMBERSHIP

SECTION 9.6A. G.S. 127C-2 reads as rewritten:

"**§ 127C-2. Membership.**

(a) The North Carolina Advisory Commission on Military Affairs shall consist of 21 voting members, who shall serve on the Executive Committee, and ~~15~~17 nonvoting, ex officio members who shall serve by reason of their positions.

(b) The Executive Committee shall be appointed as follows:

(1) Three members appointed by the Speaker of the House of Representatives, one of whom shall be a member of a recognized veterans' organization.

(2) Three members appointed by the President Pro Tempore of the Senate, one of whom shall be a member of a recognized veterans' organization.

(3) Fifteen members appointed by the Governor, consisting of:

a. Three representatives from the Jacksonville community.

b. Three representatives from the Havelock community.

c. Three representatives from the Goldsboro community.
d. Three representatives from the Fayetteville community.
e. Three public members from across the State.

(c) The following members, or their designee, shall serve ex officio:
(1) The Lieutenant Governor.
(1a) Secretary of Crime Control and Public Safety.
(2) Secretary of Commerce.
(2a) The Secretary of Transportation.
(2b) The Secretary of the Department of Environment and Natural Resources.
(3) Commanding General 18th Airborne Corps, Fort Bragg.
(4) Commanding General Marine Corps Base, Camp Lejeune.
(5) Commanding General Marine Corps Air Station, Cherry Point.
(6) Commander 4th FW, Seymour Johnson Air Force Base.
(7) Commander 43rd Airlift Wing, Pope Air Force Base.
(8) Commander of the U.S. Coast Guard Support Center, Elizabeth City.
(9) Adjutant General of the North Carolina National Guard.
(10) The Executive Director of the North Carolina League of Municipalities.
(11) The Executive Director of the North Carolina Association of County Commissioners.
(12) The Assistant Secretary for Veterans Affairs, Department of Administration.
(13) The President of The University of North Carolina.
(14) The President of the North Carolina Community College System.

(d) The Governor shall designate one member of the Executive Committee appointed pursuant to subsection (b) of this section to serve as chair. The Executive Committee shall elect four persons from amongst its membership to serve as vice-chairs.

(e) The terms of the members of the Executive Committee shall be as follows:
(1) The members initially appointed by the Speaker of the House of Representatives and the President Pro Tempore of the Senate shall serve terms ending on December 31, 2003.
(2) Seven of the members appointed by the Governor shall serve initial terms ending on December 31, 2002.
(3) Eight of the members appointed by the Governor shall serve initial terms ending on December 31, 2003.

Thereafter, all members shall serve two-year terms."

ALLOW CHANCELLORS OF CONSTITUENT INSTITUTIONS TO APPROVE CERTAIN REPAIR AND MAINTENANCE PROJECTS AND FUND THOSE WITH AVAILABLE OPERATING FUNDS

SECTION 9.6C. G.S. 116-13.1 reads as rewritten:

"**§ 116-13.1. Capital facilities; ~~reports.~~reports; chancellors may authorize certain repair, renovation, and maintenance projects.**

(a) The General Assembly finds that although The University of North Carolina is one of the State's most valuable assets, the current facilities of the University have been allowed to deteriorate due to decades of neglect and have unfortunately fallen into a state of disrepair because of inadequate attention to maintenance. It is the intent of the General Assembly to reverse this trend and to provide a mechanism to assure that the University's capital assets are adequately maintained. The General Assembly commits to responsible stewardship of these assets to protect their value over the years, as follows:
(1) The Board of Governors of The University of North Carolina shall require each constituent and affiliated institution to monitor the condition of its facilities and their needs or repair and renovation, and to assure that all necessary maintenance is carried out within funds available.
(2) The Board of Governors shall report annually to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Education Oversight Committee on the condition of the University's capital facilities, the repair, renovation, and maintenance projects being undertaken, and all needs for additional funding to maintain the facilities.
(3) It is the intent of the General Assembly to assure that adequate oversight, funding, and accountability are continually provided so that the capital

facilities of the University are properly maintained to preserve the level of excellence the citizens of this State deserve. To this end, the Joint Legislative Education Oversight Committee shall report to the General Assembly annually its recommendations for legislative changes to implement this policy.

(b) Equity in University Improvements. – The Board of Governors of The University of North Carolina shall continue to study and monitor any inequities in funding for capital improvements and facilities needs which may still exist on North Carolina's Public Historically Black Colleges and Universities and North Carolina's Historically American Indian University, the University of North Carolina at Pembroke, beyond the funding of the projects provided for in this act, and shall report annually to the Joint Legislative Commission on Governmental Operations on any remaining inequities found, including recommendations as to how those inequities should be addressed.

(c) Approval of Certain Repair and Maintenance Projects. – Notwithstanding G.S. 143C-8-7, the chancellor of a constituent institution may approve the expenditure of available operating funds in an amount not to exceed one million dollars ($1,000,000) per project for repairs to institution facilities, renovations to institution facilities, maintenance of those facilities, and related equipment purchases. Funds contractually obligated to an approved project shall not revert at the end of the fiscal year and will remain available to fund the completion of the project. Projects approved pursuant to this subsection shall in all other respects accord with applicable laws governing capital improvement projects."

AUTHORIZE BOARD OF GOVERNORS TO PERMIT NORTH CAROLINA STATE UNIVERSITY TO SELF-PERFORM ENERGY CONSERVATION MEASURES AND TO AUTHORIZE ENERGY SAVINGS REALIZED BY NORTH CAROLINA STATE UNIVERSITY TO BE USED AS A SOURCE OF REPAYMENT FOR CERTAIN DEBTS

SECTION 9.6D.(a) Article 3B of Chapter 143 of the General Statutes is amended by adding a new section to read:

"**§ 143-64.17L. Board of Governors may authorize energy conservation measures at constituent institutions.**

(a) Authority. – Notwithstanding the provisions of this Part to the contrary, the Board of Governors of The University of North Carolina may authorize any constituent institution listed in subsection (e) of this section to implement an energy conservation measure without entering into a guaranteed energy savings contract if both of the following conditions are met:

(1) The Board of Governors finds that the energy savings resulting from the implementation of the energy conservation measure shall, according to the energy savings analysis received pursuant to G.S. 143-64.17M(a), equal or exceed the total cost of implementing the measure. If the proposed implementation will be financed with debt, then the energy savings analysis must project sufficient energy savings to pay the debt service on any bonds to be issued. As used in this subdivision, the term 'total cost' shall have the same meaning as it does in G.S. 143-64.17B(d).

(2) The energy conservation measure is for an existing building or utility system.

(b) Scope of Authority. – In implementing an energy conservation measure pursuant to subsection (a) of this section, the Board of Governors may undertake or authorize any constituent institution listed in subsection (e) of this section to undertake any action that (i) could be required of a qualified provider under a guaranteed energy savings contract or (ii) is otherwise permissible under this Part.

(c) Projects Consisting of Multiple Energy Conservation Measures. – The Board of Governors may authorize the implementation of multiple energy conservation measures simultaneously as part of a single project. When doing so, the findings required by subsection (a) of this section may be made with respect to the project as a whole and need not be made with respect to individual energy conservation measures. Similarly, the analyses required by G.S. 143-64.17M may be conducted for the project as a whole instead of for individual energy conservation measures.

(d) Continuing Applicability of Part to Contracts. – If the Board of Governors or a constituent institution implements an energy conservation measure through a guaranteed energy savings contract, that contract shall accord in all respects with the requirements of this Part.

(e) The Board of Governors may authorize North Carolina State University to implement an energy conservation measure without entering into a guaranteed energy savings contract pursuant to this section."

SECTION 9.6D.(b) Article 3B of Chapter 143 of the General Statutes is amended by adding a new section to read:

"**§ 143-64.17M. Energy savings analysis required prior to implementation; post-implementation analyses required.**

(a) Energy Savings Analysis Required Prior to Implementation. – Prior to implementing an energy conservation measure pursuant to G.S. 143-64.17L, an energy savings analysis shall be performed to validate the economic assumptions that purportedly support the implementation of the measure. This analysis shall be performed by a third party selected by the constituent institution and shall include an energy consumption analysis to develop a baseline of previous costs of all utilities' energy consumption for the institution on the assumption that the energy conservation measure was not undertaken. The completed analysis shall be submitted to The University of North Carolina General Administration and to the State Energy Office.

(b) Post-Implementation Analyses Required. – A constituent institution that implements an energy conservation measure pursuant to G.S. 143-64.17L shall retain a third party to perform an annual measurement and verification of energy savings resulting from the energy conservation measure as compared to the baseline of previous costs set forth in the energy savings analysis required by subsection (a) of this section. The third party shall annually provide a reconciliation statement based upon the results of a preagreed upon measurement, monitoring, and verification protocol which shall disclose any shortfall or surplus between the estimated energy usage and operational savings set forth in the energy savings analysis required by subsection (a) of this section and actual, not stipulated, energy usage and operational savings incurred during a given year.

If a reconciliation statement reveals a shortfall in energy savings for a particular year, the constituent institution shall be responsible for and shall pay the shortfall. However, the institution shall not be held responsible for losses due to natural disasters or other emergencies. Any surplus shall be retained by the institution and may be used in the same manner as any other energy savings."

SECTION 9.6D.(c) G.S. 116-30.3B(b) reads as rewritten:

"(b) It is the intent of the General Assembly that appropriations to the Board of Governors on behalf of a constituent institution not be reduced as a result of the institution's realization of energy savings. Instead, the General Assembly intends that the amount of appropriations be determined as if no energy savings had been realized. The Director of the Budget shall not decrease the recommended continuation budget requirements for utilities for constituent institutions by the amount of energy savings realized from implementing energy conservation measures, including savings achieved through a guaranteed energy savings contract."

SECTION 9.6D.(d) G.S. 143-64.17F(b) reads as rewritten:

"(b) The Department of Administration, in consultation with the Department of Commerce through the State Energy Office, shall adopt rules for: (i) agency evaluation of guaranteed energy savings contracts; (ii) establishing time periods for consideration of guaranteed energy savings contracts by the Office of State Budget and Management, the Office of the State Treasurer, and the Council of State, and (iii) setting measurements and verification criteria, including review, audit, and precertification. Prior to adopting any rules pursuant to this section, the Department shall consult with and obtain approval of those rules from the State Treasurer. The rules adopted pursuant to this subsection shall not apply to energy conservation measures implemented pursuant to G.S. 143-64.17L."

SECTION 9.6D.(e) G.S. 143-64.17H reads as rewritten:

"**§ 143-64.17H. Report on guaranteed energy savings contracts entered into by State governmental units.**

A State governmental unit that enters into a guaranteed energy savings contract or implements an energy conservation measure pursuant to G.S. 143-64.17L must report either (i) the contract and the terms of the ~~contract~~ contract or (ii) the implementation of the measure to

the State Energy Office of the Department of Commerce within 30 days of the date the contract is entered ~~into.~~ into or the measure is implemented. In addition, within 60 days after each annual anniversary date of a guaranteed energy savings contract, the State governmental unit must report the status of the contract to the State Energy Office, including any details required by the State Energy Office. The State Energy Office shall compile the information for each fiscal year and report it to the Joint Legislative Commission on Governmental Operations and to the Local Government Commission annually by December 1. In compiling the information, the State Energy Office shall include information on the energy savings expected to be realized from a contract or implementation and shall evaluate whether expected savings have in fact been realized."

SECTION 9.6D.(f) G.S. 142-63 reads as rewritten:

"§ 142-63. Authorization of financing contract.

Subject to the terms and conditions set forth in this Article, (i) a State governmental unit that is implementing an energy conservation measure pursuant to G.S. 143-64.17L and financing it pursuant to this Article, (ii) a State governmental unit that has solicited a guaranteed energy conservation measure pursuant to G.S. 143-64.17A or ~~G.S. 143-64.17B or~~ G.S. 143-64.17B, or (iii) the State Treasurer, as designated by the Council of State, is authorized to execute and deliver, for and on behalf of the State of North Carolina, a financing contract to finance the costs of the energy conservation measure. The aggregate outstanding amount payable by the State under financing contracts entered pursuant to this Article shall not exceed five hundred million dollars ($500,000,000) at any one time."

SECTION 9.6D.(g) G.S. 142-64(a) reads as rewritten:

"§ 142-64. Procedure for incurrence or issuance of financing contract.

(a) When a State governmental unit (i) is implementing an energy conservation measure pursuant to G.S. 143-64.17L and financing it pursuant to this Article or (ii) has solicited a guaranteed energy conservation measure, the State governmental unit shall request that the State Treasurer approve the State governmental unit's entering into a financing contract to finance the cost of the energy conservation measure. In connection with the request, the State governmental unit shall provide to the State Treasurer any information the State Treasurer requests in order to evaluate the request. In the event that the State Treasurer determines that financing efficiencies will be realized through the combining of financing contracts, then the State Treasurer is authorized to execute and deliver, for and on behalf of the State of North Carolina, subject to the terms and conditions set forth in this Article, a financing contract for the purpose of financing the cost of the multiple energy conservation measures."

SECTION 9.6D.(h) G.S. 116D-22(3) reads as rewritten:

"(3) Obligated resources. – Any sources of income or receipts of the Board of Governors or the institution at which a special obligation bond project is or will be located that are designated by the Board as the security and source of payment for bonds issued under this Article to finance a special obligation bond project, including, without limitation, any of the following:

a. Rents, charges, or fees to be derived by the Board of Governors or the institution from any activities conducted at the institution.

b. Earnings on the investment of the endowment fund of the institution at which a special obligation project will be located, to the extent that the use of the earnings will not violate any lawful condition placed by the donor upon the part of the endowment fund that generates the investment earnings.

c. Funds to be received under a contract or a grant agreement, including "overhead costs reimbursement" under a grant agreement, entered into by the Board of Governors or the institution to the extent the use of the funds is not restricted by the terms of the contract or grant agreement or the use of the funds as provided in this Article does not violate the restriction.

d. Funds appropriated from the General Fund to the Board of Governors on behalf of a constituent institution for utilities of the institution that constitute energy savings as that term is defined in G.S. 143-64.17.

~~Obligated~~ Except as provided in sub-subdivision d. of this subdivision, obligated resources do not include funds appropriated to the Board of Governors or the institution from the General Fund by the General Assembly

from funds derived from general tax and other revenues of the State, and obligated resources do not include tuition payment by students."

AMEND REGULATION OF UNC INSTITUTIONAL TRUST FUNDS AND FUNDS OF UNC HEALTH CARE SYSTEM

SECTION 9.6E.(a) G.S. 116-36.1 reads as rewritten:

"**§ 116-36.1. Regulation of institutional trust funds.**

(a) The Board is responsible for the custody and management of the trust funds of the University of North Carolina and of each institution. The Board shall adopt uniform policies and procedures applicable to the deposit, investment, and administration of these funds which shall assure that the receipt and expenditure of such funds is properly authorized and that the funds are appropriately accounted for. The Board may delegate authority, through the president, to the respective chancellors of the institutions when such delegation is necessary or prudent to enable the institution to function in a proper and expeditious manner.

(b) Trust funds ~~shall be deposited with the State Treasurer who shall hold them in trust in separate accounts in the name of the University of North Carolina and of each institution. The cash balances of these accounts may be pooled for investment purposes, but investment earnings shall be credited pro rata to each participating account. For purposes of distribution of investment earnings, all trust funds of an institution shall be deemed a single account.~~

~~(c) Moneys deposited with the State Treasurer in trust fund accounts pursuant to this section,~~ and investment earnings thereon, are available for expenditure by each institution without further authorization from the General Assembly.

(d) Trust funds are subject to the oversight of the State Auditor pursuant to Article 5A of Chapter 147 of the General Statutes but are not subject to the provisions of the State Budget Act except for capital improvements projects which shall be authorized and executed in accordance with G.S. 143C-8-8 and G.S. 143C-8-9.

(e) Each institution shall submit such reports or other information concerning its trust fund accounts as may be required by the ~~Director of the Budget.~~Board.

(f) Trust funds or the investment income therefrom shall not take the place of State appropriations or any part thereof, but any portion of these funds available for general institutional purposes is appropriated and shall be used to supplement State appropriations to the end that the institution may improve and increase its functions, may enlarge its areas of service, and may become more useful to a greater number of people.

(g) As used in this section, "trust funds" means:

(1) Moneys, or the proceeds of other forms of property, received by an institution as gifts, devises, or bequests that are neither presumed nor designated to be gifts, devises, or bequests to the endowment fund of the institution;

(2) Moneys received by an institution pursuant to grants from, or contracts with, the United States government or any agency or instrumentality thereof;

(3) Moneys received by an institution pursuant to grants from, or contracts with, any State agencies, any political subdivisions of the State, any other states or nations or political subdivisions thereof, or any private entities whereby the institution undertakes, subject to terms and conditions specified by the entity providing the moneys, to conduct research, training or public service programs, or to provide financial aid to students;

(4) Moneys collected by an institution to support extracurricular activities of students of the institution;

(5) Moneys received from or for the operation by an institution of activities established for the benefit of scholarship funds or student activity programs;

(6) Moneys received from or for the operation by an institution of any of its self-supporting auxiliary enterprises, including institutional student auxiliary enterprise funds for the operation of housing, food, health, and laundry services;

(7) Moneys received by an institution in respect to fees and other payments for services rendered by medical, dental or other health care professionals under an organized practice plan approved by the institution or under a contractual agreement between the institution and a hospital or other health care provider;

(8) The net proceeds from the disposition effected pursuant to Chapter 146, Article 7, of any interest in real property owned by or under the supervision and control of an institution if the interest in real property had first been acquired by gift, devise, or bequest or through expenditure of moneys defined in this subsection ~~(g)~~ as "trust funds," except the net proceeds from the disposition of an interest in real property first acquired by the institution through expenditure of moneys received as a grant from a State agency;

(9) Moneys received from the operation and maintenance of institutional forests and forest farmlands, provided, that such moneys shall be used, when used, by the institution for support of forest-related research, teaching, and public service programs;

(10) Moneys received from an activity authorized by G.S. 66-58(b)(8)m., n., and o.;

(11) Moneys deposited to the State Education Assistance Authority Fund pursuant to G.S. 116-209.3.

(h) ~~Notwithstanding the provisions of subsection (b) of this section, the Board may designate as the official depository of the funds identified in subsection (g)(7) of this section one or more banks or trust companies in this State. The amount of funds on deposit in an official depository shall be fully secured by deposit insurance, surety bonds, or investment securities of such nature, in such amounts, and in such manner as is prescribed by the State Treasurer for the security of public deposits generally. The available cash balance of funds deposited pursuant to this subsection shall be invested in interest-bearing deposits and investments so that the rate of return equals that realized from the investment of State funds generally.~~The Board may authorize, through the President, that the chancellors may deposit or invest each institution's available trust fund cash balances in interest-bearing accounts and other investments as may be authorized by the Board in the exercise of its sound discretion, without regard to any statute or rule of law relating to the investment of funds by fiduciaries.

(i) The cash balances on hand as of June 30, 1978, and all future receipts accruing thereafter, of funds identified in this section are hereby appropriated to the use of the University of North Carolina and its constituent institutions."

SECTION 9.6E.(b) G.S. 116-37(e) reads as rewritten:

"(e) Finances. – The University of North Carolina Health Care System shall be subject to the provisions of the State Budget Act, except for trust funds as provided in G.S. 116-36.1 and G.S. 116-37.2. The Chief Executive Officer, subject to the board of directors, shall be responsible for all aspects of budget preparation, budget execution, and expenditure reporting. All operating funds of the University of North Carolina Health Care System may be budgeted and disbursed through special fund codes, maintaining separate auditable accounts for the University of North Carolina Hospitals at Chapel Hill and the clinical patient care programs of the School of Medicine of the University of North Carolina at Chapel Hill. All receipts of the University of North Carolina Health Care System may be deposited directly to the special fund codes, and except for General Fund appropriations, all receipts of the University of North Carolina Hospitals at Chapel Hill may be invested pursuant to ~~G.S. 147-69.2(b3).~~ G.S. 116-37.2(h).General Fund appropriations for support of the University of North Carolina Hospitals at Chapel Hill shall be budgeted in a General Fund code under a single purpose, "Contribution to University of North Carolina Hospitals at Chapel Hill Operations" and be transferable to a special fund operating code as receipts."

SECTION 9.6E.(c) G.S. 116-37.2 reads as rewritten:

"§ 116-37.2. Regulation of University of North Carolina Hospitals at Chapel Hill Funds.

(a) As used in this section, "funds" means:

(1) Moneys, or the proceeds of other forms of property, received by the University of North Carolina Hospitals at Chapel Hill as gifts, devises, or bequests.

(2) Moneys received by the University of North Carolina Hospitals at Chapel Hill pursuant to grants from, or contracts with, the United States government or any agency or instrumentality thereof.

(3) Moneys received by the University of North Carolina Hospitals at Chapel Hill pursuant to grants from, or contracts with, any State agencies, any political subdivisions of the State, any other states or nations or political subdivisions thereof, or any private entities whereby the University of North

Carolina Hospitals at Chapel Hill undertakes, subject to terms and conditions specified by the entity providing the moneys, to conduct research, training, or public service programs.

(4) Moneys received from or for the operation by the University of North Carolina Hospitals at Chapel Hill of any of its self-supporting auxiliary enterprises, including the Liability Insurance Trust Fund.

(5) Moneys received by the University of North Carolina Hospitals at Chapel Hill in respect to fees and other payments for services it renders in its hospital and/or clinical operations.

(5a) Moneys received by the University of North Carolina Hospitals at Chapel Hill in respect to borrowings for capital equipment or construction projects to further services it renders in either or both of its hospital or clinical operations.

(6) The net proceeds from the disposition effected pursuant to Article 7 of Chapter 146 of the General Statutes of any interest in real property owned by or under the supervision and control of the University of North Carolina Hospitals at Chapel Hill if the interest in real property had first been acquired by gift, devise, or bequest or through expenditure of moneys defined in this subsection, except the net proceeds from the disposition of an interest in real property first acquired by the University of North Hospitals at Chapel Hill through expenditure of moneys received as a grant from a State agency.

(b) The Board of Directors of the University of North Carolina Health Care System, as established in G.S. 116-37(b), is responsible for the custody and management of the funds of the University of North Carolina Hospitals at Chapel Hill. The Board shall adopt uniform policies and procedures applicable to the deposit, investment, and administration of these funds, which shall assure that the receipt and expenditure of such funds is properly authorized and that the funds are appropriately accounted for. The Board may delegate authority, through the Chief Executive Officer of the University of North Carolina Health Care System to the President of the University of North Carolina Hospitals at Chapel Hill, when such delegation is necessary or prudent to enable the University of North Carolina Hospitals at Chapel Hill to function in a proper and expeditious manner.

(c) Funds under this section ~~shall be deposited with the State Treasurer who shall hold them in trust in the name of the University of North Carolina Hospitals at Chapel Hill.~~

~~(d) Funds deposited with the State Treasurer in an account pursuant to this section,~~ and investment earnings ~~thereon,~~ thereon are available for expenditure by the University of North Carolina Hospitals at Chapel Hill without further authorization from the General Assembly.

(e) Funds under this section are subject to the oversight of the State Auditor pursuant to Article 5A of Chapter 147 of the General Statutes but are not subject to the provisions of the ~~Executive~~ State Budget Act except for capital improvements projects, which shall be authorized and executed in accordance with ~~G.S. 143-18.1.~~G.S. 143C-8-8 and G.S. 143C-8-9.

(f) The University of North Carolina Hospitals at Chapel Hill shall submit such reports or other information concerning its fund accounts under this section as may be required by the ~~Director of the Budget.~~Board of Directors of the University of North Carolina Health Care System.

(g) Funds under this section, or the investment income therefrom, shall not take the place of State appropriations or any part thereof, but any portion of these funds available for general institutional purposes shall be used to supplement State appropriations to the end that the University of North Carolina Hospitals at Chapel Hill may improve and increase their functions, may enlarge their areas of service, and may become more useful to a greater number of people.

(h) ~~Notwithstanding the provisions of subsection (c) of this section, the Board may designate as the official depository of the funds identified in subdivisions (a)(4), (a)(5), and (a)(6) of this section one or more banks or trust companies in this State for any investments authorized by G.S. 147-69.2(b3).~~The Board of Directors of the University of North Carolina Health Care System may deposit or invest the funds under this section in interest-bearing accounts and other investments in the exercise of its sound discretion, without regard to any statute or rule of law relating to the investment of funds by fiduciaries."

UNC/INSTITUTIONAL EXPENDITURE BENCHMARKS

SECTION 9.6F.(a) G.S. 116-31.10 reads as rewritten:

"**§ 116-31.10. Powers of Board regarding certain purchasing contracts.**

(a) Notwithstanding G.S. 143-53.1 or G.S. 143-53(a)(2), the expenditure benchmark for a special responsibility constituent institution with regard to competitive bid procedures and the bid value benchmark shall be an amount not greater than five hundred thousand dollars ($500,000). The Board shall set the benchmark for each institution from time to time. In setting an institution's benchmark in accordance with this section, the Board shall consider the institution's overall capabilities including staff resources, purchasing compliance reviews, and audit reports. The Board shall also consult with the Director of the Division of Purchase and Contract and the Director of the Budget prior to setting the benchmark.

(b) Each institution with an expenditure benchmark greater than two hundred fifty thousand dollars ($250,000) shall comply with this subsection for any purchase greater than ~~two hundred fifty thousand dollars ($250,000)~~the institution's benchmark set by the Board but not greater than five hundred thousand dollars ($500,000). This institution shall submit to the Division of Purchase and Contract for that Division's approval or other action deemed necessary by the Division a copy of all offers received and the institution's recommendation of award or other action. Notice of the Division's decision shall be sent to that institution. The institution shall then proceed with the award of contract or other action recommended by the Division."

SECTION 9.6F.(b) This section becomes effective October 1, 2011.

UNC ASSUME RESPONSIBILITY FOR QUALITY ACCEPTANCE INSPECTION PROCESS

SECTION 9.6G.(a) G.S. 143-60 reads as rewritten:

"**§ 143-60. Rules covering certain purposes.**

The Secretary of Administration may adopt, modify, or abrogate rules covering the following purposes, in addition to those authorized elsewhere in this Article:

(1) Requiring reports by State departments, institutions, or agencies of stocks of supplies and materials and equipment on hand and prescribing the form of such reports.

(2) Prescribing the manner in which supplies, materials and equipment shall be delivered, stored and distributed.

(3) Prescribing the manner of inspecting deliveries of supplies, materials and equipment and making chemicals and/or physical tests of samples submitted with bids and samples of deliveries to determine whether deliveries have been made in compliance with specifications. However, the provisions of this subdivision shall not apply to the constituent institutions of The University of North Carolina. The President of The University of North Carolina shall issue regulations or guidelines for the conducting of quality inspections by constituent institutions to ensure that deliveries have been made in compliance with specifications.

(4) Prescribing the manner in which purchases shall be made in emergencies.

(5) Providing for such other matters as may be necessary to give effect to foregoing rules and provisions of this Article.

(6) Prescribing the manner in which passenger vehicles shall be purchased.

Further, the Secretary of Administration may prescribe appropriate procedures necessary to enable the State, its institutions and agencies, to obtain materials surplus or otherwise available from federal, State or local governments or their disposal agencies."

SECTION 9.6G.(b) This section becomes effective October 1, 2011.

NCSU MAY SELL TIMBER

SECTION 9.6H. Part 1 of Article 3A of Chapter 143 of the General Statutes is amended by adding a new section to read:

"**§ 143-64.06. North Carolina State University may sell timber.**

Notwithstanding any provision of this Part or Chapter 146 of the General Statutes, the Board of Trustees of North Carolina State University may cause to be severed and sold or transferred timber from any unimproved timberlands owned by or allocated to the University without involvement by the State Surplus Property Agency and without being required to pay

any service charge or surcharge to the State Surplus Property Agency. Any such severance shall be reported to the Council of State through the State Property Office. The Board of Trustees may delegate the authority set out above to responsible University officials. The proceeds of any sales or transfers under this section shall be used to support the management of, and programming costs associated with, forest properties owned, allocated, or managed by North Carolina State University."

USE OF ESCHEAT FUND FOR NEED-BASED FINANCIAL AID PROGRAMS

SECTION 9.8.(a) There is appropriated from the Escheat Fund income to the Board of Governors of The University of North Carolina the sum of thirty-two million one hundred twenty-two thousand two hundred forty-two dollars ($32,122,242) for the 2011-2012 fiscal year and the sum of thirty-two million one hundred twenty-two thousand two hundred forty-two dollars ($32,122,242) for the 2012-2013 fiscal year to be used for The University of North Carolina Need-Based Financial Aid Program.

SECTION 9.8.(b) In addition to the appropriation in subsection (a) of this section, there is appropriated from the Escheat Fund income to the Board of Governors of The University of North Carolina the sum of ninety-five million two hundred thirty-one thousand nine hundred twelve dollars ($95,231,912) for the 2011-2012 fiscal year to be used for The University of North Carolina Need-Based Financial Aid Program.

SECTION 9.8.(c) There is appropriated from the Escheat Fund income to the State Board of Community Colleges the sum of sixteen million five hundred thousand dollars ($16,500,000) for the 2011-2012 fiscal year and the sum of sixteen million five hundred thousand dollars ($16,500,000) for the 2012-2013 fiscal year to be used for community college grants.

SECTION 9.8.(d) There is appropriated from the Escheat Fund income 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 the 2011-2012 fiscal year and the sum of six million five hundred twenty thousand nine hundred sixty-four dollars ($6,520,964) for the 2012-2013 fiscal year to be used for need-based student financial aid.

SECTION 9.8.(e) The funds appropriated by this section 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). If any funds appropriated under this section remain uncommitted for need-based financial aid as of the end of a fiscal year, the funds shall be returned to the Escheat Fund, but only to the extent the funds exceed the amount of the Escheat Fund income for that fiscal year.

SECTION 9.8.(f) 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 9.8.(g) The Office of State Budget and Management shall transfer the cash balance of the community college grant program remaining in Budget Code 66801, Fund 6102, to the Escheat Fund.

UNC NEED-BASED FINANCIAL AID PROGRAM FUNDING SCHEDULE

SECTION 9.9.(a) Of the funds appropriated by this act for the 2011-2012 fiscal year for The University of North Carolina Need-Based Financial Aid Program, the sum of fifty-nine million eight hundred fifty-nine thousand five hundred sixty-two dollars ($59,859,562) shall not be used for expenditures in the 2011-2012 fiscal year but shall be carried forward and held in reserve by the State Education Assistance Authority. The funds carried forward and held in reserve pursuant to this subsection may be disbursed by the State

Education Assistance Authority after July 1, 2012, for need-based student financial aid in the 2012-2013 academic year in accordance with G.S. 116B-7.

SECTION 9.9.(b) Of the funds appropriated by this act for the 2012-2013 fiscal year for The University of North Carolina Need-Based Financial Aid Program, the sum of fifty-nine million eight hundred fifty-nine thousand five hundred sixty-two dollars ($59,859,562) shall not be used for expenditures in the 2012-2013 fiscal year but shall be carried forward and held in reserve by the State Education Assistance Authority. The funds carried forward and held in reserve pursuant to this subsection may be disbursed by the State Education Assistance Authority after July 1, 2013, for need-based student financial aid in the 2013-2014 academic year in accordance with G.S. 116B-7.

CONSOLIDATE ASSETS OF MILLENNIUM TEACHING SCHOLARSHIP LOAN PROGRAM AND PROSPECTIVE TEACHERS SCHOLARSHIP LOAN FUND/ GIVE PRIORITY FOR SCHOLARSHIP LOANS FOR PROSPECTIVE TEACHERS TO CERTAIN FORMER TEACHER ASSISTANTS

SECTION 9.10.(a) Effective January 1, 2012, the Millennium Teaching Scholarship Loan Program is abolished.

SECTION 9.10.(b) All financial obligations to any student awarded a scholarship loan from the Millennium Teaching Scholarship Loan Program before January 1, 2012, shall be fulfilled with funds from the Scholarship Loan Fund for Prospective Teachers established under G.S. 116-209.33, provided the student remains eligible under the provisions of the Millennium Teaching Scholarship Loan Program. All contractual agreements between a student awarded a scholarship loan from the Millennium Teaching Scholarship Loan Program before January 1, 2012, and the State Education Assistance Authority regarding the loan remain enforceable.

SECTION 9.10.(c) The assets and liabilities for the Millennium Teaching Scholarship Loan Program shall be transferred as follows:

(1) Five hundred thousand dollars ($500,000) shall be transferred to the Escheat Fund on July 1, 2011.

(2) The remaining balance of the assets and liabilities shall be transferred to the Scholarship Loan Fund for Prospective Teachers established under G.S. 116-209.33 on January 1, 2012.

SECTION 9.10.(d) Notwithstanding the provisions of G.S. 116-209.33 or any other provision of law, when awarding scholarship loans under G.S. 116-209.33, the State Education Assistance Authority shall give priority to any applicant who qualifies for a scholarship loan under G.S. 116-209.33 if the applicant was formerly employed as a teacher assistant at a public school in North Carolina but lost his or her teacher assistant position in the State public school system as a result of a reduction in force.

LIMIT CERTAIN FINANCIAL AID GRANTS TO THE TRADITIONAL TIME PERIOD REQUIRED TO EARN A BACCALAUREATE DEGREE

SECTION 9.11.(a) Article 1 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-25.1. Limit receipt of The University of North Carolina need-based financial aid grants to traditional time period required to earn baccalaureate degree.**

(a) Except as otherwise provided by this section, a student shall not receive a grant from The University of North Carolina Need-Based Financial Aid Program for more than nine full-time academic semesters, or its equivalent if enrolled part-time, unless the student is enrolled in a program officially designated by the Board of Governors as a five-year degree program. If a student is enrolled in such a five-year degree program, then the student shall not receive a need-based grant from The University of North Carolina Need-Based Financial Aid Program for more than 11 full-time academic semesters or its equivalent if enrolled part-time.

(b) Upon application by a student, the student may receive a grant for one additional part-time or full-time academic semester as appropriate, if the student demonstrates that any of the following have substantially disrupted or interrupted the student's pursuit of a degree: (i) a military service obligation, (ii) serious medical debilitation, (iii) a short-term or long-term disability, or (iv) other extraordinary hardship, including inability to enroll in the appropriate courses due to reduced course offerings. The Board of Governors shall establish the appropriate procedures to implement the additional semester extension provided by this subsection."

SECTION 9.11.(b) The Fiscal Research Division, in cooperation with The University of North Carolina, the North Carolina Community College System, the North Carolina Independent Colleges and Universities, Inc., and the State Education Assistance Authority shall study how to track and document the receipt of The University of North Carolina need-based grants, North Carolina Community College need-based grants, and the private institutions of higher education need-based scholarships by students who enroll in both public and private institutions of higher education while pursuing a baccalaureate or associate degree so that no student receives a combination of these grants or scholarships that exceeds a cumulative total of nine full-time academic semesters or 11 full-time academic semesters as appropriate. In addition, the study shall (i) consider the need to grant a waiver to the limit imposed on receipt of need-based grants or scholarships for those students who encounter legitimate disruptions or interruptions of the academic pursuit of a degree and (ii) determine the appropriate criteria and procedure for extending the eligibility to receive those types of financial aid for an additional period of time. The study shall also examine any potential impact on college completion rates.

The Fiscal Research Division shall report its findings and recommendations, including any legislative recommendations, by March 1, 2012, to the Joint Legislative Education Oversight Committee and to the Education Appropriation Subcommittees of the House of Representatives and the Senate.

SECTION 9.11.(c) Subsection (a) of this section is effective for the 2012-2013 academic year and each subsequent fiscal year.

ACADEMIC COMMON MARKET

SECTION 9.12.(a) Notwithstanding G.S. 116-43.10, the Board of Governors of The University of North Carolina shall not participate in the Academic Common Market for the purpose of accepting new students for the 2012-2013 academic year, and no new students shall be allowed to enroll through the Academic Common Market program into The University of North Carolina graduate programs for the 2012-2013 academic year.

SECTION 9.12.(b) This section does not affect a student enrolled in The University of North Carolina System under the Academic Common Market program prior to the 2012-2013 academic year; that student may continue to pay in-State tuition as long as the student is enrolled in that graduate program.

ELIMINATE CERTAIN UNC TUITION WAIVERS FOR NONRESIDENT STUDENTS

SECTION 9.13.(a) G.S. 116-143(c) reads as rewritten:

"(c) Inasmuch as the giving of tuition and fee waivers, or especially reduced rates, represent in effect a variety of scholarship awards, the said practice is hereby prohibited except when expressly authorized by ~~statute or by the Board of Governors of The University of North Carolina; and, furthermore, it is hereby directed and required that all budgeted funds expended for scholarships of any type must be clearly identified in budget reports. The Board of Governors of The University of North Carolina shall not authorize a reduced rate of tuition for the special talent of athletics.~~statute."

SECTION 9.13.(b) G.S. 116-143.5 is repealed.

SECTION 9.13.(c) The Prospective Teacher Scholars program that was begun as a pilot program under Section 9.9 of S.L. 2002-126 is abolished.

ELIMINATE PRIVATE MEDICAL SCHOOL AID

SECTION 9.14. G.S. 116-21.6 is repealed.

TRANSFER NORTH CAROLINA ARBORETUM RESPONSIBILITIES TO WESTERN CAROLINA

SECTION 9.15.(a) G.S. 116-242 reads as rewritten:

"**§ 116-242. Administration of Arboretum; acceptance of gifts and grants.**

The Arboretum shall be administered by The University of North Carolina and through the Board of Directors established in G.S. 116-243. State funds for the administration of the Arboretum shall be appropriated to The University of North Carolina ~~for the University of North Carolina at Asheville. The~~ for Western Carolina University to administer on behalf of the arboretum. The North Carolina Arboretum and The University of North Carolina may receive gifts and grants to be used for development or operation of the Arboretum."

SECTION 9.15.(b) G.S. 116-243 reads as rewritten:

"**§ 116-243. Board of directors established; appointments.**

A board of directors to govern the operation of the Arboretum is established, to be appointed as follows:

(1) Two by the Governor, initially, one for a two-year term, and one for a four-year term. Successors shall be appointed for four-year terms.

(2) Two by the General Assembly, in accordance with G.S. 120-121, upon the recommendation of the President Pro Tempore of the Senate, initially, one for a two-year term, and one for a four-year term. Successors shall be appointed for four-year terms.

(3) Two by the General Assembly, in accordance with G.S. 120-121, upon the recommendation of the Speaker of the House of Representatives, initially, one for a two-year term, and one for a four-year term. Successors shall be appointed for four-year terms.

(4) The President of The University of North Carolina or the President's designee to serve ex officio.

(4a) Two by the President of The University of North Carolina. Members shall be appointed for four-year terms, except that the initial terms shall be as provided otherwise by law.

~~(5) The chancellors, chief executive officers, or their designees of the following institutions of higher education: North Carolina State University, Western Carolina University, The University of North Carolina at Asheville, Mars Hill College, and Warren Wilson College, to serve ex officio.~~

~~(6) The President of Western North Carolina Arboretum, Inc., to serve ex officio.~~

(7) ~~Six~~ Eight by the Board of Governors of The University of North Carolina, ~~initially, three for one year terms, and three for three year terms. Successors shall be appointed for four year terms. One shall be an active grower of nursery stock, and one other shall represent the State's garden clubs.~~Members shall be appointed for four-year terms, except that the initial terms shall be as otherwise provided by law.

(8) The executive director of the Arboretum ~~and the Executive Vice President of Western North Carolina Development Association~~ shall serve ex officio as ~~nonvoting members of the board of directors.~~ a nonvoting member of the Board of Directors.

(9) The President of The North Carolina Arboretum Society, Inc., to serve ex officio.

All appointed members may serve two full four-year terms following the initial appointment and then may not be reappointed until they have been absent for at least one year. Members serve until their successors have been appointed. Appointees to fill vacancies serve for the remainder of the unexpired term. Vacancies in appointments made by the General Assembly shall be filled in accordance with G.S. 120-122. Initial terms begin ~~July 1, 1986.~~July 1, 2011.

The ~~chairman of the board of directors~~ Chair of the Board of Directors shall be elected biennially by majority vote of the directors.

The ~~executive director~~ Executive Director of the Arboretum shall report to the ~~board of directors.~~President of The University of North Carolina or the President's designee and to the Board of Directors."

SECTION 9.15.(c) G.S. 116-244 reads as rewritten:

"**§ 116-244. Duties of board of directors.**

The ~~board of directors~~ Board of Directors of the Arboretum has the following duties and responsibilities:

(1) Development of the policies and procedures concerning the use of the land and facilities being developed as part of the Western North Carolina Arboretum, Inc.;

(2) Approval of plans for any buildings to be constructed on the facility;

(3) Maintenance and upkeep of buildings and all properties;

(4) Approval of permanent appointments to the staff of the Arboretum;

(5) Recommendations to the General Administration of candidates for ~~executive director~~ Executive Director of the Arboretum;
(6) Recommendations to the General Administration for necessary termination of the ~~executive director~~ Executive Director or other personnel of the Arboretum;
(7) Ensurance of appropriate liaison between the Arboretum and the U. S. Forest Service, the National Park Service, ~~the Western North Carolina Arboretum, Inc.,~~ The North Carolina Arboretum Society, Inc., Bent Creek Institute, Inc., Centers for Environmental and Climatic Interaction, Inc., NOAA Cooperative Institute for Climate and Satellites, and other scientific and economic development agencies and organizations of interest to and involved in the work at the Arboretum;
(8) Development of various policies and directives, including the duties of the ~~executive director,~~ Executive Director, to be prepared jointly by the members of the ~~board of directors and the executive director;~~ Board of Directors and the Executive Director;
(9) Approval of annual expenditures and budget requests to be submitted to ~~the Board of Governors.~~ The University of North Carolina General Administration.

The ~~board of directors~~ Board of Directors shall meet at least twice a year, and more frequently on the call of the ~~chairman~~ Chair or at the request of at least 10 members of the ~~board.~~ Board. Meetings shall be held at the Arboretum, ~~the University of North Carolina at Asheville, or Western Carolina University.~~ any campus of a constituent institution of The University of North Carolina, or at other public locations in support of the Arboretum mission and purposes."

SECTION 9.15.(d) Effective July 1, 2011, the President of The University of North Carolina shall appoint one member pursuant to G.S. 116-243(4a) as enacted by subsection (b) of this section to serve an initial term of two years to end July 1, 2013, and one member to serve an initial term of four years to end July 1, 2015; successors shall be appointed to four-year terms as provided by G.S. 116-243. Effective July 1, 2011, the Board of Governors of The University of North Carolina shall appoint one of the new members to be added to Board of Directors pursuant to G.S. 116-243(7) as amended by subsection (b) of this section to serve an initial term of two years to end July 1, 2013, and the other new member to be added to serve an initial term of four years to end July 1, 2015; successors shall be appointed to four year terms as provided by G.S. 116-243.

SPECIAL RESPONSIBILITY CONSTITUENT INSTITUTION AUDITS

SECTION 9.16. Article 1 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"**§ 116-30.8. Special responsibility constituent institutions: annual audit by State Auditor or certified public accountant.**

Each special responsibility constituent institution shall be audited annually. The Chancellor of the special responsibility constituent institution may use State funds to contract with the State Auditor or with a certified public accountant to perform the audit. The audit shall be provided to the Chancellor and Board of Trustees of the special responsibility institution, the Board of Governors of The University of North Carolina, and the State Auditor. The audit shall also be included in the State's Comprehensive Annual Financial Report (CAFR).

The Board of Governors of The University of North Carolina shall ensure that all special responsibility constituent institutions are audited in accordance with this section."

NEED-BASED SCHOLARSHIPS FOR STUDENTS ATTENDING PRIVATE INSTITUTIONS OF HIGHER EDUCATION

SECTION 9.18.(a) Chapter 116 of the General Statutes is amended by adding a new Article to read:

"Article 34.

"Need-Based Scholarships for Students Attending Private Institutions of Higher Education.

"**§ 116-280. Definitions.**

The following definitions apply to this Article:

(1) Academic year. – A period of time in which a student is expected to complete the equivalent of at least two semesters' or three quarters' academic work.

(2) Authority. – The State Education Assistance Authority created by Article 23 of Chapter 116 of the General Statutes.

(3) Eligible private postsecondary institution. – A school that is any of the following:

a. A nonprofit postsecondary educational institution with a main permanent campus located in this State that is not owned or operated by the State of North Carolina or by an agency or political subdivision of the State or by any combination thereof that satisfies all of the following:

1. Is accredited by the Southern Association of Colleges and Schools under the standards of the College Delegate Assembly of the Association or by the New England Association of Schools and Colleges through its Commission on Institutions of Higher Education.

2. Awards a postsecondary degree as defined in G.S. 116-15.

b. A postsecondary institution owned or operated by a hospital authority as defined in G.S. 131E-16(14) or school of nursing affiliated with a nonprofit postsecondary educational institution as defined in sub-subdivision a. of this subsection.

(4) Main permanent campus. – A campus owned by the eligible private postsecondary institution that provides permanent on-premises housing, food services, and classrooms with full-time faculty members and administration that engages in postsecondary degree activity as defined in G.S. 116-15.

(5) Matriculated status. – Being recognized as a student in a defined program of study leading to a degree, diploma, or certificate at an eligible private postsecondary institution.

(6) Scholarship. – A scholarship for education awarded under this Article.

(7) Title IV. – Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. § 1070, et seq.

"**§ 116-281. Eligibility requirements for scholarships.**

In order to be eligible to receive a scholarship under this Article, a student seeking a degree, diploma, or certificate at an eligible private postsecondary institution must meet all of the following requirements:

(1) Only needy North Carolina students are eligible to receive scholarships. For purposes of this subsection, "needy North Carolina students" are those eligible students whose expected family contribution under the federal methodology does not exceed an amount as set annually by the Authority based upon costs of attendance at The University of North Carolina.

(2) The student must meet all other eligibility requirements for the federal Pell Grant, with the exception of the expected family contribution.

(3) The student must qualify as a legal resident of North Carolina and as a resident for tuition purposes in accordance with definitions of residency that may from time to time be adopted by the Board of Governors and published in the residency manual of the Board of Governors.

(4) The student must meet enrollment standards by being admitted, enrolled, and classified as an undergraduate student in a matriculated status at an eligible private postsecondary institution.

(5) In order to continue to be eligible for a scholarship for the student's second and subsequent academic years, the student must meet achievement standards by maintaining satisfactory academic progress in a course of study in accordance with the standards and practices used for federal Title IV programs by the eligible private postsecondary institution in which the student is enrolled.

(6) A student shall not receive a scholarship under this Article for more than nine full-time academic semesters, or the equivalent if enrolled part-time, unless the student is enrolled in a program officially designated by the

eligible private postsecondary institution as a five-year degree program. If a student is enrolled in such a five-year degree program, then the student shall not receive a scholarship under this Article for more than 11 full-time academic semesters or the equivalent if enrolled part-time.

"**§ 116-282. Scholarship amounts; amounts dependent on availability of funds.**

(a) Subject to the sum appropriated by the General Assembly for an academic year to be awarded as scholarships under this Article, a scholarship awarded under this Article to a student at an eligible private postsecondary institution shall be determined annually by the Authority based upon the enrollment status and expected family contribution of the student, consistent with the methodology for the federal Title IV programs.

(b) The Authority shall have the power to determine the actual scholarship amounts disbursed to students in any given year based on the sum appropriated for purposes of this Article by the General Assembly for that academic year and any unexpended funds that may be available pursuant to G.S. 116-283.

(c) The minimum award of a scholarship under this Article shall be five hundred dollars ($500.00).

"**§ 116-283. Administration; unexpended scholarship funds do not revert.**

(a) The scholarships provided for in this Article shall be administered by the Authority under rules adopted by the Authority in accordance with the provisions of this Article.

(b) The Authority may use up to one and one-half percent (1.5%) of the funds appropriated for scholarships under this Article for administrative purposes.

(c) Scholarship funds unexpended shall remain available for future scholarships to be awarded under this Article."

SECTION 9.18.(b) G.S. 115C-499.1(3) reads as rewritten:

"**§ 115C-499.1. Definitions.**

The following definitions apply to this Article:

...

(3) Eligible postsecondary institution. – A school that is:

a. A constituent institution of The University of North Carolina as defined in G.S. 116-2(4); or

b. A community college as defined in ~~G.S. 115D-2(2);~~G.S. 115D-2(2).

~~c. A nonprofit postsecondary institution as defined in G.S. 116-22(1) or G.S. 116-43.5(a)(1); or~~

~~d. A postsecondary institution owned or operated by a hospital authority as defined in G.S. 131E-16(14) or school of nursing affiliated with a nonprofit postsecondary institution as defined in G.S. 116-22(1).~~

...."

SECTION 9.18.(c) G.S. 116-19, 116-20, 116-21, 116-21.1, 116-21.2, 116-21.3, 116-21.4, 116-22, and 116-43.5 are repealed.

SECTION 9.18.(d) The State Education Assistance Authority shall report no later than June 1, 2013, to the Joint Legislative Education Oversight Committee regarding the implementation of this section. The report shall contain, for the 2012-2013 academic year, the amount of scholarship and grant money disbursed, the number of students eligible for the funds, the number of eligible students receiving the funds, and a breakdown of the eligible private postsecondary institutions that received the funds.

SECTION 9.18.(e) G.S. 90-332.1(a)(4a) reads as rewritten:

"(a) It is not the intent of this Article to regulate members of other regulated professions who do counseling in the normal course of the practice of their profession. Accordingly, this Article does not apply to:

...

(4a) Any person counseling within the scope of employment at: (i) a local community college as defined in G.S. 115D-2(2); (ii) a public higher education institution as defined in G.S. 116-2(4); or (iii) ~~a private higher education institution as defined in G.S. 116-22(1).~~a nonprofit postsecondary educational institution as described in G.S. 116-280."

SECTION 9.18.(f) G.S. 105-278.4(a) reads as rewritten:

"(a) Buildings. – Buildings, the land they actually occupy, and additional land reasonably necessary for the convenient use of any such building shall be exempted from taxation if all of the following requirements are met:

(1) Owned by either of the following:

a. An educational institution; or

b. A nonprofit entity for the sole benefit of a constituent or affiliated institution of The University of North Carolina, ~~an institution as defined in G.S. 116-22,~~ a nonprofit postsecondary educational institution as described in G.S. 116-280, a North Carolina community college, or a combination of these;

...."

SECTION 9.18.(g) G.S. 116-11(10a) reads as rewritten:

"(10a) The Board of Governors, the State Board of Community Colleges, and the State Board of Education, in consultation with ~~private higher education institutions defined in G.S. 116-22(1),~~ nonprofit postsecondary educational institutions shall plan a system to provide an exchange of information among the public schools and institutions of higher education to be implemented no later than June 30, 1995. As used in this section, "institutions of higher education" shall ~~mean~~ mean (i) public higher education institutions defined in G.S. 116-143.1(a)(3), and ~~those private higher education institutions defined in G.S. 116-22(1)~~ (ii) those nonprofit postsecondary educational institutions as described in G.S. 116-280 that choose to participate in the information exchange. The information shall include:

a. The number of high school graduates who apply to, are admitted to, and enroll in institutions of higher education;

b. College performance of high school graduates for the year immediately following high school graduation including each student's: need for remedial coursework at the institution of higher education that the student attends; performance in standard freshmen courses; and continued enrollment in a subsequent year in the same or another institution of higher education in the State;

c. The progress of students from one institution of higher education to another; and

d. Consistent and uniform public school course information including course code, name, and description.

The Department of Public Instruction shall generate and the local school administrative units shall use standardized transcripts in an automated format for applicants to higher education institutions. The standardized transcript shall include grade point average, class rank, end-of-course test scores, and uniform course information including course code, name, units earned toward graduation, and credits earned for admission from an institution of higher education. The grade point average and class rank shall be calculated by a standard method to be devised by the institutions of higher education.

The Board of Governors shall coordinate a joint progress report on the implementation of the system to provide an exchange of information among the public and independent colleges and universities, the community colleges, and the public schools. The report shall be made to the Joint Legislative Education Oversight Committee no later than February 15, 1993, and annually thereafter."

SECTION 9.18.(h) G.S. 143-49(6) reads as rewritten:

"(6) To make available to nonprofit corporations operating charitable hospitals, to local nonprofit community sheltered workshops or centers that meet standards established by the Division of Vocational Rehabilitation of the Department of Health and Human Services, to private nonprofit agencies licensed or approved by the Department of Health and Human Services as child placing agencies, residential child-care facilities, private nonprofit rural, community, and migrant health centers designated by the Office of Rural Health and Resource Development, to private higher education

institutions that are ~~defined as "institutions" in G.S. 116-22(1),~~ described as nonprofit postsecondary educational institutions in G.S. 116-280 and to counties, cities, towns, local school administrative units, governmental entities and other subdivisions of the State and public agencies thereof in the expenditure of public funds, the services of the Department of Administration in the purchase of materials, supplies and equipment under such rules, regulations and procedures as the Secretary of Administration may adopt. In adopting rules and regulations any or all provisions of this Article may be made applicable to such purchases and contracts made through the Department of Administration, and in addition the rules and regulations shall contain a requirement that payment for all such purchases be made in accordance with the terms of the contract."

SECTION 9.18.(i) Subsections (a), (d), and (i) of this section become effective July 1, 2011. Article 34 of Chapter 116 of the General Statutes, as enacted by subsection (a) of this section, applies to the 2012-2013 academic year and each subsequent academic year, except that the rule-making authority for the State Education Assistance Authority under G.S. 116-283(a) becomes effective immediately on July 1, 2011. Subsections (b), (c), (e), (f), (g), and (h) of this section become effective July 1, 2012.

CONSTITUENT INSTITUTIONS MAY PURCHASE MOTOR VEHICLES INDEPENDENT OF MOTOR FLEET MANAGEMENT

SECTION 9.19. G.S. 143-341(8)i.3. reads as rewritten:

"**§ 143-341. Powers and duties of Department.**

The Department of Administration has the following powers and duties:

...

(8) General Services:

...

i. To establish and operate a central motor pool and such subsidiary related facilities as the Secretary may deem necessary, and to that end:

...

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~~ Patrol, the State Bureau of ~~Investigation~~ Investigation, or the constituent institutions of The University of North Carolina 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."

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, unless prohibited by Section 10.7(g) of this act.

(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, unless prohibited by Section 10.7(g) of this act.

(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) No payments shall be made for transportation services or registration fees charged by child care facilities.

(5) Payments for subsidized child care services for postsecondary education shall be limited to a maximum of 20 months of enrollment.

(6) The Department of Health and Human Services shall implement necessary rule changes to restructure services, including, but not limited to, targeting benefits to employment.

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. Except as authorized by Section 10.7(g) of this act, 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 2011-2012 and 2012-2013 for child care services. These funds shall be allocated to prevent termination of child care services. Funds appropriated for specific purposes, including targeted market rate adjustments given in the past, 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).

CHILD CARE REVOLVING LOAN

SECTION 10.4. 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.

EXPIRATION OF EARLY EDUCATION CERTIFICATION REQUIREMENT

SECTION 10.4A. Section 2 of S.L. 2010-178 reads as rewritten:

"**SECTION 2.** This act is effective when it becomes ~~law.~~law and expires July 1, 2011."

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES ENHANCEMENTS

SECTION 10.5.(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. The North Carolina Partnership for Children, Inc., shall develop a single statewide contract management system that incorporates features of the required standard fiscal accountability plan described in G.S. 143B-168.12(a)(4). All local partnerships shall be required to participate in the contract management system and shall be directed by the North

Carolina Partnership for Children, Inc., to collaborate, to the fullest extent possible, with other local partnerships to increase efficiency and effectiveness.

SECTION 10.5.(b) G.S. 143B-168.12(a)(5) is repealed.

SECTION 10.5.(c) The North Carolina Partnership for Children, Inc., shall not use more than eighty thousand dollars ($80,000) in funds from the General Fund for the salary of any individual employee. A local partnership shall not use more than sixty thousand dollars ($60,000) in funds from the General Fund for the salary of any individual employee. Nothing in this subsection shall be construed to prohibit the North Carolina Partnership for Children, Inc., or a local partnership from using non-State funds to supplement the salary of an employee employed by the North Carolina Partnership for Children, Inc., or the local partnership.

SECTION 10.5.(d) 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 10.5.(e) The North Carolina Partnership for Children, Inc., and all local partnerships shall, in the aggregate, be required to match one hundred percent (100%) of the total amount budgeted for the program in each fiscal year of the biennium. Of the funds the North Carolina Partnership for Children, Inc., and the local partnerships are required to match, contributions of cash shall equal to at least ten percent (10%) and in-kind donated resources equal to no more than three percent (3%) for a total match requirement of thirteen percent (13%) 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 thirteen percent (13%) 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 10.5.(f) The Department of Health and Human Services shall continue to implement the performance-based evaluation system.

SECTION 10.5.(g) 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 2011-2012 and 2012-2013 shall be administered and distributed in the following manner:

(1) Capital expenditures are prohibited for fiscal years 2011-2012 and 2012-2013. 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 2011-2012 and 2012-2013.

SECTION 10.5.(h) 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 10.5.(i) For fiscal years 2011-2012 and 2012-2013, 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.

SECTION 10.5.(j) For fiscal years 2011-2012 and 2012-2013, local partnerships shall not spend any State funds on marketing campaigns, advertising, or any associated materials. Local partnerships may spend any private funds the local partnerships receive on those activities.

SECTION 10.5.(k) The North Carolina Partnership for Children, Inc., and its Board shall establish policies that focus the North Carolina Partnership for Children, Inc.'s mission on improving child care quality in North Carolina for children from birth to five years of age. North Carolina Partnership for Children, Inc.-funded activities shall include assisting child care facilities with (i) improving quality, including helping one- and two-star rated facilities increase their star ratings, and (ii) implementing prekindergarten programs. State funding for local partnerships shall also be used for evidence-based or evidence-informed programs for children from birth to five years of age that do the following:

(1) Increase children's literacy.

(2) Increase the parents' ability to raise healthy, successful children.

(3) Improve children's health.

(4) Assist four- and five-star rated facilities in improving and maintaining quality.

SECTION 10.5.(l) It is the intent of the General Assembly that the North Carolina Partnership for Children, Inc., implement an evidence-based pilot literacy program that improves literacy of children from birth through five years of age and increases children's chances of success in school. An annual evaluation of the pilot literacy program shall access the goals and intended outcomes of the evidence-based pilot literacy program.

SECTION 10.5.(m) The Legislative Research Commission is authorized to study the cost, quality, consumer education, and outcomes of the North Carolina Partnership for Children, Inc.'s activities funded to (i) increase early literacy, (ii) measurably improve families' abilities to raise healthy, productive, and successful children, and (iii) increase access to preventative health care for children from birth to five years of age. The Legislative Services Commission shall evaluate and report on the following:

(1) The types of activities, goals, and intended outcomes of evidence-based early literacy activities that promote phonemic awareness, letter recognition, segmenting words into sounds, and decoding print text.

(2) The types of family support and health activities supported with the North Carolina Partnership for Children, Inc., funds.

(3) The goal and intended outcome of the family support and health activities.

(4) The numbers served and results of the family support and health activities.
(5) Study the match requirements and what constitutes the match requirements.
(6) Any other matter the Commission deems relevant to its charge.

SECTION 10.5.(n) On or before October 1, 2012, the Legislative Research Commission shall make a report of its findings and recommendations, including any proposed legislation, to the 2012 Regular Session of the 2011 General Assembly, 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.

ADMINISTRATIVE ALLOWANCE FOR COUNTY DEPARTMENTS OF SOCIAL SERVICES

SECTION 10.6. The Division of Child Development of the Department of Health and Human Services shall fund the allowance that county departments of social services may use for administrative costs at four percent (4%) of the county's total child care subsidy funds allocated in the Child Care Development Fund Block Grant plan.

CONSOLIDATE MORE AT FOUR PROGRAM INTO DIVISION OF CHILD DEVELOPMENT

SECTION 10.7.(a) The Department of Public Instruction, Office of Early Learning, and the Department of Health and Human Services are directed to consolidate the More At Four program into the Division of Child Development. The Division of Child Development is renamed the Division of Child Development and Early Education (DCDEE). The DCDEE is directed to maintain the More At Four program's high programmatic standards. The Department of Health and Human Services shall assume the functions of the regulation and monitoring system and payment and reimbursement system for the More At Four program.

All regulation and monitoring functions shall begin July 1, 2011. The More At Four program shall be designated as "prekindergarten" on the five-star rating scale. All references to "prekindergarten" in this section shall refer to the program previously titled the "More At Four" program. All references to "non-prekindergarten" shall refer to all four- and five-star rated facilities.

The Office of State Budget and Management shall transfer positions to the Department of Health and Human Services to assume the regulation, monitoring, and accounting functions within the Division of Child Development's Regulatory Services Section. This transfer shall have all the elements of a Type I transfer as defined in G.S. 143A-6. All funds transferred pursuant to this section shall be used for the funding of prekindergarten slots for four-year-olds and for the management of the program. The Department of Health and Human Services shall incorporate eight consultant positions into the regulation and accounting sections of DCDEE, eliminate the remaining positions, and use position elimination savings for the purpose of funding prekindergarten students. DCDEE may use funds from the transfer of the More At Four program for continuing the teacher mentoring program and contracting for the environmental rating scale assessments.

SECTION 10.7.(b) The Childcare Commission shall adopt rules for programmatic standards for regulation of prekindergarten classrooms. The Commission shall review and approve comprehensive, evidenced-based early childhood curricula with a reading component. These curricula shall be added to the currently approved "More At Four" curricula.

SECTION 10.7.(c) G.S. 143B-168.4(a) reads as rewritten:

"(a) The Child Care Commission of the Department of Health and Human Services shall consist of ~~15~~ 17 members. Seven of the members shall be appointed by the Governor and ~~eight~~ 10 by the General Assembly, ~~four~~ five upon the recommendation of the President Pro Tempore of the Senate, and ~~four~~ five upon the recommendation of the Speaker of the House of Representatives. Four of the members appointed by the Governor, two by the General Assembly on the recommendation of the President Pro Tempore of the Senate, and two by the General Assembly on the recommendation of the Speaker of the House of Representatives, shall be members of the public who are not employed in, or providing, child care and who have no financial interest in a child care facility. Two of the foregoing public members appointed by the Governor, one of the foregoing public members recommended by the President Pro Tempore of the Senate, and one of the foregoing public members recommended by the Speaker of the House of Representatives shall be parents of children receiving child care services. Of the remaining two public members appointed by the Governor, one shall be a pediatrician

currently licensed to practice in North Carolina. Three of the members appointed by the Governor shall be child care providers, one of whom shall be affiliated with a for profit child care center, one of whom shall be affiliated with a for profit family child care home, and one of whom shall be affiliated with a nonprofit facility. Two of the members appointed by the General Assembly on the recommendation of the President Pro Tempore of the Senate, and two by the General Assembly on recommendation of the Speaker of the House of Representatives, shall be child care providers, one affiliated with a for profit child care facility, and one affiliated with a nonprofit child care facility. The General Assembly, upon the recommendation of the President Pro Tempore of the Senate, and the General Assembly, upon the recommendation of the Speaker of the House of Representatives, shall appoint two early childhood education specialists. None may be employees of the State."

SECTION 10.7.(d) The additional curricula approved and taught in prekindergarten classrooms shall also be taught in four- and five-star rated facilities in the non-prekindergarten four-year-old classrooms. The Child Care Commission shall increase standards in the four- and five-star-rated facilities for the purpose of placing an emphasis on early reading. The Commission shall require the four- and five-star-rated facilities to teach from the Commission's approved curricula. The Division of Child Development may use funds from the Child Care Development Fund Block Grant to assist with the purchase of curricula or adjust rates of reimbursements to cover increased costs.

SECTION 10.7.(e) The Division of Child Development and Early Education shall adopt a policy to encourage all prekindergarten classrooms to blend private pay families with prekindergarten subsidized children in the same manner that regular subsidy children are blended with private pay children. The Division may implement a waiver or transition period for the public classrooms.

SECTION 10.7.(f) The prekindergarten program may continue to serve at-risk children identified through the existing "child find" methods in which at-risk children are currently served within the Division of Child Development. The Division of Child Development shall serve at-risk children regardless of income. However, the total number of at-risk children served shall constitute no more than twenty percent (20%) of the four-year-olds served within the prekindergarten program. Any age-eligible child who is a child of either of the following shall be eligible for the program: (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 was ordered to active duty by the proper authority within the last 18 months or is 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. Eligibility determinations for prekindergarten participants may continue through local education agencies and local North Carolina Partnership for Children, Inc., partnerships.

SECTION 10.7.(g) The Division of Child Development and Early Education (DCDEE) shall adopt policies that improve the quality of childcare for subsidized children. The DCDEE shall phase in a new policy in which child care subsidies will be paid, to the extent possible, for child care in the higher quality centers and homes only. The DCDEE shall define higher quality, and subsidy funds shall not be paid for one- or two-star-rated facilities. For those counties with an inadequate number of three-, four-, and five-star-rated facilities, the DCDEE shall establish a transition period that allows the facilities to continue to receive subsidy funds while the facilities work on the increased star ratings. The DCDEE may allow exemptions in counties where there is an inadequate number of three-, four-, and five-star-rated facilities for nonstar-rated programs, such as religious programs.

SECTION 10.7.(h) The Division of Child Development and Early Education shall implement a parent co-payment requirement for prekindergarten classrooms the same as what is required of parents subject to regular child care subsidy payments. All at-risk children and age-eligible children of military personnel as described in subsection (g) of this section are exempt from the co-payment requirements of this subsection.

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 10.7.(i) All prekindergarten classrooms regulated pursuant to this section shall be required to participate in the Subsidized Early Education for Kids (SEEK) accounting system to streamline the payment function for these classrooms with a goal of eliminating duplicative systems and streamlining the accounting and payment processes among the subsidy reimbursement systems. Prekindergarten funds transferred may be used to add these programs to SEEK.

SECTION 10.7.(j) Based on market analysis and within funds available, the Division of Child Development and Early Education shall establish reimbursement rates based on newly increased requirements of four- and five-star-rated facilities and the higher teacher standards within the prekindergarten class rooms, specifically More At Four teacher standards, when establishing the rates of reimbursements. Additionally, the prekindergarten curriculum day shall cover six and one-half to 10 hours daily and no less than 10 months per year. The public classrooms will have a one-year transition period to become licensed through the Division of Child Development and may continue to operate prekindergarten, formerly "More At Four," classrooms during the 2011-2012 fiscal year.

MENTAL HEALTH CHANGES

SECTION 10.8.(a) For the purpose of mitigating cash flow problems that many nonsingle-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 nonsingle-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 10.8.(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-nine million one hundred twenty-one thousand six hundred forty-four dollars ($29,121,644) for the 2011-2012 fiscal year and the sum of twenty-nine million one hundred twenty-one thousand six hundred forty-four dollars ($29,121,644) for the 2012-2013 fiscal year shall be allocated for the purchase of local inpatient psychiatric beds or bed days. In addition, at the discretion of the Secretary of Health and Human Services, existing funds allocated to LMEs for community-based mental health, developmental disabilities, and substance abuse services may be used to purchase additional local inpatient psychiatric beds or bed days. These beds or bed days shall be distributed across the State in 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, 2012, 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 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 10.8.(c) 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 thousand dollars ($5,700,000) 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.

SECTION 10.8.(d) The Department of Health and Human Services may create a midyear process by which it can reallocate State service dollars away from LMEs that do not appear to be on track to spend the LMEs' full appropriation and toward LMEs that appear able to spend the additional funds.

JOHNSTON COUNTY LME ADMINISTRATIVE FUNDING

SECTION 10.8A. Notwithstanding G.S. 122C-115(a1), the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall not further reduce the allocation of administrative funding to the Johnston County Area Mental Health, Developmental Disabilities, and Substance Abuse Authority for the 2011-2012 fiscal year as a consequence of the total population of the catchment area served.

MH/DD/SAS HEALTH CARE INFORMATION SYSTEM PROJECT

SECTION 10.9. Of the funds appropriated to the Department of Health and Human Services for the 2011-2013 fiscal biennium, the Department may use a portion of these funds to continue to develop and implement a health care information system for State institutions operated by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services. G.S. 143C-6-5 does not apply to this section.

LME FUNDS FOR SUBSTANCE ABUSE SERVICES

SECTION 10.10.(a) 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 10.10.(b) 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 10.10.(c) 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 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 10.10.(d) 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.

MH/DD/SAS COMMUNITY SERVICE FUNDS

SECTION 10.11.(a) The Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (as used in this section "the Division") is directed to reduce the Community Service Fund by twenty million dollars ($20,000,000).

SECTION 10.11.(b) The Division is directed, through consultation with LME representatives and stakeholders, to develop a set of standardized covered benefits for recipients of LME Service Funds that shall become the only services paid for by community service funds through LMEs. These services shall be best practices for developmental disabilities, mental illness, and substance abuse.

SECTION 10.11.(c) Effective January 1, 2012, the Division shall implement a co-payment for all mental health, developmental disabilities, and substance abuse services based upon the Medicaid co-payment rates.

SECTION 10.11.(d) The Division is directed to reduce the Community Service Fund by twenty-five million dollars ($25,000,000) for the 2011-2012 fiscal year based on available fund balance reported by the LMEs' 2010 fiscal audit and estimated unspent reserves held by counties of single county LMEs. The Division shall review the designation of reserved or designated fund balance accounts to determine whether accounts may be moved to unreserved, undesignated, in essence increasing the unreserved, undesignated fund balance available for purchase of services. The Division is directed to allocate the reduction among LMEs based on unreserved, undesignated fund balance totals, as of June 30, 2010. This includes an estimate of unspent reserves held by counties of single county LMEs or as necessary to fairly achieve budget reductions in this act for this purpose giving consideration of the LME's unrestricted fund balance and the LME's ability to supplement funding of services without impairing its fiscal stability. LMEs are directed to spend their unreserved, undesignated fund balance on services, commensurate with the reduction directed by the Division pursuant to this subsection.

SECTION 10.11.(e) Quarterly reports shall be submitted to the Division by LMEs to ensure expenditures from fund balance occur at the level required by this law. Additionally, the Division shall review the designation of reserved or designated fund balance accounts to determine whether accounts may be moved to unreserved, undesignated, in essence increasing the unreserved, undesignated fund balance available for purchase of services. If categories of funds are moved into the unreserved/undesignated categories, the affected LMEs are encouraged to spend these funds to minimize their share of the twenty million dollars ($20,000,000) in reductions to services as required in subsection (a) of this section.

SECTION 10.11.(f) The Department of Health and Human Services shall report to the House and Senate Appropriations Subcommittees by December 12, 2011, on the status of implementing this section.

CONSOLIDATION OF FORENSIC HEALTH CARE AT DOROTHEA DIX COMPLEX

SECTION 10.12. The Department of Health and Human Services, Division of State Operated Facilities, shall issue a Request for Proposal for the consolidation of forensic hospital care. The operation shall initially be located at the Dorothea Dix complex. The Secretary of Health and Human Services is authorized to proceed with contracting with a private entity if the Secretary can justify savings through the contract. The Secretary shall compare the Department's total cost to provide forensic care to proposals received and determine whether it is cost-effective to contract for this service. The Secretary may only proceed if the Secretary determines the Department will save money and ensure appropriate safety and quality of care for patients.

The Secretary shall report to the Joint Appropriations Subcommittee for Health and Human Services by October 30, 2011, with cost detail and savings identified from the proposals.

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

SECTION 10.13. 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.

THIRD-PARTY BILLING FOR STATE FACILITIES

SECTION 10.14. G.S. 122C-55 reads as rewritten:

"**§ 122C-55. Exceptions; care and treatment.**

...

(g) Whenever there is reason to believe that the client is eligible for financial benefits through a governmental agency, a facility may disclose confidential information to State, local, or federal government agencies. Except as provided in ~~G.S. 122C-55(a3),~~ G.S. 122C-55(a3) and G.S. 122C-55(g1), disclosure is limited to that confidential information necessary to establish financial benefits for a client. ~~After~~ Except as provided in G.S. 122C-55(g1), after establishment of these benefits, the consent of the client or his legally responsible person is required for further release of confidential information under this subsection.

(g1) A facility may disclose confidential information for the purpose of collecting payment due the facility for the cost of care, treatment, or habilitation.

...."

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

SECTION 10.15.(a) School-Based Child and Family Team Initiative Established.

(1) Purpose and duties. – There is established the School-Based Child and Family Team Initiative. The purpose of the Initiative is to identify and coordinate appropriate community services and supports for children at risk of school failure or out-of-home placement in order to address the physical, social, legal, emotional, and developmental factors that affect academic performance. The Department of Health and Human Services, the Department of Public Instruction, the State Board of Education, the Department of Juvenile Justice and Delinquency Prevention, the Administrative Office of the Courts, and other State agencies that provide services for children shall share responsibility and accountability to improve outcomes for these children and their families. The Initiative shall be based on the following principles:

a. The development of a strong infrastructure of interagency collaboration.
b. One child, one team, one plan.
c. Individualized, strengths-based care.
d. Accountability.
e. Cultural competence.
f. Children at risk of school failure or out-of-home placement may enter the system through any participating agency.
g. Services shall be specified, delivered, and monitored through a unified Child and Family Plan that is outcome-oriented and evaluation-based.
h. Services shall be the most efficient in terms of cost and effectiveness and shall be delivered in the most natural settings possible.
i. Out-of-home placements for children shall be a last resort and shall include concrete plans to bring the children back to a stable permanent home, their schools, and their community.
j. Families and consumers shall be involved in decision making throughout service planning, delivery, and monitoring.

(2) Program goals and services. – In order to ensure that children receiving services are appropriately served, the affected State and local agencies shall do the following:

a. Increase capacity in the school setting to address the academic, health, mental health, social, and legal needs of children.

b. Ensure that children receiving services are screened initially to identify needs and assessed periodically to determine progress and sustained improvement in educational, health, safety, behavioral, and social outcomes.

c. Develop uniform screening mechanisms and a set of outcomes that are shared across affected agencies to measure children's progress in home, school, and community settings.

d. Promote practices that are known to be effective based upon research or national best practice standards.

e. Review services provided across affected State agencies to ensure that children's needs are met.

f. Eliminate cost-shifting and facilitate cost-sharing among governmental agencies with respect to service development, service delivery, and monitoring for participating children and their families.

g. Participate in a local memorandum of agreement signed annually by the participating superintendent of the local LEA, directors of the county departments of social services and health, director of the local management entity, the chief district court judge, and the chief district court counselor.

(3) Local level responsibilities. – In coordination with the North Carolina Child and Family Leadership Council (Council), established in subsection (b) of this section, the local board of education shall establish the School-Based Child and Family Team Initiative at designated schools and shall appoint the Child and Family Team Leaders, who shall be a school nurse and a school social worker. Each local management entity that has any selected schools in its catchment area shall appoint a Care Coordinator, and any department of social services that has a selected school in its catchment area shall appoint a Child and Family Teams Facilitator. The Care Coordinators and Child and Family Team Facilitators shall have as their sole responsibility working with the selected schools in their catchment areas and shall provide training to school-based personnel, as required. The Child and Family Team Leaders shall identify and screen children who are potentially at risk of academic failure or out-of-home placement due to physical, social, legal, emotional, or developmental factors. Based on the screening results, responsibility for developing, convening, and implementing the Child and Family Team Initiative is as follows:

a. School personnel shall take the lead role for those children and their families whose primary unmet needs are related to academic achievement.

b. The local management entity shall take the lead role for those children and their families whose primary unmet needs are related to mental health, substance abuse, or developmental disabilities and who meet the criteria for the target population established by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.

c. The local department of public health shall take the lead role for those children and their families whose primary unmet needs are health-related.

d. Local departments of social services shall take the lead for those children and their families whose primary unmet needs are related to child welfare, abuse, or neglect.

e. The chief district court counselor shall take the lead for those children and their families whose primary unmet needs are related to juvenile justice issues. A representative from each named or

otherwise identified publicly supported children's agency shall participate as a member of the Team as needed. Team members shall coordinate, monitor, and assure the successful implementation of a unified Child and Family Plan.

(4) Reporting requirements. – School-Based Child and Family Team Leaders shall provide data to the Council for inclusion in their report to the North Carolina General Assembly. The report shall include the following:

a. The number of and other demographic information on children screened and assigned to a team and a description of the services needed by and provided to these children.

b. The number of and information about children assigned to a team who are placed in programs or facilities outside the child's home or outside the child's county and the average length of stay in residential treatment.

c. The amount and source of funds expended to implement the Initiative.

d. Information on how families and consumers are involved in decision making throughout service planning, delivery, and monitoring.

e. Other information as required by the Council to evaluate success in local programs and ensure appropriate outcomes.

f. Recommendations on needed improvements.

(5) Local advisory committee. – In each county with a participating school, the superintendent of the local LEA shall either identify an existing cross-agency collaborative or council or shall form a new group to serve as a local advisory committee to work with the Initiative. Newly formed committees shall be chaired by the superintendent and one other member of the committee to be elected by the committee. The local advisory committee shall include the directors of the county departments of social services and health; the directors of the local management entity; the chief district court judge; the chief district court counselor; the director of a school-based or school-linked health center, if a center is located within the catchment area of the School-Based Child and Family Team Initiative; and representatives of other agencies providing services to children, as designated by the Committee. The members of the Committee shall meet as needed to monitor and support the successful implementation of the School-Based Child and Family Team Initiative. The Local Child and Family Team Advisory Committee may designate existing cross-agency collaboratives or councils as working groups or to provide assistance in accomplishing established goals.

SECTION 10.15.(b) North Carolina Child and Family Leadership Council. –

(1) Leadership Council established; location. – There is established the North Carolina Child and Family Leadership Council (Council). The Council shall be located within the Department of Administration for organizational and budgetary purposes.

(2) Purpose. – The purpose of the Council is to review and advise the Governor in the development of the School-Based Child and Family Team Initiative and to ensure the active participation and collaboration in the Initiative by all State agencies and their local counterparts providing services to children in participating counties in order to increase the academic success of and reduce out-of-home and out-of-county placements of children at risk of academic failure.

(3) Membership. – The Superintendent of Public Instruction and the Secretary of Health and Human Services shall serve as cochairs of the Council. Council membership shall include the Secretary of the Department of Juvenile Justice and Delinquency Prevention, the Chair of the State Board of Education, the Director of the Administrative Office of the Courts, and other members as appointed by the Governor.

(4) The Council shall do the following:

a. Sign an annual memorandum of agreement (MOA) among the named State agencies to define the purposes of the program and to ensure that program goals are accomplished.
b. Resolve State policy issues, as identified at the local level, which interfere with effective implementation of the School-Based Child and Family Team Initiative.
c. Direct the integration of resources, as needed, to meet goals and ensure that the Initiative promotes the most effective and efficient use of resources and eliminates duplication of effort.
d. Establish criteria for defining success in local programs and ensure appropriate outcomes.
e. Develop an evaluation process, based on expected outcomes, to ensure the goals and objectives of this Initiative are achieved.
f. Review progress made on integrating policies and resources across State agencies, reaching expected outcomes, and accomplishing other goals.
g. Report semiannually, on January 1 and July 1, on progress made and goals achieved to the Office of the Governor, the Joint Appropriations Committees and Subcommittees on Education, Justice and Public Safety, and Health and Human Services, and the Fiscal Research Division of the Legislative Services Office. The Council may designate existing cross-agency collaboratives or councils as working groups or to provide assistance in accomplishing established goals.

SECTION 10.15.(c) Department of Health and Human Services. – The Secretary of the Department of Health and Human Services shall ensure that all agencies within the Department collaborate in the development and implementation of the School-Based Child and Family Team Initiative and provide all required support to ensure that the Initiative is successful.

SECTION 10.15.(d) Department of Juvenile Justice and Delinquency Prevention. – The Secretary of the Department of Juvenile Justice and Delinquency Prevention shall ensure that all agencies within the Department collaborate in the development and implementation of the School-Based Child and Family Team Initiative and provide all required support to ensure that the Initiative is successful.

SECTION 10.15.(e) Administrative Office of the Courts. – The Director of the Administrative Office of the Courts shall ensure that the Office collaborates in the development and implementation of the School-Based Child and Family Team Initiative and shall provide all required support to ensure that the Initiative is successful.

SECTION 10.15.(f) Department of Public Instruction. – The Superintendent of Public Instruction shall ensure that the Department collaborates in the development and implementation of the School-Based Child and Family Team Initiative and shall provide all required support to ensure that the Initiative is successful.

DHHS POSITION ELIMINATIONS

SECTION 10.16. The Secretary of the Department of Health and Human Services is directed to eliminate up to 250 full-time equivalent positions that have been continuously vacant since July 1, 2010, in order to accomplish a total savings of seven million six hundred six thousand dollars ($7,606,000) in State funds. To the extent possible, the Secretary shall not eliminate positions assigned to the Division of State Operated Healthcare Facilities or the Division of Medical Assistance. In the event that eliminating up to 250 full-time equivalent positions that have been continuously vacant since July 1, 2010, does not achieve the savings specified in this section, the Secretary may eliminate other positions within the Department or achieve the designated savings through other administrative and operational reductions or efficiencies. By September 30, 2011, the Secretary shall submit a report to the House Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division on the positions eliminated and any other reductions or efficiencies implemented in order to achieve the savings required by this section. The report shall include the total number of positions eliminated, savings generated by each eliminated position, the impact on any federal funds previously

received for the eliminated positions, and any other reductions or efficiencies implemented to achieve the savings required by this section.

DHHS REGULATORY FUNCTIONS STUDY AND PLAN

SECTION 10.17.(a) The Department of Health and Human Services shall examine all regulatory functions performed by each of the divisions within the Department. By January 30, 2012, the Department shall make a report of 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. The report shall include all of the following:

(1) A summary of each division's regulatory functions.
(2) The purpose of each of the identified regulatory functions.
(3) The amount of any fee charged for the identified regulatory functions, along with the date and amount of the most recent fee increase.
(4) The number of full-time equivalent positions dedicated to the identified regulatory functions, broken down by division.
(5) Whether there is a federal requirement for, or a federal component to, any of the identified regulatory functions.
(6) Identification of overlap among the divisions within the Department and with other State agencies, with respect to the regulation of providers. For each area of overlap, the report shall specify all of the following:
    a. The name of each division and State agency that performs the regulatory function.
    b. How often each division or State agency performs the regulatory function.
    c. The total amount of funds expended by each division or State agency to perform the regulatory function.

SECTION 10.17.(b) The Department of Health and Human Services shall develop a plan to consolidate regulatory functions performed by the various divisions within the Department. The plan shall identify proposed position eliminations and anticipated savings as a result of the consolidation. The Department shall not implement the plan or consolidate any of its regulatory functions except as directed by an act of the General Assembly.

REDUCE FUNDING FOR NONPROFIT ORGANIZATIONS

SECTION 10.18. For fiscal years 2011-2012 and 2012-2013, the Department of Health and Human Services shall reduce the amount of funds allocated to nonprofit organizations by five million dollars ($5,000,000) on a recurring basis. In achieving the reductions required by this section, the Department (i) shall minimize reductions to funds allocated to nonprofit organizations for the provision of direct services, (ii) shall not reduce funds allocated to nonprofit organizations to pay for direct services to individuals with developmental disabilities, and (iii) shall not reduce funds allocated to the North Carolina High School Athletic Association by more than ten percent (10%).

PROHIBIT USE OF ALL FUNDS FOR PLANNED PARENTHOOD ORGANIZATIONS

SECTION 10.19. For fiscal years 2011-2012 and 2012-2013, the Department of Health and Human Services may not provide State funds or other funds administered by the Department for contracts or grants to Planned Parenthood, Inc., and affiliated organizations.

LIABILITY INSURANCE

SECTION 10.20.(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 10.20.(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 10.20.(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.

CHANGES TO COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 10.21.(a) Funds appropriated in this act from the General Fund to the Department of Health and Human Services (Department) for the Community-Focused Eliminating Health Disparities Initiative (CFEHDI) shall be used to provide a maximum of 12 grants-in-aid 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-in-aid shall focus on the use of measures to eliminate or reduce health disparities among minority populations in this State with respect to heart disease, stroke, diabetes, obesity, asthma, HIV/AIDS, and cancer. The Office of Minority Health shall coordinate and implement the grants-in-aid program authorized by this section.

SECTION 10.21.(b) In implementing the grants-in-aid program authorized by subsection (a) of this section, the Department shall ensure all of the following:

(1) The amount of any grant-in-aid is limited to three hundred thousand dollars ($300,000).

(2) Only community-based organizations, faith-based organizations, local health departments, hospitals, and CCNC networks located in urban and rural areas of the western, eastern, and Piedmont areas of this State are eligible to apply for these grants-in-aid. No more than four grants-in-aid shall be awarded to applicants located in any one of the three areas specified in this subdivision.

(3) Each eligible applicant shall be required to demonstrate substantial participation and involvement with all other categories of eligible applicants, in order to ensure an evidence-based medical home model that will affect change in health and geographic disparities.

(4) Eligible applicants shall select one or more of the following chronic illnesses or conditions specific to the applicant's geographic area as the basis for applying for a grant-in-aid under this section to affect change in the health status of African-Americans, Hispanics/Latinos, or American Indians:
   a. Heart Disease
   b. Stroke
   c. Diabetes
   d. Obesity
   e. Asthma
   f. HIV/AIDS
   g. Cancer

(5) The minimum duration of the grant period for any grant-in-aid is two years.

(6) The maximum duration of the grant period for any grant-in-aid is three years.

(7) If approved for a grant-in-aid, the grantee (i) shall not use more than eight percent (8%) of the grant funds for overhead costs and (ii) shall be required

at the end of the grant period to demonstrate significant gains in addressing one or more of the health disparity focus areas identified in subsection (a) of this section.

(8) An independent panel with expertise in the delivery of services to minority populations, health disparities, chronic illnesses and conditions, and HIV/AIDS shall conduct the review of applications for grants-in-aid. The Department shall establish the independent panel required by this section.

SECTION 10.21.(c) The grants-in-aid awarded under this section shall be awarded in honor of the memory of the following recently deceased members of the General Assembly: Bernard Allen, John Hall, Robert Holloman, Howard Hunter, Jeanne Lucas, Vernon Malone, William Martin, and Pete Cunningham. 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 10.21.(d) By October 1, 2012, and annually 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 on funds appropriated to the CFEHDI. The report shall 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, and shall also address all of the following:

(1) Which community-based organizations, faith-based organizations, local health departments, hospitals, and CCNC networks received CFEHDI grants-in-aid.

(2) The amount of funding awarded to each grantee.

(3) Which of the minority populations were served by each grantee.

(4) Which community-based organizations, faith-based organizations, local health departments, hospitals, and CCNC networks were involved in fulfilling the goals and activities of each grant-in-aid awarded under this section and what activities were planned and implemented by the grantee to fulfill the community focus of the CFEHDI program.

(5) How the activities implemented by the grantee fulfilled the goal of reducing health disparities among minority populations, and the specific success in reducing particular incidences.

FUNDS FOR SCHOOL NURSES

SECTION 10.22.(a) All funds appropriated in this act for the School Nurse Funding 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 to fund nurses for State agencies. These funds shall be distributed to local health departments according to a formula that includes all of the following:

(1) School nurse-to-student ratio.

(2) Percentage of students eligible for free or reduced meals.

(3) Percentage of children in poverty.

(4) Per capita income.

(5) Eligibility as a low-wealth county.

(6) Mortality rates for children between 1 and 19 years of age.

(7) Percentage of students with chronic illnesses.

(8) Percentage of county population consisting of minority persons.

SECTION 10.22.(b) The Division of Public Health shall ensure that school nurses funded with State funds (i) do not assist in any instructional or administrative duties associated with a school's curriculum and (ii) perform all of the following with respect to school health programs:

(1) Serve as the coordinator of the health services program and provide nursing care.

(2) Provide health education to students, staff, and parents.

(3) Identify health and safety concerns in the school environment and promote a nurturing school environment.

(4) Support healthy food services programs.

(5) Promote healthy physical education, sports policies, and practices.
(6) Provide health counseling, assess mental health needs, provide interventions, and refer students to appropriate school staff or community agencies.
(7) Promote community involvement in assuring a healthy school and serve as school liaison to a health advisory committee.
(8) Provide health education and counseling and promote healthy activities and a healthy environment for school staff.
(9) Be available to assist the county health department during a public health emergency.

REPLACEMENT OF RECEIPTS FOR CHILD DEVELOPMENT SERVICE AGENCIES

SECTION 10.23. Receipts earned by the Child Development Service Agencies (CDSAs) from any public or private third-party payer shall be budgeted on a recurring basis to replace reductions in State appropriations to CDSAs.

HEALTH INFORMATION TECHNOLOGY

SECTION 10.24.(a) The Department of Health and Human Services, in cooperation with the State Chief Information Officer, 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 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, physicians' 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 10.24.(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 identifying resources and available opportunities for North Carolina institutions of higher education.
(7) Ensuring that potential State plan participants are aware of HIT policies and programs and the opportunity for improved health information technology.
(8) Monitoring HIT efforts and initiatives in other states and replicating successful efforts and initiatives in North Carolina.
(9) Monitoring the development of the National Coordinator's strategic plan and ensuring that all stakeholders are aware of and in compliance with its requirements.
(10) Monitoring the progress and recommendations of the HIT Policy and Standards Committee and ensuring that all stakeholders remain informed of the Committee's recommendations.
(11) 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 10.24.(c) Beginning October 1, 2011, 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 reports due each January 1 and July 1 shall consist of updates to substantial initiatives or challenges that have occurred since the most recent comprehensive report. The reports due each October 1 and April 1 shall be comprehensive and shall include all of 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.

FUNDS FOR STROKE PREVENTION

SECTION 10.25.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, the sum of four hundred thousand dollars ($400,000) in nonrecurring funds for the 2011-2012 fiscal year and the sum of four hundred thousand dollars ($400,000) in nonrecurring funds for the 2012-2013 fiscal year is allocated to the Heart Disease and Stroke Prevention Branch for continuation of community education campaigns and communication strategies, in partnership with the American Heart Association/American Stroke Association, on stroke signs and symptoms and the importance of immediate response.

SECTION 10.25.(b) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, the sum of fifty thousand dollars ($50,000) in nonrecurring funds for the 2011-2012 fiscal year and the sum of fifty thousand dollars ($50,000) in nonrecurring funds for the 2012-2013 fiscal year is allocated for continued operations of the Stroke Advisory Council.

AIDS DRUG ASSISTANCE PROGRAM

SECTION 10.26. The Department of Health and Human Services (DHHS) shall work with the Department of Correction (DOC) to use DOC funds to purchase pharmaceuticals

for the treatment of DOC inmates with HIV/AIDS in a manner that allows these funds to be accounted for as State matching funds in DHHS' drawdown of federal Ryan White funds.

MEN'S HEALTH

SECTION 10.26A. The Department of Health and Human Services, Division of Public Health, shall 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) building public health awareness, (iii) developing initiatives within existing programs, and (iv) pursuing federal and State funding for the screening, early detection, and treatment of prostate cancer and other diseases affecting men's health.

NC HEALTH CHOICE MEDICAL POLICY

SECTION 10.27. 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).

COMMUNITY CARE OF NORTH CAROLINA

SECTION 10.28.(a) The Department of Health and Human Services (Department) shall submit a report annually from a qualified entity with proven experience in conducting actuarial and health care studies 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 10.28.(b) The Department and the Division of Medical Assistance (DMA) shall enter into a three-party contract between North Carolina Community Care Networks, Inc., (NCCCN, Inc.) and each of the 14 participating local CCNC networks and shall require NCCCN, Inc., to provide standardized clinical and budgetary coordination, oversight, and reporting for a statewide Enhanced Primary Care Case Management System for Medicaid enrollees. The contracts shall require NCCCN, Inc., to build upon and expand the existing successful CCNC primary care case management model to include comprehensive statewide 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 10.28.(c) 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. NCCCN, Inc., shall submit biannual reports 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 10.28.(d) By January 1, 2012, 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 April 1, 2012. 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 10.28.(e) By July 1, 2012, 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.

MEDICAID MANAGEMENT INFORMATION SYSTEM (MMIS) FUNDS/IMPLEMENTATION OF MMIS

SECTION 10.29.(a) By August 1, 2011, the Secretary of the Department of Health and Human Services shall provide detailed cost information on the replacement Medicaid Management Information System (MMIS) to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Appropriations Subcommittee on Health and Human Services, the Chairs of the Senate Committee on Appropriations and Base Budget and the Senate Appropriations Committee on Health and Human Services, the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management. This information shall include the following:

(1) The original total cost of MMIS, by year, to include five years of operations and maintenance.

(2) The current total cost of MMIS, to include five years of operations and maintenance.

(3) Detailed information on costs associated with each MMIS project, to include the original cost, the current cost, and the reasons for any changes.

(4) A list of change requests and amendments to the original contract and the costs associated with each.

(5) Costs for continuing the legacy MMIS beyond the original completion date for the new MMIS, with detailed information on funding sources for those costs.

(6) Original costs for each vendor associated with the contract, the current costs for each, and the reasons for any increases in cost.

SECTION 10.29.(b) The Secretary may utilize prior year earned revenue received for the replacement MMIS in the amount of three million two hundred thirty-two thousand three hundred four dollars ($3,232,304) in fiscal year 2011-2012 and twelve million dollars ($12,000,000) in fiscal year 2012-2013. The Department shall utilize prior year earned revenues received for the procurement, design, development, and implementation of the replacement MMIS. In the event the Department does not receive prior year earned revenues in the amounts authorized by this section, or funds are insufficient to advance the project, the Department is authorized, with approval of the Office of State Budget and Management (OSBM), and after consulting with the Joint Legislative Commission on Governmental Operations, to utilize overrealized receipts and funds appropriated to the Department to achieve the level of funding specified in this section for the replacement MMIS. If the department

requires funding beyond the prior year earned revenue specified in this section, the Department shall immediately report 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, the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management. The report shall include the following:

(1) The amount of the shortfall.

(2) The sources of funding the Department plans to use to make up for the shortfall.

(3) The impact on the programs or operations from which the funding is to be taken.

SECTION 10.29.(c) The Department shall make full development of the replacement MMIS a top priority. During the development and implementation of the replacement 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 premiums or other payments required by law.

(2) Compatibility with the Health Information System.

SECTION 10.29.(d) The Department shall make every effort to expedite the implementation of the enhancements. The contract between the Department and each contract vendor shall contain an explicit provision requiring the replacement MMIS to 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/CC, 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 and must immediately provide that cost information 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, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management. Any sole source contract must meet all State requirements and must have the written approval of the State CIO. Any decision to sole source any portion of the contract shall immediately be 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, the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management.

SECTION 10.29.(e) The Office of the State Chief Information Officer (SCIO) and the Office of Information Technology Services (ITS) shall work in cooperation with the Department to ensure the timely and effective implementation of the replacement MMIS and enhancements. The SCIO shall ensure that the replacement MMIS meets all State requirements for project management and shall immediately report any failure to meet State project management requirements 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, the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management. The SCIO shall also immediately report if any replacement MMIS project, or portion of a project, is listed as red in the project portfolio management tool.

SECTION 10.29.(f) Notwithstanding G.S. 114-2.3, the Department shall engage the services of private counsel with pertinent information technology and computer law expertise to review requests for proposals and to negotiate and review contracts associated with the replacement MMIS. This shall include amendments exceeding ten million dollars ($10,000,000). The counsel engaged by the Department shall review the replacement MMIS contracts and amendments between the Department and the vendor to ensure that the

requirements of subsection (d) of this section are met in their entirety and that the terms of the contract are in the State's best interest.

SECTION 10.29.(g) By August 1, 2011, the Department shall develop a revised comprehensive schedule for the development and implementation of the replacement MMIS that fully incorporates federal and State project management and review standards. The Department shall ensure that the schedule is accurate. Any changes to the design, development, and implementation schedule shall be reported as part of the Department's monthly 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, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management. This submission shall include a detailed explanation of schedule changes that have occurred since the initiation of the project and the cost associated with each change. Any changes to key milestones 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, the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management, with a full explanation of the reason for the change and any associated costs.

SECTION 10.29.(h) Beginning July 1, 2011, the Department shall make quarterly reports on the progress of the development and implementation of the replacement MMIS. This report shall include any changes, or anticipated changes, in the scope, functionality, or projected costs. This report shall include any changes to any replacement MMIS vendor contracts and shall provide a detailed explanation of those changes and the associated cost increases. 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, the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management. A copy of the final report on each contract or amendment award shall also be submitted to the Joint Legislative Oversight Commission on Governmental Operations.

SECTION 10.29.(i) 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 reports identified in 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 State Health Plan for Teachers and State Employees. The costs for this capability shall be negotiated prior to the award of the Reporting and Analytics Project contract. The Reporting and Analytics Project solution must be completed simultaneously with the replacement MMIS.

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

SECTION 10.30. Of the funds appropriated in this act to the Department of Health and Human Services (Department), the nonrecurring sum of nine million five hundred ninety-two thousand three hundred thirty-two dollars ($9,592,332) for fiscal year 2011-2012 and the nonrecurring sum of nine million five hundred ninety-two thousand three hundred thirty-two dollars ($9,592,332) for fiscal year 2012-2013 shall be used to support the NC FAST project. These funds shall be (i) deposited to the Department's information technology budget code and (ii) used to match federal funds for the project. In addition, the Department shall utilize prior year earned revenues received in the amount of eight million seven hundred sixty-seven thousand six hundred ninety-six dollars ($8,767,696) in fiscal year 2011-2012 for the NC FAST project. Funds appropriated to the Department by this act shall be used to expedite the development and implementation of the Global Case Management and Food and Nutrition Services and the Eligibility Information System (EIS) components of the North Carolina Families Accessing Services through Technology (NC FAST) project. In the event

that the Department does not receive prior year earned revenues in the amount 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 NC FAST project. The Department shall not obligate any of its overrealized receipts or funds for this purpose without (i) prior written approval from the United States Department of Agriculture Food and Nutrition Service, the United States Department of Health and Human Services Administration for Children and Families, the Centers for Medicare and Medicaid Services, and any other federal partner responsible for approving changes to the annual Advance Planning Document update (APDu) for the NC FAST Program and (ii) prior review and approval from the Office of Information Technology Services (ITS) and the Office of State Budget and Management (OSBM). The Department shall report any changes to the NC FAST Program to the Joint Legislative Oversight Committee on Information Technology, the Joint Legislative Commission on Governmental Operations, the Senate Appropriations Committee on Health and Human Services, the House Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division not later than 30 days after receiving all the approvals required by this section.

MEDICAID

SECTION 10.31.(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 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 on 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.

(5) Medicaid as secondary payor 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 10.31.(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).

(5) Posting of notices of changes on Department Web site. – For any public notice of change required pursuant to the provisions of 42 C.F.R. § 447.205, the Department shall, no later than seven business days after the date of publication, publish the same notice on its Web site on the same Web page as it publishes State Plan amendments, and the notice shall remain on the Web site continuously for 90 days.

(6) Electronic transactions. – Medicaid providers shall follow the Department's established procedures for securing electronic payments, and the Department shall not provide routine provider payments by check. Medicaid providers shall file claims electronically, except that nonelectronic claims submission may be required when it is in the best interest of the Department. 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.

Providers shall submit requests for prior authorizations electronically via the vendor's Web site. Providers shall access their authorizations via online portals rather than receiving hard copies by mail. Recipients shall continue to receive adverse decisions via certified mail. Providers shall receive copies electronically. Once Web portal is live for provider enrollment, providers shall submit their provider enrollment applications online. Thereafter, the Department shall accept electronic signatures, rather than require receipt of signed hard copies.

SECTION 10.31.(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 NEEDY – WFFA*		**MEDICALLY NEEDY**
Family Size	Standard of Need & 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 10.31.(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. 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.

The Department of Health and Human Services (DHHS) shall operate and manage the Medicaid program within the annual State appropriation. DHHS shall establish policies, practices, rates, and expenditure procedures that are in compliance with CMS regulations and approved State Plans, State laws, and regulations.

Additionally, the Department shall be required to use the Physician's Advisory Group for review and will collaborate with other stakeholder groups in the adoption and implementation of all clinical and payment policies, including all public notice and posting provisions in use as of the effective date of this provision.

(1) **Mandatory Services.** – In order to manage the Medicaid program within the annual State appropriation, the Secretary shall have the authority to submit State Plan amendments and establish temporary rules affecting the amount of service and payment rate for the following mandatory services:

a. Hospital inpatient. – Payment for hospital inpatient services will be prescribed by the State Plan as established by the Department of Health and Human Services.

b. Hospital outpatient. – Eighty percent (80%) of allowable costs or a prospective reimbursement plan as established by the Department of Health and Human Services.

c. 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.

d. Physicians, certified nurse midwife services, nurse practitioners, physician assistants. – Fee schedules as developed by the Department of Health and Human Services.

e. EPSDT screens. – Payments in accordance with rate schedule developed by the Department of Health and Human Services.

f. Home health and related services, durable medical equipment. – Payments according to reimbursement plans developed by the Department of Health and Human Services.

g. Rural health clinical services. – Provider-based, reasonable cost, nonprovider-based, single-cost reimbursement rate per clinic visit.

h. Family planning. – Negotiated rate for local health departments. For other providers see specific services, e.g., hospitals, physicians.

i. Independent laboratory and X-ray services. – Uniform fee schedules as developed by the Department of Health and Human Services.

j. Medicare Buy-In. – Social Security Administration premium.

k. Ambulance services. – Uniform fee schedules as developed by the Department of Health and Human Services. Public ambulance providers will be reimbursed at cost.

l. 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.

m. Pregnancy-related services. – Covered services for pregnant women shall include nutritional counseling, psychosocial counseling, and predelivery and postpartum home visits as described in clinical policy.

n. Mental health services. – Coverage is limited to 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.

(2) **Optional Services.** – In order to manage the Medicaid program within the annual State appropriation, the Secretary shall have the authority to submit State Plan amendments and establish temporary rules affecting the amount of service, payment rate, or elimination of the following optional services:

a. Certified registered nurse anesthetists.
b. Community Alternative Programs.
c. Hearing aids. – Wholesale cost plus dispensing fee to provider.
d. Ambulatory surgical centers.
e. Private duty nursing, clinic services, prepaid health plans.
f. Intermediate care facilities for the mentally retarded.
g. Chiropractors, podiatrists, optometrists, dentists.
h. Dental coverage. – Dental services shall be provided on a restricted basis in accordance with criteria adopted by the Department to implement this subsection.
i. 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.
j. Physical therapy, occupational therapy, and speech therapy. – Services for adults. Payments are to be made only to qualified providers at rates negotiated by the Department of Health and Human Services.
k. Personal care services. – Payment in accordance with the State Plan developed by the Department of Health and Human Services.
l. Case management services. – Reimbursement in accordance with the availability of funds to be transferred within the Department of Health and Human Services.
m. Hospice and palliative care.
n. 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.
o. Health insurance premiums.
p. 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.
q. Bariatric surgeries. – Covered as described in clinical policy 1A-15, Surgery for Clinically Severe Obesity. In order to raise the standard of bariatric care in North Carolina, approval for these procedures shall be granted only to those providers (facilities and surgeons) who are designated as a Bariatric Surgery Center of Excellence (BSCOE) by the American Society for Metabolic and Bariatric Surgery (ASMBS). Providers must then submit to NC Medicaid documentation of their designation as a BSCOE, as well as verify their continued annual participation.
r. Drugs. –
    1. 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 established by the Department. In addition to the professional services fee, the Department may pay an enhanced fee for pharmacy services.

2. 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 program. The Department may impose prior authorization requirements on brand-name drugs for which the phrase "medically necessary" is written on the prescription.

3. 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).

4. Specialty drug provider network. – The Department of Health and Human Services shall work with specialty drug providers, manufacturers of specialty drugs, Medicaid recipients who are prescribed specialty drugs, and the medical professionals that treat Medicaid recipients who are prescribed specialty drugs to develop ways to ensure that best practices and the prevention of overutilization are maintained in the delivery and utilization of specialty drugs.

5. Lock controlled substances prescriptions into single pharmacy/provider. – The Department of Health and Human Services, Division of Medical Assistance, shall lock Medicaid enrollees into a single pharmacy and provider when the Medicaid enrollee's utilization of selected controlled

substance medications meets the lock-in criteria approved by the North Carolina Physicians Advisory Group, as follows:

I. Enrollees may be prescribed selected controlled substance medications by only one prescribing physician and may not change the prescribing physician at any time without prior approval or authorization by the Division.

II. Enrollees may have prescriptions for selected controlled substance medications filled at only one pharmacy and may not change to another pharmacy at any time without prior approval or authorization by the Division.

5A. 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. 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 by providers who fail to prescribe those drugs in accordance with indications and dosage levels approved by the federal Food and Drug Administration. The Department may 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.

6. Preferred Drug List. – The Department of Health and Human Services shall establish and implement a preferred drug list program under the Division of Medical Assistance. Medications prescribed for the treatment of mental illness shall be included on the Preferred Drug List (PDL).

The pharmaceutical and therapeutics committee of the Physician's Advisory Group (PAG) shall provide ongoing review of the preferred drug list, including the implementation of prior authorization on identified drugs. 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.

The Department, in consultation with the PAG, shall adopt and publish policies and procedures relating to the preferred drug list, including the following:

I. Guidelines for the presentation and review of drugs for inclusion on the preferred drug list.

II. The manner and frequency of audits of the preferred drug list for appropriateness of patient care and cost-effectiveness.

III. An appeals process for the resolution of disputes.

IV. 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 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.

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 Pharmacy and Therapeutics (PAG P&T) Committee.

The Secretary shall appoint the following individuals to the review panel: (i) the Director of Pharmacy for the Division of Medical Assistance, (ii) a representative from the PAG P&T Committee, (iii) a representative from the Old North State Medical Society, (iv) a representative from the North Carolina Association of Pharmacists, (v) a representative from Community Care of North Carolina, (vi) a representative from the North Carolina Psychiatric Association, (vii) a representative from the North Carolina Pediatric Society, (viii) a representative from the North Carolina Academy of Family Physicians, (ix) a representative from the North Carolina Chapter of the American College of Physicians, (x) a representative from a research-based pharmaceutical company, (xi) a representative from a hospital-based pharmacy.

Individuals appointed to the Review Panel, except for the Division's Director of Pharmacy, shall serve only a two-year term.

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 Secretary.

The Department may establish a Preferred Drug List for the North Carolina Health Choice for Children program and pursue negotiated discounts or rebates for all prescription drugs under the program in order to achieve the lowest available price for such drugs under such program. The Department may procure a sole source contract with an outside entity or contractor to conduct negotiations for these discounts or rebates. The PAG P&T Committee and Preferred Drug List Policy Review Panel will provide recommendations on policies and procedures for the NC Health Choice Preferred Drug List.

s. Incentive Payments as outlined in the State Medicaid Health Information Plan for Electronic Health Records.

t. Other mental health services. – Unless otherwise covered by this section, coverage is limited to the following:

1. Services as established by the Division of Medical Assistance in consultation with 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 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.

2. 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, 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 may be self-referred.

3. Payments made for services rendered in accordance with this subdivision shall be qualified providers in accordance with approved policies and the State Plan. Nothing in sub-sub-subdivisions 1. or 2. of this sub-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-sub-subdivisions 1. or 2. of this sub-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 established by the Division of Medical Assistance in consultation with the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services under sub-subdivision a. and sub-sub-subdivision b.2. of this subdivision shall be established by the Division of Medical Assistance.

u. Experimental/investigational medical procedures. – Coverage is limited to services, supplies, drugs, or devices recognized as standard medical care for the condition, disease, illness, or injury being treated as determined by nationally recognized scientific professional organizations or scientifically based federal organizations such as the Food and Drug Administration, the National Institutes of Health, the Centers for Disease Control, or the Agency for Health Care Research and Quality.

v. Clinical trials. – The Division of Medical Assistance shall develop clinical policy for the coverage of routine costs in clinical trial services for life-threatening conditions using resources such as coverage criteria from Medicare, NC State Health Plan, and the input of the Physicians Advisory Group.

w. Organ transplants.

(3) Never Events and Hospital Acquired Conditions (HACs) shall not be reimbursed. Medicaid will adhere to Medicare requirements for definition of events and conditions.

SECTION 10.31.(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 subsection 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 subsection, 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: physicians, nurse practitioners, nurse midwives, physician assistants, 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 10.31.(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 or innovation projects will result in a reduction in the total Medicaid costs.

(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.

(3) Provider enrollment fee. – Effective September 1, 2009, the Department of Health and Human Services, Division of Medical Assistance, shall charge an enrollment fee of one hundred dollars ($100.00), or the amount federally required, to each provider enrolling in the Medicaid program for the first time. The fee shall be charged to all providers at recredentialing every three years.

SECTION 10.31.(g) Rules, Reports, and Other Matters. –

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.

MEDICAID PROVIDER ASSESSMENTS

SECTION 10.31A. The Secretary of Health and Human Services may implement a Medicaid assessment program for any willing provider category allowed under federal regulations, except for hospital providers subject to the assessments authorized in Session Law 2011-11, up to the maximum percentage allowed by federal regulation. The Department may retain up to sixty-five percent (65%) of the amount from an assessment program implemented after December 31, 2010, that can be used by the Department to support Medicaid expenditures. Any assessment funds not retained by the Department shall be used to draw federal Medicaid matching funds for implementing increased rates or new reimbursement plans for each provider category being assessed.

Receipts from the assessment program are hereby appropriated for the 2011-2012 fiscal year and the 2012-2013 fiscal year for the purposes set out in this section.

DMA CONTRACT SHORTFALL

SECTION 10.32.(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 10.32.(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 10.33.(a) The Department of Health and Human Services may use up to five million dollars ($5,000,000) in the 2011-2012 fiscal year and up to five million dollars ($5,000,000) in the 2012-2013 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, funding pilot programs, Health Information Exchange and Health Information Technology (HIE/HIT) administrative activities, 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 10.33.(b) The Department shall report annually on the 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. The report shall include the methods used to achieve savings and the amount saved by these methods. The report is due to the House and Senate Appropriations Subcommittees on Health and Human Services and the Fiscal Research Division not later than December 1 of each year for the activities of the previous State fiscal year.

MEDICAID SPECIAL FUND TRANSFER

SECTION 10.34. 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 2011-2012 fiscal year and the sum of forty-three million dollars ($43,000,000) for the 2012-2013 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 2011-2012 fiscal year for this purpose.

ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE

SECTION 10.35.(a) Receivables reserved at the end of the 2011-2012 and 2012-2013 fiscal years shall, when received, be accounted for as nontax revenue for each of those fiscal years.

SECTION 10.35.(b) For the 2011-2012 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred fifteen million dollars ($115,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. For the 2012-2013 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred fifteen million dollars ($115,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. These deposits shall represent the return of General Fund appropriations, nonfederal revenue, fund balances or other resources from State owned and operated hospitals which are used to provide indigent and non-indigent care services. The return from State owned and operated hospitals to DHHS will be made from nonfederal resources in an amount equal to the amount of the payments from the Division of Medical Assistance for uncompensated care. The treatment of any revenue derived from federal programs shall be in accordance with the requirements specified in the Code of Federal Regulations, Title 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 10.36.(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 10.36.(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 10.36.(c) Implementation of this provision shall be delayed until the implementation of the new Medicaid Management Information System.

AUTHORIZE THE DIVISION OF MEDICAL ASSISTANCE TO TAKE CERTAIN STEPS TO EFFECTUATE COMPLIANCE WITH BUDGET REDUCTIONS IN THE MEDICAID PROGRAM

SECTION 10.37.(a) The Department of Health and Human Services, Division of Medical Assistance, may take the following actions, notwithstanding any other provision of this act or other State law or rule to the contrary:

(1) In-Home Care provision. – In order to enhance in-home aide services to Medicaid recipients, the Department of Health and Human Services, Division of Medical Assistance, shall:

a. No longer provide services under PCS and PCS-Plus the later of January 1, 2012, or whenever CMS approves the elimination of the PCS and PCS-Plus programs and the implementation of the following two new services:

1. In-Home Care for Children (IHCC). – Services to assist families to meet the in-home care needs of children, including those individuals under the age of 21 receiving comprehensive and preventive child health services through the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program.

2. In-Home Care for Adults (IHCA). – Services to meet the eating, dressing, bathing, toileting, and mobility needs of individuals 21 years of age or older who, because of a medical condition, disability, or cognitive impairment, demonstrate unmet needs for, at a minimum, (i) three of the five qualifying activities of daily living (ADLs) with limited hands-on assistance; (ii) two ADLs, one of which requires extensive assistance; or (iii) two ADLs, one of which requires assistance at the full dependence level. The five qualifying ADLs are eating, dressing, bathing, toileting, and mobility. IHCA shall serve individuals at the highest level of need for in-home care who are able to remain safely in the home.

b. Establish, in accordance with G.S. 108A-54.2, a Medical Coverage Policy for each of these programs, to include:

1. For IHCC, up to 60 hours per month in accordance with an assessment conducted by DMA or its designee and a plan of care developed by the service provider and approved by DMA or its designee. Additional hours may be authorized when the services are required to correct or ameliorate defects and physical and mental illnesses and conditions in this age group, as defined in 42 U.S.C. § 1396d(r)(5), in accordance with a plan of care approved by DMA or its designee.

2. For IHCA, up to 80 hours per month in accordance with an assessment conducted by DMA or its designee and a plan of care developed by the service provider and approved by DMA or its designee.

c. Implement the following program limitations and restrictions to apply to both IHCC and IHCA:

1. Additional services to children required under federal EPSDT requirements shall be provided to qualified recipients in the IHCC Program.

2. Services shall be provided in a manner that supplements, rather than supplants, family roles and responsibilities.

3. Services shall be authorized in amounts based on assessed need of each recipient, taking into account care and services provided by the family, other public and private agencies, and other informal caregivers who may be available to assist the family. All available resources shall be utilized fully, and services provided by such agencies and individuals shall be disclosed to the DMA assessor.

4. Services shall be directly related to the hands-on assistance and related tasks to complete each qualifying ADL in accordance with the IHCC or IHCA assessment and plan of care, as applicable.

5. Services provided under IHCC and IHCA shall not include household chores not directly related to the qualifying ADLs,

nonmedical transportation, financial management, and non-hands-on assistance such as cueing, prompting, guiding, coaching, or babysitting.

6. Essential errands that are critical to maintaining the health and welfare of the recipient may be approved on a case-by-case basis by the DMA assessor when there is no family member, other individual, program, or service available to meet this need. Approval, including the amount of time required to perform this task, shall be documented on the recipient's assessment form and plan of care.

d. Utilize the following process for admission to the IHCC and IHCA programs:

1. The recipient shall be seen by his or her primary or attending physician, who shall provide written authorization for referral for the service and written attestation to the medical necessity for the service.
2. All assessments for admission to IHCC and IHCA, continuation of these services, and change of status reviews for these services shall be performed by DMA or its designee. The DMA designee may not be an owner of a provider business or provider of in-home or personal care services of any type.
3. DMA or its designee shall determine and authorize the amount of service to be provided on a "needs basis," as determined by its review and findings of each recipient's degree of functional disability and level of unmet needs for hands-on personal assistance in the five qualifying ADLs.

e. Take all appropriate actions to manage the cost, quality, program compliance, and utilization of services provided under the IHCC and IHCA programs, including, but not limited to:

1. Priority independent reassessment of recipients before the anniversary date of their initial admission or reassessment for those recipients likely to qualify for the restructured IHCC and IHCA programs.
2. Priority independent reassessment of recipients requesting a change of service provider.
3. Targeted reassessments of recipients prior to their anniversary dates when the current provider assessment indicates they may not qualify for the program or for the amount of services they are currently receiving.
4. Targeted reassessment of recipients receiving services from providers with a history of program noncompliance.
5. Provider desk and on-site reviews and recoupment of all identified overpayments or improper payments.
6. Recipient reviews, interviews, and surveys.
7. The use of mandated electronic transmission of referral forms, plans of care, and reporting forms.
8. The use of mandated electronic transmission of uniform reporting forms for recipient complaints and critical incidents.
9. The use of automated systems to monitor, evaluate, and profile provider performance against established performance indicators.
10. Establishment of rules that implement the requirements of 42 C.F.R. § 441.16.

f. Time line for implementation of new IHCC and IHCA programs.

1. Subject to approvals from CMS, DMA shall make every effort to implement the new IHCC and IHCA programs by January 1, 2013.

2. DMA shall ensure that individuals who qualify for the IHCC and IHCA programs shall not experience a lapse in service and, if necessary, shall be admitted on the basis of their current provider assessment when an independent reassessment has not yet been performed and the current assessment documents that the medical necessity requirements for the IHCC or IHCA program, as applicable, have been met.
3. Prior to the implementation date of the new IHCC and IHCA programs, all recipients in the PCS and PCS-Plus programs shall be notified pursuant to 42 C.F.R. § 431.220(b) and discharged, and the Department shall no longer provide services under the PCS and PCS-Plus programs, which shall terminate. Recipients who qualify for the new IHCC and IHCA programs shall be admitted and shall be eligible to receive services immediately.

(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 Centers for Medicare and Medicaid Services (CMS) to implement the budget reductions authorized in the following clinical coverage areas in this act:
a. Eliminate or limit adult physical therapy, occupational therapy, and speech therapy visits to three visits per calendar year.

(3) MH/DD/SAS personal care and personal assistance services provision. – A denial, reduction, or termination of Medicaid-funded personal care services or in-home care services shall result in a similar denial, reduction, or termination of State-funded MH/DD/SAS personal care and personal assistance services.

(4) 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.

(5) 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, an assessment shall be completed to ensure the appropriateness of placement, and 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 facility.

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 Level 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 180 days. Any exceptions granted will require (i) for non-CABHAs, an independent psychological or psychiatric assessment, (ii) for CABHAs, a psychological or psychiatric assessment that may be completed by the CABHA, and (iii) for both, a Child and Family Team review of goals and treatment progress, that 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 for authorization for Level III or Level IV services to be considered complete, but the authorization approval is not conditional upon the receipt of the signature of the system of care coordinator. The LME will designate appropriate individuals who can sign the discharge plan within 24 hours of receipt of the discharge plan. 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.

(6) 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 reductions authorized by this subdivision are subject to the following additional limitations:

a. The Secretary of Health and Human Services shall reduce Medicaid provider rates for all Medicaid providers by an annualized two percent (2%) except as follows:
1. Physician services. – The provider rate for physicians shall not be reduced.
2. Hospital inpatient services. – The provider rate for inpatient hospital services shall be reduced in the aggregate by an annualized amount not to exceed seven and thirty-two hundredths percent (7.32%). The provider rates for non-State-owned freestanding psychiatric and rehabilitation hospitals are not included in this exception.
3. The Secretary shall consider the impact on access to care through primary care providers and critical access hospitals

and may adjust the rates accordingly. Medicaid rates predicated on Medicare fee schedules shall follow Medicare reductions but not Medicare increases unless federally required.

4. Exceptions for certain providers. – The rate reduction applies to all Medicaid private and public providers with the following exceptions:
   I. Federally qualified health centers.
   II. Rural health centers.
   III. State institutions.
   IV. Hospital outpatient.
   V. Pharmacies.
   VI. The State Public Health Laboratory.
   VII. The noninflationary components of the case-mix reimbursement system for nursing facilities.
   VIII. Adult care homes.
   IX. Local health departments.
   X. Critical Access Behavioral Health Agencies.
5. Notwithstanding any other provision of law, no inflationary increases shall be made to Medicaid provider rates during the 2011-2013 fiscal biennium, except that inflationary increases for health care providers paying provider fees or assessments may occur if the State share of the increases can be funded with provider fees or assessments.

b. The rate reductions required by this section shall take effect in accordance with the following schedule:
   1. On or Before October 1, 2011. – The provider rate reductions required by sub-subdivision a. of this subdivision shall take effect on or before October 1, 2011. However, the reductions shall be adjusted by a percentage sufficient to yield savings as if the reductions had taken effect on July 1, 2011.
   2. July 1, 2012. – On July 1, 2012, the provider rate reductions required by sub-sub-subdivision a.2. of this subdivision and any other rate reductions implemented pursuant to sub-subdivision a. of this subdivision, but not implemented by July 1, 2011, shall be adjusted to the level at which they would have been without the adjustment required by sub-sub-subdivision 1. of this sub-subdivision.

c. No other adjustments to the provider rates or payment methodologies shall be made for physician services, critical access hospital services, hospital inpatient services or hospital outpatient services, non-State-owned freestanding psychiatric and rehabilitation hospitals, nursing homes, and adult care homes except as provided in sub-subdivision a. of this subdivision and except as authorized by Section 10.47(d) of this act.

(7) Medicaid identification cards. – The Department shall issue Medicaid identification cards to recipients on an annual basis with updates as needed.

(8) The Department of Health and Human Services shall develop a plan for the consolidation of case management services utilizing CCNC. The plan shall address the time line and process for implementation, 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, 2012, 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.

(9) 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.

(10) 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.

(11) Medicaid service modifications and eliminations. – Subject to the prior approval of the Centers for Medicare and Medicaid Services where required, the Division of Medical Assistance shall make the following eliminations of or modifications to Medicaid services:

a. Optical. –
   1. Eliminate adult routine eye exams. Eye exams shall be restricted to cases in which a specific optical problem exists.
   2. Eliminate optical services and supplies.

b. Durable medical equipment. – The Department may adjust the rate paid for incontinence supplies or reduce cost through a negotiated single source contract with a manufacturer for incontinence supply procurement, notwithstanding any other provision of law. The contract shall provide that suppliers may use the contract but are also free to take advantage of better prices available elsewhere. The Department may effectuate any combination of these options in order to achieve the lowest available cost for incontinence supply procurement.

c. Specialized therapies. – For evaluations and reevaluations, as well as physical, occupational, speech, respiratory, and audiological services, reduce the maximum number of allowable services by one per year.

d. Home health. – Restrict usage of the miscellaneous T199 code. All billing must be for a specific service.

e. Pregnancy Home Model Initiative.

f. Dental. –
   1. Eliminate composite fillings for back teeth fillings.
   2. Limit the number of surfaces that can be filled to four per tooth.
   3. Limit frequency of scaling and replaning to once every two years.
   4. Raise the threshold for eligibility for replaning to 5mm from 4mm.

5. Eliminate cast dentures for partial dentures only and replace with acrylic dentures. Change the frequency of replacement from every 10 years to every eight years.
6. Require prior authorization for oral excision of gum tissue.

g. Miscellaneous. –

1. Restrict usage of evaluation and management billing as well as of unlisted codes and strengthen supporting documentation requirements. Billing shall use specific service codes for specific services as a prerequisite to reimbursement.
2. Restrict circumcision coverage to medically necessary procedures.
3. Utilize Bloodhound, Inc., software, or comparable software, to examine billing codes that are duplicative or inconsistent with evidence-based practices.
4. Require prior authorization for back surgery for selective diagnoses and require that all other therapies have been exhausted prior to granting authorization.
5. Require prior authorization for capsule endoscopy but not traditional endoscopy.
6. Require prior authorization for selected medical procedures and services, including elective cardiac procedures, chronic pain management, and related procedures.
7. Negotiate a single source contract for genetic testing, notwithstanding any other provision of law.

SECTION 10.37.(b) At least 30 days prior to the adoption of new or amended medical coverage policies necessitated by the reductions to the Medicaid program enacted in this act, the Department shall:

(1) Publish the proposed new or amended medical coverage policies via the Medicaid Bulletin published on the Department's Web site, which shall include an invitation to readers to send written comments on the proposed new or amended policies to the Department's mailing address, including e-mail.
(2) Notify via direct mail the members of the Physician Advisory Group (PAG) of the proposed policies.
(3) Update the policies published on the Web site to reflect any changes made as a result of written comments received from the PAG and others.
(4) Provide written notice to recipients about changes in policy.

SECTION 10.37.(c) The Department of Health and Human Services shall not implement any actions directed by this act if the Department determines that such actions would jeopardize the receipt of federal funds appropriated or allocated to the Department.

MEDICAID WAIVER FOR ASSISTED LIVING

SECTION 10.38.(a) The Department of Health and Human Services, Division of Medical Assistance (Division), shall develop and implement a home- and community-based services program under Medicaid State Plan 1915(i) authority in order to continue Medicaid funding of personal care services to individuals living in adult care homes. Providers who do not accept reimbursement for residents' personal care services through Medicaid or do not accept reimbursement through the State-County Special Assistance program shall not be subject to the provisions, requirements, or conditions of the Medicaid waiver pursuant to this section.

SECTION 10.38.(b) The Division shall implement the program upon approval of the application by the Centers for Medicare and Medicaid Services.

SECTION 10.38.(c) On or before April 1, 2012, the Division shall provide a report on the status of approval and implementation of the program 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.

PROGRAM INTEGRITY

SECTION 10.39. In order to ensure all claims presented by a provider for payment by the Department of Health and Human Services meet the Department's medical necessity criteria and all other applicable Medicaid, Health Choice, or other federal or State documentation requirements, a provider may be required to undergo prepayment claims review by DHHS. Claims reviews conducted pursuant to this section shall be in accordance with the provisions of the Patient Protection and Affordable Care Act, P.L. 111-148, and any implementing regulations.

TRANSFER TO OFFICE OF ADMINISTRATIVE HEARINGS

SECTION 10.40. From funds available to the Department of Health and Human Services (Department) for the 2011-2012 fiscal year, the sum of one million dollars ($1,000,000), and for the 2012-2013 fiscal year the sum of one million dollars ($1,000,000), shall be transferred by the Department of Health and Human Services to the Office of Administrative Hearings (OAH). These funds shall be allocated by the OAH for mediation services provided for Medicaid applicant and recipient appeals and to contract for other services necessary to conduct the appeals process. OAH shall continue the Memorandum of Agreement (MOA) with the Department for mediation services provided for Medicaid recipient appeals and contracted services necessary to conduct the appeals process. The MOA will facilitate the Department's ability to draw down federal Medicaid funds to support this administrative function. Upon receipt of invoices from OAH for covered services rendered in accordance with the MOA, the Department shall transfer the federal share of Medicaid funds drawn down for this purpose.

NC HEALTH CHOICE

SECTION 10.41.(a) G.S. 108A-54.3 is amended by adding a new subdivision 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:

...

(5) Any changes in medical policy that require an amendment to the Health Choice State Plan will be submitted by the Department upon approval of the proposed policy."

SECTION 10.41.(b) G.S. 108A-70.21(b) reads as rewritten:

"(b) Benefits. – All health benefits changes of the Program shall meet the coverage requirements set forth in this subsection. Except as otherwise provided for eligibility, fees, deductibles, copayments, and other cost sharing charges, health benefits coverage provided to children eligible under the Program shall be equivalent to coverage provided for dependents under ~~the Predecessor Plan.~~ North Carolina Medicaid Program except for the following:

(1) No services for long-term care.

(2) No nonemergency medical transportation.

(3) No EPSDT.

(4) Dental services shall be provided on a restricted basis in accordance with criteria adopted by the Department to implement this subsection.

In addition to the benefits provided under the ~~Predecessor Plan,~~ North Carolina Medicaid Program, the following services and supplies are covered under the Health Insurance Program for Children established under this Part:

~~(1) Oral examinations, teeth cleaning, and topical fluoride treatments twice during a 12-month period, full mouth X-rays once every 60 months, supplemental bitewing X-rays showing the back of the teeth once during a 12-month period, sealants, extractions, other than impacted teeth or wisdom teeth, therapeutic pulpotomies, space maintainers, root canal therapy for permanent anterior teeth and permanent first molars, prefabricated stainless steel crowns, and routine fillings of amalgam or other tooth colored filling material to restore diseased teeth.~~

~~(1a) Orthognathic surgery to correct functionally impairing malocclusions when orthodontics was approved and initiated while the child was covered by Medicaid and the need for orthognathic surgery was documented in the orthodontic treatment plan.~~

(2) Vision: Scheduled routine eye examinations once every 12 months, eyeglass lenses or contact lenses once every 12 months, routine replacement of eyeglass frames once every 24 months, and optical supplies and solutions when needed. ~~Optical~~ NCHC recipients must obtain optical services, supplies, and solutions ~~must be obtained~~ from NCHC enrolled, licensed or certified ophthalmologists, optometrists, or ~~optical dispensing laboratories.~~ opticians. In accordance with G.S. 148-134, NCHC providers must order complete eyeglasses, eyeglass lenses, and ophthalmic frames through Nash Optical Plant. Eyeglass lenses are limited to NCHC-approved single vision, bifocal, trifocal, or other complex lenses necessary for a Plan enrollee's visual welfare. Coverage for oversized lenses and frames, designer frames, photosensitive lenses, tinted contact lenses, blended lenses, progressive multifocal lenses, coated lenses, and laminated lenses is limited to the coverage for single vision, bifocal, trifocal, or other complex lenses provided by this subsection. Eyeglass frames are limited to ~~those~~ NCHC-approved frames made of zylonite, metal, or a combination of zylonite and metal. All visual aids covered by this subsection require prior approval. Requests for medically necessary complete eyeglasses, eyeglass lenses, and ophthalmic frames outside of the NCHC-approved selection require prior approval. Requests for medically necessary fabrication of complete eyeglasses or eyeglass lenses outside of Nash Optical Plant require prior approval. Upon prior approval refractions may be covered more often than once every 12 months.

(3) ~~Hearing: Auditory diagnostic testing services and hearing aids and accessories when provided by a licensed or certified audiologist, otolaryngologist, or other approved hearing aid specialist. Prior approval is required for hearing aids, accessories, earmolds, repairs, loaners, and rental aids.~~ 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).

(4) Over the counter medications: Selected over the counter medications provided the medication is covered under the State Medical Assistance Plan. Coverage shall be subject to the same policies and approvals as required under the Medicaid program.

(5) Routine diagnostic examinations and tests: annual routine diagnostic examinations and tests, including x-rays, blood and blood pressure checks, urine tests, tuberculosis tests, and general health check-ups that are medically necessary for the maintenance and improvement of individual health are covered.

No benefits are to be provided for services and materials under this subsection that do not meet the standards accepted by the American Dental Association.

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~~ the per member, per month fees 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 10.41.(c) G.S. 108A-70.23 is repealed.

SECTION 10.41.(d) G.S. 108A-70.27(c) reads as rewritten:

"(c) ~~The Executive Administrator and Board of Trustees of the North Carolina Teachers' and State Employees' Major Medical Plan ("Plan")~~ The Division of Medical Assistance shall provide to the Department data required under this section that are collected by the Plan. Data shall be reported by the Plan in sufficient detail to meet federal reporting requirements under Title XXI. The Plan shall report periodically to the Joint Legislative Health Care Oversight Committee claims processing data for the Program and any other information the Plan or the

Committee deems appropriate and relevant to assist the Committee in its review of the Program."

SECTION 10.41.(e) G.S. 108A-70.29 is amended by adding a new subsection to read:

"(f) Additional Rule-Making Authority. – The Department of Health and Human Services shall have the authority to adopt rules for the transition and operation of the North Carolina Health Choice Program. 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 for enrolling providers to participate in the NC Health Choice Program, for regulating provider participation in the NC Health Choice Program, and for other operational issues regarding the NC Health Choice Program."

SECTION 10.41.(f) Effective July 1, 2011, the Department shall begin planning to transition all health benefit changes of the Program to meet the coverage requirements set forth in subsection (b) of this section with implementation to begin no later than October 1, 2011, and completed no later than March 12, 2012.

MEDICATION THERAPY MANAGEMENT PILOT

SECTION 10.42.(a) The Department of Health and Human Services shall develop a two-year medication therapy management pilot program to be administered through Community Care of North Carolina (CCNC) in order to determine (i) the best method of adapting the ChecKmedsNC program to the Medicaid program and CCNC's Medical Homes and (ii) the most effective and efficient role for community-based pharmacists as active members of CCNC's care management teams. The pilot program created pursuant to this section shall consist of the following components:

(1) Identification of at least 20 community-based pharmacies that are geographically distributed and sufficiently representative to generalize pilot findings among pharmacies that dedicate pharmacist time to work with patients, their care team members, and their Medical Home practices to improve patient outcomes. To the extent that available resources allow, other types of community-based pharmacists may be involved, including those working with long-term care residents or their attending physicians.

(2) Targeting of Medicaid recipients with co-occurring illnesses or conditions that are especially susceptible to poor patient outcomes when medication is underused, misused, or poorly coordinated.

(3) Allowing pharmacists identified pursuant to subdivision (1) of this section to have access to CCNC's Web-based Pharmacy Portal, which allows CCNC to establish and monitor patients' prescriptions and to communicate with other care team members.

SECTION 10.42.(b) On January 1, 2012, and every six months thereafter, CCNC shall report to the Department of Health and Human Services, the House and Senate Appropriations Subcommittees on Health and Human Services, and the Fiscal Research Division on the development and implementation of this pilot program. This reporting requirement shall terminate with the filing of the third report on January 1, 2013. In addition to any other information, the reports required by this section shall include the following additional information:

(1) The July 1, 2012, report shall include an interim evaluation of the pharmacists' demonstrated use of the CCNC Pharmacy Home Model and the pharmacists' role in intervening and successfully managing the medication therapy of Medicaid recipients with chronic illnesses.

(2) The January 1, 2013, report shall include an evaluation of the pharmacists' role in CCNC's management of Medicaid recipients with mental health diagnoses or who receive Home Health or Nursing Home care, and a determination of the appropriate per member/per month pharmacists should receive for participating in the Medical Home Model of CCNC.

SECTION 10.42.(c) Funding for this pilot program shall be made available through the Enhanced Federal Funding for Health Homes for the Chronically Ill.

MEDICAID RECIPIENT APPEALS

SECTION 10.44. The Department of Health and Human Services shall review the appeals process for adverse Medicaid determinations for Medicaid recipients to examine whether it conforms with, or exceeds, the requirements of federal law.

DEPARTMENT TO DETERMINE COST-SAVINGS FOR MEDICAID THAT WOULD RESULT FROM PROVISION OF MUSCULOSKELETAL HEALTH SERVICES

SECTION 10.45.(a) The Department of Health and Human Services shall study and determine the cost-savings that would result for Medicaid if the following measures were implemented:

(1) Healthcare providers who have expertise in musculoskeletal conditions and who are willing to assist emergency departments were identified.

(2) Evidence-based medical criteria were developed, implemented, and supported for high-cost/high-risk elective musculoskeletal procedures.

(3) Patient management services were provided to primary care and emergency department physicians who provided musculoskeletal services.

SECTION 10.45.(b) The Department shall report its findings to the House and Senate Appropriations Subcommittees on Health and Human Services and to the Fiscal Research Division on or before October 1, 2011.

DHHS SAVINGS THROUGH CCNC

SECTION 10.47.(a) The Department of Health and Human Services, in conjunction with Community Care of North Carolina (CCNC) Networks and North Carolina Community Care, Inc., shall obtain savings totaling ninety million dollars ($90,000,000) for the 2011-2012 fiscal year and ninety million dollars ($90,000,000) for the 2012-2013 fiscal year through cooperation and effective cost savings on the part of various health care providers.

SECTION 10.47.(b) The Department of Health and Human Services shall monitor the performance of the CCNC Networks and the expenditures of various health care providers to determine the extent to which the savings required by subsection (a) of this section are being achieved.

SECTION 10.47.(c) On or before October 1, 2011, and quarterly thereafter, the Department shall report to the House and Senate Appropriations Subcommittees on Health and Human Services and to the Fiscal Research Division on the savings being achieved pursuant to this section.

SECTION 10.47.(d) If, by October 1, 2011, or anytime thereafter, savings are not being achieved at a rate sufficient to yield savings in the amount required by subsection (a) of this section, the Secretary of Health and Human Services shall, to the extent required in order to achieve savings at the required rate, take whatever actions are necessary, including the following to be effective January 1, 2012:

(1) Reduce Medicaid provider rates by up to two percent (2%), provided that any reductions implemented pursuant to this subdivision shall be implemented at an equal percentage rate for all Medicaid providers. This reduction shall be in addition to other provider rate reductions in this act.

(2) Eliminate or reduce the level or duration of optional Medicaid services.

SECTION 10.47.(e) The Department of Health and Human Services, in collaboration with Community Care of North Carolina and Local Management Entities (LMEs) shall ensure the effective integration of behavioral health and physical health services for Medicaid recipients. The Department shall amend the contracts between the Department and LMEs and between the Department and Community Care of North Carolina to include effectiveness measures with regard to data sharing, roles and responsibilities, best practices, and budgetary savings to address integration and collaboration of behavioral and physical health.

INCREASE GENERIC DRUG DISPENSING RATE IN MEDICAID BY REVISING PHARMACY DISPENSING FEES FOR PHARMACISTS THAT DISPENSE HIGH PROPORTIONS OF GENERIC DRUGS

SECTION 10.48.(a) The Department of Health and Human Services shall revise its pharmacy dispensing fees under the Medicaid Program in order to encourage a greater proportion of prescriptions dispensed to be generic prescriptions and thereby achieve savings of

fifteen million dollars ($15,000,000) in the 2011-2012 fiscal year and twenty-four million dollars ($24,000,000) in the 2012-2013 fiscal year.

SECTION 10.48.(b) The Department shall report its progress in achieving the savings required by subsection (a) of this section on November 1, 2011, January 1, 2012, and quarterly thereafter to the House and Senate Appropriations Subcommittees on Health and Human Services and to the Fiscal Research Division. If any report required by this subsection reveals that those savings are not being achieved, the Department shall reduce prescription drug rates by an amount sufficient to achieve the savings.

NC NOVA

SECTION 10.49. The Department of Health and Human Services, Division of Health Service Regulation, may use up to thirty-eight thousand dollars ($38,000) for fiscal year 2011-2012 and up to thirty-eight thousand dollars ($38,000) for fiscal year 2012-2013 of existing resources to continue the NC New Organizational Vision Award special licensure designation program established under G.S. 131E-154.14. The Division shall use federal civil monetary penalty receipts as a source of support for this initiative, when appropriate.

HOME CARE AGENCY LICENSURE MORATORIUM IN-HOME AIDE SERVICES

SECTION 10.49A. Beginning July 1, 2011, and for a period of three years thereafter, the Department of Health and Human Services shall not issue any licenses for home care agencies as defined in G.S. 131E-136(2) that intend to offer in-home aide services. The prohibition shall not restrict the Department from issuing licenses to certified home health agencies as defined in G.S. 131E-176(12) that intend to offer in-home aide services or to agencies that need a new license for an existing home care agency being acquired. The Secretary may at any time license a new home care agency in any area of the State if access to care becomes an issue during the time frame set forth above. Companion and Sitter services are exempt from this restriction.

INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND PERFORMANCE ENHANCEMENTS

SECTION 10.50.(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 10.50.(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 IFPS shall provide information and data that allows for the following:

(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 IFPS. 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 IFPS compared to the ratio of their distribution in the general population involved with Child Protective Services.

SECTION 10.50.(c) The Department shall establish a 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.

FOSTER CARE AND ADOPTION ASSISTANCE PAYMENT RATES

SECTION 10.51. Part 4 of Article 2 of Chapter 108A of the General Statutes is amended by adding the following new section to read:

"**§ 108A-49.1. Foster care and adoption assistance payment rates.**

(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 from birth through five years of age.

(2) $581.00 per child per month for children six through 12 years of age.

(3) $634.00 per child per month for children 13 through 18 years of age.

(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 from birth through five years of age.

(2) $581.00 per child per month for children six through 12 years of age.

(3) $634.00 per child per month for children 13 through 18 years of age.

(c) The maximum rates for the State participation in human immunodeficiency virus (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 with confirmed HIV infection, asymptomatic.

(3) $1,200 per child per month with confirmed HIV infection, symptomatic.

(4) $1,600 per child per month when the child is terminally ill with complex care needs.

In addition to providing board payments to foster and adoptive families of HIV-infected children, any additional funds remaining that are appropriated for purposes described in this subsection shall be used to provide medical training in avoiding HIV transmission in the home.

(d) 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 placed in a family foster home or residential child care facility under an agreement with that provider as of October 31, 2008, until the child leaves foster care or experiences a placement change."

CHILD CARING INSTITUTIONS

SECTION 10.52. 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.

REPEAL STATE ABORTION FUND

SECTION 10.53. Section 93 of Chapter 479 of the 1985 Session Laws, as amended by Section 75 of Chapter 738 of the 1987 Session Laws, Section 72 of Chapter 500 of the 1989 Session Laws, Section 79 of Chapter 1066 of the 1989 Session Laws, Section 106 of Chapter 689 of the 1991 Session Laws, Section 259.1 of Chapter 321 of the 1993 Session Laws, Section 23.27 of Chapter 324 of the 1995 Session Laws, and Section 23.8A of Chapter 507 of the 1995 Session Laws, is repealed.

CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM

SECTION 10.54.(a) Of the funds appropriated from the General Fund to the Department of Health and Human Services, the sum of one million five hundred eighty-four thousand one hundred twenty-five dollars ($1,584,125) for the 2011-2012 fiscal year and one million five hundred eighty-four thousand one hundred twenty-five dollars ($1,584,125) for the 2012-2013 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 10.54.(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 2011-2012 fiscal year and the sum of fifty thousand dollars ($50,000) for the 2012-2013 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 10.54.(c) Of the funds appropriated from the General Fund to the Department of Health and Human Services, the sum of three hundred thirty-nine thousand four hundred ninety-three dollars ($339,493) for the 2011-2012 fiscal year and the sum of three hundred thirty-nine thousand four hundred ninety-three dollars ($339,493) for the 2012-2013 fiscal year shall be used to contract with an entity to administer the child welfare postsecondary support program described under subsection (a) of this section, which administration shall include the performance of case management services.

SECTION 10.54.(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 10.55.(a) The General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan FY 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, 2010, through September 30, 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 2011 General Assembly.

SECTION 10.55.(b) The counties approved as Electing Counties in the North Carolina Temporary Assistance for Needy Families State Plan FY 2010-2012, as approved by this section are Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

SECTION 10.55.(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 year 2011 through 2012, 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, 2012.

SECTION 10.55.(d) For the 2011-2012 fiscal year, Electing Counties shall be held harmless to their Work First Family Assistance allocations for the 2010-2011 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 10.55.(e) In the event that departmental projections of Work First Family Assistance and Work First Diversion Assistance for the 2011-2012 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.

PAYMENTS FOR LIEAP/CIP

SECTION 10.56.(a) Part 1 of Article 2 of Chapter 108A of the General Statutes is amended by adding the following new section to read:

"**§ 108A-25.4. Use of payments under the Low-Income Energy Assistance Program and Crisis Intervention Program.**

(a) The Low-Income Energy Assistance Program Plan developed by the Department of Health and Human Services (Department) and submitted to the U.S. Department of Health and Human Services shall focus the annual energy assistance payments on the elderly population age 60 and above with income up to one hundred thirty percent (130%) of the federal poverty level and disabled persons receiving services through the Division of Aging and Adult Services. The energy assistance payment shall be paid directly to the service provider by the county department of social services. The Plan for Crisis Intervention Program (CIP) shall provide assistance for vulnerable populations who meet income eligibility criteria established by the Department. The CIP payment shall be paid directly to the service provider by the county department of social services and shall not exceed six hundred dollars ($600.00) per household in a fiscal year.

(b) The Department shall submit the Plan for each program to the U.S. Department of Health and Human Services no later than September 1 of each year and implement the Plan no later than October 1 of each year."

SECTION 10.56.(b) Beginning September 1, 2011, on or before September 1 of each year and for a period of three years thereafter, the Department of Health and Human Services shall submit a copy of the Plan to the House Appropriations Subcommittee on Health and Human Services and Senate Appropriations Committee on Health and Human Services.

NON-MEDICAID REIMBURSEMENT CHANGES

SECTION 10.58.(a) 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 that 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.

SECTION 10.58.(b) Subject to the prior approval of the Office of State Budget and Management, the Secretary shall reduce provider rates for services rendered for the Medical Eye Care, Independent Living, and Vocational Rehabilitation programs within the Division of Services for the Blind, and Independent Living and Vocational Rehabilitation programs within the Division of Vocational Rehabilitation to accomplish the reduction in funds for this purpose enacted in this act.

STATE-COUNTY SPECIAL ASSISTANCE

SECTION 10.59.(a) The maximum monthly rate for residents in adult care home facilities shall be one thousand one hundred eighty-two dollars ($1,182) per month per resident unless adjusted by the Department in accordance with subsection (d) of this section. The eligibility of Special Assistance recipients residing in adult care homes on September 30, 2009,

shall not be affected by an income reduction in the Special Assistance eligibility criteria resulting from the adoption of this maximum monthly rate, provided these recipients are otherwise eligible.

SECTION 10.59.(b) 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 10.59.(c) 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 10.59.(d) 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.

DHHS BLOCK GRANTS

SECTION 10.60.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2012, according to the following schedule:

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS

Local Program Expenditures

Division of Social Services

01.	Work First Family Assistance	$ 72,680,370
02.	Work First County Block Grants	94,453,315
03.	Work First Electing Counties	2,378,213

04.	Adoption Services – Special Children's Adoption Fund	3,609,355
05.	Family Violence Prevention	2,200,000
06.	Child Protective Services – Child Welfare Workers for Local DSS	14,452,391
07.	Child Welfare Collaborative	754,115
	Division of Child Development	
08.	Subsidized Child Care Program	67,439,721
	Division of Public Health	
09.	Teen Pregnancy Initiatives	450,000
	DHHS Administration	
10.	Division of Social Services	1,093,176
11.	Office of the Secretary	75,392
	Transfers to Other Block Grants	
	Division of Child Development	
12.	Transfer to the Child Care and Development Fund	79,437,674
13.	Transfer to Social Services Block Grant for Child Protective Services – Child Welfare Training in Counties	1,300,000
14.	Transfer to Social Services Block Grant for Foster Care Services	650,829
15.	Transfer to Social Services Block Grant for Child Protective Services	5,040,000
16.	Transfer to Social Services Block Grant for Adult Protective Services	1,191,925
17.	Transfer to Social Services Block Grant for County Departments of Social Services	4,148,001
	TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS	$ 351,354,477
	TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS	
	Local Program Expenditures	
	Division of Social Services	
01.	NC FAST	$ 1,664,936
02.	Work First – Boys and Girls Clubs	2,500,000

03.	Maternity Homes	943,002
03A.	Continuation of Subsidized Employment Initiative	6,114,959
	Division of Public Health	
04.	Teen Pregnancy Initiatives	2,500,000
	DHHS Administration	
05.	Division of Social Services	1,389,084
	TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS	$ 15,111,981

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 $4,148,001)	$ 30,288,783
02.	Child Protective Services (Transfer from TANF)	5,040,000
03.	Adult Protective Services (Transfer from TANF)	1,191,925
04.	State In-Home Services Fund	2,101,113
05.	State Adult Day Care Fund	2,155,301
06.	Child Protective Services/CPS Investigative Services-Child Medical Evaluation Program	609,455
07.	Foster Care Services (Transfer from TANF $650,829)	2,147,967
08.	Special Children Adoption Incentive Fund	500,000
09.	Child Protective Services-Child Welfare Training for Counties (Transfer from TANF)	1,300,000
10.	Home and Community Care Block Grant (HCCBG)	1,834,077
11.	Child Advocacy Centers	375,000
11A.	Food Banks	3,773,001
	Division of Central Management and Support	
12.	ALS Association Jim "Catfish" Hunter Chapter	400,000
	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	
13.	Mental Health Services Program	422,003

14.	Developmental Disabilities Services Program	5,000,000
15.	Mental Health Services-Adult and Child/Developmental Disabilities Program/ Substance Abuse Services-Adult	3,234,601
	Division of Public Health	
16.	Prevent Blindness	150,000
	Division of Vocational Rehabilitation	
17.	Vocational Rehabilitation Services – Easter Seal Society/UCP Community Health Program	188,263
	DHHS Program Expenditures	
	Division of Aging and Adult Services	
18.	UNC-CARES Training Contract	247,920
	Division of Services for the Blind	
19.	Independent Living Program	3,633,077
20.	Accessible Electronic Information for Blind and Disabled Persons	75,000
	Division of Health Service Regulation	
21.	Adult Care Licensure Program	411,897
22.	Mental Health Licensure and Certification Program	205,668
	DHHS Administration	
23.	Division of Aging and Adult Services	688,436
24.	Division of Social Services	892,624
25.	Office of the Secretary/Controller's Office	138,058
26.	Office of the Secretary/DIRM	87,483
27.	Division of Child Development	15,000
28.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	29,665
29.	Division of Health Service Regulation	235,625
30.	Office of the Secretary-NC Interagency Council for Coordinating Homeless Programs	250,000
31.	Office of the Secretary	48,053
	Transfers to Other Block Grants	
	Division of Public Health	

32. Transfer to Preventive Health Services Block Grant for HIV/STD Prevention and Community Planning	145,819
TOTAL SOCIAL SERVICES BLOCK GRANT	$ 67,815,814

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

Local Program Expenditures

Division of Social Services

01. Low-Income Energy Assistance Program (LIEAP)	$ 11,862,617
02. Crisis Intervention Program (CIP)	48,569,233
02A. NC FAST Implementation	4,732,667

Local Administration

Division of Social Services

03. County DSS Administration	5,604,940

DHHS Administration

04. Office of the Secretary/DIRM	276,784
05. Office of the Secretary/Controller's Office	12,332

Transfers to Other State Agencies

Department of Commerce

06. Weatherization Program	500,000
07. Heating Air Repair and Replacement Program (HARRP)	4,744,344
08. Local Residential Energy Efficiency Service Providers – Weatherization	25,000
09. Local Residential Energy Efficiency Service Providers – HARRP	227,038
10. Department of Commerce Administration – Weatherization	25,000
11. Department of Commerce Administration – HARRP	227,038

Department of Administration

12. N.C. Commission on Indian Affairs	110,638
TOTAL LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT	$ 76,917,631

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

Local Program Expenditures		
Division of Child Development		
01.	Subsidized Child Care Services (CCDF)	$ 158,004,959
02.	Electronic Tracking System	3,336,345
03.	Subsidized Child Care Services (Transfer from TANF)	79,437,674
04.	Quality and Availability Initiatives (TEACH Program $3,800,000)	25,948,434
Division of Social Services		
05.	Local Subsidized Child Care Services Support (4% Administrative Allowance)	16,471,587
DHHS Administration		
Division of Child Development		
06.	DCD Administrative Expenses	6,539,277
Division of Central Administration		
07.	DHHS Central Administration – DIRM Technical Services	774,317
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		$ 290,512,593

MENTAL HEALTH SERVICES BLOCK GRANT

Local Program Expenditures		
01.	Mental Health Services – Adult	$ 6,656,212
02.	Mental Health Services – Child	5,121,991
03.	Administration	100,000
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT		$ 11,878,203

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	$ 20,008,541
02.	Substance Abuse Treatment Alternative for Women	8,107,303
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.	Institute of Medicine	250,000
07.	Administration	250,000
Division of Public Health		
08.	Risk Reduction Projects	633,980
09.	Aid-to-Counties	209,576
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		$ 46,703,135

MATERNAL AND CHILD HEALTH BLOCK GRANT

Local Program Expenditures		
Division of Public Health		
01.	Children's Health Services	$ 8,528,156
02.	Women's Health	8,510,783
03.	Oral Health	42,268
DHHS Program Expenditures		
Division of Public Health		
04.	Children's Health Services	1,417,087
05.	Women's Health	136,628
06.	State Center for Health Statistics	164,318
07.	Quality Improvement in Public Health	1,636
08.	Health Promotion	89,374
09.	Office of Minority Health	40,141
DHHS Administration		
Division of Public Health		
10.	Division of Public Health Administration	631,966
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT		$ 19,562,357

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	89,152
03.	HIV/STD Prevention and Community Planning (Transfer from Social Services Block Grant)	145,819

DHHS Program Expenditures

Division of Public Health

04.	State Center for Health Statistics	55,040
05.	NC Statewide Health Promotion	947,056
06.	Oral Health	70,000
07.	State Laboratory of Public Health	16,600
08.	Services to Rape Victims	107,960

TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT $ 3,162,280

COMMUNITY SERVICES BLOCK GRANT

Local Program Expenditures

Office of Economic Opportunity

01.	Community Action Agencies	$ 18,075,488
02.	Limited Purpose Agencies	1,004,194

DHHS Administration

03.	Office of Economic Opportunity	1,004,194

TOTAL COMMUNITY SERVICES BLOCK GRANT $ 20,083,876

GENERAL PROVISIONS

SECTION 10.60.(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 10.60.(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 develop a plan to adjust the block grants based on reduced federal funding.

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 10.60.(d) Appropriations from federal Block Grant funds are made for the fiscal year ending June 30, 2012, according to the schedule enacted for State fiscal year 2011-2012 or until a new schedule is enacted by the General Assembly.

SECTION 10.60.(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 10.60.(e1) The sum of ninety-four million four hundred fifty-three thousand three hundred fifteen dollars ($94,453,315) appropriated in this section in TANF funds to the Department of Health and Human Services, Division of Social Services, for the 2011-2012 fiscal year shall be used for Work First County Block Grants. The Division shall certify these funds in the appropriate State level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State level services based on current year actual expenditures.

SECTION 10.60.(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 2011-2012 fiscal year shall be used to support administration of TANF-funded programs.

SECTION 10.60.(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 2011-2012 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, 2011. 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, 2011, 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, 2011. The Division of Social Services may reallocate unspent funds to counties that submit a written request for additional funds.

SECTION 10.60.(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 TANF funds for the 2011-2012 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 10.60.(i) The sum of three million six hundred nine thousand three hundred fifty-five dollars ($3,609,355) appropriated in this section in TANF funds to the Department of Health and Human Services, Special Children Adoption Fund, for the 2011-2012 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 10.60.(j) The sum of seven hundred fifty-four thousand one hundred fifteen dollars ($754,115) appropriated in this section to the Department of Health and Human Services in TANF funds for the 2011-2012 fiscal year shall be used to continue support for the Child Welfare Collaborative.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) CONTINGENCY FUNDS

SECTION 10.60.(k) 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 2011-2012 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 Contingency 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 facilitate collaboration between the Boys and Girls Clubs and Support Our Students, Communities in Schools, and similar programs and encourage them to submit joint applications for the funds if appropriate.

SECTION 10.60.(l) The sum of one million three hundred eighty-nine thousand eighty-four dollars ($1,389,084) appropriated in this section in TANF Contingency funds to the Department of Health and Human Services, Division of Social Services, for the 2011-2012 fiscal year shall be used to support administration of TANF-funded programs.

SOCIAL SERVICES BLOCK GRANT

SECTION 10.60.(ll) The sum of thirty million two hundred eighty-eight thousand seven hundred eighty-three dollars ($30,288,783) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2011-2012 fiscal year shall be used for County Block Grants. The Division shall certify these funds in the appropriate State level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State level services based on current year actual expenditures.

SECTION 10.60.(m) The sum of one million three hundred thousand dollars ($1,300,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2011-2012 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 10.60.(n) The sum of two million one hundred forty-seven thousand nine hundred sixty-seven dollars ($2,147,967) appropriated in this section in the Social Services Block Grant for child caring agencies for the 2011-2012 fiscal year shall be allocated in support of State foster home children.

SECTION 10.60.(o) 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 10.60.(p) Social Services Block Grant funds appropriated for the Special Children's Adoption Incentive Fund will require a fifty percent (50%) local match.

SECTION 10.60.(q) 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 2011-2012 fiscal year shall be used to continue a Mental Health Services Program for children.

SECTION 10.60.(r) The sum of five million forty thousand dollars ($5,040,000) appropriated in this section in the Social Services Block Grant for the 2011-2012 fiscal year shall be allocated to the Department of Health and Human Services, Division of Social Services. The Division shall allocate these funds to local departments of social services to replace the loss of Child Protective Services State funds that are currently used by county government to pay for Child Protective Services staff at the local level. These funds shall be used to maintain the number of Child Protective Services workers throughout the State. These Social Services Block Grant funds shall be used to pay for salaries and related expenses only and are exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five percent (25%).

SECTION 10.60.(s) The sum of four hundred thousand dollars ($400,000) appropriated in this section in the Social Services Block Grant for the 2011-2012 fiscal year to the Department of Health and Human Services, Division of Central Management and Support, shall be allocated to the ALS Association, Jim "Catfish" Hunter Chapter, to be used to provide patient care and community services to persons with ALS and their families. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.60.(t) The sum of one hundred fifty thousand dollars ($150,000) appropriated in this section in the Social Services Block Grant for the 2011-2012 fiscal year to the Department of Health and Human Services, Division of Public Health, shall be allocated to Prevent Blindness North Carolina to be used for direct service programs. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.60.(u) The sum of seventy-five thousand dollars ($75,000) appropriated in this section in the Social Services Block Grant for the 2011-2012 fiscal year to the Department of Health and Human Services, Division of Services for the Blind, shall be used to provide accessible electronic information for blind and disabled persons. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.60.(v) The sum of three hundred seventy-five thousand dollars ($375,000) appropriated in this section in the Social Services Block Grant for the 2011-2012 fiscal year to the Department of Health and Human Services, Division of Social Services, shall be used to continue support for the Child Advocacy Centers and are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.60.(w) Social Services Block Grant funds allocated to the North Carolina Inter-Agency Council for the 2011-2012 fiscal year for coordinating homeless programs and child medical evaluations are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.60.(w1) The sum of three million seven hundred seventy-three thousand one dollars ($3,773,001) appropriated in this section in the Social Services Block Grant for the 2011-2012 fiscal year to the Department of Health and Human Services, Division

of Social Services, shall be allocated to North Carolina Food Bank agencies to be used to purchase and distribute food staples for emergency food assistance. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

SECTION 10.60.(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.

SECTION 10.60.(y) The sum of eleven million eight hundred sixty-two thousand six hundred seventeen dollars ($11,862,617) appropriated in this section in the Low-Income Home Energy Assistance Block Grant for the 2011-2012 fiscal year to the Department of Health and Human Services, Division of Social Services, shall be used for energy assistance payments for the households of (i) elderly persons age 60 and above with income up to one hundred thirty percent (130%) of the federal poverty level and (ii) disabled persons eligible for services funded through the Division of Aging and Adult Services. County departments of social services shall submit to the Division of Social Services an outreach plan for targeting households with 60-year-old household members no later than August 1 of each year.

SECTION 10.60.(y1) The sum of four million seven hundred thirty-two thousand six hundred sixty-seven dollars ($4,732,667) appropriated in this section in the Low-Income Home Energy Assistance Block Grant for the 2011-2012 fiscal year to the Department of Health and Human Services, Central Management and Support Division, shall be used to continue the implementation of the NC FAST program. The U.S. Department of Health and Human Services has authorized the use of the LIEAP program service funds to continue the implementation of the NC FAST program. This meets the required participation based on the federally approved cost allocation plan. In order to advance the implementation of NC FAST, which creates a single portal of entry for the Department of Health and Human Services programs, these federal funds are critical; otherwise State funds will have to be identified.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 10.60.(z) 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 10.60.(aa) 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.

SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

SECTION 10.60.(bb) 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 2011-2012 fiscal year for the North Carolina Institute of Medicine (NCIOM) shall be used to continue its Task Force on the mental health, social, and emotional needs of young children and their families. In addition to the issues identified in Section 16.1 of S.L. 2010-152, the Task Force shall study the impact of parents' substance use problems on the mental health and social and emotional well-being of children from conception through age five. The NCIOM shall make an interim report to the General Assembly no later than January 15, 2012, which may include legislative and other recommendations, and shall issue its final report with findings, recommendations, and any proposed legislation to the 2013 General Assembly upon its convening.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 10.60.(cc) The sum of one million four hundred ninety-seven thousand dollars ($1,497,000) appropriated in this section in the Maternal and Child Health Block Grant for the 2011-2012 fiscal year to the Department of Health and Human Services, Division of Public Health, shall be used to fund the following activities as indicated:

(1) March of Dimes to provide folic acid and education for women before pregnancy to reduce birth defects and infant mortality, the sum of three hundred fifty thousand dollars ($350,000).

(2) Teen Pregnancy Prevention, the sum of six hundred fifty thousand dollars ($650,000).

(3) Healthy Start/Safe Sleep, the sum of two hundred forty-seven thousand dollars ($247,000).

(4) Perinatal Quality Collaborative of North Carolina, the sum of two hundred fifty thousand dollars ($250,000).

SECTION 10.60.(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 2011-2012 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 10.60.(ee) 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

REPEAL BOARD OF AGRICULTURE REVIEW OF FEE SCHEDULES

SECTION 11.2. G.S. 106-6.1(b) is repealed.

RECLASSIFY VACANT POSITION WITHIN DACS TO ANIMAL WELFARE PROGRAM

SECTION 11.7. The Department of Agriculture and Consumer Services shall reclassify one vacant position within the Department and shall fill this reclassified position in a timely manner in order to provide support for the Animal Welfare Program within the Department.

PART XII. DEPARTMENT OF LABOR

LABOR/REPEAL STATUTE REQUIRING BIENNIAL REVIEW OF FEES BY DEPARTMENT

SECTION 12.1. G.S. 95-14.1 is repealed.

PART XIII. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

ABOLISH, TRANSFER TO OTHER DEPARTMENTS, OR CONSOLIDATE WITHIN DENR ALL ENVIRONMENTAL HEALTH PROGRAMS UNDER DENR

SECTION 13.3.(a) The Vector Control Program and the Tick Control Program within the Division of Environmental Health of the Department of Environment and Natural Resources are abolished. Further, any equipment that the State loaned to any local health department as part of the Vector Control Program that is in the possession of the local health department shall be retained by that local health department, and the ownership of that equipment shall be transferred from the State to that local health department.

SECTION 13.3.(b) 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 13.3.(c) All functions, powers, duties, and obligations previously vested in the Sleep Products Program within the Public Health Pest Management Section of the Division of Environmental Health of the Department of Environment and Natural Resources are transferred to and vested in the Department of Agriculture and Consumer Services by a Type I transfer, as defined in G.S. 143A-6.

SECTION 13.3.(d) 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, subject to subsection (b) of this section, 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) On-Site Water Protection Section.
(3) Office of Education and Training.

SECTION 13.3.(e) All functions, powers, duties, and obligations previously vested in the Radiation Protection Section within the Division of Environmental Health of the Department of Environment and Natural Resources are transferred to and vested in the Division of Health Safety Regulation of the Department of Health and Human Services by a Type I transfer, as defined in G.S. 143A-6.

SECTION 13.3.(f) The Public Water Supply Section of the Division of Environmental Health of the Department of Environment and Natural Resources shall be transferred to the Division of Water Resources of the Department of Environment and Natural Resources with all the elements of a Type I transfer, as defined by G.S. 143A-6.

SECTION 13.3.(g) The Shellfish Sanitation and Recreational Water Quality Section of the Division of Environmental Health of the Department of Environment and Natural Resources shall be transferred to the Division of Marine Fisheries of the Department of Environment and Natural Resources with all the elements of a Type I transfer, as defined by G.S. 143A-6.

SECTION 13.3.(h) The Division of Environmental Health of the Department of Environment and Natural Resources is abolished, and the Public Health Pest Management Section of the Division of Environmental Health of the Department of Environment and Natural Resources is abolished.

SECTION 13.3.(i) G.S. 143B-279.3(c)(3) is repealed.

SECTION 13.3.(j) Part 1 of Article 12 of Chapter 130A of the General Statutes is repealed.

SECTION 13.3.(k) G.S. 143-300.8 reads as rewritten:

"**§ 143-300.8. Defense of local sanitarians.**

Any local health department sanitarian enforcing rules of the Commission for Public Health ~~or of the Environmental Management Commission~~ under the supervision of the Department of ~~Environment and Natural Resources~~Health and Human Services pursuant to G.S. 130A-4 shall be defended by the Attorney General, subject to the provisions of G.S. 143-300.4, and shall be protected from liability in accordance with the provisions of this Article in any civil or criminal action or proceeding brought against the sanitarian in his official or individual capacity, or both, on account of an act done or omission made in the scope and course of enforcing the rules of the Commission for Public ~~Health or of the Environmental Management Commission.~~Health. The Department of Environment and Natural Resources shall pay any judgment against the sanitarian, or any settlement made on his behalf, subject to the provisions of G.S. 143-300.6."

SECTION 13.3.(l) 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 13.3.(m) G.S. 106-266.30, as recodified under subsection (l) 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 13.3.(n) G.S. 106-266.31, as recodified under subsection (l) 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 13.3.(o) G.S. 106-266.32, as recodified under subsection (l) 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 13.3.(p) G.S. 106-266.33, as recodified under subsection (l) 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 13.3.(q) G.S. 106-266.34, as recodified under subsection (l) 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 13.3.(r) G.S. 106-266.35, as recodified under subsection (l) 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 13.3.(s) G.S. 130A-21(b) is recodified as a new section G.S. 106-266.36 in Article 28 of Chapter 106 of the General Statutes, as recodified by subsection (l) of this section, to have the catchline "Milk embargo."

SECTION 13.3.(t) G.S. 106-266.36, as recodified in subsection (s) of this section, reads as rewritten:

"**§ 106-266.36. Milk embargo.**

If the ~~Secretary of Environment and Natural Resources~~Commissioner of Agriculture or a local health director has probable cause to believe that any milk designated as Grade "A" milk is misbranded or does not satisfy the milk sanitation rules adopted pursuant to ~~G.S. 130A-275,~~G.S. 106-266.31, the ~~Secretary of Environment and Natural Resources~~Commissioner of Agriculture or a local health director may detain or embargo the milk by affixing a tag to it and warning all persons not to remove or dispose of the milk until permission for removal or disposal is given by the official by whom the milk was detained or embargoed or by the court. It shall be unlawful for any person to remove or dispose of the detained or embargoed milk without that permission.

The official by whom the milk was detained or embargoed shall petition a judge of the district or superior court in whose jurisdiction the milk is detained or embargoed for an order for condemnation of the article. If the court finds that the milk is misbranded or that it does not satisfy the milk sanitation rules adopted pursuant to ~~G.S. 130A-275,~~G.S. 106-266.31, either the milk shall be destroyed under the supervision of the petitioner or the petitioner shall ensure that the milk will not be used for human consumption as Grade "A" milk. All court costs and fees, storage, expenses of carrying out the court's order and other expense shall be taxed against the claimant of the milk. If, the milk, by proper labelling or processing, can be properly branded and will satisfy the milk sanitation rules adopted pursuant to ~~G.S. 130A-275,~~G.S. 106-266.31, the court, after the payment of all costs, fees, and expenses and after the claimant posts an adequate bond, may order that the milk be delivered to the claimant for proper labelling and processing under the supervision of the petitioner. The bond shall be returned to the claimant after the petitioner represents to the court either that the milk is no longer mislabelled or in violation of the milk sanitation rules adopted pursuant to ~~G.S. 130A-275,~~G.S. 106-266.31, or that the milk will not be used for human consumption, and that in either case the expenses of supervision have been paid."

SECTION 13.3.(u) 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."

SECTION 13.3.(v) Part 8 of Article 8 of Chapter 130A of the General Statutes is recodified as Article 4H of Chapter 106 of the General Statutes, to be entitled "Bedding"; G.S. 130A-261 is recodified as G.S. 106-65.95; G.S. 130A-262 is recodified as G.S. 106-65.96; G.S. 130A-263 is recodified as G.S. 106-65.97; G.S. 130A-264 is recodified as G.S. 106-65.98; G.S. 130A-265 is recodified as G.S. 106-65.99; G.S. 130A-266 is recodified as G.S. 106-65.100; G.S. 130A-267 is recodified as G.S. 106-65.101; G.S. 130A-268 is recodified as G.S. 106-65.102; G.S. 130A-269 is recodified as G.S. 106-65.103; G.S. 130A-270 is recodified as G.S. 106-65.104; G.S. 130A-271 is recodified as G.S. 106-65.105; G.S. 130A-272 is recodified as G.S. 106-65.106; and G.S. 130A-273 is recodified as G.S. 106-65.107.

SECTION 13.3.(w) G.S. 106-65.95, as recodified under subsection (v) of this section, reads as rewritten:

"**§ 106-65.95. Definitions.**

The following definitions shall apply throughout this ~~Part:~~Article:

...."

SECTION 13.3.(x) G.S. 106-65.96, as recodified under subsection (v) of this section, reads as rewritten:

"**§ 106-65.96. Sanitizing.**

(a) No person shall sell any renovated bedding or secondhand bedding unless it is sanitized in accordance with rules adopted by the ~~Commission.~~Board of Agriculture.

(b) A sanitizing apparatus or process shall not be used for sanitizing bedding or material required to be sanitized under this ~~Part~~ Article until the apparatus is approved by the ~~Department.~~Department of Agriculture and Consumer Services.

(c) A person who sanitizes bedding shall attach to the bedding a yellow tag containing information required by the rules of the ~~Commission.~~Board of Agriculture.

(d) A person who sanitizes material or bedding for another person shall keep a complete record of the kind of material and bedding which has been sanitized. The record shall be subject to inspection by the ~~Department.~~Department of Agriculture and Consumer Services.

(e) A person who receives used bedding for renovation or storage shall attach to the bedding a tag on which is legibly written the date of receipt and the name and address of the owner."

SECTION 13.3.(y) G.S. 106-65.98, as recodified under subsection (v) of this section, reads as rewritten:

"**§ 106-65.98. Storage of used materials.**

No establishment shall store any unsanitized previously used materials in the same room with bedding or materials that are new or have been sanitized unless the new or sanitized bedding or materials are completely segregated from the unsanitized materials in a manner approved by the rules of the ~~Commission.~~Board of Agriculture."

SECTION 13.3.(z) G.S. 106-65.99, as recodified under subsection (v) of this section, reads as rewritten:

"**§ 106-65.99. Tagging requirements.**

(a) A tag of durable material approved by the ~~Commission~~ Board of Agriculture shall be sewed securely to all bedding. The tag shall be at least two inches by three inches in size.

(b) The following shall be plainly stamped or printed upon the tag with ink in English:

(1) The name and kind of material or materials used to fill the bedding which are listed in the order of their predominance;

(2) A registration number obtained from the ~~Department;~~Department of Agriculture and Consumer Services; and

(3) In letters at least one-eighth inch high the words "made of new material", if the bedding contains no previously used material; or the words "made of previously used materials", if the bedding contains any previously used material; or the word "secondhand" on any bedding which has been used but not remade.

(4) Repealed by Session Laws 1987, c. 456, s. 4.

(c) A white tag shall be used for manufactured bedding and a yellow tag for renovated or sanitized bedding.

(d) The tag must be sewed to the outside covering before the filling material has been inserted. No trade name, advertisement nor any other wording shall appear on the tag."

SECTION 13.3.(aa) G.S. 106-65.100, as recodified under subsection (v) of this section, reads as rewritten:

"**§ 106-65.100. Altering tags prohibited.**

No person, other than one purchasing bedding for personal use or a representative of the Department of Agriculture and Consumer Services shall remove, deface or alter the tag required by this ~~Part.~~Article."

SECTION 13.3.(bb) G.S. 106-65.101, as recodified under subsection (v) of this section, reads as rewritten:

"**§ 106-65.101. Selling regulated.**

(a) No person shall sell any bedding in this State (whether manufactured within or without this State) which has not been manufactured, tagged, and labeled in the manner required by this ~~Part~~ Article and which does not otherwise comply with the provisions of this ~~Part.~~Article.

(b) This ~~Part~~ Article shall not apply to bedding sold by the owner and previous user from the owner's home directly to a purchaser for the purchaser's own personal use unless the bedding has been exposed to an infectious or communicable disease.

(c) Possession of any bedding in any store, warehouse, itinerant vendor's conveyance or place of business, other than a private home, hotel or other place where these articles are ordinarily used, shall constitute prima facie evidence that the item is possessed with intent to sell. No secondhand bedding shall be possessed with intent to sell for a period exceeding 60 days unless it has been sanitized."

SECTION 13.3.(cc) G.S. 106-65.102, as recodified under subsection (v) of this section, reads as rewritten:

"**§ 106-65.102. Registration numbers.**

(a) All persons manufacturing or sanitizing bedding in this State or manufacturing bedding to be sold in this State shall apply for a registration number on a form prescribed by the ~~Secretary.~~Commissioner of Agriculture. Upon receipt of the completed application and applicable fees, the Department of Agriculture and Consumer Services shall issue to the applicant a certificate of registration showing the person's name and address, registration number and other pertinent information required by the rules of the ~~Commission.~~Board of Agriculture."

SECTION 13.3.(dd) G.S. 106-65.103, as recodified under subsection (v) of this section, reads as rewritten:

"**§ 106-65.103. Payment of fees; licenses.**

(c) The Department of Agriculture and Consumer Services shall administer and enforce this ~~Part.~~Article. A person who has done business in this State throughout the preceding calendar year shall obtain a license by paying a fee to the Department of Agriculture and Consumer Services in an amount determined by the total number of bedding units manufactured, sold, or sanitized in this State by the applicant during the calendar year immediately preceding, at the rate of five and two tenths cents (5.2¢) per bedding unit. However, if this amount is less than fifty dollars ($50.00), a minimum fee of fifty dollars ($50.00) shall be paid to the ~~Department.~~Department of Agriculture and Consumer Services.

(d) A person who has not done business in this State throughout the preceding calendar year shall obtain a license by paying an initial fee to the Department of Agriculture and Consumer Services in the amount of seven hundred twenty dollars ($720.00) for the first year in which business is done in this State, prorated in accordance with the quarter of the calendar year in which the person begins doing business. After submission of proof of business volume in accordance with subsection (h) of this section for the part of the preceding calendar year in which the person did business in this State, the Department of Agriculture and Consumer Services shall determine the amount of fee for which the person is responsible for that time period by using a rate of five and two tenths cents (5.2¢) for each bedding unit. However, if this amount is less than fifty dollars ($50.00), then the amount of the fee for which the person is responsible shall be fifty dollars ($50.00). If the person's initial payment is more than the amount of the fee for which the person is responsible, the Department of Agriculture and Consumer Services shall make a refund or adjustment to the cost of the fee due for the next year in the amount of the difference. If the initial payment is less than the amount of the fee for which the person is responsible, the person shall pay the difference to the ~~Department.~~Department of Agriculture and Consumer Services.

(d1) Payments, refunds, and adjustments shall be made in accordance with rules adopted by the ~~Commission.~~Board of Agriculture.

(d2) Upon payment of the fees charged pursuant to subsections (c) and (d), or the first installment thereof as provided by rules adopted by the ~~Commission,~~Board of Agriculture, the Department of Agriculture and Consumer Services shall issue a license to the person. Licenses shall be kept conspicuously posted in the place of business of the licensee at all times. The ~~Secretary~~ Commissioner of Agriculture may suspend a license for a maximum of six months for two or more serious violations of this ~~Part~~ Article or of the rules of the ~~Commission,~~Board of Agriculture within any 12-month period.

(e) A maximum fee of seven hundred fifty dollars ($750.00) shall be charged for units of bedding manufactured in this State but not sold in this State.

(f) For the sole purpose of computing fees for which a person is responsible, the following definitions shall apply: One mattress is defined as one bedding unit; one upholstered spring is defined as one bedding unit; one pad is defined as one bedding unit; one sleeping bag

is defined as one bedding unit; five comforters, pillows or decorative pillows are defined as one bedding unit; and any other item is defined as one bedding unit.

(g) An application for license must be submitted on a form prescribed by the ~~Secretary.~~Commissioner of Agriculture. No license may be issued to a person unless the person complies with the rules of the ~~Commission~~ Board of Agriculture governing the granting of licenses.

(h) The ~~Commission~~ Board of Agriculture shall adopt rules for the proper enforcement of this section. The rules shall include provisions governing the type and amount of proof which must be submitted by the applicant to the Department of Agriculture and Consumer Services in order to establish the number of bedding units that were, during the preceding calendar year:

(1) Manufactured and sold in this State;

(2) Manufactured outside of this State and sold in this State; and

(3) Manufactured in this State but not sold in this State.

(i) The ~~Commission~~ Board of Agriculture may provide in its rules for additional proof of the number of bedding units sold during the preceding calendar year when it has reason to believe that the proof submitted by the manufacturer is incomplete, misleading or incorrect."

SECTION 13.3.(ee) G.S. 106-65.104, as recodified under subsection (v) of this section, reads as rewritten:

"**§ 106-65.104. Bedding Law Account.**

The Bedding Law Account is established as a nonreverting account within the ~~Department.~~Department of Agriculture and Consumer Services. All fees collected under this ~~Part~~ Article shall be credited to the Account and applied to the following costs:

(1) Salaries and expenses of inspectors and other employees who enforce this ~~Part.~~Article.

(2) Expenses directly connected with the enforcement of this ~~Part,~~Article, including attorney's fees, which are expressly authorized to be incurred by the ~~Secretary~~ Commissioner of Agriculture without authority from any other source when in the ~~Secretary's opinion~~opinion of the Commissioner of Agriculture it is advisable to employ an attorney to prosecute any persons."

SECTION 13.3.(ff) G.S. 106-65.105, as recodified under subsection (v) of this section, reads as rewritten:

"**§ 106-65.105. Enforcement by the ~~Department.~~Department of Agriculture and Consumer Services.**

(a) The Department of Agriculture and Consumer Services shall enforce the provisions of this ~~Part~~ Article and the rules adopted by the ~~Commission.~~Board of Agriculture.

(b) The ~~Secretary~~ Commissioner of Agriculture may prohibit sale and place an "off sale" tag on any bedding which is not made, sanitized, or tagged as required by this ~~Part~~ Article and the rules of the ~~Commission.~~Board of Agriculture. The bedding shall not be sold or otherwise removed until the violation is remedied and the ~~Secretary~~ Commissioner of Agriculture has reinspected it and removed the "off sale" tag.

(c) A person supplying material to a bedding manufacturer shall furnish an itemized invoice of all furnished material. Each material entering into willowed or other mixtures shall be shown on the invoice. The bedding manufacturer shall keep the invoice on file for one year subject to inspection by the ~~Department.~~Department of Agriculture and Consumer Services.

(d) When the ~~Secretary~~ Commissioner of Agriculture has reason to believe that bedding is not tagged or filled as required by this ~~Part,~~Article, the ~~Secretary~~ Commissioner of Agriculture shall have authority to open a seam of the bedding to examine the filling, and, if unable after this examination to determine if the filling is of the kind stated on the tag, shall have the authority to examine purchase or other records necessary to determine definitely the kind of material used in the bedding. The ~~Secretary~~ Commissioner of Agriculture shall have authority to seize and hold for evidence any records and any bedding or bedding material which in the ~~Secretary's opinion~~opinion of the Commissioner of Agriculture is made, possessed or offered for sale in violation of this ~~Part~~ Article or the rules of the ~~Commission.~~Board of Agriculture. The ~~Secretary~~ Commissioner of Agriculture shall have authority to take a sample of any bedding or bedding material for the purpose of examination or for evidence."

SECTION 13.3.(gg) G.S. 106-65.106, as recodified under subsection (v) of this section, reads as rewritten:

"**§ 106-65.106. Exemptions for blind persons and State institutions.**

(a) In cases where bedding is manufactured, sanitized or renovated in a plant or place of business which has qualified as a nonprofit agency for the blind or severely handicapped under P.L. 92-28, as amended, the responsible person shall satisfy the provisions of this ~~Part~~ Article and the rules of the ~~Commission.~~Board of Agriculture. However, the responsible persons at these plants or places of business shall not be required to pay fees in accordance with ~~G.S. 130A-269.~~G.S. 106-65.103.

(b) State institutions engaged in the manufacture, renovation or sanitizing of bedding for their own use or that of another State institution are exempted from all provisions of this ~~Part.~~Article."

SECTION 13.3.(hh) G.S. 106-65.107, as recodified under subsection (v) of this section, reads as rewritten:

"**§ 106-65.107. Rules.**

The ~~Commission~~ Board shall adopt rules required by this ~~Part~~ Article in order to protect the public health."

SECTION 13.3.(ii) 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 13.3.(jj) 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~~ 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 13.3.(kk) 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 13.3.(ll) G.S. 90A-71(4) reads as rewritten:

"(4) "Department" means the Department of ~~Environment and Natural Resources.~~Health and Human Services."

SECTION 13.3.(mm) G.S. 90A-73(a)(3) reads as rewritten:

"(3) One member appointed by the Governor who is ~~an employee of the Division of Environmental Health of the Department~~a registered professional engineer licensed under Chapter 89C of the General Statutes and whose work experience includes the design of on-site wastewater systems to a term that expires on 1 July of years that follow by one year those years that are evenly divisible by three."

SECTION 13.3.(nn) 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 13.3.(oo) 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 13.3.(pp) G.S. 130A-4(c) reads as rewritten:

"(c) The Secretary of Environment and Natural Resources shall administer and enforce the provisions of ~~Part 4 of Article 5 and Articles 8, 9, 10, 11, and 12~~Articles 9 and 10 of this Chapter and the rules of the Commission."

SECTION 13.3.(qq) G.S. 130A-12 reads as rewritten:

"**§ 130A-12. Confidentiality of records.**

All records containing privileged patient medical information, information protected under 45 Code of Federal Regulations Parts 160 and 164, and information collected under the authority of Part 4 of Article 5 of this Chapter that are in the possession of the Department of Health and Human ~~Services, the Department of Environment and Natural Resources,~~Services or local health departments shall be confidential and shall not be public records pursuant to G.S. 132-1. Information contained in the records may be disclosed only when disclosure is authorized or required by State or federal law. Notwithstanding G.S. 8-53 or G.S. 130A-143, the information contained in the records may be disclosed for purposes of treatment, payment, or health care operations. For purposes of this section, the terms "treatment," "payment," and "health care operations" have the meanings given those terms in 45 Code of Federal Regulations § 164.501."

SECTION 13.3.(rr) G.S. 130A-17(b) reads as rewritten:

"(b) The Secretary of Environment and Natural Resources and a local health director shall have the same rights enumerated in subsection (a) of this section to enforce the provisions of ~~Part 4 of Article 5 and Articles 8, 9, 10, 11, and 12~~Articles 9 and 10 of this Chapter."

SECTION 13.3.(ss) G.S. 130A-18(b) reads as rewritten:

"(b) The Secretary of Environment and Natural Resources and a local health director shall have the same rights enumerated in subsection (a) of this section to enforce the provisions of ~~Part 4 of Article 5 and Articles 8, 9, 10, 11, and 12~~Articles 9 and 10 of this Chapter."

SECTION 13.3.(tt) G.S. 130A-19(b) reads as rewritten:

"(b) The Secretary of Environment and Natural Resources and a local health director shall have the same rights enumerated in subsection (a) of this section to enforce the provisions of ~~Part 4 of Article 5 and Articles 8, 9, 10, 11, and 12~~Articles 9 and 10 of this Chapter."

SECTION 13.3.(uu) G.S. 130A-20(b) reads as rewritten:

"(b) The Secretary of Environment and Natural Resources and a local health director shall have the same rights enumerated in subsection (a) of this section to enforce the provisions of ~~Part 4 of Article 5 and Articles 8, 9, 10, 11, and 12~~Articles 9 and 10 of this Chapter."

SECTION 13.3.(vv) G.S. 130A-21(a) reads as rewritten:

"(a) In addition to the authority of the Department of Agriculture and Consumer Services pursuant to G.S. 106-125, the Secretary ~~of Environment and Natural Resources~~ or a local health director has authority to exercise embargo authority concerning food or drink pursuant to G.S. 106-125(a), (b) and (c) when the food or drink is in an establishment that is subject to regulation by the Department of ~~Environment and Natural Resources~~Health and Human Services pursuant to this Chapter, that is subject to rules adopted by the Commission, or that is

the subject of an investigation pursuant to G.S. 130A-144; however, no such action shall be taken in any establishment or part of an establishment that is under inspection or otherwise regulated by the Department of Agriculture and Consumer Services or the United States Department of Agriculture other than the part of the establishment that is subject to regulation by the Department of ~~Environment and Natural Resources~~Health and Human Services pursuant to this Chapter. Any action under this section shall only be taken by, or after consultation with, Department of ~~Environment and Natural Resources~~Health and Human Services regional environmental health specialists, or the Director of the Division of ~~Environmental~~ Public Health or the Director's designee, in programs regulating food and drink pursuant to this Chapter or in programs regulating food and drink that are subject to rules adopted by the Commission. Authority under this section shall not be delegated to individual environmental health specialists in local health departments otherwise authorized and carrying out laws and rules pursuant to G.S. 130A-4. When any action is taken pursuant to this section, the Department of ~~Environment and Natural Resources~~Health and Human Services or the local health director shall immediately notify the Department of Agriculture and Consumer Services. For the purposes of this subsection, all duties and procedures in G.S. 106-125 shall be carried out by the Secretary of ~~the Department of Environment and Natural Resources~~Health and Human Services or the local health director and shall not be required to be carried out by the Department of Agriculture and Consumer Services. It shall be unlawful for any person to remove or dispose of the food or drink by sale or otherwise without the permission of a Department of ~~Environment and Natural Resources~~Health and Human Services regional environmental health specialist, the Director of the Division of ~~Environmental~~ Public Health or the Director's designee, the local health director, or a duly authorized agent of the Department of Agriculture and Consumer Services, or by the court in accordance with the provisions of G.S. 106-125."

SECTION 13.3.(ww) G.S. 130A-21(d) reads as rewritten:

"(d) Nothing in this section is intended to limit the embargo authority of the Department of Agriculture and Consumer Services. The Department of ~~Environment and Natural Resources~~Health and Human Services and the Department of Agriculture and Consumer Services are authorized to enter agreements respecting the duties and responsibilities of each agency in the exercise of their embargo authority."

SECTION 13.3.(xx) G.S. 130A-22(c) reads as rewritten:

"(c) The Secretary ~~of Environment and Natural Resources~~ may impose an administrative penalty on a person who willfully violates Article 11 of this Chapter, rules adopted by the Commission pursuant to Article 11 or any condition imposed upon a permit issued under Article 11. An administrative penalty may not be imposed upon a person who establishes that neither the site nor the system may be improved or a new system installed so as to comply with Article 11 of this Chapter. Each day of a continuing violation shall constitute a separate violation. The penalty shall not exceed fifty dollars ($50.00) per day in the case of a wastewater collection, treatment and disposal system with a design daily flow of no more than 480 gallons or in the case of any system serving a single one-family dwelling. The penalty shall not exceed three hundred dollars ($300.00) per day in the case of a wastewater collection, treatment and disposal system with a design daily flow of more than 480 gallons which does not serve a single one-family dwelling."

SECTION 13.3.(yy) G.S. 130A-23(e) reads as rewritten:

"(e) The Secretary of Environment and Natural Resources shall have all of the applicable rights enumerated in this section to enforce the provisions of ~~Articles 8, 9, 10, 11, and 12~~Articles 9 and 10 of this Chapter."

SECTION 13.3.(zz) G.S. 130A-34.1(a) reads as rewritten:

"(a) The Local Health Department Accreditation Board is established within the North Carolina Institute for Public Health. The Board shall be composed of 17 members appointed by the Secretary of the Department of Health and Human Services as follows:

(1) Four shall be county commissioners recommended by the North Carolina Association of County Commissioners, and four shall be members of a local board of health as recommended by the Association of North Carolina Boards of Health.
(2) Three local health directors.
(3) ~~Two~~ Three staff members from the Division of Public Health, Department of Health and Human Services.

~~(4) One staff member from the Division of Environmental Health, recommended by the Secretary of Environment and Natural Resources.~~

(5) Three at large."

SECTION 13.3.(aaa) G.S. 130A-227(b) reads as rewritten:

"(b) The following definitions shall apply throughout this Article:

(1) "Department" means the Department of ~~Environment and Natural Resources.~~Health and Human Services.

(2) "Secretary" means the Secretary of ~~Environment and Natural Resources.~~Health and Human Services."

SECTION 13.3.(bbb) G.S. 130A-334(1a) reads as rewritten:

"(1a) "Department" means the Department of ~~Environment and Natural Resources.~~Health and Human Services."

SECTION 13.3.(ccc) 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 13.3.(ddd) G.S. 104E-8(c) 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~~ Health Safety Regulation of the Department.

...."

SECTION 13.3.(eee) 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~~ Health Safety Regulation 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 13.3.(fff) 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~~ Health Safety Regulation 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 13.3.(ggg) G.S. 159G-20 reads as rewritten:

"§ 159G-20. Definitions.

The following definitions apply in this Chapter:

...

~~(4) Division of Environmental Health. – The Division of Environmental Health of the Department of Environment and Natural Resources.~~

(5) Division of Water Quality. – The Division of Water Quality of the Department of Environment and Natural Resources.

(5a) Division of Water Resources. – The Division of Water Resources of the Department of Environment and Natural Resources.

...."

SECTION 13.3.(hhh) G.S. 159G-23 reads as rewritten:

"**§ 159G-23. Common criteria for loan or grant from Wastewater Reserve or Drinking Water Reserve.**

The criteria in this section apply to a loan or grant from the Wastewater Reserve or the Drinking Water Reserve. The Division of Water Quality and the Division of ~~Environmental Health~~Water Resources must each establish a system of assigning points to applications based on the following criteria:

...."

SECTION 13.3.(iii) G.S. 159G-26(a) reads as rewritten:

"(a) Requirement. – The Department must publish a report each year on the accounts in the Water Infrastructure Fund that are administered by the Division of Water Quality or the Division of ~~Environmental Health.~~Water Resources. The report must be published by 1 November of each year and cover the preceding fiscal year. The Department must make the report available to the public and must give a copy of the report to the Environmental Review Commission and the Fiscal Research Division of the General Assembly."

SECTION 13.3.(jjj) G.S. 159G-30 reads as rewritten:

"**§ 159G-30. Department's responsibility.**

The Department, through the Division of Water Quality and the Division of ~~Environmental Health,~~Water Resources, administers loans and grants made from the CWSRF, the DWSRF, the Wastewater Reserve, and the Drinking Water Reserve. The Division of Water Quality administers loans and grants from the CWSRF and the Wastewater Reserve. The Division of ~~Environmental Health~~Water Resources administers loans and grants from the DWSRF and the Drinking Water Reserve."

SECTION 13.3.(kkk) G.S. 159G-37 reads as rewritten:

"**§ 159G-37. Application to CWSRF, Wastewater Reserve, DWSRF, and Drinking Water Reserve.**

An application for a loan or grant from the CWSRF or the Wastewater Reserve must be filed with the Division of Water Quality of the Department. An application for a loan or grant from the DWSRF or the Drinking Water Reserve must be filed with the Division of ~~Environmental Health~~Water Resources of the Department. An application must be submitted on a form prescribed by the Division and must contain the information required by the Division. An applicant must submit to the Division any additional information requested by the Division to enable the Division to make a determination on the application. An application that does not contain information required on the application or requested by the Division is incomplete and is not eligible for consideration. An applicant may submit an application in as many categories as it is eligible for consideration under this Article."

SECTION 13.3.(lll) G.S. 159G-38(b) reads as rewritten:

"(b) Division Review. – If, after reviewing an application, the Division of Water Quality or the Division of ~~Environmental Health,~~Water Resources, as appropriate, determines that a project requires an environmental assessment, the assessment must be submitted before the Division continues its review of the application. If, after reviewing an environmental assessment, the Division concludes that an environmental impact statement is required, the Division may not continue its review of the application until a final environmental impact statement has been completed and approved as provided in the North Carolina Environmental Policy Act."

SECTION 13.3.(mmm) G.S. 159G-38(c) reads as rewritten:

"(c) Hearing. – The Division of Water Quality or the Division of ~~Environmental Health,~~Water Resources, as appropriate, may hold a public hearing on an application for a loan or grant under this Article if it determines that holding a hearing will serve the public interest. An individual who is a resident of any county in which a proposed project is located may submit a written request for a public hearing. The request must set forth each objection to the proposed project or other reason for requesting a hearing and must include the name and address of the individual making the request. The Division may consider all written objections to the proposed project, any statement submitted with the hearing request, and any significant adverse effects the proposed project may have on the environment. The Division's decision on whether to hold a hearing is conclusive. The Division must keep all written requests for a hearing on an application as part of the records pertaining to the application."

SECTION 13.3.(nnn) G.S. 159G-39(a) reads as rewritten:

"(a) Point Assignment. – The Division of Water Quality or the Division of ~~Environmental Health,~~Water Resources, as appropriate, must review all applications filed for a loan or grant under this Article for an application period. The Division must rank each application in accordance with the points assigned to the evaluation criteria. The Division must make a written determination of an application's rank and attach the determination to the application. The Division's determination of rank is conclusive."

SECTION 13.3.(ooo) G.S. 166A-6.1(b) reads as rewritten:

"(b) Every person, firm, corporation or municipality who is licensed to construct or who is operating a fixed nuclear facility for the production of electricity shall pay to the Department of Crime Control and Public Safety, for the use of the ~~Division of Environmental Health of the Department of Environment and Natural Resources,~~Radiation Protection Section of the Division of Public Health of the Department of Health and Human Services, an annual fee of thirty-six thousand dollars ($36,000) for each fixed nuclear facility that is located within this State or that has a Plume Exposure Pathway Emergency Planning Zone any part of which is located within this State. This fee shall be applied only to the costs of planning and implementing emergency response activities as required by the Federal Emergency Management Agency for the operation of nuclear facilities. This fee is to be paid no later than July 31 of each year."

SECTION 13.3.(ppp) Part 3 of Article 8 of Chapter 130A of the General Statutes is repealed, except G.S. 130A-230 is recodified as G.S. 113-221.2 in Article 17 of Chapter 113 of the General Statutes.

SECTION 13.3.(qqq) G.S. 113-221.2, as recodified in subsection (ppp) of this section, reads as rewritten:

"**§ 113-221.2. ~~Commission to adopt rules; enforcement of rules.~~Additional rules to establish sanitation requirements for scallops, shellfish, and crustacea.**

For the protection of the public health, the Marine Fisheries Commission shall adopt rules establishing sanitation requirements for the harvesting, processing and handling of scallops, ~~shellfish~~ shellfish, and crustacea of in-State origin. The rules of the Marine Fisheries Commission may also regulate scallops, ~~shellfish~~ shellfish, and crustacea shipped into North Carolina. The Department is authorized to enforce the rules and may issue and revoke permits according to the rules."

SECTION 13.3.(rrr) Part 3A of Article 8 of Chapter 130A of the General Statutes is repealed, except G.S. 130A-233.1 is recodified as G.S. 113-221.3 in Article 17 of Chapter 113 of the General Statutes.

SECTION 13.3.(sss) G.S. 113-221.3, as recodified in subsection (rrr) of this section, reads as rewritten:

"**§ 113-221.3. Monitoring program for State coastal fishing and recreation waters; ~~development and implementation of program.~~removal or destruction of warning signs.**

(a) For the protection of the public health of swimmers and others who use the State's coastal fishing waters for recreational activities, the Department shall develop and implement a program to monitor the State's coastal fishing waters for contaminants. The monitoring program shall cover all coastal fishing waters up to the point where those waters are classified as inland fishing waters.

(b) The Marine Fisheries Commission shall adopt rules to provide for a water quality monitoring program for the coastal recreation waters of the State and to allow the Department to implement the federal Beaches Environmental Assessment and Coastal Health Act of 2000 (Pub. L. No. 106-284; 114 Stat. 870, 875; 33 U.S.C. §§ 1313, 1362). The rules shall address, but are not limited to, definitions, surveys, sampling, action standards, and posting of information on the water quality of coastal recreation waters.

(c) No person shall remove, destroy, damage, deface, mutilate, or otherwise interfere with any sign posted by the Department pursuant to subsection (b) of this section. No person, without just cause or excuse, shall have in his or her possession any sign posted by the Department pursuant to subsection (b) of this section. Any person who violates this section is guilty of a Class 2 misdemeanor.

(d) As used in this section, coastal recreation waters has the same meaning as in 33 U.S.C. § 1362."

SECTION 13.3.(ttt) G.S. 130A-21(c) is recodified as a new section G.S. 113-221.4 in Article 17 of Chapter 113 of the General Statutes to be entitled "Embargo."

SECTION 13.3.(uuu) G.S. 113-221.4, as recodified in subsection (ttt) of this section, reads as rewritten:

"**§ 113-221.4. Embargo.**

(a) If the Secretary of Environment and Natural Resources or a local health director has probable cause to believe that any scallops, ~~shellfish~~ shellfish, or crustacea is adulterated or misbranded, the Secretary of Environment and Natural Resources or a local health director may detain or embargo the article by affixing a tag to it and warning all persons not to remove or dispose of the article until permission for removal or disposal is given by the official by whom it was detained or embargoed or by the court. It shall be unlawful for any person to remove or dispose of the detained or embargoed article without that permission.

(b) The official by whom the scallops, ~~shellfish~~ shellfish, or crustacea was detained or embargoed shall petition a judge of the district or superior court in whose jurisdiction the article is detained or embargoed for an order for condemnation of the article. If the court finds that the article is adulterated or misbranded, that article shall be destroyed under the supervision of the petitioner. All court costs and fees, storage and other expense shall be taxed against the claimant of the article. If, the article, by proper labelling can be properly branded, the court, after the payment of all costs, fees, expenses, and an adequate bond, may order that the article be delivered to the claimant for proper labelling under the supervision of the petitioner. The bond shall be returned to the claimant after the petitioner represents to the court that the article is no longer mislabelled and that the expenses of supervision have been paid."

SECTION 13.3.(vvv) The Revisor of Statutes shall make the conforming statutory changes necessary to reflect the transfers under this section. The Revisor of Statutes may correct any reference in the General Statutes to the statutes that are recodified by this section and make any other conforming changes necessitated by this section.

SECTION 13.3.(www) The transfers under this section become effective July 1, 2011, and funds transferred shall be net of any changes enacted by this section. Any references in this act to any program, office, section, division, or department that is transferred under this section shall be construed to be consistent with the transfer under this section.

REQUIRE DENR TO USE DWQ'S GROUNDWATER INVESTIGATION UNIT'S WELL DRILLING SERVICES IN OTHER DENR DIVISIONS

SECTION 13.4.(a) The purposes of this section are (i) to assure that the Groundwater Investigation Unit well drilling staff are fully utilized by establishing a procedure whereby the Groundwater Investigation Unit may bid to contract to provide well drilling services to other divisions of the Department of Environment and Natural Resources and by providing funding support by these divisions for the Unit's costs and travel expenses and (ii) to reduce the need for the Department of Environment and Natural Resources to enter into contracts with private well drilling companies.

SECTION 13.4.(b) During the 2011-2012 fiscal year and the 2012-2013 fiscal year, the Groundwater Investigation Unit of the Division of Water Quality of the Department of Environment and Natural Resources shall bid to contract to perform well drilling services for any division within the Department of Environment and Natural Resources that needs to have wells drilled to monitor groundwater, as part of remediating a contaminated site, or as part of any other division or program responsibility, except for a particular instance when this would be impracticable. The provisions of Article 3 of Chapter 143 of the General Statutes apply to any contract entered into under this section.

SECTION 13.4.(c) The terms of any contract entered into under this section may include a provision whereby the division within the Department of Environment and Natural Resources that contracts for the well drilling services of the Groundwater Investigation Unit may use available receipts for the 2011-2012 fiscal year and for the 2012-2013 fiscal year, as applicable, for the costs of the Groundwater Investigation Unit well drilling staff that are incurred to perform the well drilling services under the contract.

DENR CIVIL PENALTY ASSESSMENTS

SECTION 13.6. Part 1 of Article 7 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-279.16. Civil penalty assessments.**

(a) The purpose of this section is to provide to the person receiving a notice of violation of an environmental statute or an environmental rule a greater opportunity to understand what

corrective action is needed, receive technical assistance from the Department of Environment and Natural Resources, and to take the needed corrective action. It is also the purpose of this section to provide to the person receiving the notice of violation a greater opportunity for informally resolving matters involving any such violation.

(b) In order to fulfill the purpose set forth in subsection (a) of this section, the Department of Environment and Natural Resources shall, effective July 1, 2011, extend the period of time by 10 days between the time the violator is sent a notice of violation of an environmental statute or an environmental rule and the subsequent date the violator is sent an assessment of the civil penalty for the violation."

WATER AND AIR QUALITY ACCOUNT REVERTS

SECTION 13.7. G.S. 143-215.3A(a) reads as rewritten:

"(a) The Water and Air Quality Account is established as ~~a nonrevertingan~~ account within the Department. Revenue in the Account shall be applied to the costs of administering the programs for which the fees were collected. Revenue credited to the Account pursuant to G.S. 105-449.43, G.S. 105-449.125, and G.S. 105-449.136 shall be used to administer the air quality program. Any funds credited to the Account from fees collected for laboratory facility certifications under G.S. 143-215.3(a)(10) that are not expended at the end of each fiscal year for the purposes for which these fees may be used under G.S. 143-215.3(a)(10) shall revert. Any other funds credited to the Account that are not expended at the end of each fiscal year shall not revert. Except for the following fees, all application fees and permit administration fees collected by the State for permits issued under Articles 21, 21A, 21B, and 38 of this Chapter shall be credited to the Account:

(1) Fees collected under Part 2 of Article 21A and credited to the Oil or Other Hazardous Substances Pollution Protection Fund.
(2) Fees credited to the Title V Account.
(3) Repealed by Session Laws 2005-454, s. 7, effective January 1, 2006.
(4) Fees collected under G.S. 143-215.28A.
(5) Fees collected under G.S. 143-215.94C shall be credited to the Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund."

FUNDS FOR CLEANUP AND MONITORING OF TEXFI SITE CONTAMINATION

SECTION 13.10A. Reduce the operating expenditures of the Solid Waste Management Trust Fund by the sum of fifty thousand dollars ($50,000) for the 2011-2012 fiscal year and provide funding in the sum of fifty thousand dollars ($50,000) to be used for the 2011-2012 fiscal year for the cleanup and monitoring of the groundwater and other contamination located at the Texfi site in Fayetteville and for any emergency cleanup activities needed at that site.

FUNDS FOR RECYCLING PROGRAMS FOR PRODUCTS THAT CONTAIN MERCURY

SECTION 13.10B.(a) Effective July 1, 2011, until December 31, 2017, G.S. 130A-310.54 reads as rewritten:

"**§ 130A-310.54. Mercury ~~Switch Removal Account.~~Pollution Prevention Fund.**

(a) The Mercury ~~Switch Removal Account~~Pollution Prevention Fund is established in the Department. Revenue is credited to the ~~Account~~ Fund from the certificate of title fee under G.S. 20-85.

(b) Revenue in the Mercury ~~Switch Removal Account~~Pollution Prevention Fund shall be used ~~to~~ for the following purposes:

(1) To reimburse the Department and others for costs incurred in implementing the mercury switch removal program.
(2) To establish and implement recycling programs for products containing mercury, including at least recycling programs for light bulbs and thermostats.

(b1) The reimbursable costs under subdivision (1) of subsection (b) of this section are:

(1) Five dollars ($5.00) for each mercury switch removed by a vehicle crusher, vehicle dismantler, vehicle recycler, or scrap vehicle processing facility pursuant to this Article and sent to destination facilities in accordance with the NVMSRP for recycling or disposal.

(2) Costs incurred by the Department in administering the program.

(c) The Department shall reimburse vehicle crushers, vehicle dismantlers, vehicle recyclers, and scrap vehicle processing facilities based on a reimbursement request that attests to the number of switches sent to destination facilities for recycling or disposal in accordance with the NVMSRP. Each reimbursement request shall be verified against information posted on the Internet site provided by the vehicle manufacturers in accordance with the NVMSRP, or against other information that verifies the reimbursement requested to the satisfaction of the Department. The vehicle crusher, vehicle dismantler, vehicle recycler, or scrap vehicle processing facility shall provide the Department with any information requested by the Department to verify the accuracy of a reimbursement request. Each vehicle crusher, vehicle dismantler, vehicle recycler, or scrap vehicle processing facility shall maintain accurate records that support each reimbursement request for a minimum of three years from the date the reimbursement request is approved."

SECTION 13.10B.(b) Effective December 31, 2017, G.S. 130A-310.54, as amended by Sections 4 and 9 of S.L. 2007-142, reads as rewritten:

"§ 130A-310.54. Funds to implement plan.

(a) The Mercury Pollution Prevention ~~Account~~ Fund is established in the Department. Revenue is credited to the ~~Account~~ Fund from the certificate of title fee under G.S. 20-85.

(b) Revenue in the Mercury Pollution Prevention ~~Account~~ Fund shall be used ~~to~~ for the following purposes:

(1) To reimburse the Department and others for costs incurred in implementing the mercury minimization plan.

(2) To establish and implement recycling programs for products containing mercury, including at least recycling programs for light bulbs and thermostats.

(b1) The reimbursable costs under subdivision (1) of subsection (b) of this section are:

(1) Five dollars ($5.00) for each mercury switch removed by a vehicle recycler or scrap metal recycling facility pursuant to this Article.

(2) Costs incurred by the Department in administering the plan.

(c) The Department shall reimburse vehicle recyclers and scrap metal recycling facilities based on the quarterly reports submitted under G.S. 130A-310.53. The Department may request any information needed to determine the accuracy of the reports."

REPEAL DENR REVIEW OF FEE SCHEDULES

SECTION 13.11. G.S. 143B-279.2(4) is repealed.

DWSRF LOANS AND GRANTS TO INVESTOR-OWNED DRINKING WATER CORPORATIONS

SECTION 13.11A.(a) G.S. 159G-20 reads as rewritten:

"§ 159G-20. Definitions.

The following definitions apply in this Chapter:

...

(10a) Investor-owned drinking water corporation. – A corporation owned by investors and incorporated solely for the purpose of providing drinking water services for profit.

...."

SECTION 13.11A.(b) G.S. 159G-31 reads as rewritten:

"§ 159G-31. Entities eligible to apply for loan or grant.

A local government unit or a nonprofit water corporation is eligible to apply for a loan or grant from the CWSRF, the DWSRF, the Wastewater Reserve, or the Drinking Water Reserve. An investor-owned drinking water corporation is also eligible to apply for a loan or grant from the DWSRF. Other entities are not eligible for a loan or grant from these accounts."

SECTION 13.11A.(c) G.S. 159G-40 reads as rewritten:

"§ 159G-40. Terms of loan and execution of loan documents.

(a) Approval by Local Government Commission. – The Department may not award a loan under this Article unless the Local Government Commission approves the award of the loan and the terms of the loan. The terms of a loan awarded from the CWSRF and the DWSRF must be consistent with federal law. In reviewing a proposed loan to a local government unit, the Local Government Commission must consider the loan as if it were a bond proposal and

review the proposed loan in accordance with the factors set out in G.S. 159-52 for review of a proposed bond issue. The Local Government Commission must review a proposed loan to a nonprofit water corporation and to an investor-owned drinking water corporation in accordance with the factors set out in G.S. 159-153.

...

(d) Debt Instrument. – A local government ~~unit and~~unit, a nonprofit water ~~corporation~~ corporation, and an investor-owned drinking water corporation may execute a debt instrument payable to the State to evidence an obligation to repay the principal of and interest on a loan awarded under this Article. The Treasurer, with the assistance of the Local Government Commission, must develop debt instruments for use by local government ~~units and~~units, nonprofit water ~~corporations~~ corporations, and investor-owned drinking water corporations under this section. The Local Government Commission must develop procedures for loan recipients to deliver debt instruments to the State without public bidding."

SECTION 13.11A.(d) G.S. 159G-43(b) reads as rewritten:

"(b) Disqualification. – An individual may not perform an inspection of a project under this section if the individual meets any of the following criteria:

(1) Is an officer or employee of the local government ~~unit or~~unit, nonprofit water ~~corporation~~ corporation, or investor-owned drinking water corporation that received the loan or grant award for the project.

(2) Is an owner, officer, employee, or agent of a contractor or subcontractor engaged in the construction of the project for which the loan or grant was made."

SECTION 13.11A.(e) G.S. 159-153 is amended by adding a new subsection to read:

"(a2) Investor-Owned Drinking Water Corporation. – A loan from the DWSRF, an account within the Water Infrastructure Fund, to an investor-owned drinking water corporation, as defined in G.S. 159G-20, is subject to approval by the Commission under this section."

REGULATORY REFORM FOR DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES, DEPARTMENT OF LABOR, AND DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

SECTION 13.11B.(a) Article 1 of Chapter 95 of the General Statutes is amended by adding a new section to read:

"**§ 95-14.2. Limitation on rule-making authority.**

(a) Federal Analog. – The Department may not adopt a rule that imposes a more restrictive standard or limitation than those imposed by federal law or rule if a federal law or rule pertaining to the same subject matter has been adopted, unless adoption of the rule is permitted by this subsection. It is the intent of the General Assembly that the standards and limitations adopted by the Department shall be no more restrictive than the most nearly applicable federal standards and limitations. Adoption of a rule with more restrictive standards or limitations is permitted to respond to at least one of the following:

(1) A serious and unforeseen threat to the public health, safety, or welfare.

(2) An act of the General Assembly or United States Congress that expressly requires the Department to adopt rules.

(3) A change in federal or State budgetary policy.

(4) A federal regulation required by an act of the United States Congress to be adopted or administered by the State.

(5) A court order.

(b) No Federal Analog. – Before the Department publishes in the North Carolina Register the proposed text of a permanent rule change with no federal analog, the Department shall prepare and submit into the record of the rule making an evaluation of costs and benefits. The evaluation shall include estimates of the economic and social costs of compliance with the proposed rule to commerce and industry, units of local government, and any other entities affected by the rule, as well as estimates of the benefits of the proposed rule to public health, safety, and welfare and to the environment. The evaluation shall present relevant data, assumptions, analyses, and calculations in sufficient detail to allow the calculation of a ratio of quantifiable costs to quantifiable benefits for the proposed rule. Benefits and costs which cannot be quantified may be expressed in qualitative terms. For purposes of this subsection "no federal analog" means that there is no federal regulation, standard, or requirement pertaining to

the same subject matter or activity. This subsection does not apply to a rule required by an act of the General Assembly or the United States Congress that expressly requires the Department to adopt rules."

SECTION 13.11B.(b) Part 3 of Article 1 of Chapter 106 of the General Statutes is amended by adding a new section to read:

"**§ 106-22.6. Limitation on rule-making authority.**

(a) Federal Analog. – The Department may not adopt a rule that imposes a more restrictive standard or limitation than those imposed by federal law or rule if a federal law or rule pertaining to the same subject matter has been adopted, unless adoption of the rule is permitted by this subsection. It is the intent of the General Assembly that the standards and limitations adopted by the Department shall be no more restrictive than the most nearly applicable federal standards and limitations. Adoption of a rule with more restrictive standards or limitations is permitted to respond to at least one of the following:

(1) A serious and unforeseen threat to the public health, safety, or welfare.
(2) An act of the General Assembly or United States Congress that expressly requires the Department to adopt rules.
(3) A change in federal or State budgetary policy.
(4) A federal regulation required by an act of the United States Congress to be adopted or administered by the State.
(5) A court order.

(b) No Federal Analog. – Before the Department publishes in the North Carolina Register the proposed text of a permanent rule change with no federal analog, the Department shall prepare and submit into the record of the rule making an evaluation of costs and benefits. The evaluation shall include estimates of the economic and social costs of compliance with the proposed rule to commerce and industry, units of local government, and any other entities affected by the rule, as well as estimates of the benefits of the proposed rule to public health, safety, and welfare and to the environment. The evaluation shall present relevant data, assumptions, analyses, and calculations in sufficient detail to allow the calculation of a ratio of quantifiable costs to quantifiable benefits for the proposed rule. Benefits and costs which cannot be quantified may be expressed in qualitative terms. For purposes of this subsection "no federal analog" means that there is no federal regulation, standard, or requirement pertaining to the same subject matter or activity. This subsection does not apply to a rule required by an act of the General Assembly or the United States Congress that expressly requires the Department to adopt rules."

SECTION 13.11B.(c) Article 7 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-279.16. Limitation on rule-making authority.**

(a) Federal Analog. – An agency, as defined in G.S. 150B-2 and created under this Article, may not adopt a rule that imposes a more restrictive standard or limitation than those imposed by federal law or rule if a federal law or rule pertaining to the same subject matter has been adopted, unless adoption of the rule is permitted by this subsection. It is the intent of the General Assembly that the standards and limitations adopted by such agency shall be no more restrictive than the most nearly applicable federal standards and limitations. Adoption of a rule with more restrictive standards or limitations is permitted to respond to at least one of the following:

(1) A serious and unforeseen threat to the public health, safety, or welfare.
(2) An act of the General Assembly or United States Congress that expressly requires such agency to adopt rules.
(3) A change in federal or State budgetary policy.
(4) A federal regulation required by an act of the United States Congress to be adopted or administered by the State.
(5) A court order.

(b) No Federal Analog. – Before the agency publishes in the North Carolina Register the proposed text of a permanent rule change with no federal analog, the agency shall prepare and submit into the record of the rule making an evaluation of costs and benefits. The evaluation shall include estimates of the economic and social costs of compliance with the proposed rule to commerce and industry, units of local government, and any other entities affected by the rule, as well as estimates of the benefits of the proposed rule to public health, safety, and welfare and to the environment. The evaluation shall present relevant data,

assumptions, analyses, and calculations in sufficient detail to allow the calculation of a ratio of quantifiable costs to quantifiable benefits for the proposed rule. Benefits and costs which cannot be quantified may be expressed in qualitative terms. For purposes of this subsection "no federal analog" means that there is no federal regulation, standard, or requirement pertaining to the same subject matter or activity. This subsection does not apply to a rule required by an act of the General Assembly or the United States Congress that expressly requires the agency to adopt rules."

PARKS AND RECREATION TRUST FUND; ALLOCATION OF DEED STAMP TAX PROCEEDS CREDITED TO FUND

SECTION 13.11C.(a) Notwithstanding the provisions of G.S. 113-44.15(b), effective for taxes levied during the 2011-2012 fiscal year, the net tax proceeds that are credited to the Parks and Recreation Trust Fund by the Secretary of Revenue pursuant to G.S. 105-228.30(b) shall be allocated as follows:

(1) Six million dollars ($6,000,000) shall be used for the operating expenses of the Division of Parks and Recreation of the Department of Environment and Natural Resources;

(2) Up to eight million dollars ($8,000,000) shall be used for the State Parks System for capital projects, repairs and renovations of park facilities, land acquisition, and to retire debt incurred for these purposes under Article 9 of Chapter 142 of the General Statutes;

(3) Up to four million two hundred thirty thousand dollars ($4,230,000) shall be used for grants to local government units consistent with the match and other requirements set forth in G.S. 113-44.14(b)(2); and

(4) Up to seven hundred five thousand dollars ($705,000) shall be used for the Coastal and Estuarine Water Beach Access Program.

SECTION 13.11C.(b) Any funds that become available to the Parks and Recreation Trust Fund during the 2011-2012 fiscal year that are in excess of the funds allocated under subsection (a) of this section shall be used as provided in G.S. 113-44.15(b).

NATURAL HERITAGE TRUST FUND USED FOR COSTS TO ADMINISTER PLANT CONSERVATION PROGRAM/CONSERVATION PLANNING & COMMUNITY AFFAIRS PROGRAM

SECTION 13.16. G.S. 113-77.9(c) reads as rewritten:

"(c) Other Purposes. – The Trustees may authorize expenditures from the Fund to pay for the inventory of natural areas conducted under the Natural Heritage Program established pursuant to the Nature Preserves Act, Article 9A of Chapter 113A of the General Statutes. The Trustees may also authorize expenditures from the Fund to pay for conservation and protection planning and for informational programs for owners of natural areas, as defined in G.S. 113A-164.3. The Trustees shall authorize expenditures from the Fund not to exceed seventy-five thousand dollars ($75,000) to pay the cost of the Department of Agriculture and Consumer Services to administer the Plant Conservation Program. The Trustees shall authorize expenditures from the Fund not to exceed three hundred twenty-five thousand dollars ($325,000) to pay the cost of supporting staff in the Office of Conservation Planning and Community Affairs of the Department of Environment and Natural Resources."

OYSTER SANCTUARY PROGRAM SUPPORT

SECTION 13.18. G.S. 113-175.1(c) reads as rewritten:

"(c) The Marine Fisheries Commission and the Wildlife Resources Commission may authorize the disbursement of the principal of the Marine Resources Fund and marine resources investment income only to manage, protect, restore, develop, cultivate, conserve, and enhance the marine resources of the State. The Marine Fisheries Commission and the Wildlife Resources Commission are encouraged to consider supporting the Oyster Sanctuary Program managed by the Division of Marine Fisheries. The Marine Fisheries Commission and the Wildlife Resources Commission may not authorize the disbursement of the principal of the Marine Resources Fund and marine resources investment income to establish positions without specific authorization from the General Assembly. All proposals to the Marine Fisheries Commission and the Wildlife Resources Commission for the disbursement of funds from the Marine Resources Fund shall be made by and through the Fisheries Director. Expenditure of

the assets of the Marine Resources Fund shall be made through the State budget accounts of the Division of Marine Fisheries in accordance with the provisions of the Executive Budget Act. The Marine Resources Fund is subject to the oversight of the State Auditor pursuant to Article 5A of Chapter 147 of the General Statutes."

MARINE FISHERIES ENCOURAGED TO CONTRACT WITH PRIVATE SECTOR FOR OYSTER SANCTUARY RESTORATION

SECTION 13.18A. The Division of Marine Fisheries of the Department of Environment and Natural Resources is encouraged to contract with private sector businesses for any oyster sanctuary restoration projects in the Pamlico Sound that are funded in whole or in part with State funds, State fees, State grants, or revenue generated from any license issued by the State.

DIVISION OF MARINE FISHERIES TO USE DIVISION OF FOREST RESOURCES MECHANICS FOR AIRCRAFT MAINTENANCE

SECTION 13.18B.(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 13.18B.(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.

END PILOT PROGRAM FOR ANNUAL INSPECTIONS OF CERTAIN ANIMAL OPERATIONS

SECTION 13.21.(a) Section 15.4(a) of S.L. 1997-443, as amended by Section 3.1 of S.L. 1999-329, Section 5 of S.L. 2001-254, Section 1.1 of S.L. 2002-176, Section 6.1 of S.L. 2003-340, Section 12.7(a) of S.L. 2005-276, Section 2 of S.L. 2007-536, and Section 1 of S.L. 2009-84, reads as rewritten:

"**SECTION 1.** Section 15.4(a) of S.L. 1997-443, as amended by Section 3.1 of S.L. 1999-329, Section 5 of S.L. 2001-254, Section 1.1 of S.L. 2002-176, Section 6.1 of S.L. 2003-340, Section 12.7(a) of S.L. 2005-276, and Section 2 of S.L. 2007-536, reads as rewritten:

'(a) The Department of Environment and Natural Resources shall develop and implement a pilot program to begin no later than 1 November 1997, and to terminate ~~1 September 2011~~June 30, 2011, regarding the annual inspections of animal operations that are subject to a permit under Article 21 of Chapter 143 of the General Statutes. The Department shall select two counties located in a part of the State that has a high concentration of swine farms to participate in this ~~pilot~~ program. In addition, Brunswick County and Pender County shall be added to the program. Notwithstanding G.S. 143-215.10F, the Division of Soil and Water Conservation of the Department of Environment and Natural Resources shall conduct inspections of all animal operations that are subject to a permit under Article 21 of Chapter 143 of the General Statutes in these four counties at least once a year to determine whether any animal waste management system is causing a violation of water quality standards and whether the system is in compliance with its animal waste management plan or any other condition of the permit. The personnel of the Division of Soil and Water Conservation who are to conduct these inspections in each of these four counties shall be located in an office in the county in which that person will be conducting inspections. As part of this ~~pilot~~ program, the Department of Environment and Natural Resources shall establish procedures whereby resources within the local Soil and Water Conservation Districts serving the four counties are used for the quick response to complaints and reported problems previously referred only to the Division of Water Quality of the Department of Environment and Natural Resources.'"

SECTION 13.21.(b) The section becomes effective June 30, 2011.

END DSWC ROLE REGARDING ANIMAL WASTE MANAGEMENT SYSTEMS

SECTION 13.22.(a) G.S. 143-215.10A reads as rewritten:

"§ 143-215.10A. Legislative findings and intent.

The General Assembly finds that animal operations provide significant economic and other benefits to this State. The growth of animal operations in recent years has increased the importance of good animal waste management practices to protect water quality. It is critical that the State balance growth with prudent environmental safeguards. It is the intention of the State to promote a cooperative and coordinated approach to animal waste management among the agencies of the State with a primary emphasis on technical assistance to farmers. To this end, the General Assembly intends to establish a permitting program for animal waste management systems that will protect water quality and promote innovative systems and practices while minimizing the regulatory burden. Technical ~~assistance, through operations reviews,~~assistance will be provided by the Division of Soil and Water Conservation. ~~Permitting, inspection,~~Inspection and enforcement will be ~~vested in~~provided by the Division of Water Quality."

SECTION 13.22.(b) G.S. 143-215.10D is repealed.

TRANSFER DIVISION OF SOIL AND WATER CONSERVATION AND SOIL AND WATER CONSERVATION COMMISSION TO DACS

SECTION 13.22A.(a) The Division of Soil and Water Conservation is transferred from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services with all the elements of a Type I transfer, as defined by G.S. 143A-6.

SECTION 13.22A.(b) All functions, powers, duties, and obligations previously vested in the State Soil and Water Conservation Commission are transferred to and vested in the Department of Agriculture and Consumer Services by a Type II transfer, as defined in G.S. 143A-6.

SECTION 13.22A.(c) G.S. 143B-279.3(a) reads as rewritten:

"(a) All functions, powers, duties, and obligations previously vested in the following subunits of the following departments are transferred to and vested in the Department of Environment and Natural Resources by a Type I transfer, as defined in G.S. 143A-6:

...

~~(10) Soil and Water Conservation Division, Department of Natural Resources and Community Development.~~

...."

SECTION 13.22A.(d) G.S. 143B-279.3(b) reads as rewritten:

"(b) All functions, powers, duties, and obligations previously vested in the following commissions, boards, councils, and committees of the following departments are transferred to and vested in the Department of Environment and Natural Resources by a Type II transfer, as defined in G.S. 143A-6:

...

~~(21) State Soil and Water Conservation Commission, Department of Natural Resources and Community Development.~~

...."

SECTION 13.22A.(e) Part 7 of Article 7 of Chapter 143B of the General Statutes is recodified as Article 71 of Chapter 106 of the General Statutes, and accordingly G.S. 143B-294 through G.S. 143B-297.1 are recodified as G.S. 106-840 through G.S. 106-844.

SECTION 13.22A.(f) G.S. 106-840, as recodified by subsection (e) of this section, reads as rewritten:

"§ 106-840. Soil and Water Conservation Commission – creation; powers and duties; compliance inspections.

(a) There is hereby created the Soil and Water Conservation Commission of the Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services with the power and duty to adopt rules to be followed in the development and implementation of a soil and water conservation program.

(1) The Soil and Water Conservation Commission has all of the following powers and duties:

a. To approve petitions for soil conservation districts.

b. To approve application for watershed plans.

c. Such other duties as specified in Chapter 139.

d. To conduct any inspections in accordance with subsection (b) of this section.

(2) The Commission shall adopt rules consistent with the provisions of this Chapter. All rules not inconsistent with the provisions of this Chapter heretofore adopted by the Soil and Water Conservation Committee shall remain in full force and effect unless and until repealed or superseded by action of the Soil and Water Conservation Commission. All rules adopted by the Commission shall be enforced by the Department of ~~Environment and Natural Resources.~~Agriculture and Consumer Services.

(b) An employee or agent of the Soil and Water Conservation Commission or the Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services may enter property, with the consent of the owner or person having control over property, at reasonable times for the purposes of investigating compliance with Commission or Department programs when the investigation is reasonably necessary to carry out the duties of the Commission. If the Commission or Department is unable to obtain the consent of the owner of the property, the Commission or Department may obtain an administrative search warrant pursuant to G.S. 15-27.2.

(c) Any person who refuses entry or access to property by an employee or agent of the Commission or the Department or who willfully resists, delays, or obstructs an employee or agent of the Commission or the Department while the employee or agent is in the process of carrying out official duties after the employee or agent has obtained the consent of the owner or person having control of the property or, if consent is not obtained, after the employee or agent has obtained an administrative search warrant, shall be guilty of a Class 1 misdemeanor."

SECTION 13.22A.(g) G.S. 106-841, as recodified by subsection (e) of this section, reads as rewritten:

"**§ 106-841. Soil and Water Conservation Commission – members; selection; removal; compensation; quorum; services.**

(a) The Soil and Water Conservation Commission of the Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services shall be composed of seven members appointed by the Governor. The Commission shall be composed of the following members:

...

(g) All clerical and other services required by the Commission shall be supplied by the ~~Secretary of Environment and Natural Resources.~~ Department of Agriculture and Consumer Services."

SECTION 13.22A.(h) G.S. 139-3(4) reads as rewritten:

"(4) "Commission" or "Soil and Water Conservation Commission" means the Soil and Water Conservation Commission created by G.S. ~~143B-294.~~106-840."

SECTION 13.22A.(i) G.S. 139-4(d) reads as rewritten:

"(d) In addition to the duties and powers hereinafter conferred upon the Soil and Water Conservation Commission, it shall have the following duties and powers:

...

(9) To create, implement, and supervise the Agriculture Cost Share Program for Nonpoint Source Pollution Control created pursuant to ~~Part 9 of Article 21 of Chapter 143~~Article 72 of Chapter 106 of the General Statutes and the Community Conservation Assistance Program created pursuant to Part 11 of Article 21 of Chapter 143 of the General Statutes.

(10) To review and approve or disapprove the application of a district supervisor for a grant under the Agriculture Cost Share Program for Nonpoint Source Pollution Control or the Community Conservation Assistance Program as provided by G.S. 139-8(b).

(11) To develop and implement a program for the approval of water quality and animal waste management systems technical specialists.

(12) To develop and approve best management practices for the Agriculture Cost Share Program for Nonpoint Source Pollution Control and for use in the water quality protection programs of the Department of Environment and Natural Resources and to adopt rules that establish criteria governing approval of these best management practices."

SECTION 13.22A.(j) G.S. 139-4(e) reads as rewritten:

"(e) A member of the Commission may apply for and receive a grant under the Agriculture Cost Share Program for Nonpoint Source Pollution Control and the Community Conservation Assistance Program if:

(1) The member does not vote on the application or attempt to influence the outcome of any action on the application; and

(2) The application is approved by the ~~Secretary of Environment and Natural Resources.~~Commissioner of Agriculture."

SECTION 13.22A.(k) G.S. 139-5(d) reads as rewritten:

"(d) The Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services shall pay all expenses for the issuance of such notices and the conduct of such hearings and referenda, and shall supervise the conduct of such hearings and referenda. It shall issue appropriate regulations governing the conduct of such hearings and referenda, and providing for the registration prior to the date of the referendum of all eligible voters, or prescribing some other appropriate procedure for the determination of those eligible as voters in such referendum. No informality in the conduct of such referendum or in any matters relating thereto shall invalidate said referendum or the result thereof if notice thereof shall have been given substantially as herein provided and said referendum shall have been fairly conducted."

SECTION 13.22A.(l) G.S. 139-5(e) reads as rewritten:

"(e) The Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services shall publish the results of such referendum and shall thereafter consider and determine whether the operation of the district within the defined boundaries is administratively practicable and feasible. If the Commission shall determine that the operation of such district is not administratively practicable and feasible, it shall record such determination and deny the petition. If the Commission shall determine that the operation of such district is administratively practicable and feasible, it shall record such in the manner hereinafter provided. In making such determination the Commission shall give due regard and weight to the attitudes of the occupiers of lands lying within the defined boundaries, the number of land occupiers eligible to vote in such referendum who shall have voted, the proportion of the votes cast in such referendum in favor of the creation of the district to the total number of votes cast, the approximate wealth and income of the land occupiers of the proposed district, the probable expense of carrying on erosion control operations within such district, and such other economic and social factors as may be relevant to such determination, having due regard to the legislative determination set forth in G.S. 139-2: Provided, however, that the Commission shall not have authority to determine that the operations of the proposed district within the defined boundaries is administratively practicable and feasible unless at least a majority of the votes cast in the referendum upon the proposition of creation of the district shall have been cast in favor of the creation of such district."

SECTION 13.22A.(m) G.S. 139-7 reads as rewritten:

"**§ 139-7. District board of supervisors – appointive members; organization of board; certain powers and duties.**

The governing body of a soil and water conservation district shall consist of the three elective supervisors from the county or counties in the district, together with the appointive members appointed by the Soil and Water Conservation Commission pursuant to this section, and shall be known as the district board of supervisors. When a district is composed of less than four counties, the board of supervisors of each county shall on or before October 31, 1978, and on or before October 31 as the terms of the appointive supervisors expire, recommend in writing two persons from the district to the Commission to be appointed to serve with the elective supervisors. If the names are not submitted to the Commission as required, the office shall be deemed vacant on the date the term is set to expire and the Commission shall appoint two persons of the district to the district board of supervisors to serve with the elected supervisors. The Commission shall make its appointments prior to or at the November meeting of the Commission. Appointive supervisors shall take office on the first Monday in December following their appointment. Such appointive supervisors shall serve for a term of four years, and thereafter, as their terms expire, their successors shall serve for a term of four years. The terms of office of all appointive supervisors who have heretofore been lawfully appointed for terms the final year of which presently extends beyond the first Monday in December are hereby terminated on the first Monday in December of the final year of appointment. Vacancies for any reason in the appointive supervisors shall be filled for the unexpired term by the

appointment of a person by the Commission from the district in which the vacancy occurs. Vacancies for any reason in the elected supervisors shall be filled for the unexpired term by appointment by the Commission of a person from the county in the district in which the vacancy occurs.

In those districts composed of four or more counties, the Commission may, but is not required to, appoint two persons from the district without recommendation from the board of supervisors, to serve as district supervisors along with the elected members of the board of supervisors. Such appointments shall be made at the same time other appointments are made under this section, and the persons appointed shall serve for a term of four years.

The supervisors shall designate a chairman and may, from time to time, change such designation. A simple majority of the board shall constitute a quorum for the purpose of transacting the business of the board, and approval by a majority of those present shall be adequate for a determination of any matter before the board, provided at least a quorum is present. Supervisors of soil and water conservation districts shall be compensated for their services at the per diem rate and allowed travel, subsistence and other expenses, as provided for State boards, commissions and committees generally, under the provisions of G.S. 138-5; provided, that when per diem compensation and travel, subsistence, or other expense is claimed by any supervisor for services performed outside the district for which such supervisor ordinarily may be appointed or elected to serve, the same may not be paid unless prior written approval is obtained from the Department of ~~Environment and Natural Resources.~~Agriculture and Consumer Services.

The supervisors may employ a secretary, technical experts, whose qualifications shall be approved by the Department, and such other employees as they may require, and shall determine their qualifications, duties and compensation. The supervisors may call upon the Attorney General of the State for such legal services as they may require. The supervisors may delegate to their chairman, to one or more supervisors, or to one or more agents, or employees such powers and duties as they may deem proper. The supervisors shall furnish to the Soil and Water Conservation Commission, upon request, copies of such ordinances, rules, regulations, orders, contracts, forms, and other documents as they shall adopt or employ, and such other information concerning their activities as it may require in the performance of its duties under this Chapter.

The supervisors shall provide for the execution of surety bonds for all employees and officers who shall be entrusted with funds or property; shall provide for the keeping of a full and accurate record of all proceedings and of all resolutions, regulations, and orders issued or adopted; and shall provide for an annual audit of the accounts of receipts and disbursements. In any given year, if the supervisors provide for an internal audit, and the supervisor serving as chairman certifies, under oath, that this internal audit is a true and accurate reflection of the accounts of receipts and disbursements, then the supervisors shall not be required, notwithstanding the provisions of G.S. 159-34, to provide for an audit of the accounts of receipts and disbursements by a certified public accountant or by an accountant certified by the Local Government Commission. Any supervisor may be removed by the Soil and Water Conservation Commission upon notice and hearing, for neglect of duty, incompetence or malfeasance in office, but for no other reason.

The supervisors may invite the legislative body of any municipality or county located near the territory comprised within the district to designate a representative to advise and consult with the supervisors of the district on all questions of program and policy which may affect the property, water supply, or other interests of such municipality or county.

~~All district supervisors whose terms of office expire prior to the first Monday in January, 1948, shall hold over and remain in office until supervisors are elected or appointed and qualify as provided in this Chapter, as amended. The terms of office of all district supervisors, who have heretofore been elected or appointed for terms extending beyond the first Monday in January, 1948, are hereby terminated on the first Monday in January, 1948.~~"

SECTION 13.22A.(n) G.S. 139-8(a)(13) reads as rewritten:

"(13) To assist the Commission in the implementation and supervision of the Agriculture Cost Share Program for Nonpoint Source Pollution Control created pursuant to ~~G.S. 143-215.74~~G.S. 106-850 and to assist in the implementation and supervision of any other program intended to protect water quality or quantity administered by the Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services by providing

technical assistance, allocating available grant monies, and providing any other assistance that may ~~by~~ be required or authorized by any provision of federal or State law."

SECTION 13.22A.(o) G.S. 139-13 reads as rewritten:

"**§ 139-13. Discontinuance of districts.**

At any time after five years after the organization of a district under the provisions of this Chapter, any 25 occupiers of land lying within the boundaries of such districts may file a petition with the Soil and Water Conservation Commission praying that the operations of the district be terminated and the existence of the district discontinued. The Commission may conduct such public meetings and public hearings upon such petition as may be necessary to assist it in the consideration thereof. Within 60 days after such a petition has been received by the Commission it shall give due notice of the holding of a referendum, and shall supervise such referendum, and issue appropriate regulations governing the conduct thereof, the question to be submitted by ballots upon which the words "For terminating the existence of the _____ (name of the soil and water conservation district to be here inserted)" and "Against terminating the existence of the _____ (name of the soil and water conservation district to be here inserted)" shall appear with a square before each proposition and a direction to insert an X mark in the square before one or the other of said propositions as the voter may favor or oppose discontinuance of such district. All occupiers of lands lying within the boundaries of the district shall be eligible to vote in such referendum. Only such land occupiers shall be eligible to vote. No informalities in the conduct of such referendum or in any matters relating thereto shall invalidate said referendum or the result thereof if notice thereof shall have been given substantially as herein provided and said referendum shall have been fairly conducted.

The Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services shall publish the result of such referendum and shall thereafter consider and determine whether the continued operation of the district within the defined boundaries is administratively practicable and feasible. If the Commission shall determine that the continued operation of such district is administratively practicable and feasible, it shall record such determination and deny the petition. If the Commission shall determine that the continued operation of such district is not administratively practicable and feasible, it shall record such determination and shall certify such determination to the supervisors of the district. In making such determination the Commission shall give due regard and weight to the attitudes of the occupiers of lands lying within the district, the number of land occupiers eligible to vote in such referendum who shall have voted, the proportion of the votes cast in such referendum in favor of the discontinuance of the district to the total number of votes cast, the approximate wealth and income of the land occupiers of the district, the probable expense of carrying on erosion control operations within such district, and such other economic and social factors as may be relevant to such determination, having due regard to the legislative findings set forth in G.S. 139-2: Provided, however, that the Commission shall not have authority to determine that the continued operation of the district is administratively practicable and feasible unless at least a majority of the votes cast in the referendum shall have been cast in favor of the continuance of such district.

Upon receipt from the Soil and Water Conservation Commission of a certification that the Commission has determined that the continued operation of the district is not administratively practicable and feasible, pursuant to the provisions of this section, the supervisors shall forthwith proceed to terminate the affairs of the district. The supervisors shall dispose of all property belonging to the district at public auction and shall pay over the proceeds of such sale to be covered into the State treasury. The supervisors shall thereupon file an application, duly verified, with the Secretary of State for the discontinuance of such district, and shall transmit with such application the certificates of the Soil and Water Conservation Commission setting forth the determination of the Commission that the continued operation of such district is not administratively practicable and feasible. The application shall recite that the property of the district has been disposed of and the proceeds paid over as in this section provided, and shall set forth a full accounting of such properties and proceeds of the sale. The Secretary of State shall issue to the supervisors a certificate of dissolution and shall record such certificate in an appropriate book of record in his office.

Upon issuance of a certificate of dissolution under the provisions of this section, all ordinances and regulations theretofore adopted and in force within such districts shall be of no further force and effect. All contracts theretofore entered into, to which the district or

supervisors are parties, shall remain in force and effect for the period provided in such contracts. The Soil and Water Conservation Commission shall be substituted for the district or supervisors as party to such contracts. The Commission shall be entitled to all benefits and subject to all liabilities under such contracts and shall have the same right and liability to perform, to require performance, to sue and be sued thereon, and to modify or terminate such contracts by mutual consent or otherwise as the supervisors of the district would have had. Such dissolution shall not affect the lien of any judgment entered under the provisions of G.S. 139-11, nor the pendency of any action instituted under the provisions of such section, and the Commission shall succeed to all the rights and obligations of the district or supervisors as to such liens and actions.

The Soil and Water Conservation Commission shall not entertain petitions for the discontinuance of any district nor conduct referenda upon such petitions, nor make determinations pursuant to such petitions, in accordance with the provisions of this Chapter, more often than once in five years."

SECTION 13.22A.(p) G.S. 143-215.10A reads as rewritten:

"**§ 143-215.10A. Legislative findings and intent.**

The General Assembly finds that animal operations provide significant economic and other benefits to this State. The growth of animal operations in recent years has increased the importance of good animal waste management practices to protect water quality. It is critical that the State balance growth with prudent environmental safeguards. It is the intention of the State to promote a cooperative and coordinated approach to animal waste management among the agencies of the State with a primary emphasis on technical assistance to farmers. To this end, the General Assembly intends to establish a permitting program for animal waste management systems that will protect water quality and promote innovative systems and practices while minimizing the regulatory burden. Technical assistance, through operations reviews, will be provided by the Division of Soil and Water ~~Conservation.~~Conservation of the Department of Agriculture and Consumer Services. Permitting, inspection, and enforcement will be vested in the Division of Water Quality."

SECTION 13.22A.(q) G.S. 143-215.10C(e)(6) reads as rewritten:

"(6) Provisions regarding periodic testing of waste products used as nutrient sources as close to the time of application as practical and at least within 60 days of the date of application and periodic testing, at least annually, of soils at crop sites where the waste products are applied. Nitrogen shall be a rate-determining element. Phosphorus shall be evaluated according to the nutrient management standard approved by the Soil and Water Conservation Commission of the Department of Agriculture and Consumer Services and the Natural Resources Conservation Service of the United States Department of Agriculture for facilities that are required to be permitted under 40 Code of Federal Regulations § 122, as amended at 73 Federal Register 70418 (November 20, 2008). If the evaluation demonstrates the need to limit the application of phosphorus in order to comply with the nutrient management standard, then phosphorus shall be a rate-determining element. Zinc and copper levels in the soils shall be monitored, and alternative crop sites shall be used when these metals approach excess levels."

SECTION 13.22A.(r) G.S. 143-215.10D reads as rewritten:

"**§ 143-215.10D. Operations review.**

(a) The Division, in cooperation with the Division of Soil and Water ~~Conservation,~~Conservation of the Department of Agriculture and Consumer Services, shall develop a reporting procedure for use by technical specialists who conduct operations reviews of animal operations. The reporting procedure shall be consistent with the Division's inspection procedure of animal operations and with this Part. The report shall include any corrective action recommended by the technical specialist to assist the owner or operator of the animal operation in complying with all permit requirements. The report shall be submitted to the Division within 10 days following the operations review unless the technical specialist observes a violation described in G.S. 143-215.10E. If the technical specialist finds a violation described in G.S. 143-215.10E, the report shall be filed with the Division immediately.

(b) As part of its animal waste management plan, each animal operation shall have an operations review at least once a year. The operations review shall be conducted by a technical specialist employed by the Division of Soil and Water Conservation of the

~~Department,~~Department of Agriculture and Consumer Services, a local Soil and Water Conservation District, or the federal Natural Resources Conservation Services working under the direction of the Division of Soil and Water Conservation.

(c) Operations reviews shall not be performed by technical specialists with a financial interest in any animal operation."

SECTION 13.22A.(s) G.S. 143-215.10M(a) reads as rewritten:

"(a) The Department shall report to the Environmental Review Commission and the Fiscal Research Division on or before 1 October of each year as required by this section. Each report shall include:

...

(2) The number of operations reviews of animal waste management systems that the Division of Soil and Water Conservation of the Department of Agriculture and Consumer Services has conducted since the last report.

(3) The number of operations reviews of animal waste management systems conducted by agencies other than the Division of Soil and Water Conservation of the Department of Agriculture and Consumer Services that have been conducted since the last report.

(4) The number of reinspections associated with operations reviews conducted by the Division of Soil and Water Conservation of the Department of Agriculture and Consumer Services since the last report.

(5) The number of reinspections associated with operations reviews conducted by agencies other than the Division of Soil and Water Conservation of the Department of Agriculture and Consumer Services since the last report.

...."

SECTION 13.22A.(t) Part 9 of Article 21 of Chapter 143 of the General Statutes is recodified as Article 72 of Chapter 106 of the General Statutes, and accordingly G.S. 143-215.74, 143-215.74A, and 143-215.74B are recodified as G.S. 106-850, 106-851, and 106-852.

SECTION 13.22A.(u) G.S. 106-850(b)(9), as recodified under subsection (t) of this section, reads as rewritten:

"(9) When the applicant is either (i) a limited-resource farmer, (ii) a beginning farmer, or (iii) a person farming land that is located in an enhanced voluntary agricultural district and is subject to a conservation agreement under G.S. 106-743.2 that remains in effect, State funding shall be limited to ninety percent (90%) of the average cost for each practice with the assisted farmer providing ten percent (10%) of the cost, which may include in-kind support of the practice, with a maximum of one hundred thousand dollars ($100,000) per year to each applicant. The following definitions apply in this subdivision:

a. Beginning farmer. – A farmer who has not operated a farm or who has operated a farm for not more than 10 years and who will materially and substantially participate in the operation of the farm.

a1. Enhanced voluntary agricultural district. – A district established by a county or a city by ordinance under Part 3 of Article 61 of ~~Chapter 106 of the General Statutes.~~this Chapter.

...."

SECTION 13.22A.(v) G.S. 106-850(c), as recodified under subsection (t) of this section, reads as rewritten:

"(c) The program shall be reviewed, prior to implementation, by the Committee created by ~~G.S. 143-215.74B.~~G.S. 106-852. The Technical Review Committee shall meet quarterly to review the progress of this program."

SECTION 13.22A.(w) G.S. 106-850(e), as recodified under subsection (t) of this section, reads as rewritten:

"(e) The Soil and Water Conservation Commission shall report on or before 31 January of each year to the Environmental Review ~~Commission~~Commission, the Department of Agriculture and Consumer Services, and the Fiscal Research Division. This report shall include a list of projects that received State funding pursuant to the program, the results of the evaluations conducted pursuant to subdivision (7) of subsection (b) of this section, findings regarding the effectiveness of each of these projects to accomplish its primary purpose, and any

recommendations to assure that State funding is used in the most cost-effective manner and accomplishes the greatest improvement in water quality."

SECTION 13.22A.(x) Part 11 of Article 21 of Chapter 143 of the General Statutes is recodified as Article 73 of Chapter 106 of the General Statutes, and accordingly G.S. 143-215.74M is recodified as G.S. 106-860.

SECTION 13.22A.(y) G.S. 106-860(a), as recodified under subsection (x) of this section, reads as rewritten:

"(a) Program Established. – There is established the Community Conservation Assistance Program. The Program shall be implemented and supervised by the Soil and Water Conservation ~~Commission.~~Commission of the Department of Agriculture and Consumer Services."

SECTION 13.22A.(z) G.S. 106-860(d), as recodified under subsection (x) of this section, reads as rewritten:

"(d) Advisory Committee. – The Program shall be reviewed, prior to implementation, by the Community Conservation Assistance Program Advisory Committee. The Advisory Committee shall meet quarterly to review the progress of the Program. The Advisory Committee shall consist of the following members:

(1) The Director of the Division of Soil and Water Conservation of the Department of Agriculture and Consumer Services or the Director's designee, who shall serve as the Chair of the Advisory Committee.
(2) The President of the North Carolina Association of Soil and Water Conservation Districts or the President's designee.
(3) The Director of the Cooperative Extension Service at North Carolina State University or the Director's designee.
(4) The Executive Director of the North Carolina Association of County Commissioners or the Executive Director's designee.
(5) The Executive Director of the North Carolina League of Municipalities or the Executive Director's designee.
(6) The State Conservationist of the Natural Resources Conservation Service of the United States Department of Agriculture or the State Conservationist's designee.
(7) The Executive Director of the Wildlife Resources Commission or the Executive Director's designee.
(8) The President of the North Carolina Conservation District Employees Association or the President's designee.
(9) The President of the North Carolina Association of Resource Conservation and Development Councils or the President's designee.
(10) The Director of the Division of Water Quality of the Department of Environment and Natural Resources or the Director's designee.
(11) The Director of the Division of Forest Resources of the Department of Environment and Natural Resources or the Director's designee.
(12) The Director of the Division of Land Resources of the Department of Environment and Natural Resources or the Director's designee.
(13) The Director of the Division of Coastal Management of the Department of Environment and Natural Resources or the Director's designee.
(14) The Director of the Division of Water Resources of the Department of Environment and Natural Resources or the Director's designee.
(15) The President of the Carolinas Land Improvement Contractors Association or the President's designee."

SECTION 13.22A.(aa) G.S. 106-860(e), as recodified under subsection (x) of this section, reads as rewritten:

"(e) Report. – The Soil and Water Conservation Commission shall report no later than 31 January of each year to the Environmental Review ~~Commission~~Commission, the Department of Agriculture and Consumer Services, and the Fiscal Research Division. The report shall include a summary of projects that received State funding pursuant to the Program, the results of the evaluation conducted pursuant to subdivision (5) of subsection (b) of this section, findings regarding the effectiveness of each project to accomplish its primary purpose, and any recommendations to assure that State funding is used in the most cost-effective manner and accomplishes the greatest improvement in water quality."

SECTION 13.22A.(bb) G.S. 113-291.10(a) reads as rewritten:

"(a) There is established the Beaver Damage Control Advisory Board. The Board shall consist of nine members, as follows:

...

(4) The Director of the Division of Soil and Water Conservation of the Department of ~~Environment and Natural Resources,~~Agriculture and Consumer Services, or a designee;

...."

SECTION 13.22A.(cc) G.S. 106-743.4(b) reads as rewritten:

"(b) A person who farms land that is subject to a conservation agreement under G.S. 106-743.2 that remains in effect is eligible under G.S. ~~143-215.74(b)~~106-850(b) to receive the higher percentage of cost-share funds for the benefit of that farmland under the Agriculture Cost Share Program established pursuant to ~~Part 9 of Article 21 of Chapter 143 of the General Statutes~~Article 72 of this Chapter for funds to benefit that farmland."

SECTION 13.22A.(dd) The Revisor of Statutes shall make the conforming statutory changes necessary to reflect the transfers under subsections (a) and (b) of this section. The Revisor of Statutes may correct any reference in the General Statutes to the statutes that are recodified by this section and any other conforming changes necessitated by this section.

AGRICULTURAL WATER RESOURCES ASSISTANCE PROGRAM/CONFORMING CHANGES; FUNDS TO PROMOTE WATER SUPPLY DEVELOPMENT

SECTION 13.23.(a) Chapter 139 of the General Statutes is amended by adding a new Article to read:

"Article 5.

"Agricultural Water Resources Assistance Program.

"**§ 139-60. Agricultural Water Resources Assistance Program.**

(a) Program Established. – The Agricultural Water Resources Assistance Program is established. The purpose of the Program shall be to assist farmers and landowners in doing any one or more of the following:

(1) Identify opportunities to increase water use efficiency, availability, and storage.

(2) Implement best management practices to conserve and protect water resources.

(3) Increase water use efficiency.

(4) Increase water storage and availability for agricultural purposes.

(b) Program Administration. – The Agricultural Water Resources Assistance Program shall be implemented by the Soil and Water Conservation Commission through the soil and water conservation districts in the same manner as the Agriculture Cost Share Program for Nonpoint Source Pollution Control under Part 9 of Article 21 of Chapter 143 of the General Statutes. The Soil and Water Conservation Commission shall supervise and administer this Program as provided in this section and as provided in Part 9 of Article 21 of Chapter 143 of the General Statutes for the Agriculture Cost Share Program for Nonpoint Source Pollution Control. At least once each calendar year, the Director of the Division of Soil and Water Conservation of the Department of Environment and Natural Resources and the Commissioner of Agriculture shall meet with stakeholders for the purpose of advising the Soil and Water Conservation Commission on the development and administration of the Program, including the development of annual goals for the Program.

(c) Program Functions. – Under the Agricultural Water Resources Assistance Program, the Soil and Water Conservation Commission shall do the following:

(1) Within funds available for this Program, provide cost-share funds subject to all of the following limitations and requirements:

a. Except as provided in G.S. 143-215.74(b)(9), State funding shall be limited to:

1. Seventy-five percent (75%) of the average cost for each project, with the assisted person providing twenty-five percent (25%) of the project cost, which may include in-kind support of the project.

2. A maximum of seventy-five thousand dollars ($75,000) per year to each applicant.

b. Applicants shall be limited to farmers who have an adjusted gross income in each of the previous two years that is at or below two hundred fifty thousand dollars ($250,000), unless at least seventy-five percent (75%) of this adjusted gross income is derived directly from farming, ranching, or forestry operations.

c. The requirements and limitations under subdivisions (1), (2), (5), (7), and (8) of subsection (b) of G.S. 143-215.74 do not apply. All other limitations and requirements set out in Part 9 of Article 21 of Chapter 143 of the General Statutes, as modified by this section, apply.

(2) Approve best management practices eligible for cost-share funds under this Program.

(3) Establish criteria to allocate funds to local soil and water conservation districts.

(4) Develop a process for soliciting and reviewing applications and for selecting farmers to participate in the Program.

(5) Investigate and pursue other funding sources to supplement State funds, including federal, local, and private funding sources.

(6) Provide technical assistance to participating persons to assist with the projects that are eligible for cost-share funds under subsection (a) of this section and to facilitate the timely transfer of technology among participating persons.

(7) Adopt temporary and permanent rules as necessary to implement this Program.

(d) Report. – No later than January 31 of each year, the Division of Soil and Water Conservation of the Department of Environment and Natural Resources shall prepare a comprehensive report on the implementation of subsections (a) through (c) of this section. The report shall be submitted to the Environmental Review Commission as a part of the report required by G.S. 143-215.74(e)."

SECTION 13.23.(b) G.S. 14-234(d3) reads as rewritten:

"(d3) Subsection (a) of this section does not apply to an application for or the receipt of a grant under the Agriculture Cost Share Program for Nonpoint Source Pollution Control created pursuant to Part 9 of Article 21 of Chapter 143 of the General ~~Statutes or~~Statutes, the Community Conservation Assistance Program created pursuant to Part 11 of Article 21 of Chapter 143 of the General ~~Statutes~~ Statutes, or the Agricultural Water Resources Assistance Program created pursuant to Article 5 of Chapter 139 of the General Statutes by a member of the Soil and Water Conservation Commission if the requirements of G.S. 139-4(e) are met, and does not apply to a district supervisor of a soil and water conservation district if the requirements of G.S. 139-8(b) are met."

SECTION 13.23.(c) G.S. 139-4(d) reads as rewritten:

"(d) In addition to the duties and powers hereinafter conferred upon the Soil and Water Conservation Commission, it shall have the following duties and powers:

...

(9) To create, implement, and supervise the Agriculture Cost Share Program for Nonpoint Source Pollution Control created pursuant to Part 9 of Article 21 of Chapter 143 of the General ~~Statutes and~~ Statutes, the Community Conservation Assistance Program created pursuant to Part 11 of Article 21 of Chapter 143 of the General ~~Statutes.~~Statutes, and the Agricultural Water Resources Assistance Program created pursuant to Article 5 of this Chapter.

(10) To review and approve or disapprove the application of a district supervisor for a grant under the Agriculture Cost Share Program for Nonpoint Source Pollution ~~Control or~~Control, the Community Conservation Assistance ~~Program~~ Program, or the Agricultural Water Resources Assistance Program as provided by G.S. 139-8(b)."

SECTION 13.23.(d) G.S. 139-4(e) reads as rewritten:

"(e) A member of the Commission may apply for and receive a grant under the Agriculture Cost Share Program for Nonpoint Source Pollution ~~Control and~~Control, the Community Conservation Assistance ~~Program~~ Program, or the Agricultural Water Resources Assistance Program if:

(1) The member does not vote on the application or attempt to influence the outcome of any action on the application; and
(2) The application is approved by the Secretary of Environment and Natural Resources."

SECTION 13.23.(e) G.S. 139-8(b) reads as rewritten:

"(b) A district supervisor may apply for and receive a grant under the Agriculture Cost Share Program for Nonpoint Source Pollution Control created pursuant to Part 9 of Article 21 of Chapter 143 of the General ~~Statutes or~~Statutes, the Community Conservation Assistance Program created pursuant to Part 11 of Article 21 of Chapter 143 of the General ~~Statutes~~ Statutes, or the Agricultural Water Resources Assistance Program created pursuant to Article 5 of this Chapter if:

1. The district supervisor does not vote on the application or attempt to influence the outcome of any action on the application; and
2. The application is approved by the Commission."

SECTION 13.23.(f) The stakeholders that the Director of the Division of Soil and Water Conservation of the Department of Environment and Natural Resources and the Commissioner of Agriculture shall meet with, as required under G.S. 139-60, as enacted by subsection (a) of this section, shall be the stakeholders involved in identifying and developing best management practices for water conservation and water efficiency by agricultural water users pursuant to S.L. 2010-149.

SECTION 13.23.(g) The first report required by G.S. 139-60, as enacted by subsection (a) of this section, shall be submitted to the Environmental Review Commission no later than January 31, 2013.

SECTION 13.23.(h) Of the funds available to the Department of Environment and Natural Resources for Water Resource Projects, the sum of one million dollars ($1,000,000) shall be transferred to the Department of Environment and Natural Resources, Division of Soil and Water Conservation, for the 2011-2012 fiscal year to implement the Agricultural Water Resources Assistance Program established in Article 5 of Chapter 139 of the General Statutes, as enacted by subsection (a) of this section. The Soil and Water Conservation Commission may use up to fifteen percent (15%) of these funds for the costs of the Division of Soil and Water Conservation and the costs of the Soil and Water Conservation Districts to provide engineering assistance, to provide technical assistance, and to administer the Agricultural Water Resources Assistance Program. Any of these funds that are not expended or encumbered as of June 30, 2012, shall not revert and shall remain available for purposes set forth in this subsection until expended.

CONTRACT TO OUTSOURCE GIFT SHOPS AT NC ZOO TO DIRECT PROFITS TO ZOO FUND

SECTION 13.24. The Department of Environment and Natural Resources shall enter into a contract for the operation of at least three of the gift shops located at the North Carolina Zoological Park during the 2011-2012 fiscal year and the 2012-2013 fiscal year, and this contract shall provide that any profits that result from operating these gift shops during the 2011-2012 fiscal year and the 2012-2013 fiscal year are credited at the end of each quarter to the Special Zoo Fund created under G.S. 143B-336.1. The provisions of Article 3 and Article 8 of Chapter 143 of the General Statutes apply to any contract entered into under this section.

TRANSFER FORESTRY DIVISION AND FORESTRY COUNCIL FROM DENR TO DACS

SECTION 13.25.(a) The Division of Forest Resources is transferred from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services with all the elements of a Type I transfer as defined by G.S. 143A-6.

SECTION 13.25.(b) G.S. 143B-279.3(a) reads as rewritten:

"(a) All functions, powers, duties, and obligations previously vested in the following subunits of the following departments are transferred to and vested in the Department of Environment and Natural Resources by a Type I transfer, as defined in G.S. 143A-6:

...

~~(6) Forest Resources Division, Department of Natural Resources and Community Development.~~

...."

SECTION 13.25.(c) Article 7 of Chapter 143A of the General Statutes is amended by adding a new section to read:

"**§ 143A-65.1. Division of Forest Resources.**

The Department of Agriculture and Consumer Services shall have charge of the work of forest maintenance, forest fire prevention, reforestation, and the protection of lands and water supplies by the preservation of forests; it shall also have the care of State forests and State recreational forests."

SECTION 13.25.(d) All functions, powers, duties, and obligations previously vested in the Forestry Council are transferred from the Department of Environment and Natural Resources to and vested in the Department of Agriculture and Consumer Services by a Type II transfer, as defined in G.S. 143A-6.

SECTION 13.25.(e) G.S. 143B-279.3(b)(13) is repealed.

SECTION 13.25.(f) Part 12 of Article 7 of Chapter 143B of the General Statutes (G.S. 143B-308, 143B-309, and 143B-310) is recodified in Article 7 of Chapter 143A of the General Statutes as G.S. 143A-66.1, 143A-66.2, and 143A-66.3.

SECTION 13.25.(g) G.S. 143A-66.1, as recodified in subsection (f) of this section, reads as rewritten:

"**§ 143A-66.1. Forestry Council – creation; powers and duties.**

There is hereby created the Forestry Council of the Department of ~~Environment and Natural Resources.~~Agriculture and Consumer Services. The Forestry Council shall have the following functions and duties:

(1) To advise the ~~Secretary of Environment and Natural Resources~~Commissioner of Agriculture with respect to all matters concerning the protection, management, and preservation of State-owned, privately owned, and municipally owned forests in the State, including but not limited to:
   a. Profitable use of the State's forests consistent with the principles of sustained productivity.
   b. Best management practices, including those for protection of soil, water, wildlife, and wildlife habitat, to be used in managing the State's forests and their resources.
   c. Restoration of forest ecosystems and protection of rare and endangered species occurring in the State's private forests consistent with principles of private ownership of land.

(2) To maintain oversight of a continuous monitoring and planning process, to provide a long-range, comprehensive plan for the use, management, and sustainability of North Carolina's forest resources, and to report regularly on progress made toward meeting the objectives of the plan.

(3) To provide a forum for the identification, discussion, and development of recommendations for the resolution of conflicts in the management of North Carolina's forests.

(4) To undertake any other studies, make any reports, and advise the ~~Secretary of Environment and Natural Resources~~Commissioner of Agriculture on any matter as the ~~Secretary~~ Commissioner may direct."

SECTION 13.25.(h) G.S. 143A-66.2, as recodified in subsection (f) of this section, reads as rewritten:

"**§ 143A-66.2. Forestry Council – members; chairperson; selection; removal; compensation; quorum.**

(a) The Forestry Advisory Council of the Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services shall consist of 18 members appointed as follows:

(1) Three persons who are registered foresters and who represent the primary forest products industry, one each from the Mountains, Piedmont and Coastal Plain.

(2) One person who represents the secondary wood-using industry.

(3) One person who represents the logging industry.

(4) Four persons who are nonindustrial woodland owners actively involved in forest management, one of whom has agricultural interests, and at least one each from the Mountains, Piedmont, and Coastal Plain.

(5) Three persons who are members of statewide environmental or wildlife conservation organizations.
(6) One consulting forester.
(7) Two persons who are forest scientists with knowledge of the functioning and management of forest ecosystems.
(8) One person who represents a banking institution that manages forestland.
(9) One person with expertise in urban forestry.
(10) One person with active experience in city and regional planning.

...

(h) All clerical and other services required by the Council, including the support required to carry out studies it is requested to make, shall be supplied by the ~~Secretary of Environment and Natural Resources.~~Commissioner of Agriculture."

SECTION 13.25.(i) G.S. 106-22 is amended by adding new subdivisions to read:

"(18) Forests. – Have charge of forest maintenance, forest fire protection, reforestation, and the protection of the forests.
(19) State forests. – Have charge of all State forests and measures for forest fire prevention.
(20) State recreational forests. – Have charge of all State recreational forests."

SECTION 13.25.(j) G.S. 113-8 reads as rewritten:

"**§ 113-8. Powers and duties of the Department.**

The Department shall make investigations of the natural resources of the State, and take such measures as it may deem best suited to promote the conservation and development of such resources.

It shall have ~~charge of the work of forest maintenance, forest fire prevention, reforestation, and~~ the protection of lands and water ~~supplies by the preservation of forests;~~supplies; it shall also have the care of State ~~forests and~~ parks, and other recreational areas now owned or to be acquired by the State, including the lakes referred to in G.S. 146-7.

It shall make such examination, survey and mapping of the geology, mineralogy and topography of the State, including their industrial and economic utilization, as it may consider necessary; make investigations of water supplies and water powers, prepare and maintain a general inventory of the water resources of the State, and take such measures as it may consider necessary to promote their development.

It shall have the duty of enforcing all laws relating to the conservation of marine and estuarine resources.

The Department may take such other measures as it may deem advisable to obtain and make public a more complete knowledge of the State and its resources, and it is authorized to cooperate with other departments and agencies of the State in obtaining and making public such information.

The Department may acquire such real and personal property as may be found desirable and necessary for the performance of the duties and functions of the Department and pay for same out of any funds appropriated for the Department or available unappropriated revenues of the Department, when such acquisition is approved by the Governor and Council of State. The title to any real estate acquired shall be in the name of the State of North Carolina for the use and benefit of the Department."

SECTION 13.25.(k) G.S. 113-22 is repealed.

SECTION 13.25.(l) G.S. 106-22 is amended by adding new subdivisions to read:

"(18) Forests. – Have charge of forest maintenance, forest fire protection, reforestation, and the protection of the forests.
(19) State forests. – Have charge of all State forests and measures for forest fire prevention.
(20) Property for State forests. – Acquire real and personal property as desirable and necessary for the performance of the duties and functions of the Department under subdivision (19) of this section and pay for the property out of any funds appropriated for the Department or available unappropriated revenues of the Department, when such acquisition is approved by the Governor and Council of State. The title to any real estate acquired under this subdivision shall be in the name of the State of North Carolina for the use and benefit of the Department.
(21) State recreational forests. – Have charge of all State recreational forests.

(22) Property for State recreational forests. – Acquire real and personal property as desirable and necessary for the performance of the duties and functions of the Department under subdivision (21) of this section and pay for the property out of any funds appropriated for the Department or available unappropriated revenues of the Department, when such acquisition is approved by the Governor and Council of State. The title to any real estate acquired under this subdivision shall be in the name of the State of North Carolina for the use and benefit of the Department."

SECTION 13.25.(m) The title of Subchapter II of Chapter 113 of the General Statutes reads as rewritten:

"**SUBCHAPTER II. STATE ~~FORESTS AND~~ PARKS.**"

SECTION 13.25.(n) Article 2 of Chapter 113 of the General Statutes reads as rewritten:

"Article 2.

"Acquisition and Control of State ~~Forests and~~ Parks.

"**§ 113-29. ~~Policy and plan to be inaugurated by Department of Environment and Natural Resources.~~Definitions.**

~~(a)~~ In this Article, unless the context requires otherwise, "Department" means the Department of Environment and Natural Resources; and "Secretary" means the Secretary of Environment and Natural Resources.

~~(b) The Department of Environment and Natural Resources shall inaugurate the following policy and plan looking to the cooperation with private and public forest owners in this State insofar as funds may be available through legislative appropriation, gifts of money or land, or such cooperation with landowners and public agencies as may be available:~~

~~(1) The extension of the forest fire prevention organization to all counties in the State needing such protection.~~

~~(2) To cooperate with federal and other public agencies in the restoration of forest growth on land unwisely cleared and subsequently neglected.~~

~~(3) To furnish trained and experienced experts in forest management, to inspect private forestlands and to advise with forest landowners with a view to the general observance of recognized and practical rules of growing, cutting and marketing timber. The services of such trained experts of the Department must naturally be restricted to those landowners who agree to carry out so far as possible the recommendations of said Department.~~

~~(4) To prepare and distribute printed and other material for the use of teachers and club leaders and to provide instruction to schools and clubs and other groups of citizens in order to train the younger generation in the principles of wise use of our forest resources.~~

~~(5) To acquire small areas of suitable land in the different regions of the State on which to establish small, model forests which shall be developed and used by the said Department as State demonstration forests for experiment and demonstration in forest management.~~

~~"§ 113-29.1. Growing of timber on unused State lands authorized.~~

~~The Department of Administration may allocate to the Department, for management as a State forest, any vacant and unappropriated lands, any marshlands or swamplands, and any other lands title to which is vested in the State or in any State agency or institution, where such lands are not being otherwise used and are not suitable for cultivation. Lands under the supervision of the Wildlife Resources Commission and designated and in use as wildlife management areas, refuges, or fishing access areas and lands used as research stations shall not be subject to the provisions of this section. The Department shall plant timber-producing trees on all lands allocated to it for that purpose by the Department of Administration. The Secretary may contract with the appropriate prison authorities for the furnishing, upon such conditions as may be agreed upon from time to time between such prison authorities and the Secretary, of prison labor for use in the planting, cutting, and removal of timber from State forests which are under the management of the Department.~~

~~"§ 113-30. Use of lands acquired by counties through tax foreclosures as demonstration forests.~~

~~The boards of county commissioners of the various counties of North Carolina are herewith authorized to turn over to the said Department title to such tax-delinquent lands as may have~~

~~been acquired by said counties under tax sale and as in the judgment of the Secretary may be suitable for the purposes named in G.S. 113-29, subdivision (5).~~

~~**"§ 113-31. Procedure for acquisition of delinquent tax lands from counties.**~~

~~In the carrying out of the provisions of G.S. 113-30, the several boards of county commissioners shall furnish forthwith on written request of the Department a complete list of all properties acquired by the county under tax sale and which have remained unredeemed for a period of two years or more. On receipt of this list the Secretary shall have the lands examined and if any one or more of these properties is in his judgment suitable for the purposes set forth in G.S. 113-30, request shall be made to the county commissioners for the acquisition of such land by the Department at a price not to exceed the actual amount of taxes due without penalties. On receipt of this request the county commissioners shall make permanent transfer of such tract or tracts of land to the Department through fee simple deed or other legal transfer, said deed to be approved by the Attorney General of North Carolina, and shall then receive payment from the Department as above outlined.~~

~~**"§ 113-32. Purchase of lands for use as demonstration forests.**~~

~~Where no suitable tax-delinquent lands are available and in the judgment of the Department the establishment of a demonstration forest is advisable, the Department may purchase sufficient land for the establishment of such a demonstration forest at a fair and agreed upon price, the deed for such land to be subject to approval of the Attorney General, but nothing in G.S. 113-29 to 113-33 shall allow the Department to acquire land under the right of eminent domain.~~

~~**"§ 113-33. Forest management appropriation.**~~

~~Necessary funds for carrying out the provisions of G.S. 113-29 and 113-30 to 113-33 shall be set up in the regular budget as an item entitled "forest management.~~

"§ 113-34. Power to acquire lands as State ~~forests,~~ parks, and other recreational areas; donations or leases by United States; leases for recreational purposes.

(a) ~~The Governor may, upon recommendation of the Department, accept gifts of land to the State to be held, protected, and administered by the Department as State forests, and to be used so as to demonstrate the practical utility of timber culture and water conservation, and as refuges for game. The gifts of land must be absolute except in cases where the mineral interest on the land has previously been sold. The Department may purchase lands in the name of the State, suitable chiefly for the production of timber, as State forests, for experimental, demonstration, educational, park, and protection purposes, using for these purposes any special appropriations or funds available.~~ The Department may acquire by gift, purchase, or condemnation under the provisions of Chapter 40A of the General Statutes, areas of land in different sections of the State that may in the opinion of the Department be necessary for the purpose of establishing or developing ~~State forests,~~ State parks, and other areas and developments essential to the effective operation of the ~~State forestry and~~ State park activities under its charge. Condemnation proceedings shall be instituted and prosecuted in the name of the State, and any property so acquired shall be administered, developed, and used ~~for experiment and demonstration in forest management,~~ for public ~~recreation,~~recreation and for other purposes authorized or required by law. Before any action or proceeding under this section can be exercised, the approval of the Governor and Council of State shall be obtained and filed with the clerk of the superior court in the county or counties where the property is located. The Attorney General shall ensure that all deeds to the State for land acquired under this section are properly executed before the gift is accepted or payment of the purchase money is made.

(b) The Department may accept as gifts to the State any ~~forest and~~ submarginal farmland acquired by the federal government that is suitable for the purpose of creating and maintaining ~~State forests,~~ game refuges, public shooting grounds, State parks, State lakes, and other recreational areas, or to enter into longtime leases with the federal government for the areas and administer them with funds secured from their administration in the best interest of longtime public use, supplemented by any appropriations made by the General Assembly. The Department may segregate revenue derived from State hunting and fishing licenses, use permits, and concessions and other proper revenue secured through the administration of State ~~forests,~~ game refuges, public shooting grounds, State parks, State lakes, and other recreational areas to be deposited in the State treasury to the credit of the Department to be used for the administration of these areas.

(c) The Department, with the approval of the Governor and Council of State, may enter into leases of lands and waters for State parks, State lakes, and recreational purposes.

(d), (e) Repealed by Session Laws 2003-284, s. 35.1(a), effective July 1, 2003.

(f) The authority granted to the Department under this section is in addition to any authority granted to the Department under any other provision of law.

"§ 113-34.1. Power to acquire conservation lands not included in the State Parks System.

The Department of Administration may acquire and allocate to the Department of Environment and Natural Resources for management by the Division of Parks and Recreation lands that the Department of Environment and Natural Resources finds are important for conservation purposes but which are not included in the State Parks System. Lands acquired pursuant to this section are not subject to Article 2C of Chapter 113 of the General Statutes and may be traded or transferred as necessary to protect, develop, and manage the Mountains to Sea State Park Trail, other State parks, or other conservation lands. This section does not expand the power granted to the Department of Environment and Natural Resources under G.S. 113-34(a) to acquire land by condemnation.

"§ 113-35. ~~State timber may be sold by Department; forest nurseries; control~~Control over State parks; operation of public service facilities; concessions to private concerns; authority to charge fees and adopt rules.

(a) ~~Timber and other products of State forests may be sold, cut, and removed under rules of the Department. The Department may establish and operate forest tree nurseries and forest tree seed orchards. Forest tree seedlings and seed from these nurseries and seed orchards may be sold to landowners of the State for purposes of forestation under rules adopted by the Department. When the Secretary determines that a surplus of seedlings or seed exists, this surplus may be sold, and the sale shall be in conformity with the following priority of sale: first, to agencies of the federal government for planting in the State of North Carolina; second, to commercial nurseries and nurserymen within this State; and third, without distinction, to federal agencies, to other states, and to recognized research organizations for planting either within or outside of this State.~~ The Department shall make reasonable rules governing the use by the public of ~~State forests,~~ State ~~parks, State lakes, game refuges, and public shooting grounds~~parks and State lakes under its charge. These rules shall be posted in conspicuous places on and adjacent to the properties of the State and at the courthouse of the county or counties in which the properties are located. A violation of these rules is punishable as a Class 3 misdemeanor.

(a1) The Department may adopt rules under which the Secretary may issue a special-use permit authorizing the use of pyrotechnics in State parks in connection with public exhibitions. The rules shall require that experts supervise the use of pyrotechnics and that written authorization for the use of pyrotechnics be obtained from the board of commissioners of the county in which the pyrotechnics are to be used, as provided in G.S. 14-410. The Secretary may impose any conditions on a permit that the Secretary determines to be necessary to protect public health, safety, and welfare. These conditions shall include a requirement that the permittee execute an indemnification agreement with the Department and obtain general liability insurance covering personal injury and property damage that may result from the use of pyrotechnics with policy limits determined by the Secretary.

(b) The Department may construct, operate, and maintain within the ~~State forests,~~ State parks, State lakes, and other areas under its charge suitable public service facilities and conveniences, and may charge and collect reasonable fees for the use of these facilities and conveniences. The Department may also charge and collect reasonable fees for each of the following:

(1) The erection, maintenance, and use of docks, piers, and any other structures permitted in or on State lakes under rules adopted by the Department.

(2) ~~Hunting privileges on State forests and fishing~~Fishing privileges in ~~State forests, State parks,~~parks and State lakes, provided that these privileges shall be extended only to holders of State hunting and fishing licenses who comply with all State game and fish laws.

(3) Vehicle access for off-road driving at the beach at Fort Fisher State Recreation Area.

(4) The erection, maintenance, and use of a marina at Carolina Beach.

(b1) Members of the public who pay a fee under subsection (b) of this section for access to Fort Fisher State Recreation Area may have 24-hour access to Fort Fisher State Recreation Area from September 15 through March 15 of each year.

(c) The Department may make reasonable rules for the operation and use of boats or other craft on the surface of the waters under its charge. The Department may charge and collect reasonable fees for the use of boats and other watercraft that are purchased and maintained by the Department; however, the Department shall not charge a fee for the use or operation of any other boat or watercraft on these waters.

(d) The Department may grant to private individuals or companies concessions for operation of public service facilities for such periods and upon such conditions as the Department deems to be in the public interest. The Department may adopt reasonable rules for the regulation of the use by the public of the lands and waters under its charge and of the public service facilities and conveniences authorized under this section. A violation of these rules is punishable as a Class 3 misdemeanor.

(e) The authority granted to the Department under this section is in addition to any authority granted to the Department under any other provision of law.

~~**"§ 113-36. Applications of proceeds from sale of products.**~~

~~(a) Application of Proceeds Generally. Except as provided in this section, all money received from the sale of wood, timber, minerals, or other products from the State forests shall be paid into the State treasury and to the credit of the Department; and such money shall be expended in carrying out the purposes of this Article and of forestry in general, under the direction of the Secretary.~~

~~(b) Tree Cone and Seed Purchase Fund. A percentage of the money obtained from the sale of seedlings and remaining unobligated at the end of a fiscal year, shall be placed in a special, continuing and nonreverting Tree Cone and Seed Purchase Fund under the control and direction of the Secretary. The percentage of the sales placed in the fund shall not exceed ten percent (10%). At the beginning of each fiscal year, the Secretary shall select the percentage for the upcoming fiscal year depending upon the anticipated costs of tree cones and seeds which the department must purchase. Money in this fund shall not be allowed to accumulate in excess of the amount needed to purchase a four-year supply of tree cones and seed, and shall be used for no purpose other than the purchase of tree cones and seeds.~~

~~(c) Forest Seedling Nursery Program Fund. The Forest Seedling Nursery Program Fund is created within the Department of Environment and Natural Resources, Division of Forest Resources, as a special revenue fund. Except as provided in subsection (b) of this section, this Fund shall consist of receipts from the sale of seed and seedlings as authorized in G.S. 113-35 and any gifts, bequests, or grants for the benefit of this Fund. No General Fund appropriations shall be credited to this Fund. Any balance remaining in this Fund at the end of any fiscal year shall not revert. The Department may use this Fund only to develop, improve, repair, maintain, operate, or otherwise invest in the Forest Seedling Nursery Program.~~

~~(d) Bladen Lakes State Forest Fund. The Bladen Lakes State Forest Fund is created within the Department of Environment and Natural Resources, Division of Forest Resources, as a special revenue fund. This Fund shall consist of receipts from the sale of forest products from Bladen Lakes State Forest as authorized in G.S. 113-35 and any gifts, bequests, or grants for the benefit of this Fund. No General Fund appropriations shall be credited to this Fund. Any balance remaining in this Fund at the end of any fiscal year shall not revert. The Department may use this Fund only to develop, improve, repair, maintain, operate, or otherwise invest in the Bladen Lakes State Forest.~~

"§ 113-37. Legislative authority necessary for payment.

Nothing in this Article shall operate or be construed as authority for the payment of any money out of the State treasury for the purchase of lands or for other purposes unless by appropriation for said purpose by the General Assembly.

~~**"§ 113-38. Distribution of funds from sale of forestlands.**~~

~~All funds paid by the National Forest Commission, by authority of act of Congress, approved May 23, 1908 (35 Stat., 260), for the Counties of Avery, Buncombe, Burke, Craven, Haywood, Henderson, Hyde, Jackson, Macon, Montgomery, Swain, Transylvania, Watauga, and Yancey, shall be paid to the proper county officers, and said funds shall, when received, be placed in the account of the general county funds: Provided, however, that in Buncombe County said funds shall be entirely for the use and benefit of the school district or districts in which said national forestlands shall be located.~~

~~All funds which may hereafter come into the hands of the State Treasurer from like sources shall be likewise distributed.~~

"§ 113-39. License fees for hunting and fishing on government-owned property unaffected.

No wording in G.S. 113-307.1(a), or any other North Carolina statute or law, or special act, shall be construed to abrogate the vested rights of the State of North Carolina to collect fees for license for hunting and fishing on any government-owned land or in any government-owned stream in North Carolina including the license for county, State or nonresident hunters or fishermen; or upon any lands or in any streams hereafter acquired by the federal government within the boundaries of the State of North Carolina. The lands and streams within the boundaries of the Great Smoky Mountains National Park to be ~~excepted~~ exempt from this section.

"§ 113-40. Donations of property for ~~forestry or~~ park purposes; agreements with federal government or agencies for acquisition.

The Department is hereby authorized and empowered to accept gifts, donations or contributions of land suitable for ~~forestry or~~ park purposes and to enter into agreements with the federal government or other agencies for acquiring by lease, purchase or otherwise such lands as in the judgment of the Department are desirable for ~~State forests or~~ State parks.

"§ 113-41. Expenditure of funds for development, etc.; disposition of products from lands; rules.

When lands are acquired or leased under G.S. 113-40, the Department is hereby authorized to make expenditures from any funds not otherwise obligated, for the management, development and utilization of such areas; to sell or otherwise dispose of products from such lands, and to make such rules as may be necessary to carry out the purposes of G.S. 113-40 to 113-44.

"§ 113-42. Disposition of revenues received from lands acquired.

All revenues derived from lands now owned or later acquired under the provisions of G.S. 113-40 to 113-44 shall be set aside for the use of the Department in acquisition, management, development and use of such lands until all obligations incurred have been paid in full. Thereafter, fifty percent (50%) of all net profits accruing from the administration of such lands shall be applicable for such purposes as the General Assembly may prescribe, and fifty percent (50%) shall be paid into the school fund to be used in the county or counties in which lands are located.

"§ 113-43. State not obligated for debts created hereunder.

Obligations for the acquisition of land incurred by the Department under the authority of G.S. 113-40 to 113-44 shall be paid solely and exclusively from revenues derived from such lands and shall not impose any liability upon the general credit and taxing power of the State.

"§ 113-44. Disposition of lands acquired.

The Department shall have full power and authority to sell, exchange or lease lands under its jurisdiction when in its judgment it is advantageous to the State to do so in the highest orderly development and management of ~~State forests and~~ State parks: Provided, however, said sale, lease or exchange shall not be contrary to the terms of any contract which it has entered into."

SECTION 13.25.(o) Chapter 106 of the General Statutes is amended by adding a new Article to read:

"Article 71.

"Acquisition and Control of State Forests and State Recreational Forests.

"§ 106-840. Policy and plan to be inaugurated by Department of Agriculture and Consumer Services.

(a) In this Article, unless the context requires otherwise, "Department" means the Department of Agriculture and Consumer Services and "Commissioner" means Commissioner of Agriculture.

(b) For purposes of this Chapter, "State recreational forest " means a forest managed primarily for natural resource preservation, scenic enjoyment, and recreational purposes.

(c) The Department shall inaugurate the following policy and plan looking to the cooperation with private and public forest owners in this State insofar as funds may be available through legislative appropriation, gifts of money or land, or such cooperation with landowners and public agencies as may be available:

(1) The extension of the forest fire prevention organization to all counties in the State needing such protection.

(2) To cooperate with federal and other public agencies in the restoration of forest growth on land unwisely cleared and subsequently neglected.

(3) To furnish trained and experienced experts in forest management, to inspect private forestlands and to advise with forest landowners with a view to the general observance of recognized and practical rules of growing, cutting, and marketing timber. The services of such trained experts of the Department must naturally be restricted to those landowners who agree to carry out so far as possible the recommendations of said Department.

(4) To prepare and distribute printed and other material for the use of teachers and club leaders and to provide instruction to schools and clubs and other groups of citizens in order to train the younger generation in the principles of wise use of our forest resources.

(5) To acquire small areas of suitable land in the different regions of the State on which to establish small, model forests which shall be developed and used by the said Department as State demonstration forests for experiment and demonstration in forest management.

"**§ 106-841. Growing of timber on unused State lands authorized.**

The Department of Administration may allocate to the Department, for management as a State forest, any vacant and unappropriated lands, any marshlands or swamplands, and any other lands title to which is vested in the State or in any State agency or institution, where such lands are not being otherwise used and are not suitable for cultivation. Lands under the supervision of the Wildlife Resources Commission and designated and in use as wildlife management areas, refuges, or fishing access areas and lands used as research stations shall not be subject to the provisions of this section. The Department shall plant timber-producing trees on all lands allocated to it for that purpose by the Department of Administration. The Commissioner may contract with the appropriate prison authorities for the furnishing, upon such conditions as may be agreed upon from time to time between such prison authorities and the Commissioner, of prison labor for use in the planting, cutting, and removal of timber from State forests which are under the management of the Department.

"**§ 106-842. Use of lands acquired by counties through tax foreclosures as demonstration forests.**

The boards of county commissioners of the various counties of North Carolina are herewith authorized to turn over to the said Department title to such tax-delinquent lands as may have been acquired by said counties under tax sale and as in the judgment of the Commissioner may be suitable for the purposes named in subdivision (5) of subsection (b) of G.S. 106-840.

"**§ 106-843. Procedure for acquisition of delinquent tax lands from counties.**

In the carrying out of the provisions of G.S. 106-842, the several boards of county commissioners shall furnish forthwith on written request of the Department a complete list of all properties acquired by the county under tax sale and which have remained unredeemed for a period of two years or more. On receipt of this list, the Commissioner shall have the lands examined and, if any one or more of these properties is in the Commissioner's judgment suitable for the purposes set forth in G.S. 106-842, request shall be made to the county commissioners for the acquisition of such land by the Department at a price not to exceed the actual amount of taxes due without penalties. On receipt of this request, the county commissioners shall make permanent transfer of such tract or tracts of land to the Department through fee-simple deed or other legal transfer, said deed to be approved by the Attorney General of North Carolina, and shall then receive payment from the Department as above outlined.

"**§ 106-844. Purchase of lands for use as demonstration forests.**

Where no suitable tax-delinquent lands are available and, in the judgment of the Department, the establishment of a demonstration forest is advisable, the Department may purchase sufficient land for the establishment of such a demonstration forest at a fair and agreed-upon price, the deed for such land to be subject to approval of the Attorney General, but nothing in G.S. 106-840 to G.S. 106-845 shall allow the Department to acquire land under the right of eminent domain.

"**§ 106-845. Forest management appropriation.**

Necessary funds for carrying out the provisions of G.S. 106-840 and G.S. 106-842 to G.S. 106-845 shall be set up in the regular budget as an item entitled "forest management."

"**§ 106-846. Power to acquire lands as State forests; donations or leases by United States; leases for recreational purposes.**

(a) The Governor may, upon recommendation of the Department, accept gifts of land to the State to be held, protected, and administered by the Department as State forests, and to be used so as to demonstrate the practical utility of timber culture and water conservation, and as refuges for game. The gifts of land must be absolute except in cases where the mineral interest on the land has previously been sold. The Department may purchase lands in the name of the State, suitable chiefly for the production of timber, as State forests, for experimental, demonstration, educational, and protection purposes, using for these purposes any special appropriations or funds available. The Department may acquire by condemnation under the provisions of Chapter 40A of the General Statutes areas of land in different sections of the State that may in the opinion of the Department be necessary for the purpose of establishing or developing State forests and other areas and developments essential to the effective operation of the State forestry activities under its charge. Condemnation proceedings shall be instituted and prosecuted in the name of the State, and any property so acquired shall be administered, developed, and used for experiment and demonstration in forest management, for public recreation, and for other purposes authorized or required by law. Before any action or proceeding under this section can be exercised, the approval of the Governor and Council of State shall be obtained and filed with the clerk of the superior court in the county or counties where the property is located. The Attorney General shall ensure that all deeds to the State for land acquired under this section are properly executed before the gift is accepted or payment of the purchase money is made.

(b) The Department may accept as gifts to the State any forest and submarginal farmland acquired by the federal government that is suitable for the purpose of creating and maintaining State forests or enter into longtime leases with the federal government for the areas and administer them with funds secured from their administration in the best interest of longtime public use, supplemented by any appropriations made by the General Assembly. The Department may segregate revenue derived from State hunting and fishing licenses, use permits, and concessions, and other proper revenue secured through the administration of State forests, to be deposited in the State treasury to the credit of the Department to be used for the administration of these areas.

(c) The authority granted to the Department under this section is in addition to any authority granted to the Department under any other provision of law.

"**§ 106-847. State timber may be sold by Department; forest nurseries; operation of public service facilities; concessions to private concerns; authority to charge fees and adopt rules.**

(a) Timber and other products of State forests may be sold, cut, and removed under rules of the Department. The Department may establish and operate forest tree nurseries and forest tree seed orchards. Forest tree seedlings and seed from these nurseries and seed orchards may be sold to landowners of the State for purposes of forestation under rules adopted by the Department. When the Commissioner determines that a surplus of seedlings or seed exists, this surplus may be sold, and the sale shall be in conformity with the following priority of sale: first, to agencies of the federal government for planting in the State of North Carolina; second, to commercial nurseries and nurserymen within this State; and third, without distinction, to federal agencies, to other states, and to recognized research organizations for planting either within or outside of this State. The Department shall make reasonable rules governing the use by the public of State forests under its charge. These rules shall be posted in conspicuous places on and adjacent to the properties of the State and at the courthouse of the county or counties in which the properties are located. A violation of these rules is punishable as a Class 3 misdemeanor.

(b) The Department may construct, operate, and maintain within the State forests and other areas under its charge suitable public service facilities and conveniences, and may charge and collect reasonable fees for the use of these facilities and conveniences. The Department may also charge and collect reasonable fees for hunting privileges on State forests and fishing privileges in State forests, provided that these privileges shall be extended only to holders of State hunting and fishing licenses who comply with all State game and fish laws.

(c) The Department may grant to private individuals or companies concessions for operation of public service facilities for such periods and upon such conditions as the Department deems to be in the public interest. The Department may adopt reasonable rules for the regulation of the use by the public of the lands and waters under its charge and of the public service facilities and conveniences authorized under this section. A violation of these rules is punishable as a Class 3 misdemeanor.

(d) The authority granted to the Department under this section is in addition to any authority granted to the Department under any other provision of law.

"**§ 106-848. Applications of proceeds from sale of products.**

(a) Application of Proceeds Generally. – Except as provided in this section, all money received from the sale of wood, timber, minerals, or other products from the State forests shall be paid into the State treasury and to the credit of the Department; and such money shall be expended in carrying out the purposes of this Article and of forestry in general, under the direction of the Commissioner.

(b) Tree Cone and Seed Purchase Fund. – A percentage of the money obtained from the sale of seedlings and remaining unobligated at the end of a fiscal year shall be placed in a special, continuing, and nonreverting Tree Cone and Seed Purchase Fund under the control and direction of the Commissioner. The percentage of the sales placed in the Fund shall not exceed ten percent (10%). At the beginning of each fiscal year, the Commissioner shall select the percentage for the upcoming fiscal year depending upon the anticipated costs of tree cones and seeds which the Department must purchase. Money in this Fund shall not be allowed to accumulate in excess of the amount needed to purchase a four-year supply of tree cones and seed and shall be used for no purpose other than the purchase of tree cones and seeds.

(c) Forest Seedling Nursery Program Fund. – The Forest Seedling Nursery Program Fund is created within the Department of Environment and Natural Resources, Division of Forest Resources, as a special revenue fund. Except as provided in subsection (b) of this section, this Fund shall consist of receipts from the sale of seed and seedlings as authorized in G.S. 106-847 and any gifts, bequests, or grants for the benefit of this Fund. No General Fund appropriations shall be credited to this Fund. Any balance remaining in this Fund at the end of any fiscal year shall not revert. The Department may use this Fund only to develop, improve, repair, maintain, operate, or otherwise invest in the Forest Seedling Nursery Program.

(d) Bladen Lakes State Forest Fund. – The Bladen Lakes State Forest Fund is created within the Department of Environment and Natural Resources, Division of Forest Resources, as a special revenue fund. This Fund shall consist of receipts from the sale of forest products from Bladen Lakes State Forest as authorized in G.S. 106-847 and any gifts, bequests, or grants for the benefit of this Fund. No General Fund appropriations shall be credited to this Fund. Any balance remaining in this Fund at the end of any fiscal year shall not revert. The Department may use this Fund only to develop, improve, repair, maintain, operate, or otherwise invest in the Bladen Lakes State Forest.

"**§ 106-849. Legislative authority necessary for payment.**

Nothing in this Article shall operate or be construed as authority for the payment of any money out of the State treasury for the purchase of lands or for other purposes unless by appropriation for said purpose by the General Assembly.

"**§ 106-850. Distribution of funds from sale of forestlands.**

All funds paid by the National Forest Commission, by authority of an act of Congress, approved May 23, 1908, (35 Stat. 260), for the Counties of Avery, Buncombe, Burke, Craven, Haywood, Henderson, Hyde, Jackson, Macon, Montgomery, Swain, Transylvania, Watauga, and Yancey, shall be paid to the proper county officers, and said funds shall, when received, be placed in the account of the general county funds: Provided, however, that in Buncombe County said funds shall be entirely for the use and benefit of the school administrative unit in which said national forestlands shall be located.

All funds which may hereafter come into the hands of the State Treasurer from like sources shall be likewise distributed.

"**§ 106-851. License fees for hunting and fishing on government-owned property unaffected.**

No wording in G.S. 113-307.1(a), or any other North Carolina public, local, or special act, shall be construed to abrogate the vested rights of the State of North Carolina to collect fees for license for hunting and fishing on any government-owned land or in any government-owned stream in North Carolina including the license for county, State, or nonresident hunters or

fishermen; or upon any lands or in any streams hereafter acquired by the federal government within the boundaries of the State of North Carolina. The lands and streams within the boundaries of the Great Smoky Mountains National Park are exempt from this section.

"**§ 106-852. Donations of property for forestry purposes; agreements with federal government or agencies for acquisition.**

The Department may accept gifts, donations, or contributions of land suitable for forestry purposes and to enter into agreements with the federal government or other agencies for acquiring by lease, purchase, or otherwise such lands as in the judgment of the Department are desirable for State forests and State recreational forests.

"**§ 106-853. Expenditure of funds for development, etc.; disposition of products from lands; rules.**

When lands are acquired or leased under G.S. 106-852, the Department may make expenditures from any funds not otherwise obligated, for the management, development, and utilization of such areas; to sell or otherwise dispose of products from such lands, and to make such rules as may be necessary to carry out the purposes of G.S. 106-852 to G.S. 106-856.

"**§ 106-854. Disposition of revenues received from lands acquired.**

All revenues derived from lands now owned or later acquired under the provisions of G.S. 106-852 to G.S. 106-856 shall be set aside for the use of the Department in acquisition, management, development, and use of such lands until all obligations incurred have been paid in full. Thereafter, fifty percent (50%) of all net profits accruing from the administration of such lands shall be applicable for such purposes as the General Assembly may prescribe and fifty percent (50%) shall be paid into the school fund to be used in the county or counties in which lands are located.

"**§ 106-855. State not obligated for debts created hereunder.**

Obligations for the acquisition of land incurred by the Department under the authority of G.S. 106-852 to G.S. 106-856 shall be paid solely and exclusively from revenues derived from such lands and shall not impose any liability upon the general credit and taxing power of the State.

"**§ 106-856. Disposition of lands acquired.**

The Department shall have full power and authority to sell, exchange, or lease lands under its jurisdiction when in its judgment it is advantageous to the State to do so in the highest orderly development and management of State forests: Provided, however, said sale, lease, or exchange shall not be contrary to the terms of any contract that it has entered into.

"**§ 106-857. Management of DuPont State Recreational Forest.**

(a) DuPont State Forest is designated as a State Recreational Forest. The Department shall manage DuPont State Recreational Forest: (i) primarily for natural resource preservation, scenic enjoyment and recreational purposes, including horseback riding, hiking, bicycling, hunting, and fishing; (ii) so as to provide an exemplary model of scientifically sound, ecologically based natural resource management for the social and economic benefit of the forest's diverse community of users; and (iii) consistent with the grant agreement between the Natural Heritage Trust Fund and the Division of Forest Resources, which grant designates a portion of the forest as a North Carolina Nature Preserve. In addition, the Department may use the forest for the demonstration of different forest management and resource protection techniques for local landowners, natural resource professionals, students, and other forest visitors.

(b) The Department shall adopt a land management plan for DuPont State Recreational Forest, which shall be periodically revised as needed, to (i) provide the ecological context within which management of the forest will be conducted; (ii) describe the desired future condition of natural resources throughout the forest toward which management will be directed; and (iii) outline appropriate management techniques to achieve those desired future conditions.

(c) Notwithstanding subsection (a) of G.S. 106-847, with respect to DuPont State Recreational Forest, the Department may cut and remove timber for forest management purposes only, including for the purposes of fire, pest, and disease prevention and control. The Department may cut, remove, and sell timber for the purpose of revenue generation only upon approval of the Governor and the Council of State.

(d) Notwithstanding G.S. 106-856, with respect to property comprising DuPont State Recreational Forest, the Department may sell, lease, or exchange such property only upon approval of the Governor and the Council of State.

(e) The Department may acquire inholdings or lands adjacent to DuPont State Recreational Forest for recreational purposes, natural resource protection or scenic enjoyment purposes, and other purposes described in G.S. 106-846 as appropriate for a recreational forest, and such acquisitions shall be made in accordance with the provisions of G.S. 106-846.

(f) In accordance with subsection (b) of G.S. 106-847, the Department may construct, operate, and maintain within DuPont State Recreational Forest suitable public service facilities and conveniences, and may charge and collect reasonable fees for the use of these facilities and conveniences. The Department may also charge and collect reasonable fees for hunting and fishing privileges in the forest, provided that these privileges shall be extended only to holders of State hunting and fishing licenses who comply with all State game and fish laws.

(g) In accordance with subsection (c) of G.S. 106-847, the Department may grant to private individuals or companies concessions for operation of public service facilities for such periods and upon such conditions as the Department deems to be in the public interest.

(h) The Department shall adopt rules for operation and management of DuPont State Recreational Forest in consultation with interested parties, including, but not limited to, local governments with jurisdiction over the area, the Friends of DuPont Forest, and other stakeholders with interests in the property for recreation and protection of its wildlife populations, water quality, biodiversity, or historical and cultural value.

(i) The Department 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 the Department's management activities at DuPont State Recreational Forest during the preceding fiscal year and plans for management of DuPont State Recreational Forest for the upcoming fiscal year."

SECTION 13.25.(p) Article 4 of Chapter 113 of the General Statutes (G.S. 113-51, 113-52, 113-53.1, 113-54, 113-55, 113-55.1, 113-55.2, 113-56, 113-56.1, 113-57, 113-58, 113-59, 113-60, 113-60.1, 113-60.2, and 113-60.3) is recodified as a new Article 72 of Chapter 106 of the General Statutes, G.S. 106-860 through G.S. 106-875.

SECTION 13.25.(q) Article 72 of Chapter 106 of the General Statutes, as recodified under subsection (p) of this section, reads as rewritten:

"Article 72.

"Protection and Development of Forests; Fire Control.

"§ 106-860. Powers of Department of ~~Environment and Natural Resources.~~Agriculture and Consumer Services.

(a) The Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services may take such action as it may deem necessary to provide for the prevention and control of forest fires in any and all parts of this State, and it is hereby authorized to enter into an agreement with the Secretary of Agriculture of the United States for the protection of the forested watersheds of streams in this State.

(b) In this Article, unless the context requires otherwise:

(1) "Commissioner" means the Commissioner of Agriculture.

~~(1)~~(2) "Department" means the Department of ~~Environment and Natural Resources.~~Agriculture and Consumer Services.

~~(2) "Secretary" means the Secretary of Environment and Natural Resources.~~

"§ 106-861. Forest rangers.

The ~~Secretary~~ Commissioner may appoint one county forest ranger and one or more deputy forest rangers in each county of the State in which, after careful investigation, the amount of forestland and the risks from forest fires shall, in his judgment, warrant the establishment of a forest fire organization.

"§ 106-862. Forest laws defined.

The forest laws consist of:

(1) G.S. 14-136 to G.S. 14-140;

(2) Articles ~~2, 4, 4A, 4C, and 6A~~71 through 79 of this Chapter;

(3) G.S. 77-13 and G.S. 77-14;

(4) Other statutes enacted for the protection of forests and woodlands from fire, insects, or disease and concerning obstruction of streams and ditches in forests and woodlands; and

(5) Regulations and ordinances adopted under the authority of the above statutes.

"§ 106-863. Duties of forest rangers; payment of expenses by State and counties.

Forest rangers shall have charge of measures for controlling forest fires, protection of forests from pests and diseases, and the development and improvement of the forests for maximum production of forest products; shall post along highways and in other conspicuous places copies of the forest fire laws and warnings against fires, which shall be supplied by the ~~Secretary;~~Commissioner; shall patrol and man lookout towers and other points during dry and dangerous seasons under the direction of the ~~Secretary;~~Commissioner; and shall perform such other acts and duties as shall be considered necessary by the ~~Secretary~~ Commissioner in the protection, development and improvement of the forested area of each of the counties within the State. No county may be held liable for any part of the expenses thus incurred unless specifically authorized by the board of county commissioners under prior written agreement with the ~~Secretary;~~Commissioner; appropriations for meeting the county's share of such expenses so authorized by the board of county commissioners shall be provided annually in the county budget. For each county in which financial participation by the county is authorized, the ~~Secretary~~ Commissioner shall keep or cause to be kept an itemized account of all expenses thus incurred and shall send such accounts periodically to the board of county commissioners of said county; upon approval by the board of the correctness of such accounts, the county commissioners shall issue or cause to be issued a warrant on the county treasury for the payment of the county's share of such expenditures, said payment to be made within one month after receipt of such statement from the ~~Secretary.~~Commissioner. Appropriations made by a county for the purposes set out in Articles ~~4, 4A, 4C and 6A~~72, 73, 75, and 79 of this Chapter in the cooperative forest protection, development and improvement work are not to replace State and federal funds which may be available to the ~~Secretary~~ Commissioner for the work in said county, but are to serve as a supplement thereto. Funds appropriated to the Department for a fiscal year for the purposes set out in Articles ~~4, 4A, 4C and 6A~~72, 73, 75, and 79 of this Chapter shall not be expended in a county unless that county shall contribute at least twenty-five percent (25%) of the total cost of the forestry program.

"§ 106-864. Powers of forest rangers to prevent and extinguish fires; authority to issue citations and warning tickets.

(a) Forest rangers shall prevent and extinguish forest fires and shall have control and direction of all persons and equipment while engaged in the extinguishing of forest fires. During a season of drought, the ~~Secretary~~ Commissioner or his designate may establish a fire patrol in any district, and in case of fire in or threatening any forest or woodland, the forest ranger shall attend forthwith and use all necessary means to confine and extinguish such fire. The forest ranger or deputy forest ranger may summon any resident between the ages of 18 and 45 years, inclusive, to assist in extinguishing fires and may require the use of crawler tractors and other property needed for such purposes; any person so summoned and who is physically able who refuses or neglects to assist or to allow the use of equipment and such other property required shall be guilty of a Class 3 misdemeanor and upon conviction shall only be subject to a fine of not less than fifty dollars ($50.00) nor more than one hundred dollars ($100.00). No action for trespass shall lie against any forest ranger, deputy forest ranger, or person summoned by him for crossing lands, backfiring, burning out or performing his duties as a forest ranger or deputy forest ranger.

(b) Forest rangers are authorized to issue and serve citations under the terms of G.S. 15A-302 and warning tickets under the terms of ~~G.S. 113-55.2~~G.S. 106-866 for offenses under the forest laws. This subsection may not be interpreted to confer the power of arrest on forest rangers, and does not make them criminal justice officers within the meaning of G.S. 17C-2.

"§ 106-865. Powers of forest law-enforcement officers.

The ~~Secretary~~ Commissioner is authorized to appoint as many forest law-enforcement officers as he deems necessary to carry out the forest law-enforcement responsibilities of the Department. Forest law-enforcement officers shall have all the powers and the duties of a forest ranger enumerated in ~~G.S. 113-54 and 113-55.~~G.S. 106-863 and G.S. 106-864. Forest law-enforcement officers shall, in addition to their other duties, have the powers of peace officers to enforce the forest laws. Any forest law-enforcement officer may arrest, without warrant, any person or persons committing any crime in his presence or whom such officer has probable cause for believing has committed a crime in his presence and bring such person or persons forthwith before a district court or other officer having jurisdiction. Forest

law-enforcement officers shall also have authority to obtain and serve warrants including warrants for violation of any duly promulgated rule of the Department.

"§ 106-866. Warning tickets for violations of the forest laws.

(a) To encourage the cooperation of the public in achieving the objectives of the forest laws, the ~~Secretary~~ Commissioner may provide for the issuance of warning tickets instead of the initiation of criminal prosecution by forest rangers and forest law-enforcement officers. Issuance of the warning tickets shall be in accordance with criteria administratively promulgated by the ~~Secretary~~ Commissioner within the requirements of this section. These criteria are exempt from Article 2A of Chapter 150B of the General Statutes.

(b) No warning ticket may be issued unless all of the following conditions are met:

(1) The forest ranger or the forest law-enforcement officer must be convinced that the offense was not committed intentionally.

(2) The offense is not one, or a type of offense, for which the ~~Secretary~~ Commissioner has prohibited the issuance of warning tickets.

(3) At the time of the violation it was not reasonably foreseeable that the conduct of the offender could result in any significant destruction of forests or woodlands or constitute a hazard to the public.

(c) A warning ticket may not be issued if the offender has previously been charged with, or issued a warning ticket for, the same or a similar offense within the preceding three years. A list of persons who have been issued warning tickets under this section within the preceding three years shall be maintained and periodically updated by the ~~Secretary.~~Commissioner.

(d) This section does not entitle any person who has committed an offense to the right to be issued a warning ticket, and the issuance of a warning ticket does not prohibit the later initiation of criminal prosecution for the same offense for which the warning ticket was issued.

"§ 106-867. Compensation of forest rangers.

Forest rangers shall receive compensation from the Department at a reasonable rate to be fixed by said Department for the time actually engaged in the performance of their duties; and reasonable expenses for equipment, transportation, or food supplies incurred in the performance of their duties, according to an itemized statement to be rendered the ~~Secretary~~ Commissioner every month, and approved by him. Forest rangers shall render to the ~~Secretary~~ Commissioner a statement of the services rendered by the men employed by them or their deputy rangers, as provided in this Article, within one month of the date of service, which bill shall show in detail the amount and character of the service performed, the exact duration thereof, the name of each person employed, and any other information required by the ~~Secretary.~~Commissioner. If said bill be duly approved by the ~~Secretary,~~Commissioner, it shall be paid by direction of the Department out of any funds provided for that purpose.

"§ 106-868. Overtime compensation for forest fire fighting.

The Department shall, within funds appropriated to the Department, provide overtime compensation to the professional employees of the Division of Forest Resources involved in fighting forest fires.

"§ 106-869. Woodland defined.

For the purposes of this Article, woodland is taken to include all forest areas, both timber and cutover land, and all second-growth stands on areas that have at one time been cultivated.

"§ 106-870. Misdemeanor to destroy posted forestry notice.

Any person who shall maliciously or willfully destroy, deface, remove, or disfigure any sign, poster, or warning notice, posted by order of the ~~Secretary,~~Commissioner, under the provisions of this Article, or any other act which may be passed for the purpose of protecting and developing the forests in this State, shall be guilty of a Class 3 misdemeanor.

"§ 106-871. Cooperation between counties and State in forest protection and development.

The board of county commissioners of any county is hereby authorized and empowered to cooperate with the Department in the protection, reforestation, and promotion of forest management of their own forests within their respective counties, and to appropriate and pay out of the funds under their control such amount as is provided in ~~G.S. 113-54.~~G.S. 106-863.

"§ 106-872. Instructions on forest preservation and development.

(a) It shall be the duty of all district, county, township rangers, and all deputy rangers provided for in this Chapter to distribute in all of the public schools and high schools of the county in which they are serving as such fire rangers all such tracts, books, periodicals and

other literature that may, from time to time, be sent out to such rangers by the State and federal forestry agencies touching or dealing with forest preservation, development, and forest management.

(b) It shall be the duty of the various rangers herein mentioned under the direction of the ~~Secretary,~~Commissioner, and the duty of the teachers of the various schools, both public and high schools, to keep posted at some conspicuous place in the various classrooms of the school buildings such appropriate bulletins and posters as may be sent out from the forestry agencies herein named for that purpose and keep the same constantly before their pupils; and said teachers and rangers shall prepare lectures or talks to be made to the pupils of the various schools on the subject of forest fires, their origin and their destructive effect on the plant life and tree life of the forests of the State, the development and scientific management of the forests of the State, and shall be prepared to give practical instruction to their pupils from time to time and as often as they shall find it possible so to do.

"§ 106-873. Authority of Governor to close forests and woodlands to hunting, fishing and trapping.

During periods of protracted drought or when other hazardous fire conditions threaten forest and water resources and appear to require extraordinary precautions, the Governor of the State, upon the joint recommendation of the ~~Secretary~~ Commissioner and the Executive Director of the North Carolina Wildlife Resources Commission, may by official proclamation:

(1) Close any or all of the woodlands and inland waters of the State to hunting, fishing and trapping for the period of the emergency.

(2) Forbid for the period of the emergency the building of campfires and the burning of brush, grass or other debris within 500 feet of any woodland in any county, counties, or parts thereof.

(3) Close for the period of the emergency any or all of the woodlands of the State to such other persons and activities as he deems proper under the circumstances, except to the owners or tenants of such property and their agents and employees, or persons holding written permission from any owner or his recognized agent to enter thereon for any lawful purpose other than hunting, fishing or trapping.

"§ 106-874. Publication of proclamation; annulment thereof.

Such proclamation shall become effective 24 hours after certified time of issue, and shall be published in such newspapers and posted in such places and in such manner as the Governor may direct. It shall be annulled in the same manner by another proclamation by the Governor when he is satisfied, upon joint recommendation of the ~~Secretary~~ Commissioner and the Executive Director of the North Carolina Wildlife Resources Commission, that the period of the emergency has passed.

"§ 106-875. Violation of proclamation a misdemeanor.

Any person, firm or corporation who enters upon any woodlands or inland waters of the State for the purpose of hunting, fishing or trapping, or who builds a campfire or burns brush, grass or other debris within 500 feet of any woodland, after a proclamation has been issued by the Governor forbidding such activities, or who violates any other provisions of the Governor's proclamation with regard to permissible activities in closed woodlands shall be guilty of a Class 1 misdemeanor."

SECTION 13.25.(r) Article 4A of Chapter 113 of the General Statutes (G.S. 113-60.4, 113-60.5, 113-60.6, 113-60.7, 113-60.8, 113-60.9, 113-60.10) is recodified as a new Article 73 of Chapter 106 of the General Statutes, G.S. 106-880 through G.S. 106-886.

SECTION 13.25.(s) Article 73 of Chapter 106 of the General Statutes, as recodified under subsection (r) of this section, reads as rewritten:

"Article 73.

"Protection of Forest Against Insect Infestation and Disease.

"§ 106-880. Purpose and intent.

(a) The purpose of this Article is to place within the Department of ~~Environment and Natural Resources,~~Agriculture and Consumer Services the authority and responsibility for investigating insect infestations and disease infections which affect stands of forest trees, the devising of control measures for interested landowners and others, and taking measures to control, suppress, or eradicate outbreaks of forest insect pests and tree diseases.

(b) In this Article, unless the context requires otherwise, the expression "Department" means the Department of ~~Environment and Natural Resources: "Secretary"~~Agriculture and

Consumer Services, and "Commissioner" means the ~~Secretary of Environment and Natural Resources.~~Commissioner of Agriculture.

"§ 106-881. Authority of the Department.

The authority and responsibility for carrying out the purpose, intent and provisions of this Article are hereby delegated to the Department. The administration of the provisions of this Article shall be under the general supervision of the ~~Secretary.~~Commissioner. ~~The provisions of this Article shall not abrogate or change any power or authority as may be vested in the North Carolina Department of Agriculture and Consumer Services under existing statutes.~~

"§ 106-882. Definitions.

As used in this Article, unless the context clearly requires otherwise:

(1) "Control zone" means an area of potential or actual infestation or infection, boundaries of which are fixed and clearly described in a manner to definitely identify the zone.

(2) "Forestland" means land on which forest trees occur.

(3) "Forest trees" means only those trees which are a part and constitute a stand of potential immature or mature commercial timber trees, provided that the term "forest trees" shall be deemed to include shade trees of any species around houses, along highways, and within cities and towns, if the same constitute insect and disease menaces to nearby timber trees or timber stands.

(4) "Infection" means attack by any disease affecting forest trees which is declared by the ~~Secretary~~ Commissioner to be dangerously injurious thereto.

(5) "Infestation" means attack by means of any insect, which is by the ~~Secretary~~ Commissioner declared to be dangerously injurious to forest trees.

"§ 106-883. Action against insects and diseases.

Whenever the ~~Secretary,~~Commissioner, or his agent, determines that there exists an infestation of forest insect pests or an infection of forest tree diseases, injurious or potentially injurious to the timber or forest trees within the State of North Carolina, and that said infestation or infection is of such a character as to be a menace to the timber or forest growth of the State, the ~~Secretary~~ Commissioner shall declare the existence of a zone of infestation or infection and shall declare and fix boundaries so as to definitely describe and identify said zone of infestation or infection, and the ~~Secretary~~ Commissioner or his agent shall give notice in writing by mail or otherwise to each forest landowner within the designated control zone advising him of the nature of the infestation or infection, the recommended control measures, and offer him technical advice on methods of carrying out controls.

"§ 106-884. Authority of ~~Secretary~~ Commissioner and his agents to go upon private land within control zones.

The ~~Secretary~~ Commissioner or his agents shall have the power to go upon the land within any zone of infestation or infection and take measures to control, suppress or eradicate the insect, infestation or disease infection. If any person refuses to allow the ~~Secretary~~ Commissioner or his agents to go upon his land, or if any person refuses to adopt adequate means to control or eradicate the insect, infestation or disease infection, the ~~Secretary~~ Commissioner may apply to the superior court of the county in which the land is located for an injunction or other appropriate remedy to restrain the landowner from interfering with the ~~Secretary~~ Commissioner or his agents in entering the control zone and adopting measures to control, suppress or eradicate the insect infestation or disease infection, provided the cost of court or control thereof shall not be a liability against the forest landowner nor constitute a lien upon the real property of such infested area.

"§ 106-885. Cooperative agreements.

In order to more effectively carry out the purposes of this Article, the Department is ~~hereby~~ authorized to enter into cooperative agreement with the federal government and other public and private agencies, and with the owners of forestland.

"§ 106-886. Annulment of control zone.

Whenever the ~~Secretary~~ Commissioner determines that the forest insect or disease control work within a designated control zone is no longer necessary or feasible, then the ~~Secretary~~ Commissioner shall declare the zone of infestation or infection no longer pertinent to the purposes of this Article and such zone will then no longer be recognized."

SECTION 13.25.(t) Article 4B of Chapter 113 of the General Statutes (G.S. 113-60.11, 113-60.12, 113-60.13, 113-60.14, and 113-60.15) is recodified as a new Article 74 of Chapter 106 of the General Statutes, G.S. 106-890 through G.S. 106-894.

SECTION 13.25.(u) G.S. 106-893, as recodified in subsection (t) of this section, reads as rewritten:

"§ 106-893. Compact Administrator; North Carolina members of advisory committee.

The ~~Secretary of Environment and Natural Resources~~Commissioner of Agriculture is hereby designated as Compact Administrator for this State and shall consult with like officials of the other member states and shall implement cooperation between such states in forest fire prevention and control.

At some time before the adjournment of each regular session of the General Assembly, the Governor shall choose one person from the membership of the House of Representatives, and shall choose one person from the membership of the Senate, who shall serve on the advisory committee of the Southeastern Interstate Forest Fire Protection Compact as provided for in Article III of said Compact. At the time of the selection of the House and Senate members of such advisory committee, the Governor shall choose one alternate member from the House of Representatives and one from the Senate who shall serve on such advisory committee in case of the death, absence or disability of the regular members so chosen."

SECTION 13.25.(v) G.S. 106-894, as recodified in subsection (t) of this section, reads as rewritten:

"§ 106-894. Agreements with noncompact states.

The Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services is hereby authorized to enter into written agreements with the State forest fire control agency of any other state or any province of Canada which is party to a regional forest fire protection compact. The provisions of any written agreement entered into pursuant to this Article shall be substantially in the form of the authority heretofore granted under the provisions of this Article, Southeastern Interstate Forest Fire Protection Compact."

SECTION 13.25.(w) Article 4C of Chapter 113 of the General Statutes (G.S. 113-60.21, 113-60.22, 113-60.23, 113-60.24, 113-60.25, 113-60.26, 113-60.27, 113-60.28, 113-60.29, 113-60.30, and 113-60.31) is recodified as a new Article 75 of Chapter 106 of the General Statutes, G.S. 106-900 through G.S. 106-910.

SECTION 13.25.(x) Article 75 of Chapter 106 of the General Statutes, as recodified by subsection (w) of this section, reads as rewritten:

"Article 75.

"Regulation of Open Fires.

"§ 106-900. Purpose and findings.

The purpose of this Article is to regulate certain open burning in order to protect the public from the hazards of forest fires and air pollution and to adapt such regulation to the needs and circumstances of the different areas of North Carolina. The General Assembly finds that open burning in proximity to woodlands must be regulated in all counties to protect against forest fires and air pollution. The General Assembly further finds that in certain counties a high percentage of the land area contains organic soils or forest types which may pose greater problems of forest fire and air pollution controls, and that in counties in which a great amount of land-clearing operations is taking place on these organic soils or these forest types, additional control of open burning is required. The counties subject to the need for additional control are classified as high hazard counties for purpose of this Article.

"§ 106-901. Definitions.

As used in this Article:

(1) "Department" means the Department of ~~Environment and Natural Resources.~~Agriculture and Consumer Services.

(2) "Forest ranger" means the county forest ranger or deputy forest ranger designated under ~~G.S. 113-52.~~G.S. 106-861.

(3) "Person" means any individual, firm, partnership, corporation, association, public or private institution, political subdivision, or government agency.

(4) "Woodland" means woodland as defined in ~~G.S. 113-57.~~G.S. 106-869.

"§ 106-902. High hazard counties; permits required; standards.

(a) The provisions of this section apply only to the counties of Beaufort, Bladen, Brunswick, Camden, Carteret, Chowan, Craven, Currituck, Dare, Duplin, Gates, Hyde, Jones,

Onslow, Pamlico, Pasquotank, Perquimans, Tyrrell, and Washington which are classified as high hazard counties in accordance with ~~G.S. 113-60.21.~~G.S. 106-900.

(b) It is unlawful for any person to willfully start or cause to be started any fire in any woodland under the protection of the Department or within 500 feet of any such woodland without first having obtained a permit from the Department. Permits for starting fires may be obtained from forest rangers or other agents authorized by the county forest ranger to issue such permits in the county in which the fire is to be started. Such permits shall be issued by the ranger or other agent unless permits for the area in question have been prohibited or cancelled in accordance with ~~G.S. 113-60.25 or 113-60.27.~~G.S. 106-904 or G.S. 106-906.

(c) It is unlawful for any person to willfully burn any debris, stumps, brush or other flammable materials resulting from ground clearing activities and involving more than five contiguous acres, regardless of the proximity of the burning to woodland and on which such materials are placed in piles or windrows without first having obtained a special permit from the Department. Areas less than five acres in size will require a regular permit in accordance with ~~G.S. 113-60.23(b).~~G.S. 106-902(b).

(1) Prevailing winds at the time of ignition must be away from any city, town, development, major highway, or other populated area, the ambient air of which may be significantly affected by smoke, fly ash, or other air contaminates from the burning.

(2) The location of the burning must be at least 1,000 feet from any dwelling or structure located in a predominately residential area other than a dwelling or structure located on the property on which the burning is conducted unless permission is granted by the occupants.

(3) The amount of dirt or organic soil on or in the material to be burned must be minimized and the material arranged in a way suitable to facilitate rapid burning.

(4) Burning may not be initiated when it is determined by a forest ranger, based on information supplied by a competent authority that stagnant air conditions or inversions exist or that such conditions may occur during the duration of the burn.

(5) Heavy oils, asphaltic material, or items containing natural or synthetic rubber may not be used to ignite the material to be burned or to promote the burning of such material.

(6) Initial burning may be commenced only between the hours of 9:00 A.M. and 3:00 P.M. and no combustible material may be added to the fire between 3:00 P.M. on one day and 9:00 A.M. on the following day, except that when favorable meteorological conditions exist, any forest ranger authorized to issue the permit may authorize in writing a deviation from the restrictions.

"§ 106-903. Open burning in non-high hazard counties; permits required; standards.

(a) The provisions of this section apply only to the counties not designated as high hazard counties in ~~G.S. 113-60.23(a).~~G.S. 106-902(a).

(b) It shall be unlawful for any person to start or cause to be started any fire or ignite any material in any woodland under the protection of the Department or within 500 feet of any such woodland during the hours starting at midnight and ending at 4:00 P.M. without first obtaining a permit from the Department. Permits may be obtained from forest rangers or other agents authorized by the forest ranger to issue such permits in the county in which the fire is to be started. Such permits shall be issued by the ranger or other agent unless permits for the area in question have been prohibited or cancelled under ~~G.S. 113-60.25 or 113-60.27.~~G.S. 106-904 or G.S. 106-906.

"§ 106-904. Open burning prohibited statewide.

During periods of hazardous forest fire conditions or during air pollution episodes declared pursuant to Article 21B of Chapter 143 of the General Statutes, the ~~secretary~~ Commissioner is authorized to prohibit all open burning regardless of whether a permit is required under ~~G.S. 113-60.23 or 113-60.24.~~G.S. 106-902 or G.S. 106-903. The ~~secretary~~ Commissioner shall issue a press release containing relevant details of the prohibition to news media serving the area affected.

"§ 106-905. Permit conditions.

Permits issued under this Article shall be issued in the name of the person undertaking the burning and shall specify the specific area in which the burning is to occur, the type and

amount of material to be burned, the duration of the permit, and such other factors as are necessary to identify the burning which is allowed under the permit.

"§ 106-906. Permit suspension and cancellation.

Upon a determination that hazardous forest fire conditions exist the ~~secretary~~ Commissioner is authorized to cancel any permit issued under this Article and suspend the issuance of any new permits. Upon a determination by the Environmental Management Commission or its agent that open burning permitted under this Article is causing significant contravention of ambient air quality standards or that an air pollution episode exists pursuant to Article 21B of Chapter 143 of the General Statutes, the ~~secretary~~ Commissioner shall cancel any permits issued under authority of this Article and shall suspend the issuance of any new permits.

"§ 106-907. Control of existing fires.

(a) If a fire is set without a permit required by ~~G.S. 113-60.23, 113-60.24 or 113-60.25~~G.S. 106-902, 106-903, or 106-904, and is set in an area in which permits are prohibited or cancelled at the time the fire is set, the person responsible for setting the fire or causing the fire to be set shall immediately extinguish the fire or take such other action as directed by any forest ranger authorized to issue permits under ~~G.S. 113-60.23(c).~~G.S. 106-902(c). In the event that the person responsible does not immediately undertake efforts to extinguish the fire or take such other action as directed by the forest ranger, the Department may enter the property and take reasonable steps to extinguish or control the fire and the person responsible for setting the fire shall reimburse the Department for the expenses incurred by the Department. A showing that a fire is associated with land-clearing activities is prima facie evidence that the person undertaking the land clearing is responsible for setting the fire or causing the fire to be set.

(b) If a fire requiring a permit under ~~G.S. 113-60.23(c)~~G.S. 106-902(c) is set without a permit and a forest ranger authorized to issue such permits determines that a permit would not have been issued for the fire at the time it was set, the person responsible for setting the fire or causing the fire to be set shall immediately take such action as the forest ranger directs to extinguish or control the fire. In the event the person responsible does not immediately undertake efforts to extinguish the fire or take such other action as directed by the forest ranger, the Department may enter the property and take reasonable steps to extinguish or control the fire and the person responsible for setting the fire shall reimburse the Department for the expenses incurred by the Department. A showing that a fire is associated with land-clearing activities is prima facie evidence that the person undertaking the land clearing is responsible for setting the fire or causing the fire to be set.

(c) If a fire is set in accordance with a permit but the burning is taking place contrary to the conditions of the permit, any forest ranger with authority to issue permits in the area in question may order the permittee in writing to undertake the steps necessary to comply with the conditions of his permit. If the permittee is not making a reasonable effort to comply with the order, the forest ranger may enter the property and take reasonable steps to extinguish or control the fire and the permittee shall reimburse the Department for the expenses incurred by the Department.

"§ 106-908. Penalties.

Any person violating the provisions of this Article or of any permit issued under the authority of this Article shall be guilty of a Class 3 misdemeanor. The penalties imposed by this section shall be separate and apart and not in lieu of any civil or criminal penalties which may be imposed by G.S. 143-215.114A or G.S. 143-215.114B. The penalties imposed are also in addition to any liability the violator incurs as a result of actions taken by the Department under ~~G.S. 113-60.28.~~G.S. 106-907.

"§ 106-909. Effect on other laws.

This Article shall not be construed as affecting or abridging the lawful authority of local governments to pass ordinances relating to open burning within their boundaries. Nothing in this Article shall relieve any person from compliance with the provisions of Article 21B of Chapter 143 of the General Statutes and regulations adopted thereunder. In the event that permits are required for open burning associated with land clearing under the authority of Article 21B of Chapter 143 of the General Statutes, the authority to issue such permits shall be delegated to forest rangers who are authorized to issue permits under ~~G.S. 113-60.23(c).~~G.S. 106-902(c).

"§ 106-910. Exempt fires; no permit fees.

(a) This Article shall not apply to any fires started, or caused to be started, within 100 feet of an occupied dwelling house if such fire shall be confined (i) within an enclosure from which burning material may not escape or (ii) within a protected area upon which a watch is being maintained and which is provided with adequate fire protection equipment.

(b) No charge shall be made for the granting of any permit required by this Article."

SECTION 13.25.(y) Article 4D of Chapter 113 of the General Statutes (G.S. 113-60.32 and G.S. 113-60.33) is recodified as a new Article 76 of Chapter 106 of the General Statutes, G.S. 106-915 and G.S. 106-916.

SECTION 13.25.(z) Article 76 of Chapter 106 of the General Statutes, as recodified by subsection (y) of this section, reads as rewritten:

"Article 76.

"Fire Fighters on Standby Duty.

"§ 106-915. Definitions.

As used in this Article:

(1) "Fire fighter" means an employee of the Division of Forest Resources of the Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services who engages in fire suppression duties.

(2) "Fire suppression duties" means involvement in on-site fire suppression, participation in Project Fire Team while it is mobilized, Operations Room duty during on-going fires or when required by high readiness plans, mop-up activities to secure fire sites, scouting and detecting forest fires, performance of standby duty, and any other activity that directly contributes to the detection, response to, and control of fires.

"§ 106-916. Standby duty.

(a) Standby duty is time during which a fire fighter is required to remain within 25 miles of his duty station and be available to return to the duty station on call. The Department of Agriculture and Consumer Services shall provide each fire fighter on standby duty with an electronic paging device that makes the wearer accessible to his duty station.

(b) Notwithstanding subsection (a) of this section, for at least two out of 14 consecutive days that a fire fighter is on duty, the Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services shall permit the fire fighter to be more than 25 miles from his duty station so long as the fire fighter gives the Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services a telephone number where he can be reached; each month, the days the fire fighter is permitted to be more than 25 miles from his duty station shall include one full weekend. On the days the fire fighter is permitted to be more than 25 miles from his duty station, the Department of ~~Environment and Natural Resources~~ Agriculture and Consumer Services may call him only when there is a bona fide emergency."

SECTION 13.25.(aa) Article 4E of Chapter 113 of the General Statutes (G.S. 113-60.40, 113-60.41, 113-60.42, 113-60.43, 113-60.44, and 113-60.45) is recodified as a new Article 77 of Chapter 106 of the General Statutes, G.S. 106-920 through G.S. 106-925.

SECTION 13.25.(bb) Article 77 of Chapter 106 of the General Statutes, as recodified by subsection (aa) of this section, reads as rewritten:

"Article 77.

"North Carolina Prescribed Burning Act.

"§ 106-920. Legislative findings.

The General Assembly finds that prescribed burning of forestlands is a management tool that is beneficial to North Carolina's public safety, forest and wildlife resources, environment, and economy. The General Assembly finds that the following are benefits that result from prescribed burning of forestlands:

(1) Prescribed burning reduces the naturally occurring buildup of vegetative fuels on forestlands, thereby reducing the risk and severity of wildfires and lessening the loss of life and property.

(2) The State's ever-increasing population is resulting in urban development directly adjacent to fire-prone forestlands, referred to as a woodland-urban interface area. The use of prescribed burning in these woodland-urban interface areas substantially reduces the risk of wildfires that cause damage.

(3) Many of North Carolina's natural ecosystems require periodic fire for their survival. Prescribed burning is essential to the perpetuation, restoration, and management of many plant and animal communities. Prescribed burning

benefits game, nongame, and endangered wildlife species by increasing the growth and yield of plants that provide forage and an area for escape and brooding and that satisfy other habitat needs.

(4) Forestlands are economic, biological, and aesthetic resources of statewide significance. In addition to reducing the frequency and severity of wildfires, prescribed burning of forestlands helps to prepare sites for replanting and natural seeding, to control insects and diseases, and to increase productivity.

(5) Prescribed burning enhances the resources on public use lands, such as State and national forests, wildlife refuges, nature preserves, and game lands. Prescribed burning enhances private lands that are managed for wildlife refuges, nature preserves, and game lands. Prescribed burning enhances private lands that are managed for wildlife, recreation, and other purposes.

As North Carolina's population grows, pressures resulting from liability issues and smoke complaints discourage or limit prescribed burning so that these numerous benefits to forestlands often are not attainable. By recognizing the benefits of prescribed burning and by adopting requirements governing prescribed burning, the General Assembly helps to educate the public, avoid misunderstandings, and reduce complaints about this valuable management tool.

"§ 106-921. Definitions.

As used in this Article:

(1) "Certified prescribed burner" means an individual who has successfully completed a certification program approved by the Division of Forest Resources of the Department of ~~Environment and Natural Resources.~~Agriculture and Consumer Services.

(2) "Prescribed burning" means the planned and controlled application of fire to naturally occurring vegetative fuels under safe weather and safe environmental and other conditions, while following appropriate precautionary measures that will confine the fire to a predetermined area and accomplish the intended management objectives.

(3) "Prescription" means a written plan prepared by a certified prescribed burner for starting, controlling, and extinguishing a prescribed burning.

"106-922. Immunity from liability.

(a) Any prescribed burning conducted in compliance with ~~G.S. 113-60.43~~G.S. 106-923 is in the public interest and does not constitute a public or private nuisance.

(b) A landowner or the landowner's agent who conducts a prescribed burning in compliance with ~~G.S. 113-60.43~~G.S. 106-923 shall not be liable in any civil action for any damage or injury caused by or resulting from smoke.

(c) Notwithstanding subsections (a) and (b), this section does not apply when a nuisance or damage results from a negligently or improperly conducted prescribed burning.

"§ 106-923. Prescribed burning.

(a) Prior to conducting a prescribed burning, the landowner shall obtain a prescription for the prescribed burning prepared by a certified prescribed burner and filed with the Division of Forest Resources, Department of ~~Environment and Natural Resources.~~Agriculture and Consumer Services. A copy of the prescription shall be provided to the landowner. A copy of this prescription shall be in the possession of the responsible burner on site throughout the duration of the prescribed burning. The prescription shall include:

(1) The landowner's name and address.

(2) A description of the area to be burned.

(3) A map of the area to be burned.

(4) An estimate in tons of the fuel located on the area.

(5) The objectives of the prescribed burning.

(6) A list of the acceptable weather conditions and parameters for the prescribed burning sufficient to minimize the likelihood of smoke damage and fire escaping onto adjacent areas.

(7) The name of the certified prescribed burner responsible for conducting the prescribed burning.

(8) A summary of the methods that are adequate for the particular circumstances involved to be used to start, control, and extinguish the prescribed burning.

(9) Provision for reasonable notice of the prescribed burning to be provided to nearby homes and businesses to avoid effects on health and property.

(b) The prescribed burning shall be conducted by a certified prescribed burner in accordance with a prescription that satisfies subsection (a) of this section. The certified prescribed burner shall be present on the site and shall be in charge of the burning throughout the period of the burning. A landowner may conduct a prescribed burning without being a certified prescribed burner if the landowner is burning a tract of forestland of 50 acres or less owned by that landowner and is following all conditions established in a prescription prepared by a certified prescribed burner.

(c) Prior to conducting a prescribed burning, the landowner or the landowner's agent shall obtain an open-burning permit under Article 4C of this Chapter from the Division of Forest Resources, Department of ~~Environment and Natural Resources.~~Agriculture and Consumer Services. This open-burning permit must remain in effect throughout the period of the prescribed burning. The prescribed burning shall be conducted in compliance with all the following:

(1) The terms and conditions of the open-burning permit under ~~Article 4C~~Article 75 of this Chapter.

(2) The State's air pollution control statutes under Article 21 and Article 21B of Chapter 143 of the General Statutes and any rules adopted pursuant to these statutes.

(3) Any applicable local ordinances relating to open burning.

(4) The voluntary smoke management guidelines adopted by the Division of Forest Resources, Department of ~~Environment and Natural Resources.~~Agriculture and Consumer Services.

(5) Any rules adopted by the Division of Forest Resources, Department of ~~Environment and Natural Resources,~~Agriculture and Consumer Services, to implement this Article.

"§ 106-924. Adoption of rules.

The Division of Forest Resources, Department of ~~Environment and Natural Resources,~~Agriculture and Consumer Services, may adopt rules that govern prescribed burning under this Article.

"§ 106-925. Exemption.

This Article does not apply when the ~~Secretary of Environment and Natural Resources~~Commissioner of Agriculture has cancelled burning permits pursuant to ~~G.S. 113-60.27~~G.S. 106-906 or prohibited all open burning pursuant to ~~G.S. 113-60.25.~~G.S. 106-904."

SECTION 13.25.(cc) Article 5 of Chapter 113 of the General Statutes (G.S. 113-61, 113-62, 113-63, 113-64, 113-65, 113-66, 113-67, 113-68, 113-69, 113-70, 113-71, 113-72, 113-73, 113-74, 113-75, 113-76, and 113-77) is recodified as a new Article 78 of Chapter 106 of the General Statutes, G.S. 106-930 through G.S. 106-946.

SECTION 13.25.(dd) Article 78 of Chapter 106 of the General Statutes, as recodified by subsection (cc) of this section, reads as rewritten:

"Article 78.

"Corporations for Protection and Development of Forests.

"§ 106-930. Private limited dividend corporations may be formed.

(a) In this Article, unless the context requires otherwise, "Department" means the Department of ~~Environment and Natural Resources; and "Secretary"~~Agriculture and Consumer Services, and "Commissioner" means the ~~Secretary of Environment and Natural Resources.~~Commissioner of Agriculture.

(b) Three or more persons, who associate themselves by an agreement in writing for the purpose, may become a private limited dividend corporation to finance and carry out projects for the protection and development of forests and for such other related purposes as the Secretary shall approve, subject to all the duties, restrictions and liabilities, and possessing all the rights, powers, and privileges, of corporations organized under the general corporation laws of the State of North Carolina, except where such provisions are in conflict with this Article.

"§ 106-931. Manner of organizing.

A corporation formed under this Article shall be organized and incorporated in the manner provided for organization of corporations under the general corporation laws of the State of North Carolina, except where such provisions are in conflict with this Article. The certificate of

organization of any such corporation shall contain a statement that it is organized under the provisions of this Article and that it consents to be and shall be at all times subject to the rules and supervision of the Secretary, and shall set forth as or among its purposes the protection and development of forests and the purchase, acquisition, sale, conveyance and other dealing in the same and the products therefrom, subject to the rules from time to time imposed by the Secretary.

"§ 106-932. Directors.

There shall not be less than three directors, one of whom shall always be a person designated by the Secretary, which one need not be a stockholder.

"§ 106-933. Duties of supervision by ~~Secretary of Environment and Natural Resources.~~Commissioner.

Corporations formed under this Article shall be regulated by the ~~Secretary~~ Commissioner in the manner provided in this Article. Traveling and other expenses incurred by him in the discharge of the duties imposed upon him by this Article shall be charged to, and paid by, the particular corporation or corporations on account of which such expenses are incurred. His general expenses incurred in the discharge of such duties which cannot be fairly charged to any particular corporation or corporations shall be charged to, and paid by, all the corporations then organized and existing under this Article pro rata according to their respective stock capitalizations. The ~~Secretary~~ Commissioner shall:

(1) Adopt rules to implement this Article and to protect and develop forests subject to its jurisdiction.

(2) Order all corporations organized under this Article to do such acts as may be necessary to comply with the provisions of law and the rules adopted by the ~~Secretary,~~Commissioner, or to refrain from doing any acts in violation thereof.

(3) Keep informed as to the general condition of all such corporations, their capitalization and the manner in which their property is permitted, operated or managed with respect to their compliance with all provisions of law and orders of the ~~Secretary.~~Commissioner.

(4) Require every such corporation to file with the ~~Secretary~~ Commissioner annual reports and, if the ~~Secretary~~ Commissioner shall consider it advisable, other periodic and special reports, setting forth such information as to its affairs as the ~~Secretary~~ Commissioner may require.

"§ 106-934. Powers of ~~Secretary.~~Commissioner.

The ~~Secretary~~ Commissioner may:

(1) Examine at any time all books, contracts, records, documents and papers of any such corporation.

(2) In his discretion prescribe uniform methods and forms of keeping accounts, records and books to be observed by such corporation, and prescribe by order accounts in which particular outlays and receipts are to be entered, charged or credited. The ~~Secretary~~ Commissioner shall not, however, have authority to require any revaluation of the real property or other fixed assets of such corporations, but he shall allow proper charges for the depletion of timber due to cutting or destruction.

(3) Enforce the provisions of this Article, a rule implementing this Article, or an order issued under this Article by filing a petition for a writ of mandamus or application for an injunction in the superior court of the county in which the respondent corporation has its principal place of business. The final judgment in any such proceeding shall either dismiss the proceeding or direct that a writ of mandamus or an injunction, or both, issue as prayed for in the petition or in such modified or other form as the court may determine will afford appropriate relief.

"§ 106-935. Provision for appeal by corporations to Governor.

If any corporation organized under this Article is dissatisfied with or aggrieved at any rule or order imposed upon it by the ~~Secretary,~~Commissioner, or any valuation or appraisal of any of its property made by the ~~Secretary,~~Commissioner, or any failure of or refusal by the ~~Secretary~~ Commissioner to approve of or consent to any action which it can take only with such approval or consent, it may appeal to the Governor by filing with him a claim of appeal upon which the decision of the Governor shall be final. Such determination, if other than a

dismissal of the appeal, shall be set forth by the Governor in a written mandate to the ~~Secretary,~~Commissioner, who shall abide thereby and take such actions as the same may direct.

"§ 106-936. Limitations as to dividends.

The shares of stock of corporations organized under this Article shall have a par value and, except as provided in ~~G.S. 113-69~~G.S. 106-938 in respect to distributions in kind upon dissolution, no dividend shall be paid thereon at a rate in excess of six per centum (6%) per annum on stock having a preference as to dividends, or eight per centum (8%) per annum on stock not having a preference as to dividends, except that any such dividends may be cumulative without interest.

"§ 106-937. Issuance of securities restricted.

No such corporation shall issue stock, bonds or other securities except for money, timberlands, or interests therein, located in the State of North Carolina or other property, actually received, or services rendered, for its use and its lawful purposes. Timberlands, or interests therein, and other property or services so accepted therefor, shall be upon a valuation approved by the ~~Secretary.~~Commissioner.

"§ 106-938. Limitation on bounties to stockholders.

Stockholders shall at no time receive or accept from any such corporation in repayment of their investment in its stock any sums in excess of the par value of the stock together with cumulative dividends at the rate set forth in ~~G.S. 113-67~~G.S. 106-936 except that nothing in this section contained shall be construed to prohibit the distribution of the assets of such corporation in kind to its stockholders upon dissolution thereof.

"§ 106-939. Earnings above dividend requirements payable to State.

Any earnings of such corporation in excess of the amounts necessary to pay dividends to stockholders at the rate set forth in ~~G.S. 113-67~~G.S. 106-936 shall be paid over to the State of North Carolina prior to the dissolution of such corporation. Net income or net losses (determined in such manner as the ~~Secretary~~ Commissioner shall consider properly to show such income or losses) from the sale of the capital assets of such corporation, whether such sale be upon dissolution or otherwise, shall be considered in determining the earnings of such corporation for the purposes of this section. In determining such earnings unrealized appreciation or depreciation of real estate or other fixed assets shall not be considered.

"§ 106-940. Dissolution of corporation.

Any such corporation may be dissolved at any time in the manner provided by and under the provisions of the general corporation laws of the State of North Carolina, except that the court shall dismiss any petition for dissolution of any such corporation filed within 20 years of the date of its organization unless the same is accompanied by a certificate of the ~~Secretary~~ Commissioner consenting to such dissolution.

"§ 106-941. Cutting and sale of timber.

Any such corporation may cut and sell the timber on its land or permit the cutting thereof, but all such cuttings shall be in accordance with the rules, restrictions and limitations imposed by the ~~Secretary,~~Commissioner, who shall impose such rules, restrictions and limitations with respect thereto as may reasonably conform to the accepted custom and usage of good forestry and forest economy, taking into consideration the situation, nature and condition of the tract so cut or to be cut, and the financial needs of such corporation from time to time.

"§ 106-942. Corporation may not sell or convey without consent of ~~Secretary,~~Commissioner, or pay higher interest rate than 6%.

No such corporation ~~shall:~~shall do any of the following:

(1) Sell, assign or convey any real property owned by it or any right, title or interest therein, except upon notice to the ~~Secretary~~ Commissioner of the terms of such sale, transfer or assignment, and unless the ~~Secretary~~ Commissioner shall consent thereto, and if the ~~Secretary~~ Commissioner shall require it, unless the purchaser thereof shall agree that such real estate shall remain subject to the rules and supervision of the ~~Secretary~~ Commissioner for such period as the latter may ~~require;~~require.

(2) Pay interest returns on its mortgage indebtedness at a higher rate than six per centum (6%) per annum without the consent of the ~~Secretary;~~Commissioner.

(3) Mortgage any real property without first having obtained the consent of the ~~Secretary.~~Commissioner.

"§ 106-943. Power to borrow money limited.

Any such corporation formed under this Article may, subject to the approval of the ~~Secretary,~~Commissioner, borrow funds and secure their payment thereof by note or notes and mortgage or by the issue of bonds under a trust indenture. The notes or bonds so issued and secured and the mortgage or trust indenture relating thereto may contain such clauses and provisions as shall be approved by the ~~Secretary,~~Commissioner, including the right to enter into possession in case of default; but the operations of the mortgagee or receiver entering in such event or of the purchaser of the property upon foreclosure shall be subject to the rules of the ~~Secretary~~ Commissioner for such period as the mortgage or trust indenture may specify.

"§ 106-944. ~~Secretary~~ Commissioner to approve development of forests.

No project for the protection and development of forests proposed by any such corporation shall be undertaken without the approval of the ~~Secretary,~~Commissioner, and such approval shall not be given unless:

(1) The ~~Secretary~~ Commissioner shall have received a statement duly executed and acknowledged on behalf of the corporation proposing such project, in such adequate detail as the ~~Secretary~~ Commissioner shall require of the activities to be included in the project, such statement to set forth the proposals as to
   a. Fire prevention and protection,
   b. Protection against insects and tree diseases,
   c. Protection against damage by livestock and game,
   d. Means, methods and rate of, and restrictions upon, cutting and other utilization of the forests, and
   e. Planting and spacing of trees.

(2) There shall be submitted to the ~~Secretary~~ Commissioner a financial plan satisfactory to him setting forth in detail the amount of money needed to carry out the entire project, and how such sums are to be allocated, with adequate assurances to the ~~Secretary~~ Commissioner as to where such funds are to be secured.

(3) The ~~Secretary~~ Commissioner shall be satisfied that the project gives reasonable assurance of the operation of the forests involved on a sustained-yield basis except insofar as the ~~Secretary~~ Commissioner shall consider the same impracticable.

(4) The corporation proposing such project shall agree that the project shall at all times be subject to the supervision and inspection of the ~~Secretary,~~Commissioner, and that it will at all times comply with such rules concerning the project as the ~~Secretary~~ Commissioner shall from time to time impose.

"§ 106-945. Application of corporate income.

The gross annual income of any such corporation, whether received from sales of timber, timber operations, stumpage permits or other sources, shall be applied as follows: first, to the payment of all fixed charges, and all operating and maintenance charges and expenses including taxes, assessments, insurance, amortization charges in amounts approved by the ~~Secretary~~ Commissioner to amortize mortgage or other indebtedness and reserves essential to operation; second, to surplus, and/or to the payment of dividends not exceeding the maximum fixed by this Article; third, the balance, if any, in reduction of debts.

"§ 106-946. Reorganization of corporations.

Reorganization of corporations organized under this Article shall be subject to the supervision of the ~~Secretary~~ Commissioner and no such reorganization shall be had without the authorization of the ~~Secretary.~~Commissioner."

SECTION 13.25.(ee) Article 6A of Chapter 113 of the General Statutes (G.S. 113-81.1, 113-81.2, and 113-81.3) is recodified as a new Article 79 of Chapter 106 of the General Statutes, G.S. 106-950 through G.S. 106-952.

SECTION 13.25.(ff) Article 79 of Chapter 106 of the General Statutes, as recodified by subsection (ee) of this section, reads as rewritten:

"Article 79.

"Forestry Services and Advice for Owners and Operators of Forestland.

"§ 106-950. Authority to render scientific forestry services.

(a) In this Article, unless the context requires otherwise:

(1) "Commissioner" means the Commissioner of Agriculture.

~~(1)~~(2) "Department" means the Department of ~~Environment and Natural Resources.~~Agriculture and Consumer Services.

~~(2) "Secretary" means the Secretary of Environment and Natural Resources.~~

(b) The Department is hereby authorized to designate, upon request, forest trees of forest landowners and forest operators for sale or removal, by blazing or otherwise, and to measure or estimate the volume of same under the terms and conditions hereinafter provided. The Department is also authorized to cooperate with landowners of the State and with counties, municipalities and State agencies by making available forestry services consisting of specialized equipment and operators, or by renting such equipment, and to perform such labor and services as may be necessary to carry out approved forestry practices, including site preparation, forest planting, prescribed burning, and other appropriate forestry practices. For such services or rentals, a reasonable fee representing the ~~Secretary's~~ Commissioner's estimate of not less than the costs of such services or rentals shall be charged, provided however, when the ~~Secretary~~ Commissioner deems it in the public interest, said services may be provided without charge, for the purpose of encouraging the use of approved scientific forestry practice on the private or other forestlands within the State, or for the purpose of providing practical demonstrations of said practices. Receipts from these activities and rentals shall be credited to the budget of the Department for the furtherance of these activities.

"§ 106-951. Services under direction of ~~Secretary;~~Commissioner; compensation; when services without charge.

(a) The administration of the provisions of this Article shall be under the direction of the ~~Secretary.~~Commissioner. The ~~Secretary,~~Commissioner, or his authorized agent, upon receipt of a request from a forest landowner or operator for technical forestry assistance or service, may designate forest trees for removal for lumber, veneer, poles, piling, pulpwood, cordwood, ties, or other forest products by blazing, spotting with paint or otherwise designating in an approved manner; he may measure or estimate the commercial volume contained in the trees designated; he may furnish the landowner or operator with a statement of the volume of the trees so designated and estimated; he may assist in finding a suitable market for the products so designated, and he may offer general forestry advice concerning the management of the forest.

(b) For such designating, measuring or estimating services the ~~Secretary~~ Commissioner may make a charge, on behalf of the Department, in an amount not to exceed five percent (5%) of the sale price or fair market value of the stumpage so designated and measured or estimated. Upon receipt from the ~~Secretary~~ Commissioner of a statement of such charges, the landowner or operator or his agent shall make payment to the ~~Secretary~~ Commissioner within 30 days.

(c) In those cases where the ~~Secretary~~ Commissioner deems it desirable to so designate and measure or estimate trees without charge, such services shall be given for the purpose of encouraging the use of approved scientific forestry principles on the private or other forestlands within the State, and to establish practical demonstrations of said principles.

"§ 106-952. Deposit of receipts with State treasury.

All moneys paid to the ~~Secretary~~ Commissioner for services rendered under the provisions of this Article shall be deposited into the State treasury to the credit of the Department."

SECTION 13.25.(gg) Article 11 of Chapter 113A of the General Statutes (G.S. 113A-176, 113A-177, 113A-178, 113A-179, 113A-180, 113A-180.1, 113A-181, 113A-182, and 113A-183) is recodified as a new Article 80 of Chapter 106 of the General Statutes, G.S. 106-955 through G.S. 106-963.

SECTION 13.25.(hh) Article 80 of Chapter 106 of the General Statutes, as recodified by subsection (gg) of this section, reads as rewritten:

"Article 80.

"Forest Development Act.

"§ 106-955. Title.

This Article shall be known as the "Forest Development Act."

"§ 106-956. Statement of purpose.

(a) The General Assembly finds that:

(1) It is in the public interest of the State to encourage the development of the State's forest resources and the protection and improvement of the forest environment.

(2) Unfavorable environmental impacts, particularly the rapid loss of forest land to urban development, are occurring as a result of population growth. It is in

the State's interest that corrective action be developed now to offset forest land losses in the future.

(3) Regeneration of potentially productive forest land is a high-priority problem requiring prompt attention and action. Private forest land will become more important to meet the needs of the State's population.

(4) Growing demands on forests and related land resources cannot be met by intensive management of public and industrial forest lands alone.

(b) The purpose of this Article is to direct the ~~Secretary~~ Commissioner of Agriculture to implement a forest development program to:

(1) Provide financial assistance to eligible landowners to increase the productivity of the privately owned forests of the State through the application of forest renewal practices and other practices that improve tree growth and overall forest health.

(2) Insure that forest operations in the State are conducted in a manner designed to protect the soil, air, and water resources, including but not limited to streams, lakes and estuaries through actions of landowners on lands for which assistance is sought under provisions in this Article.

(3) Implement a program of voluntary landowner participation through the use of a forest development fund to meet the above goals.

(c) It is the intent of the General Assembly that in implementing the program under this Article, the ~~Secretary~~ Commissioner will cause it to be coordinated with other related programs in such a manner as to encourage the utilization of private agencies, firms and individuals furnishing services and materials needed in the application of practices included in the forest development program.

"§ 106-957. Definitions.

As used in this Article:

(1) "Approved forest management plan" means the forest management plan submitted by the eligible landowner and approved by the ~~Secretary.~~Commissioner. Such plan shall include forest management practices to insure both maximum forest productivity and environmental protection of the lands to be treated under the management plan.

(2) "Approved practices"' mean those silvicultural practices approved by the Secretary for the purpose of commercially growing timber through the establishment of forest stands, of insuring the proper regeneration of forest stands to commercial production levels following the harvest of mature timber, or of insuring maximum growth potential of forest stands to commercial production levels. Such practices shall include those required to accomplish site preparation, natural and artificial forestation, noncommercial removal of residual stands for silvicultural purposes, cultivation of established young growth of desirable trees for silvicultural purposes, and improvement of immature forest stands for silvicultural purposes. In each case, approved practices will be determined by the needs of the individual forest stand. These practices shall include existing practices and such practices as are developed in the future to insure both maximum forest productivity and environmental protection.

(2a) "Commissioner" means the Commissioner of Agriculture.

(3) "Department" means the Department of ~~Environment and Natural Resources.~~Agriculture and Consumer Services.

(3a) "Eligible land" means land owned by an eligible landowner.

(4) "Eligible landowner" means a private individual, group, association or corporation owning land suitable for forestry purposes. Where forest land is owned jointly by more than one individual, group, association or corporation, as tenants in common, tenants by the entirety, or otherwise, the joint owners shall be considered, for the purpose of this Article, as one eligible landowner and entitled to receive cost-sharing payments as provided herein only once during each fiscal year.

(5) Recodified as § 113A-178(3a).

(6) "Forest development assessment" means an assessment on primary forest products from timber severed in North Carolina for the funding of the provisions of this Article, as authorized by the General Assembly.

(7) "Forest development cost-sharing payment" means financial assistance to partially cover the costs of implementing approved practices in such amounts as the ~~Secretary~~ Commissioner shall determine, subject to the limitations of this Article.

(8) "Forest development fund" means the Forest Development Fund created by ~~G.S. 113A-183.~~G.S. 106-963.

(8a) "Maintain" means to retain the reforested area as forestland for a 10-year period and to comply with the provisions in the approved forest management plan.

~~(9) "Secretary" means the Secretary of Environment and Natural Resources.~~

"§ 106-958. Powers and duties.

(a) The ~~Secretary~~ Commissioner shall have the powers and duties to administer the provisions of this Article.

(b) The Department shall serve as the disbursing agency for funds to be expended from and deposited to the credit of the Forest Development Fund.

(c) Subject to the limitations set forth in ~~G.S. 113A-183(d),~~G.S. 106-963(d), the ~~Secretary~~ Commissioner is authorized to employ administrative, clerical and field personnel to support the program created by this Article and to compensate such employees from the Forest Development Fund for services rendered in direct support of the program.

(d) The ~~Secretary~~ Commissioner is authorized to purchase equipment for the implementation of this program from the Forest Development Fund subject to the limitations of ~~G.S. 113A-183(e).~~G.S. 106-963(e). All equipment purchased with these funds will be assigned to and used only for the forest development program, except for emergency use in forest fire suppression and other activities relating to the protection of life or property. The Forest Development Fund will be reimbursed from other program funds for equipment costs incurred during such emergency use.

"§ 106-959. Administration of cost sharing.

The ~~Secretary~~ Commissioner shall have authority to administer the cost sharing provisions of this Article, including but not limited to the following:

(1) Prescribe the manner and requirements of making application for cost sharing funds.

(2) Identify those approved forestry practices as defined in ~~G.S. 113A-178(2)~~G.S. 106-957(2) which shall be approved for cost sharing under the provisions of this Article.

(3) Review periodically the cost of forest development practices and establish allowable ranges for cost sharing purposes for approved practices under varying conditions throughout the State.

(4) Determine, prior to approving forest development cost sharing payments to any landowner, that all proposed practices are appropriate and are comparable in cost to the prevailing cost of those practices in the general area in which the land is located. Should the ~~Secretary~~ Commissioner determine that the submitted cost of any practice is excessive, he shall approve forest development cost sharing payments based upon an allowable cost established under ~~G.S. 113A-180(3).~~G.S. 106-959(3).

(5) Determine, prior to approving forest development cost sharing payments, that an approved forest management plan as defined in ~~G.S. 113A-178(1)~~G.S. 106-957(1) for the eligible land has been filed with the ~~Secretary~~ Commissioner and that the landowner has indicated in writing his intent to comply with the terms of such management plan.

(6) Determine, prior to approving forest development cost sharing payments, that the approved practices for which payment is requested have been completed in a satisfactory manner, conform to the approved forest management plan submitted under ~~G.S. 113A-180(5),~~G.S. 106-959(5), and otherwise meet the requirements of this Article.

(7) Disburse from the Forest Development Fund to eligible landowners cost sharing payments for satisfactory completion of practices provided for by

this Article and the ~~Secretary~~ Commissioner shall, insofar as is practicable, disburse the funds from the State's appropriation on a matching basis with the funds generated by the Primary Forest Product Assessment.

"**§ 106-960. Cost-share agreements.**

(a) In order to receive forest development cost-share payments, an eligible landowner shall enter into a written agreement with the Department describing the eligible land, setting forth the approved practices implemented for the area and covered by the approved forest management plan, and agreeing to maintain those practices for a 10-year period.

(b) In the absence of Vis major or Act of God or other factors beyond the landowner's control, a landowner who fails to maintain the practice or practices for a 10-year period in accordance with the agreement set forth in subsection (a) of this section shall repay to the Fund all cost-sharing funds received for that area.

(c) If the landowner voluntarily relinquishes control or title to the land on which the approved practices have been established, the landowner shall:

(1) Obtain a written statement, or a form approved by the Department, from the new owner or transferee in which the new owner or transferee agrees to maintain the approved practices for the remainder of the 10-year period; or

(2) Repay to the Fund all cost-sharing funds received for implementing the approved practices on the land.

If a written statement is obtained from the new owner or transferee, the original landowner will no longer be responsible for maintaining the approved practices or repaying the cost-sharing funds. The responsibility for maintaining those practices for the remainder of the 10 years shall devolve to the new owner or transferee.

"**§ 106-961. Limitation of payments.**

(a) An eligible landowner may receive forest development cost sharing payments for satisfactory completion of approved practices as determined by the ~~Secretary,~~Commissioner, except that the ~~Secretary~~ Commissioner shall approve no assistance in an amount exceeding the lesser of (i) a sum equal to sixty percent (60%) of the landowner's actual per acre cost incurred in implementing the approved practice or (ii) a sum equal to sixty percent (60%) of the prevailing per acre cost as determined by the ~~Secretary~~ Commissioner under ~~G.S. 113A-180(3)~~G.S. 106-959(3) for implementing that approved practice.

(b) The maximum amount of forest development cost sharing funds allowed to any landowner in one fiscal year will be the amount required to complete all approved practices on 100 acres of land at the prevailing cost sharing rate established under ~~G.S. 113A-181(a).~~G.S. 106-961(a).

(c) Eligible landowners may not use State cost sharing funds if funds from any federal cost sharing program are used on the same acreage for forestry practices during the same fiscal year.

"**§ 106-962. Participation by government political subdivisions.**

No governmental agency, federal, State or local, will be eligible for forest development payments under the provision of this Article.

"**§ 106-963. Forest Development Fund.**

(a) The Forest Development Fund is created in the Department ~~of Environment and Natural Resources~~ as a special fund. Revenue in the Fund does not revert at the end of a fiscal year, and interest and other investment income earned by the Fund accrues to it. The Fund is created to provide revenue to implement this Article. The Fund consists of the following revenue:

(1) Assessments on primary forest products collected under ~~Article 12 of Chapter 113A~~Article 81 of Chapter 106 of the General Statutes.

(2) General Fund appropriations.

(3) Gifts and grants made to the Fund.

(d) In any fiscal year, no more than five percent (5%) of the available funds generated by the Primary Forest Product Processor Assessment Act may be used for program support under the provisions of ~~G.S. 113A-179(e).~~G.S. 106-958(c).

(e) Funds used for the purchase of equipment under the provisions of ~~G.S. 113A-179(d)~~ G.S. 106-958(d) shall be limited to appropriations from the General Fund to the Forest Development Fund designated specifically for equipment purchase."

SECTION 13.25.(ii) Article 12 of Chapter 113A of the General Statutes (G.S. 113A-189, 113A-190, 113A-191, 113A-192, 113A-193, 113A-194, 113A-195, and

113A-196) is recodified as a new Article 81 of Chapter 106 of the General Statutes, G.S. 106-965 through G.S. 106-972.

SECTION 13.25.(jj) Article 81 of Chapter 106 of the General Statutes, as recodified by subsection (ii) of this section, reads as rewritten:

"Article 81.

"Primary Forest Product Assessment Act.

"§ 106-965. Short title.

This Article shall be known as the Primary Forest Product Assessment Act.

"§ 106-966. Statement of purpose.

(a) The purpose of this Article is to create an assessment on primary forest products processed from North Carolina timber to provide a source of funds to finance the forestry operations provided for in the Forest Development Act of 1977.

(b) All assessments levied under the provisions of this Article shall be used only for the purposes specified in ~~G.S. 113A-193(c)~~G.S. 106-969(c) and in the Forest Development ~~Act.~~Act, Article 11 of this Chapter.

"§ 106-967. Definitions.

The following words, terms and phrases hereinafter used for the purpose of this Article are defined as follows:

(1) "Primary forest product" shall include those products of the tree after it is severed from the stump and cut to its first roundwood product for further conversion. These products include but are not limited to whole trees for chipping, whole tree logs, sawlogs, pulpwood, veneer bolts, and posts, poles and piling.

(2) "Processor" shall mean the individual, group, association, or corporation that procures primary forest products at their initial point of concentration for conversion to secondary products or for shipment to others for such conversion.

(3) "Forest Development Fund" shall mean the special fund established by ~~the Forest Development Act of 1977.~~G.S. 106-963.

(4) For the purpose of this Article, the following are not considered "primary forest products":

a. Christmas trees and associated greens;

b. Material harvested from an individual's own land and used on said land for the construction of fences, buildings or other personal use developments;

c. Fuel wood harvested for personal use or use in individual homes.

"§ 106-968. Operation of assessment system.

(a) The General Assembly hereby levies an assessment on all primary forest products harvested from lands within the State of North Carolina.

(b) This assessment shall be at the rates as established in ~~G.S. 113A-194(b)~~G.S. 106-970(b) and the proceeds of such assessment shall be deposited in the Forest Development Fund.

"§ 106-969. Duties.

(a) The Secretary, Department of Revenue, shall:

(1) Develop the necessary administrative procedures to collect the assessment;

(2) Collect the assessment from the primary forest product processors;

(3) Deposit funds collected from the assessment in the Forest Development Fund;

(4) Audit the records of processors to determine compliance with the provisions of this Article.

(b) The ~~Secretary of Environment and Natural Resources~~Commissioner of Agriculture shall:

(1) Provide to the Secretary, Department of Revenue, lists of processors subject to the assessment;

(2) Advise the Secretary, Department of Revenue, of the appropriate methods to convert measurements of primary forest products by other systems to those authorized in this Article;

(3) Establish in November prior to those sessions in which the General Assembly considers the State budget, the estimated total assessment that will be collectible in the next budget period and so inform the General Assembly;
(4) Within 30 days of certification of the State budget, notify the Secretary, Department of Revenue, of the need to collect the assessment for those years covered by the approved budget.
(5) By January 15 of each odd-numbered year, report to the General Assembly on the number of acres reforested, type of owners assisted, geographic distribution of funds, the amount of funds encumbered and other matters. The report shall include the information by forestry district and statewide and shall be for the two fiscal years prior to the date of the report.

(c) The Secretary of Revenue shall be reimbursed for those actual expenditures incurred as a cost of collecting the assessment for the Forest Development Fund. This amount shall be transferred from the Forest Development Fund in equal increments at the end of each quarter of the fiscal year to the Department of Revenue. This amount shall not exceed five percent (5%) of the total assessments collected on primary forest products during the preceding fiscal year.

"§ 106-970. Assessment rates.

(a) The assessment rates shall be based on the following standards:
(1) For primary forest products customarily measured in board feet, the "International 1/4 Inch Log Rule" or equivalent will be used;
(2) For primary forest products customarily measured in cords, the standard cord of 128 cubic feet or equivalent will be used;
(3) For any other type of forest product separated from the soil, the ~~Secretary of Environment and Natural Resources~~Commissioner of Agriculture shall determine a fair unit assessment rate, based on the cubic foot volume of one thousand foot board measure, International 1/4 Inch Log Rule or one standard cord, 128 cubic feet.

(b) The assessment levied on primary forest products shall be at the following rates:
(1) Fifty cents (50¢) per thousand board feet for softwood sawtimber, veneer logs and bolts, and all other softwood products normally measured in board feet;
(2) Forty cents (40¢) per thousand board feet for hardwood and bald cypress sawtimber, veneer, and all other hardwood and bald cypress products normally measured in board feet;
(3) Twenty cents (20¢) per cord for softwood pulpwood and other softwood products normally measured in cords;
(4) Twelve cents (12¢) per cord for hardwood pulpwood and other hardwood and bald cypress products normally measured in 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.

"§ 106-971. Collection of assessment.

(a) The assessment shall be levied against the processor of the primary forest product.
(b) The assessment shall be submitted on a quarterly basis of the State's fiscal year due and payable the last day of the month following the end of each quarter.
(c) The assessment shall be remitted to the Secretary, Department of Revenue, by check or money order, with such production reports as may be required by said Secretary.
(d) The processor shall maintain for a period of three fiscal years and make available to the Secretary, Department of Revenue, such production records necessary to verify proper reporting and payment of revenue due the Forest Development Fund.
(e) The production reports of the various processors shall be used only for assessment purposes. Production information will not be made a part of the public record on an individual processor basis.
(f) Any official or employee of the State who discloses information obtained from a production report, except as may be necessary for administration and collection of the assessment, or in the performance of official duties, or in administration or judicial proceedings related to the levy or collection of the assessment, shall be guilty of a Class 3 misdemeanor punishable only by a fine not to exceed fifty dollars ($50.00).

"**§ 106-972. Enforcement of collection.**

The Secretary of Revenue shall enforce collection of the primary forest product assessment in accordance with the remedies and procedures contained in Article 9 of Chapter 105 of the General Statutes."

SECTION 13.25.(kk) G.S. 1-339.17(c1) reads as rewritten:

"(c1) When the public sale is a sale of timber by sealed bid, the notice shall also be given in writing, not less than 21 days before the date on which bids are opened, to a reasonable number of prospective timber buyers, which in all cases shall include the timber buyers listed in the office of the Division of Forest Resources of the Department of Agriculture and Consumer Services for the county or counties in which the timber to be sold is located."

SECTION 13.25.(ll) G.S. 20-81.12(b35) reads as rewritten:

"(b35) First in Forestry. – The Division must receive 300 or more applications for the First in Forestry plate before the plate may be developed. The Division shall transfer quarterly one-half of the money in the Collegiate and Cultural Attraction Plate Account derived from the sale of the First in Forestry plates to the Division of Forest Resources of the Department of Agriculture and Consumer Services for a State forests and forestry education program and shall transfer quarterly one-half of the money in the Collegiate and Cultural Attraction Plate Account derived from the sale of the First in Forestry plates to the Forest Education and Conservation Foundation for their programs."

SECTION 13.25.(mm) G.S. 97-2(2) reads as rewritten:

"(2) Employee. – The term "employee" means every person engaged in an employment under any appointment or contract of hire or apprenticeship, express or implied, oral or written, including aliens, and also minors, whether lawfully or unlawfully employed, but excluding persons whose employment is both casual and not in the course of the trade, business, profession, or occupation of his employer, and as relating to those so employed by the State, the term "employee" shall include all officers and employees of the State, including such as are elected by the people, or by the General Assembly, or appointed by the Governor to serve on a per diem, part-time or fee basis, either with or without the confirmation of the Senate; as relating to municipal corporations and political subdivisions of the State, the term "employee" shall include all officers and employees thereof, including such as are elected by the people. The term "employee" shall include members of the North Carolina National Guard while on State active duty under orders of the Governor and members of the North Carolina State Defense Militia while on State active duty under orders of the Governor. The term "employee" shall include deputy sheriffs and all persons acting in the capacity of deputy sheriffs, whether appointed by the sheriff or by the governing body of the county and whether serving on a fee basis or on a salary basis, or whether deputy sheriffs serving upon a full-time basis or a part-time basis, and including deputy sheriffs appointed to serve in an emergency, but as to those so appointed, only during the continuation of the emergency. The sheriff shall furnish to the board of county commissioners a complete list of all deputy sheriffs named or appointed by him immediately after their appointment and notify the board of commissioners of any changes made therein promptly after such changes are made. Any reference to an employee who has been injured shall, when the employee is dead, include also his legal representative, dependents, and other persons to whom compensation may be payable: Provided, further, that any employee, as herein defined, of a municipality, county, or of the State of North Carolina, while engaged in the discharge of his official duty outside the jurisdictional or territorial limits of the municipality, county, or the State of North Carolina and while acting pursuant to authorization or instruction from any superior officer, shall have the same rights under this Article as if such duty or activity were performed within the territorial boundary limits of his employer.

Every executive officer elected or appointed and empowered in accordance with the charter and bylaws of a corporation shall be considered as an employee of such corporation under this Article.

Any such executive officer of a corporation may, notwithstanding any other provision of this Article, be exempt from the coverage of the corporation's insurance contract by such corporation's specifically excluding such executive officer in such contract of insurance, and the exclusion to remove such executive officer from the coverage shall continue for the period such contract of insurance is in effect, and during such period such executive officers thus exempted from the coverage of the insurance contract shall not be employees of such corporation under this Article.

All county agricultural extension service employees who do not receive official federal appointments as employees of the United States Department of Agriculture and who are field faculty members with professional rank as designated in the memorandum of understanding between the North Carolina Agricultural Extension Service, North Carolina State University, A & T State University, and the boards of county commissioners shall be deemed to be employees of the State of North Carolina. All other county agricultural extension service employees paid from State or county funds shall be deemed to be employees of the county board of commissioners in the county in which the employee is employed for purposes of workers' compensation.

The term "employee" shall also include members of the Civil Air Patrol currently certified pursuant to G.S. 143B-491(a) when performing duties in the course and scope of a State-approved mission pursuant to Article 11 of Chapter 143B of the General Statutes.

"Employee" shall not include any person performing voluntary service as a ski patrolman who receives no compensation for such services other than meals or lodging or the use of ski tow or ski lift facilities or any combination thereof.

Any sole proprietor or partner of a business or any member of a limited liability company may elect to be included as an employee under the workers' compensation coverage of such business if he is actively engaged in the operation of the business and if the insurer is notified of his election to be so included. Any such sole proprietor or partner or member of a limited liability company shall, upon such election, be entitled to employee benefits and be subject to employee responsibilities prescribed in this Article.

"Employee" shall include an authorized pickup firefighter of the Division of Forest Resources of the Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services when that individual is engaged in emergency fire suppression activities for the Division of Forest Resources. As used in this section, "authorized pickup firefighter" means an individual who has completed required fire suppression training as a wildland firefighter and who is available as needed by the Division of Forest Resources for emergency fire suppression activities, including immediate dispatch to wildfires and standby for initial attack on fires during periods of high fire danger.

It shall be a rebuttable presumption that the term "employee" shall not include any person performing services in the sale of newspapers or magazines to ultimate consumers under an arrangement whereby the newspapers or magazines are to be sold by that person at a fixed price and the person's compensation is based on the retention of the excess of the fixed price over the amount at which the newspapers or magazines are charged to the person."

SECTION 13.25.(nn) G.S. 105-259(b)(41) reads as rewritten:

"(41) To furnish the Division of Forest Resources of the Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services 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."

SECTION 13.25.(oo) G.S. 105-277.7(a)(2) reads as rewritten:

"(2) A representative of the Division of Forest Resources of the Department of ~~Environment and Natural Resources,~~Agriculture and Consumer Services, designated by the Director of that Division."

SECTION 13.25.(pp) G.S. 105-296(j) reads as rewritten:

"(j) The assessor must annually review at least one eighth of the parcels in the county classified for taxation at present-use value to verify that these parcels qualify for the classification. By this method, the assessor must review the eligibility of all parcels classified for taxation at present-use value in an eight-year period. The period of the review process is based on the average of the preceding three years' data. The assessor may request assistance from the Farm Service Agency, the Cooperative Extension Service, the Division of Forest Resources of the Department of ~~Environment and Natural Resources,~~Agriculture and Consumer Services, or other similar organizations.

The assessor may require the owner of classified property to submit any information, including sound management plans for forestland, needed by the assessor to verify that the property continues to qualify for present-use value taxation. The owner has 60 days from the date a written request for the information is made to submit the information to the assessor. If the assessor determines the owner failed to make the information requested available in the time required without good cause, the property loses its present-use value classification and the property's deferred taxes become due and payable as provided in G.S. 105-277.4(c). If the property loses its present-use value classification for failure to provide the requested information, the assessor must reinstate the property's present-use value classification when the owner submits the requested information within 60 days after the disqualification unless the information discloses that the property no longer qualifies for present-use value classification. When a property's present-use value classification is reinstated, it is reinstated retroactive to the date the classification was revoked and any deferred taxes that were paid as a result of the revocation must be refunded to the property owner. The owner may appeal the final decision of the assessor to the county board of equalization and review as provided in G.S. 105-277.4(b1).

In determining whether property is operating under a sound management program, the assessor must consider any weather conditions or other acts of nature that prevent the growing or harvesting of crops or the realization of income from cattle, swine, or poultry operations. The assessor must also allow the property owner to submit additional information before making this determination."

SECTION 13.25.(qq) G.S. 106-202.14(b)(3) reads as rewritten:

"(3) The Division of Forest Resources, Department of ~~Environment and Natural Resources;~~Agriculture and Consumer Services;".

SECTION 13.25.(rr) G.S. 113-291.10(a)(3) reads as rewritten:

"(3) The Director of the Division of Forest Resources of the Department of ~~Environment and Natural Resources,~~Agriculture and Consumer Services, or a designee;"

SECTION 13.25.(ss) G.S. 143-166.2(d) reads as rewritten:

"(d) The term "law-enforcement officer", "officer", or "fireman" shall mean a sheriff and all law-enforcement officers employed full-time, permanent part-time, or temporarily by a sheriff, the State of North Carolina or any county or municipality thereof, whether paid or unpaid; and all full-time custodial employees and probation and parole officers of the North Carolina Department of Correction; and all full time institutional and full-time, permanent part-time, and temporary detention employees of the Department of Juvenile Justice and Delinquency Prevention and full-time, permanent part-time, and temporary detention officers employed by any sheriff, county or municipality, whether paid or unpaid. The term "firemen" shall mean both "eligible firemen" as defined in G.S. 58-86-25 and all full-time, permanent part-time and temporary employees of the ~~North Carolina~~ Division of Forest Resources, Department of ~~Environment and Natural Resources,~~Agriculture and Consumer Services, during the time they are actively engaged in fire-fighting activities; and shall mean all full-time employees of the North Carolina Department of Insurance during the time they are actively engaged in fire-fighting activities, during the time they are training fire fighters or rescue squad workers, and during the time they are engaged in activities as members of the State Emergency Response Team, when the Team has been activated; and shall mean all otherwise eligible persons who, while actively engaged as firefighters or rescue squad workers, are acting in the capacity of a fire or rescue instructor outside their own department or squad. The term "rescue squad worker" shall mean a person who is dedicated to the purpose of alleviating human

suffering and assisting anyone who is in difficulty or who is injured or becomes suddenly ill by providing the proper and efficient care or emergency medical services. In addition, this person must belong to an organized rescue squad which is eligible for membership in the North Carolina Association of Rescue Squads, Inc., and the person must have attended a minimum of 36 hours of training and meetings in the last calendar year. Each rescue squad belonging to the North Carolina Association of Rescue Squads, Inc., must file a roster of those members meeting the above requirements with the State Treasurer on or about January 1 of each year, and this roster must be certified to by the secretary of said association. In addition, the term "rescue squad worker" shall mean a member of an ambulance service certified by the Department of Health and Human Services pursuant to Article 7 of Chapter 131E of the General Statutes. The Department of Health and Human Services shall furnish a list of ambulance service members to the State Treasurer on or about January 1 of each year. The term "Civil Air Patrol members" shall mean those senior members of the North Carolina Wing-Civil Air Patrol 18 years of age or older and currently certified pursuant to G.S. 143B-491(a). The term "fireman" shall also mean county fire marshals when engaged in the performance of their county duties. The term "rescue squad worker" shall also mean county emergency services coordinators when engaged in the performance of their county duties."

SECTION 13.25.(tt) G.S. 143-166.7 reads as rewritten:

"**§ 143-166.7. Applicability of Article.**

The provisions of this Article shall apply and be in full force and effect with respect to any law-enforcement officer, fireman, rescue squad worker or senior Civil Air Patrol member killed in the line of duty on or after May 13, 1975. The provisions of this Article shall apply with respect to full-time, permanent part-time and temporary employees of ~~North Carolina~~ Division of Forest Resources, Department of ~~Environment and Natural Resources,~~Agriculture and Consumer Services, killed in line of duty on or after July 1, 1975. The provisions of this Article shall apply to county fire marshals and emergency services coordinators killed in the line of duty on and after July 1, 1988."

SECTION 13.25.(uu) G.S. 143-214.25A(a) reads as rewritten:

"(a) The Division of Water Quality of the Department shall develop a program to train and certify individuals to determine the presence of surface waters that would require the application of rules adopted by the Commission for the protection of riparian buffers. The Division may train and certify employees of the Division as determined by the Director of the Division of Water Quality; employees of units of local government to whom responsibility for the implementation and enforcement of the riparian buffer protection rules is delegated pursuant to G.S. 143-214.23; and Registered Foresters under Chapter 89B of the General Statutes who are employees of the Division of Forest Resources of the Department of Agriculture and Consumer Services as determined by the Director of the Division of Forest Resources. The Director of the Division of Water Quality may review the determinations made by individuals who are certified pursuant to this section, may override a determination made by an individual certified under this section, and, if the Director of the Division of Water Quality determines that an individual is failing to make correct determinations, revoke the certification of that individual."

SECTION 13.25.(vv) G.S. 143-215.74M(d)(11) reads as rewritten:

"(11) The Director of the Division of Forest Resources of the Department of Agriculture and Consumer Services or the Director's designee."

SECTION 13.25.(ww) G.S. 166A-18 reads as rewritten:

"**§ 166A-18. Division of Forest Resources designated as emergency response agency.**

The Division of Forest Resources of the Department of ~~Environment and Natural Resources~~Agriculture and Consumer Services is designated an emergency response agency of the State of North Carolina for purposes of:

(1) Supporting the Division of Emergency Management of the Department of Crime Control and Public Safety in responding to all-risk incidents.
(2) Receipt of any applicable State or federal funding.
(3) Training of other State and local agencies in disaster and emergency management.
(4) Any other disaster and emergency response roles for which the Division has special training or qualifications."

SECTION 13.25.(xx) The Revisor of Statutes shall make the conforming statutory changes necessary to reflect the transfers under this section. The Revisor of Statutes may

correct any reference in the General Statutes to the statutes that are recodified by this section and make any other conforming changes necessitated by this section.

SECTION 13.25.(yy) The transfers under this section become effective July 1, 2011, and funds transferred shall be net of any changes enacted by this section.

SECTION 13.25.(zz) Any references in this act to the Division of Forest Resources of the Department of Environment and Natural Resources shall be construed to refer to the Division of Forest Resources of the Department of Agriculture and Consumer Services. Any references in this act to the Forestry Council of the Department of Environment and Natural Resources shall be construed to refer to the Forestry Council of the Department of Agriculture and Consumer Services.

OTHER MATTERS REGARDING THE TRANSFER OF TWO DENR DIVISIONS TO THE DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

SECTION 13.25A.(a) Concurrently with the transfer under this act of the Division of Forest Resources and the Division of Soil and Water Conservation from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services, the Department of Environment and Natural Resources shall transfer at least four vacant positions in the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services to be reclassified by the Department of Agriculture and Consumer Services for the central business office of the Department of Agriculture and Consumer Services. The Department of Environment and Natural Resources, the Department of Agriculture and Consumer Services, the Office of State Budget and Management, and the Office of State Personnel shall jointly determine if any additional positions from the Department of Environment and Natural Resources should be transferred to the Department of Agriculture and Consumer Services due to the transfer of the Division of Forest Resources and the Division of Soil and Water Conservation from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services under this section.

SECTION 13.25A.(b) The Attorney General shall continue to provide legal counsel and legal support to the Division of Forest Resources and the Division of Soil and Water Conservation after these divisions are transferred from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services under this act.

SECTION 13.25A.(c) Subsequent to the transfer of the Division of Forest Resources and the Division of Soil and Water Conservation from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services under this act, the Division of Forest Resources and the Division of Soil and Water Conservation, including the staff and equipment of these two divisions, may continue to occupy the office space that these two divisions occupied prior to the transfer under this act, and the Department of Environment and Natural Resources shall cooperate with this continued use of the office space.

SECTION 13.25A.(d) The Department of Environment and Natural Resources and the Department of Agriculture and Consumer Services shall enter into a memorandum of understanding concerning the sharing of existing databases and any software programs used in the administration of the programs of the Division of Forest Resources and the Division of Soil and Water Conservation and any other matters addressed in this section in order to assure the uninterrupted continuation of services under these programs during and after the transfer of the Division of Forest Resources and the Division of Soil and Water Conservation from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services under this act.

CLEAN WATER MANAGEMENT TRUST FUND

SECTION 13.26.(a) G.S. 113A-253.1 is repealed.

SECTION 13.26.(b) G.S. 113A-253(a) reads as rewritten:

"(a) Fund Established. – The Clean Water Management Trust Fund is established as a special revenue fund. The Fund receives revenue from the following sources and may receive revenue from other sources:

(1) Annual ~~appropriations under G.S. 143-15.3B.~~appropriations.

(2) Scenic River special registration plates under G.S. 20-81.12."

SECTION 13.26.(c) The funds appropriated in this act to the Clean Water Management Trust Fund shall be allocated as follows:

(1) Notwithstanding the provisions of G.S. 113A-253(d), the sum of three million dollars ($3,000,000) shall be used for the 2011-2012 fiscal year and for the 2012-2013 fiscal year for the costs of administering the Clean Water Management Trust Fund, including costs to support the Board of Trustees of the Clean Water Management Trust Fund and its staff, the operating costs of the Board of Trustees of the Clean Water Management Trust Fund and its staff, and the costs of making debt payments to retire debt as provided under G.S. 113A-253(c);

(2) Notwithstanding the provisions of G.S. 113A-253(c) and G.S. 113A-254, the sum of one million five hundred thousand dollars ($1,500,000) shall be used for the 2011-2012 fiscal year and for the 2012-2013 fiscal year for State matching funds for the Readiness and Environmental Protection Initiative and any other United States Department of Defense program that provides for military buffers and protects the overall military training mission; and

(3) The sum of six million two hundred thousand dollars ($6,250,000) shall be used for the 2011-2012 fiscal year and for the 2012-2013 fiscal year for the costs for wastewater projects, water quality restoration projects, minigrants, conservation easements, and stormwater projects consistent with the provisions of Article 18 of Chapter 113A of the General Statutes.

SECTION 13.26.(d) The funds allocated under subdivision (1) and subdivision (3) of subsection (c) of this section shall not be used for land acquisition; however, the funds allocated under subdivision (3) of subsection (c) of this section may be used to purchase conservation easements. Notwithstanding the provisions of G.S. 113A-253(c) and G.S. 113A-254, the funds allocated under subdivision (2) of subsection (c) of this section may be used for land acquisition.

SECTION 13.26.(e) Any funds that become available to the Clean Water Management Trust Fund during the 2011-2012 fiscal year and the 2012-2013 fiscal year that are in excess of the funds allocated under subsection (c) of this section for that fiscal year shall be used as provided in subdivision (1) and subdivision (3) of subsection (c) of this section.

NEW FUNDING SOURCE FOR WILDLIFE RESOURCE COMMISSION BUDGET

SECTION 13.27.(a) G.S. 105-164.44B is repealed.

SECTION 13.27.(b) The Office of State Budget and Management, the State Controller, and the Wildlife Resources Commission shall jointly effectuate, beginning with the Wildlife Resources Commission's budget for the 2011-2012 fiscal year, the transition from the Wildlife Resources Commission receiving sales tax proceeds to fund its budget to the Wildlife Resources Commission receiving an appropriation of eighteen million dollars ($18,000,000) from the General Fund to fund its budget. The funds appropriated under this section shall be transferred to the Wildlife Resources Fund, as provided under G.S. 143-250, and shall be used for personal services expenditures only.

ANNUAL REPORT TO GOV OPS ON WILDLIFE RESOURCES FUND EXPENDITURES

SECTION 13.28.(a) G.S. 143-250 reads as rewritten:

"**§ 143-250. Wildlife Resources Fund.**

All moneys in the game and fish fund or any similar State fund when this Article becomes effective shall be credited forthwith to a special fund in the office of the State Treasurer, and the State Treasurer shall deposit all such moneys in said special fund, which shall be known as the Wildlife Resources Fund.

All unexpended appropriations made to the Department of Conservation and Development, the Board of Conservation and Development, the Division of Game and Inland Fisheries or to any other State agency for any purpose pertaining to wildlife and wildlife resources shall also be transferred to the Wildlife Resources Fund.

Except as otherwise specifically provided by law, all moneys derived from hunting, fishing, trapping, and related license fees, exclusive of commercial fishing license fees, including the income received and accruing from the investment of license revenues, and all funds thereafter received from whatever sources shall be deposited to the credit of the Wildlife Resources Fund and made available to the Commission until expended subject to the provisions of this Article. License revenues include the proceeds from the sale of hunting, fishing, trapping, and related

licenses, from the sale, lease, rental, or other granting of rights to real or personal property acquired or produced with license revenues, and from federal aid project reimbursements to the extent that license revenues originally funded the project for which the reimbursement is being made. For purposes of this section, real property includes lands, buildings, minerals, energy resources, timber, grazing rights, and animal products. Personal property includes equipment, vehicles, machines, tools, and annual crops. The Wildlife Resources Fund herein created shall be subject to the provisions of the State Budget Act, Chapter 143C of the General Statutes of North Carolina as amended, and the provisions of the General Statutes of North Carolina as amended, and the provisions of the Personnel Act, Chapter 143, Article 2 of the General Statutes of North Carolina as amended.

All moneys credited to the Wildlife Resources Fund shall be made available to carry out the intent and purposes of this Article in accordance with plans approved by the North Carolina Wildlife Resources Commission, and all such funds are hereby appropriated, reserved, set aside and made available until expended, for the enforcement and administration of this Article, Chapter 75A, Article 1, and Chapter 113, Subchapter IV of the General Statutes of North Carolina. ~~The~~ No later than October 1 of each year, the Wildlife Resources Commission shall report to the Joint Legislative Commission on Governmental Operations ~~before expending from the Wildlife Resources Fund more than the amount authorized in the budget enacted by the General Assembly for the fiscal period.~~ on the expenditures from the Wildlife Resources Fund during the fiscal year that ended the previous July 1 of that year and on the planned expenditures for the current fiscal year.

In the event any uncertainty should arise as to the funds to be turned over to the North Carolina Wildlife Resources Commission the Governor shall have full power and authority to determine the matter and his recommendation shall be final and binding to all parties concerned."

SECTION 13.28.(b) The first report required under G.S. 143-250, as amended by subsection (a) of this section, is due no later than October 1, 2011.

ANNUAL APPROPRIATIONS FOR BEAVER DAMAGE CONTROL PROGRAM FROM FUNDS AVAILABLE TO THE WILDLIFE RESOURCES COMMISSION

SECTION 13.29. 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)~~ Funds, as appropriated for this program each fiscal year of the ~~biennium~~ 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

NER BLOCK GRANTS

SECTION 14.1.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2012, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01.	State Administration	$ 1,000,000
02.	State Technical Assistance	450,000
03.	Scattered Site Housing	8,000,000
04.	Economic Development	7,210,000
05.	Small Business/Entrepreneurship	3,000,000
06.	NC Catalyst	5,000,000

07. Infrastructure	19,740,000
08. Capacity Building	600,000
TOTAL COMMUNITY DEVELOPMENT BLOCK GRANT – 2012 Program Year	$ 45,000,000

SECTION 14.1.(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 14.1.(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 14.1.(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 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 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; up to five million dollars ($5,000,000) shall be used for NC Catalyst; up to nineteen million seven hundred forty thousand dollars ($19,740,000) may be used for Infrastructure; up to 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 14.1.(e) 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 14.1.(f) By September 1, 2011, 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. The report shall include the following:

(1) A discussion of each of the categories of funding and how the categories were selected, including information on how a determination was made that there was a statewide need in each of the categories.

(2) Information on the number of applications that were received in each category and the total dollar amount requested in each category.

(3) A list of grantees, including the grantee's name, county, category under which the grant was funded, the amount awarded, and a narrative description of the project.

SECTION 14.1.(g) For purposes of this section, eligible activities under the category of Infrastructure in subsection (a) of this section are limited to the installation of public water or sewer lines and improvements to water or sewer treatment plants that have specific problems such as being under moratoriums or special orders of consent. Notwithstanding the provisions of subsection (e) of this section, funds allocated to the Infrastructure category in subsection (a) of this section shall not be reallocated to any other category.

ONE NORTH CAROLINA FUND

SECTION 14.2.(a) Of the funds appropriated in this act to the One North Carolina Fund for the 2011-2012 fiscal year, the Department of Commerce may use up to two hundred fifty thousand dollars ($250,000) to cover its expenses in administering the One North Carolina Fund and other economic development incentive grant programs during the 2011-2012 fiscal year. The Department of Commerce shall not use more than two hundred fifty thousand dollars ($250,000) for administrative costs in any one fiscal year.

SECTION 14.2.(b) G.S. 143B-437.07 reads as rewritten:

"**§ 143B-437.07. Economic development grant reporting.**

(a) Report. – The Department of Commerce must publish on or before March 1 of each year the ~~following information,~~ information required by this subsection, itemized by business entity, ~~for all grant programs administered by the Department that disbursed or awarded grant monies to businesses during the previous calendar year:~~for each business or joint private venture to which the State has, in whole or in part, granted one or more economic development incentives during the previous five calendar years. The Department must provide the General Assembly with updated supplemental information consistent with this subsection on a quarterly basis in the form and manner requested by the General Assembly. The information in the report must include all of the following:

~~(1) The amount of grant monies awarded during the previous year.~~

~~(2) The amount of grant monies disbursed during the previous year.~~

~~(3) The amount of grant monies that were disbursed in earlier years to business entities that received grant monies during the previous year.~~

~~(4) The amount of potential future liability under the grant program.~~

~~(5) The number, type, and wage level of jobs created or retained during the previous year as a result of a grant.~~

~~(6) A description of any other financial assistance received during the previous year from all economic development incentive programs administered by the Department.~~

~~(7) Any amount recaptured from the business entity during the previous year for failure to comply with the grant agreement or applicable law.~~

(1) A unique project identification number and a unique descriptor or title.

(2) The date of the award agreement.

(3) The name, mailing address, telephone number, and Web site of the business recipient, or recipients if a joint venture, and the physical location of the site receiving the incentive. If the physical location of the site is undecided, then the name of the county in which the site will be located.

(4) The development tier designation of the county in which the site is located on the date the incentive is awarded.

(5) The NAICS six-digit code and NAICS category of business receiving the incentive. The term 'NAICS' has the same meaning as defined in G.S. 105-164.3.

(6) The sources and dollar value of eligible State incentives by program name.

(7) The sources and dollar value of local government funds provided by any locality and the nature of the local funding. Examples of the nature of local funding include cash, fee-waivers, in-kind services, and donation of land, buildings, or other assets.

(8) The intended use of the incentive by any category or categories to which State law restricts or limits uses of incentive funds. If the use of the incentive funds is not restricted, then the intended purpose of the funds.
(9) The amount of incentive monies disbursed taken during the period.
(10) The amount of potential future liability under the applicable incentive program.
(11) The number, type, and wage level of jobs required to be created or retained to receive a disbursement of incentive monies.
(12) The actual full-time equivalent jobs employed by the recipient during the period.
(13) The projected cost per job created or retained, including State and local funds.
(14) Any amount recaptured from the business entity during the period for failure to satisfy the terms of the grant agreement.

(b) Online Posting. – The Department of Commerce must post on its Internet Web site a summary of the report compiled in subsection (a) of this section. The summary report must include the information required by subdivisions (2), (9), (11), and (12) of subsection (a) of this section.

(c) Economic Development Incentive. – An economic development incentive includes any grant program administered by the Department of Commerce that disburses or awards monies to businesses. Examples of these grant programs include the Job Development Investment Grant Program, the Job Maintenance and Capital Development Fund, One North Carolina Fund, and the Industrial Development Fund, including the Utility Account. The State also incents economic development through the use of tax expenditures in the form of tax credits and refunds. The Department of Revenue must report annually on these statutory economic development incentives, as required under G.S. 105-256."

SECTION 14.2.(c) Notwithstanding G.S. 143B-437.07, as amended by this act, the Department of Commerce is not required to include information in its annual report relating to economic development incentives provided by local governments prior to July 1, 2011.

EXTEND DEADLINE FOR TWENTY PERCENT REDUCTION ON PETROLEUM PRODUCTS USE FOR STATE FLEETS/CLARIFY REPORTING REQUIREMENT

SECTION 14.2B.(a) Section 19.5(a) of S.L. 2005-276, as amended by Section 14.14(a) of S.L. 2009-451, reads as rewritten:

"**SECTION 19.5.(a)** All State agencies, universities, and community colleges that have State-owned vehicle fleets shall develop and implement plans to improve the State's use of alternative fuels, synthetic lubricants, and efficient vehicles. The plans shall achieve a twenty percent (20%) reduction or displacement of the current petroleum products consumed by ~~July 1, 2011.~~July 1, 2016. Before implementation of any plan, all affected agencies shall report their plan to the State Energy Office within the Department of Commerce. The State Energy Office shall compile a report on the plans submitted and report to the Joint Legislative Commission on Governmental Operations. Agencies shall implement their plans by January 1, 2006. Reductions may be met by petroleum or oils displaced through the use of biodiesel, ethanol, synthetic oils or lubricants, other alternative fuels, the use of hybrid electric vehicles, other fuel-efficient or low-emission vehicles, or additional methods as may be approved by the State Energy Office, thereby reducing the amount of harmful emissions. The plan shall not impede mission fulfillment of the agency and shall specifically address a long-term cost-benefit analysis, allowances for changes in vehicle usage, total miles driven, and exceptions due to technology, budgetary limitations, and emergencies."

SECTION 14.2B.(b) Section 19.5(c) of S.L. 2005-276, as amended by Section 14.14(b) of S.L. 2009-451, reads as rewritten:

"**SECTION 19.5.(c)** Agencies shall report by September 1, 2006, and annually thereafter through ~~September 1, 2011,~~September 1, 2016, to the State Energy Office within the Department of Commerce on the efforts undertaken to achieve the reductions. The State Energy Office shall compile and forward a report to the Joint Legislative Commission on Governmental Operations by November 1, 2006, and annually thereafter through ~~November 1, 2011,~~November 1, 2016, on the agencies' progress in meeting their plans."

STATUS OF TRAVEL AND TOURISM INDUSTRY IN NC/ANNUAL REPORT

SECTION 14.3. G.S. 143B-434.2(d) reads as rewritten:

"(d) The Department of Commerce, and the Division of Tourism, Film, and Sports Development within that Department, shall implement the policies set forth in this section. The Division of Tourism, Film, and Sports Development shall make an annual report to the General Assembly regarding the status of the travel and tourism industry in North Carolina; the report shall be submitted to the General Assembly by ~~January 15~~October 15 of each year beginning ~~January 15, 1992.~~October 15, 2011. The duties and responsibilities of the Department of Commerce through the Division of Tourism, Film, and Sports Development shall be to:

...."

NORTH CAROLINA WINERIES & TOURISM/OPERATING COMMITTEES

SECTION 14.3A.(a) There is established an operating committee for the Vinifera Group and an operating committee for the Muscadines Group. The purpose of the operating committees is to promote North Carolina wineries and tourism related to the wineries. Each operating committee shall consist of five members, who shall be appointed by the Commissioner of Agriculture to serve two-year terms, which shall be staggered. The members appointed shall be chosen from among individuals who have education or experience in the wine industry or in the field of tourism. No member of an operating committee may serve for more than two consecutive terms. Initial terms shall commence September 1, 2011.

SECTION 14.3A.(b) Each operating committee shall meet at least twice each calendar year to discuss ways in which to promote and advertise North Carolina wineries and ways in which to improve, use, and distribute State maps showing winery locations. Notwithstanding any other provision of law, committee members shall receive no salary, per diem, subsistence, travel reimbursement, or other stipend or reimbursement as a result of serving on their respective committees.

SECTION 14.3A.(c) Each operating committee shall elect from the membership of the committee a chair and vice-chair. Vacancies resulting from the resignation of a member or otherwise shall be filled in the same manner in which the original appointment was made, and the term shall be for the balance of the unexpired term. A majority of the members of each committee shall constitute a quorum for the transaction of business. The affirmative vote of a majority of the members present at meetings of each committee shall be necessary for action to be taken by the committee.

WINE AND GRAPE GROWERS COUNCIL ELIMINATED

SECTION 14.3B. Part 2J of Article 10 of Chapter 143B of the General Statutes is repealed.

21ST CENTURY COMMUNITIES PROGRAM ELIMINATED/CONFORMING CHANGES

SECTION 14.3C. Part 2K of Article 10 of Chapter 143B of the General Statutes reads as rewritten:

"Part 2K. North Carolina Certified Retirement Community Program.

"**§ 143B-437.100. North Carolina Certified Retirement Community Program – creation; powers and duties.**

(a) Program. – There is established the North Carolina Certified Retirement Community Program as part of the ~~21st Century Communities program of the~~ North Carolina Department of Commerce. The Department shall coordinate the development and planning of the North Carolina Certified Retirement Community Program with other State and local groups interested in participating in and promoting the North Carolina Certified Retirement Community Program. The Department shall adopt administrative rules to implement the provisions of this Part. For purposes of this Part, "Department" means the North Carolina Department of Commerce, and "Program" means the North Carolina Certified Retirement Community Program.

(b) Purpose. – The purpose of the Program is to encourage retirees and those planning to retire to make their homes in North Carolina. In order to further this purpose, the Department shall engage in the following activities:

(1) Promote the State as a retirement destination to retirees and those persons and families who are planning retirement both in and outside of North Carolina.

(2) Assist North Carolina communities in their efforts to market themselves as retirement locations and to develop communities that retirees would find attractive for a retirement lifestyle.

(3) Assist in the development of retirement communities and continuing care facilities under Article 64 of Chapter 58 of the General Statutes in order to promote economic development and a potential workforce to enrich North Carolina communities.

(4) Encourage mature market travel and tourism to North Carolina to evaluate future retirement desirability and to visit those who have chosen to retire in North Carolina.

(c) Factors. – The Department shall identify factors that are of interest to retirees or potential retirees in order to inform them of the benefits of living in North Carolina. These factors shall be used to develop a scoring system to determine whether an applicant will qualify as a North Carolina certified retirement community and may include the following:

(1) North Carolina's State and local tax structure.
(2) Housing opportunities and cost.
(3) Climate.
(4) Personal safety.
(5) Working opportunities.
(6) Health care and continuing care services.
(7) Transportation.
(8) Continuing education.
(9) Leisure living.
(10) Recreation.
(11) The performing arts.
(12) Festivals and events.
(13) Sports.
(14) Other services and facilities necessary to enable persons to age in the community with a minimum of restrictions.

(d) Certification. – The Department shall establish criteria for qualifying as a North Carolina certified retirement community. To be eligible to obtain certification as a North Carolina certified retirement community, the community shall meet each of the following requirements:

(1) Be located within 30 miles of a hospital and of emergency medical services.
(2) Take steps to gain the support of churches, clubs, businesses, media, and other entities whose participation will increase the Program's success in attracting retirees or potential retirees.
(3) Establish a retiree attraction committee. The retiree attraction committee shall fulfill or create subcommittees to fulfill each of the following:
  a. Conduct a retiree desirability assessment analyzing the community with respect to each of the factors identified by the Department and submit a report of the analysis to the Department.
  b. Send a representative of the retirement attraction committee to attend State training meetings conducted by the ~~21st Century Communities program~~ Department during the certification process.
  c. Raise funds necessary to run the Program, organize special events, and promote and coordinate the Program with local entities.
  d. Establish a community image, evaluate target markets, and develop a marketing and public relations plan designed to accomplish the purpose of the Program.
  e. Develop a system that identifies and makes contact with existing and prospective retirees, that provides tour guides when prospects visit the community, and that responds to inquiries, logs contacts made, invites prospects to special community events, and maintains continual contact with prospects until the prospect makes a retirement location decision.
(4) Remit an application fee to the ~~21st Century Communities program~~Department equal to the greater of ten thousand dollars ($10,000) or

the product of fifty cents (50¢) multiplied by the population of the community, as determined by the most recent census.

(5) Submit the completed marketing and public relations plan designed to accomplish the purpose of the Program to the Department.

(6) Submit a long-term plan outlining the steps the community will undertake to maintain or improve its desirability as a destination for retirees, including corrections to any services or facilities identified in the retiree desirability assessment.

"**§ 143B-437.101. North Carolina Certified Retirement Community Program – administration.**

(a) Administration and Support. – Upon being certified as a North Carolina certified retirement community, the ~~21st Century Communities program~~Department shall provide the following assistance to the community:

(1) Assistance in the training of local Program staff and volunteers.

(2) Ongoing oversight and guidance in marketing and updating on national retirement trends.

(3) Inclusion in the State's national advertising and public relations campaigns and travel show promotions, including a prominent feature on the Department's Web site.

(4) Eligibility for State financial assistance for brochures, support material, and advertising.

(5) An annual evaluation and progress assessment on maintaining and improving the community's desirability as a home for retirees.

(b) Expiration. – A community's certification under this section expires on the fifth anniversary of the date the initial certification is issued. To be considered for recertification by the ~~21st Century Communities program,~~Department, an applicant community shall submit the following:

(1) A completed new application in accordance with the requirements of this Part.

(2) Data demonstrating the success or failure of the community's efforts to market and promote itself as a desirable location for retirees and potential retirees.

(3) The fee required by G.S. 143B-437.100(d)(4)."

EMPLOYMENT SECURITY COMMISSION FUNDS

SECTION 14.4.(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 2011-2012 fiscal year shall not exceed two million five hundred thousand dollars ($2,500,000).

SECTION 14.4.(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 2011-2012 fiscal year to be used for the following purposes:

(1) $19,500,000 for the operation and support of local Employment Security Commission offices.

(2) $200,000 to operate the system that tracks former participants in State education and training programs.

(3) $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 14.4.(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 2011-2012 fiscal year to fund State initiatives not currently funded through federal grants.

SECTION 14.4.(d) 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 2011-2012 fiscal year to fund "Opportunity NC," which provides work-based training opportunities to recipients of unemployment insurance benefits. Opportunity NC must meet all of the following factors:

(1) The training, even though it includes actual operation of the facilities of the employer, is similar to what would be given in a vocational school or academic educational instruction.
(2) The training is for the benefit of the trainee.
(3) The trainees do not displace regular employees, but work under their close observation.
(4) The employer who provides the training derives no immediate advantage from the activities of the trainees, and, on occasion, the employer's operations may actually be impeded.
(5) The trainees are not necessarily entitled to a job at the conclusion of the training period.
(6) The employer and the trainees understand that the trainees are not entitled to wages for the time spent in training.

SECTION 14.4.(e) 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 Division B 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 million dollars ($100,000,000) 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.

TRANSFER EMPLOYMENT SECURITY COMMISSION TO DEPARTMENT OF COMMERCE

SECTION 14.5.(a) The statutory authority, powers, duties, functions, records, personnel, property, and unexpended balances of appropriations, allocations, or other funds of the Employment Security Commission are transferred to the Department of Commerce with all of the elements of a Type I transfer as defined by G.S. 143A-6.

SECTION 14.5.(b) This section becomes effective November 1, 2011.

AGRICULTURAL EMPLOYEES/UNEMPLOYMENT INSURANCE

SECTION 14.5B. G.S. 96-8(5)n. reads as rewritten:

"n. With respect to employment on and after January 1, 1978, any person or employing unit who (a) during any calendar quarter in the current calendar year or the preceding calendar year paid wages of ~~twenty thousand dollars ($20,000)~~fifty thousand dollars ($50,000) or more for agricultural labor, or (b) on each of some 20 days during the current or preceding calendar year, each day being in a different calendar week, employed at least 10 individuals in employment in agricultural labor for some portion of the day. Provided, that with respect to agricultural labor performed by a crew on and after January 1, 1978, the crew leader shall be deemed an employer if (1) either of the requirements set forth in the first sentence of this paragraph are met; and (2) the crew members are not employed by another person within the meaning of the first sentence of this paragraph; (3) and if the crew leader holds a valid certificate of registration under the Migrant and Seasonal Agricultural Worker Protection Act; or substantially all the members of the crew operate or maintain tractors, mechanized harvesting or crop dusting equipment, or any other mechanized equipment, which is provided by the crew leader. For purposes of this paragraph, the term "crew leader" means an individual who (1) furnishes individuals to perform agricultural labor for any other person, (2) pays (either on his behalf or on behalf of such other person) the individuals so furnished by

him for the agricultural labor performed by them, and (3) has not entered into a written agreement with such other person under which such individual is designated as an employee of such other person. The farm operator shall be deemed to be the employer of any worker hired by the farm operator; any assignment to work with a crew or under a crew leader notwithstanding. All the workers shall be deemed the employees of the farm operator when the crew leader does not qualify as the employer under the provisions set out in this paragraph."

DEPARTMENT OF COMMERCE/CONTRACTS RELATED TO EMPLOYMENT SECURITY ORGANIZATIONAL REFORM

SECTION 14.5C. Notwithstanding any other provision of law to the contrary, the Department of Commerce may enter into contracts or, as necessary, enter into sole source contracts to timely obtain recommendations to achieve employment security organizational reform recommendations and savings.

TRANSFER STATE PORTS AUTHORITY FROM DEPARTMENT OF COMMERCE TO DEPARTMENT OF TRANSPORTATION

SECTION 14.6.(a) The North Carolina State Ports Authority, as contained in Part 10 of Article 10 of Chapter 143B of the General Statutes, is hereby transferred by a Type II transfer to the Department of Transportation. The North Carolina State Ports Authority shall use the State's budgeting, accounting, and human resources systems and shall comply with laws and policies related to submitting budget requests to the Office of State Budget and Management.

SECTION 14.6.(b) Part 10 of Article 10 of Chapter 143B of the General Statutes is recodified as Article 20 of Chapter 136 of the General Statutes, G.S. 136-260 through G.S. 136-275.

SECTION 14.6.(c) G.S. 120-123 reads as rewritten:

"**§ 120-123. Service by members of the General Assembly on certain boards and commissions.**

No member of the General Assembly may serve on any of the following boards or commissions:

...

(26) The North Carolina State Ports Authority, as established by ~~G.S. 143B-452.~~ G.S. 136-260.

...."

SECTION 14.6.(d) G.S. 143-166.13 reads as rewritten:

"**§ 143-166.13. Persons entitled to benefits under Article.**

(a) The following persons who are subject to the Criminal Justice Training and Standards Act are entitled to benefits under this Article:

...

(15) North Carolina Ports Authority Police, Department of ~~Commerce;~~Transportation;

...."

SECTION 14.6.(e) G.S. 143B-346 reads as rewritten:

"**§ 143B-346. Department of Transportation – purpose and functions.**

The general purpose of the Department of Transportation is to provide for the necessary planning, construction, maintenance, and operation of an integrated statewide transportation system for the economical and safe transportation of people and goods as provided for by law. The Department shall also provide and maintain an accurate register of transportation vehicles as provided by statutes, and the Department shall enforce the laws of this State relating to transportation safety assigned to the Department. The Department of Transportation shall be responsible for all of the transportation functions of the executive branch of the State as provided by law except those functions delegated to the Utilities ~~Commission, the State Ports Authority,~~ Commission and the Commissioners of Navigation and Pilotage as provided for by Chapter 76. The major transportation functions include aeronautics, highways, mass transportation, motor vehicles, and transportation safety as provided for by State law. The

Department of Transportation shall succeed to all functions vested in the Board of Transportation and the Department of Motor Vehicles on July 1, 1977."

SECTION 14.6.(f) G.S. 143B-431 reads as rewritten:

"**§ 143B-431. Department of Commerce – functions.**

(a) The functions of the Department of Commerce, except as otherwise expressly provided by Article 1 of this Chapter or by the Constitution of North Carolina, shall include:

(1) All of the executive functions of the State in relation to economic development including by way of enumeration and not of limitation, the expansion and recruitment of environmentally sound industry, labor force development, the promotion of and assistance in the orderly development of North Carolina counties and communities, the promotion and growth of the travel and tourism industries, ~~the development of our State's ports,~~and energy resource management and energy policy development;

(2) All functions, powers, duties and obligations heretofore vested in an agency enumerated in Article 15 of Chapter 143A, to wit:

a. The State Board of Alcoholic Control,
b. The North Carolina Utilities Commission,
c. The Employment Security Commission,
d. The North Carolina Industrial Commission,
e. State Banking Commission and the Commissioner of Banks,
f. Savings Institutions Division,
g. Repealed by Session Laws 2001-193, s. 10, effective July 1, 2001.
h. Credit Union Commission,
i. Repealed by Session Laws 2004-199, s. 27(c), effective August 17, 2004.
j. The North Carolina Mutual Burial Association Commission,
k. The North Carolina Rural Electrification Authority,
~~l. The North Carolina State Ports Authority,~~

all of which enumerated agencies are hereby expressly transferred by a Type II transfer, as defined by G.S. 143A-6, to this recreated and reconstituted Department of Commerce; and

(3) All other functions, powers, duties and obligations as are conferred by this Chapter, delegated or assigned by the Governor and conferred by the Constitution and laws of this State. Any agency transferred to the Department of Commerce by a Type II transfer, as defined by G.S. 143A-6, shall have the authority to employ, direct and supervise professional and technical personnel, and such agencies shall not be accountable to the Secretary of Commerce in their exercise of quasi-judicial powers authorized by statute, notwithstanding any other provisions of this ~~Chapter, provided that the authority of the North Carolina State Ports Authority to employ, direct and supervise personnel shall be as provided in Part 10 of this Article.~~Chapter.

...."

SECTION 14.6.(g) G.S. 143B-433 reads as rewritten:

"**§ 143B-433. Department of Commerce – organization.**

The Department of Commerce shall be organized to include:

(1) The following agencies:

a. The North Carolina Alcoholic Beverage Control Commission.
b. The North Carolina Utilities Commission.
c. The Employment Security Commission.
d. The North Carolina Industrial Commission.
e. State Banking Commission.
f. Savings Institutions Division.
g. Repealed by Session Laws 2001-193, s. 11, effective July 1, 2001.
h. Credit Union Commission.
i. Repealed by Session Laws 2004-199, s. 27(d), effective August 17, 2004.
j. The North Carolina Mutual Burial Association Commission.
k. North Carolina Cemetery Commission.

l. The North Carolina Rural Electrification Authority.
m. Repealed by Session Laws 1985, c. 757, s. 179(d).
n. North Carolina Science and Technology Research Center.
~~o. The North Carolina State Ports Authority.~~
p. Repealed by Session Laws 2010-180, s. 7(f), effective August 2, 2010.
q. Economic Development Board.
r. Labor Force Development Council.
s., t. Repealed by Session Laws 2000, c. 140, s. 76.(j), effective September 30, 2000.
u. Navigation and Pilotage Commissions established by Chapter 76 of the General Statutes.
v. Repealed by Session Laws 1993, c. 321, s. 313b.

...."

SECTION 14.6.(h) G.S. 143B-452, recodified as G.S. 136-260 in subsection (b) of this section, reads as rewritten:

"**§ 136-260. Creation of Authority. – membership; appointment, terms and vacancies; officers; meetings and quorum; compensation.**

(a) The North Carolina State Ports Authority is hereby ~~created.~~created within the Department of Transportation and shall be subject to and under the direct supervision of the Secretary of Transportation. It shall be governed by a board composed of nine members and hereby designated as the Authority. Effective July 1, 1983, it shall be governed by a board composed of 11 members and hereby designated as the Authority. The General Assembly suggests and recommends that no person be appointed to the Authority who is domiciled in the district of the North Carolina House of Representatives or the North Carolina Senate in which a State port is located. Members of the North Carolina Board of Transportation may be appointed to the Authority. The Governor shall appoint seven members to the Authority, and the General Assembly shall appoint two members of the Authority. Effective July 1, 1983, the Authority shall consist of seven persons appointed by the Governor, and four persons appointed by the General Assembly. Effective ~~July 1, 1989,~~July 1, 2011, the Governor shall appoint six members to the Authority, in addition to the Secretary of ~~Commerce,~~Transportation, who shall serve as a voting member of the Authority by virtue of his office. The Secretary of ~~Commerce~~ Transportation shall fill the first vacancy occurring after ~~July 1, 1989,~~July 1, 2011, in a position on the Authority over which the Governor has appointive power.

...."

SECTION 14.6.(i) G.S. 146-65 reads as rewritten:

"**§ 146-65. Exemptions from Chapter.**

This Chapter does not apply to any of the following:

(1) The acquisition of highway rights-of-way, borrow pits, or other interests or estates in land acquired for the same or similar purposes, or to the disposition thereof, by the Board of Transportation or the North Carolina Turnpike Authority.
(2) The North Carolina State Ports Authority in exercising its powers under ~~G.S. 143B-452 through G.S. 143B-467.~~G.S. 136-260 through G.S. 136-275."

SECTION 14.6.(j) G.S. 150B-1(d) reads as rewritten:

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

...

(11) The North Carolina State Ports Authority with respect to fees established pursuant to ~~G.S. 143B-454(a)(11).~~G.S. 136-262(a)(11).

...."

SECTION 14.6.(k) The Revisor of Statutes shall make any other conforming statutory changes that are necessary to reflect the transfer under subsection (a) of this section.

STUDY COSTS OF SERVICES PROVIDED BY DEPARTMENT OF COMMERCE TO AGENCIES IN THE DEPARTMENT OF COMMERCE

SECTION 14.7.(a) In consultation with the Fiscal Research Division, the Department of Commerce and the ABC Commission, State Banking Commission, Credit

Union Division, Cemetery Commission, Utilities Commission, Utilities Commission Public Staff, and the Rural Electrification Authority shall study the following: (i) the types of services provided by the Department of Commerce to each of the agencies during each fiscal year; and (ii) formulas or methods to be used to determine the costs of the services, including the advantages and disadvantages of each formula or method. The Department of Commerce and each of the agencies shall prepare a joint recommendation as to which formula or method to determine the costs of the services should be used. In addition, the Department of Commerce and each of the agencies shall develop a memorandum of understanding that details the services to be provided by the Department of Commerce during each fiscal year.

SECTION 14.7.(b) By May 1, 2012, the Department of Commerce shall report the results of the study, including formula or method recommendations, required under subsection (a) of this section, to the Senate Appropriations Committee on Natural and Economic Resources, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research Division. By May 1, 2012, the Department of Commerce shall also submit a copy of each memorandum of understanding required under subsection (a) of this section to the Fiscal Research Division.

INDUSTRIAL COMMISSION FEES/COMPUTER SYSTEM REPLACEMENT

SECTION 14.8. 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.

UTILITIES COMMISSION/TERMS OF COMMISSIONERS

SECTION 14.8A.(a) G.S. 62-10 reads as rewritten:

"**§ 62-10. Number; appointment; terms; qualifications; chairman; vacancies; compensation; other employment prohibited.**

(a) The North Carolina Utilities Commission shall consist of seven commissioners who shall be appointed by the Governor subject to confirmation by the General Assembly by joint resolution. The names of commissioners to be appointed by the Governor shall be submitted by the Governor to the General Assembly for confirmation by the General Assembly on or before May 1, of the year in which the terms for which the appointments are to be made are to expire. Upon failure of the Governor to submit names as herein provided, the Lieutenant Governor and Speaker of the House jointly shall submit the names of a like number of commissioners to the General Assembly on or before May 15 of the same year for confirmation by the General Assembly. Regardless of the way in which names of commissioners are submitted, confirmation of commissioners must be accomplished prior to adjournment of the then current session of the General Assembly. This subsection shall be subject to the provisions of subsection (c) of this section.

(b) The terms of the commissioners now serving shall expire at the conclusion of the term for which they were appointed which shall remain as before with two regular eight-year terms expiring on July 1 of each fourth year after July 1, 1965, and the fifth term expiring on July 1 of each eighth year after July 1, 1963. The terms of office of utilities commissioners thereafter shall be ~~eight~~ six years commencing on July 1 of the year in which the predecessor terms expired, and ending on July 1 of the ~~eighth~~ sixth year thereafter.

(c) In order to increase the number of commissioners to seven, the names of two additional commissioners shall be submitted to the General Assembly on or before May 27, 1975, for confirmation by the General Assembly as provided in G.S. 62-10(a). The commissioners so appointed and confirmed shall serve new terms commencing on July 1, 1975, one of which shall be for a period of two years (with the immediate successor serving for a period of six years), and one of which shall be for a period of two years.

Thereafter, the terms of office of the additional commissioners shall be for ~~eight~~ six years as provided in G.S. 62-10(b).

(d) A commissioner in office shall continue to serve until his successor is duly confirmed and qualified but such holdover shall not affect the expiration date of such succeeding term.

(e) On July 1, 1965, and every four years thereafter, one of the commissioners shall be designated by the Governor to serve as chairman of the Commission for the succeeding four years and until his successor is duly confirmed and qualifies. Upon death or resignation of the commissioner appointed as chairman, the Governor shall designate the chairman from the remaining commissioners and appoint a successor as hereinafter provided to fill the vacancy on the Commission.

(f) In case of death, incapacity, resignation or vacancy for any other reason in the office of any commissioner prior to the expiration of his term of office, the name of his successor shall be submitted by the Governor within four weeks after the vacancy arises to the General Assembly for confirmation by the General Assembly. Upon failure of the Governor to submit the name of the successor, the Lieutenant Governor and Speaker of the House jointly shall submit the name of a successor to the General Assembly within six weeks after the vacancy arises. Regardless of the way in which names of commissioners are submitted, confirmation of commissioners must be accomplished prior to the adjournment of the then current session of the General Assembly.

(g) If a vacancy arises or exists pursuant to either subsection (a) or (c) or (f) of this section when the General Assembly is not in session, and the appointment is deemed urgent by the Governor, the commissioner may be appointed and serve on an interim basis pending confirmation by the General Assembly.

(h) The salary of each commissioner and that of the commissioner designated as chairman shall be set by the General Assembly in the Current Operations Appropriations Act. In lieu of merit and other increment raises paid to regular State employees, each commissioner, including the commissioner designated as chairman, shall receive as longevity pay an amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, and nine and six-tenths percent (9.6%) after 10 years of service. "Service" means service as a member of the Utilities Commission.

(h1) In addition to compensation for their services, each member of the Commission who lives at least 50 miles from the City of Raleigh shall be paid a weekly travel allowance for each week the member travels to the City of Raleigh from the member's home for business of the Commission. The allowance shall be calculated for each member by multiplying the actual round-trip mileage from that member's home to the City of Raleigh by the rate-per-mile which is the business standard mileage rate set by the Internal Revenue Service in Rev. Proc. 93-51, December 27, 1993.

(i) The standards of judicial conduct provided for judges in Article 30 of Chapter 7A of the General Statutes shall apply to members of the Commission. Members of the Commission shall be liable to impeachment for the causes and in the manner provided for judges of the General Court of Justice in Chapter 123 of the General Statutes. Members of the Commission shall not engage in any other employment, business, profession, or vocation while in office.

(j) Except as provided in subsection (h1) of this section, members of the Commission shall be reimbursed for travel and subsistence expenses at the rates allowed to State officers and employees by G.S. 138-6(a)."

SECTION 14.8A.(b) This section becomes effective January 1, 2012, and applies to all vacancies on the Utilities Commission occurring on or after that date.

STATE-AID REPORTING REQUIREMENTS

SECTION 14.10.(a) Ag in the Classroom, Councils of Government, Defense & Security Technology Accelerator, FFA Foundation, High Point Market Authority, Indian Economic Development Initiative, Johnson & Wales University, Land Loss Prevention Project, North Carolina Association of Community Development Corporations, North Carolina Institute of Minority Economic Development, Inc., North Carolina Community Development Initiative, Inc., North Carolina Minority Support 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 14.10.(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.

SECTION 14.10.(c) Beginning in fiscal year 2012-2013, 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 an entity named in subsection (a) of this section.

GRASSROOTS SCIENCE PROGRAM

SECTION 14.11.(a) The Grassroots Science Program within the Department of Environment and Natural Resources is transferred to the Department of Commerce.

SECTION 14.11.(b) Of the funds appropriated in this act to the Department of Commerce for State Aid, the sum of two million eight hundred ninety-nine thousand eight hundred eighty-five dollars ($2,899,885) for the 2011-2012 fiscal year and the sum of two million eight hundred ninety-nine thousand eight hundred eighty-five dollars ($2,899,885) for the 2012-2013 fiscal year is allocated as grants-in-aid for each fiscal year as follows:

	2011-2012	2012-2013
Aurora Fossil Museum	$49,000	$49,000
Cape Fear Museum	$132,125	$132,125
Carolina Raptor Center	$92,050	$92,050
Catawba Science Center	$120,100	$120,100
Colburn Earth Science Museum, Inc.	$61,170	$61,170
Core Sound Waterfowl Museum	$49,000	$49,000
Discovery Place	$543,945	$543,945
Eastern NC Regional Science Center	$49,000	$49,000
Fascinate-U	$66,530	$66,530
Granville County Museum Commission, Inc.–Harris Gallery	$49,000	$49,000
Greensboro Children's Museum	$110,845	$110,845
The Health Adventure Museum of Pack Place Education, Arts and Science Center, Inc.	$127,695	$127,695
Highlands Nature Center	$65,050	$65,050
Imagination Station	$70,600	$70,600
The Iredell Museums, Inc.	$50,310	$50,310
Kidsenses	$66,700	$66,700
Museum of Coastal Carolina	$64,025	$64,025
The Natural Science Center of Greensboro, Inc.	$152,920	$152,920
North Carolina Museum of Life and Science	$311,685	$311,685
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	$59,290	$59,290
Schiele Museum of Natural History and Planetarium, Inc.	$188,370	$188,370
Sci Works Science Center and Environmental Park of Forsyth County	$120,215	$120,215
Sylvan Heights Waterfowl Park and Eco-Center	$49,000	$49,000
Western North Carolina Nature Center	$92,630	$92,630
Wilmington Children's Museum	$60,630	$60,630

Total	$2,899,885	$2,899,885

SECTION 14.11.(c) No later than March 1, 2012, the Department of Commerce 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 2010-2011 fiscal year.
(2) The proposed operating budget for the 2011-2012 fiscal year.
(3) The total attendance at the museum during the 2011 calendar year.

SECTION 14.11.(d) No later than March 1, 2013, the Department of Commerce 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 2011-2012 fiscal year.
(2) The proposed operating budget for the 2012-2013 fiscal year.
(3) The total attendance at the museum during the 2012 calendar year.

SECTION 14.11.(e) 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 2011-2013 fiscal biennium, be submitted for each museum under this section to the Department of Commerce for fiscal years ending between July 1, 2009, and June 30, 2010, 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 14.11.(f) As used in subsection (e) 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.

SECTION 14.11.(g) Beginning fiscal year 2012-2013, 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 an entity named in subsection (b) of this section.

WAKE FOREST INSTITUTE FOR REGENERATIVE MEDICINE/PROFIT SHARING WITH STATE

SECTION 14.12.(a) Wake Forest University Health Sciences (hereinafter "Wake Forest") shall reimburse the State for State funds appropriated to the Wake Forest Institute of Regenerative Medicine (hereinafter "Institute") by returning to the State five percent (5%) of the royalty revenue received by the Institute from inventions arising under those research projects to which State funds were allocated by the Institute, subject to the following:

(1) The total amount to be reimbursed to the State shall be limited to the amount of State funds appropriated to the Institute plus simple interest at the rate of four percent (4%) annually from the time of disbursement until reimbursement commences;
(2) Wake Forest shall be entitled to deduct the expenses reasonably incurred in prosecuting, defending, and enforcing patent rights for the invention, except to the extent the expenses are recovered from a third party, before calculating the amount to be paid to the State;
(3) Calculation of the payments to the State shall be based upon royalty revenue proportionate to the State funds used in the research, with budgets developed consistent with federal research funding accounting guidelines; and
(4) Payments shall be used by the State in a manner consistent with Title 35 of the United States Code, section 202, subdivision (c)(7).

SECTION 14.12.(b) The Institute shall comply with the following reporting requirements:

(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 Institute's annual audited financial statement within 30 days of issuance of the statement.

SECTION 14.12.(c) Remaining allotments after September 1 shall not be released to the Institute if it does not satisfy the reporting requirements provided in subsection (b) of this section.

SECTION 14.12.(d) Beginning fiscal year, 2012-2013, 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 the Institute.

COUNCIL OF GOVERNMENT FUNDS

SECTION 14.12A.(a) Of the funds appropriated in this act to the Department of Commerce, the sum of three hundred forty-three thousand one hundred eighty-seven dollars ($343,187) for the 2011-2012 fiscal year and the sum of three hundred forty-three thousand one hundred eighty-seven dollars ($343,187) for the 2012-2013 fiscal year shall be used only 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 2011-2012 and the 2012-2013 fiscal years.

SECTION 14.12A.(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 14.12A.(c) Funds allocated by this section shall be paid by electronic transfer in two equal installments each fiscal year. Upon receipt of the report required by subsection (e) of this section, the first installment shall be paid no later than September 15 of each year.

SECTION 14.12A.(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 14.12A.(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.

RTI INTERNATIONAL/REPORTING REQUIREMENTS; USE OF STATE FUNDS

SECTION 14.12B.(a) RTI International 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 14.12B.(b) Remaining allotments after September 1 shall not be released to RTI International if the organization does not satisfy the reporting requirements provided in subsection (a) of this section.

SECTION 14.12B.(c) Funds appropriated in this act to RTI International shall be used to support new research that is conducted in the State of North Carolina. Funds appropriated to RTI International for the 2011-2012 fiscal year that are unexpended and unencumbered as of June 30, 2012, shall revert to the General Fund on June 30, 2012.

SECTION 14.12B.(d) Beginning fiscal year 2012-2013, 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 RTI International.

E-NC AUTHORITY TO TRANSFER FEDERAL GRANT FOR BROADBAND MAPPING TO DEPARTMENT OF COMMERCE

SECTION 14.12C. The e-NC Authority shall consult with the National Telecommunications and Information Administration to determine the manner in which an orderly transfer of grant funds awarded to the e-NC Authority under the State Broadband Data and Development grant program may be made to the Department of Commerce. The e-NC Authority and the Department of Commerce shall comply with the requirements of the National Telecommunications and Information Administration to ensure that the grant funds are transferred as quickly and as efficiently as possible to prevent any significant disruption in the North Carolina mapping and planning project currently titled NC BRIM, NC Broadband-Rigor in Mapping.

REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS 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 one hundred seventy-four thousand eight hundred ninety dollars ($174,890) in the 2011-2012 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 one hundred seventy-four thousand eight hundred ninety dollars ($174,890) in the 2011-2012 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 thousand dollars ($100,000) 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.

BIOFUELS CENTER OF NORTH CAROLINA

SECTION 14.14.(a) Of the funds appropriated in this act to the Biofuels Center of North Carolina (Center), the sum of four million five hundred thousand dollars ($4,500,000) for each fiscal year in the 2011-2013 biennium shall be allocated as follows:

	2011-2012	2012-2013
General Administration	$1,010,197	$1,010,197
Administration – Projects & Program Delivery	$732,113	$732,113
Communications & Public Information	$143,100	$143,100
Grant Program	$1,613,790	$1,613,790
Targeted Projects & Accelerated Initiatives	$1,000,800	$1,000,800

SECTION 14.14.(b) Except to provide administrative flexibility, up to ten percent (10%) of each of the allocations in subsection (a) of this section may be reallocated to one or more of the other allocations in subsection (a) of this section if, in the judgment of Center management, the reallocation will advance the mission of the Center.

SECTION 14.14.(c) The Center shall comply with the following reporting requirements:

(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 Center's annual audited financial statement within 30 days of issuance of the statement.

SECTION 14.14.(d) Remaining allotments after September 1 shall not be released to the Center if it does not satisfy the reporting requirements provided in subsection (b) of this section.

SECTION 14.14.(e) Beginning fiscal year 2012-2013, 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 the Center.

NORTH CAROLINA BIOTECHNOLOGY CENTER

SECTION 14.15.(a) Of the funds appropriated in this act to the North Carolina Biotechnology Center (Center), the sum of seventeen million five hundred fifty-one thousand seven hundred ten dollars ($17,551,710) for each fiscal year in the 2011-2013 biennium shall be allocated as follows:

(1) Job Creation: Ag Biotech Initiative, Economic and Industrial Development, Regional Offices and Statewide Development, and related activities – $3,779,721;

(2) Science and Commercialization: Science and Technology Development, Centers of Innovation, Business and Technology Development, Education and Training, and related activities – $11,360,700; and

(3) Center Operations: Administration, Professional and Technical Assistance and Oversight, Corporate Communications, Human Resource Management, Financial and Grant Administration, Legal, and Accounting – $2,411,289.

SECTION 14.15.(b) Except to provide administrative flexibility, up to ten percent (10%) of each of the allocations in subsection (a) of this section may be reallocated to one or more of the other allocations in subsection (a) of this section if, in the judgment of Center management, the reallocation will advance the mission of the Center.

SECTION 14.15.(c) The Center shall comply with the following reporting requirements:

(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 Center's annual audited financial statement within 30 days of issuance of the statement.

SECTION 14.15.(d) Remaining allotments after September 1 shall not be released to the Center if it does not satisfy the reporting requirements provided in subsection (b) of this section.

SECTION 14.15.(e) Beginning in fiscal year 2012-2013, 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 the Center.

RURAL ECONOMIC DEVELOPMENT CENTER

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 three million five hundred eighty-three thousand six hundred ninety-one dollars ($3,583,691) for each year in the 2011-2013 biennium shall be allocated as follows:

	2011-2012	2012-2013
Center Administration, Technical Assistance, & Oversight	$1,302,173	$1,302,173
Research and Demonstration Grants	$294,120	$294,120
Institute for Rural Entrepreneurship	$114,570	$114,570
Community Development Grants	$844,250	$844,250
Microenterprise Loan Program	$155,610	$155,610
Water/Sewer/Business Development Matching Grants	$701,955	$701,955
Statewide Water/Sewer Database	$ 79,523	$ 79,523
Agricultural Advancement Consortium	$ 91,490	$ 91,490.

SECTION 14.16.(b) Funds allocated in subsection (a) of this section for community development grants shall support development projects and activities within the State's 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 14.16.(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 and Tier 1 counties 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 14.16.(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 14.16.(e) In awarding grants under this section, the Rural Center shall give preference to a resident company. For purposes of this section, the term "resident company" means a company that has paid unemployment taxes or income taxes in this State and whose principal place of business is located in this State. An application for a project that serves an economically distressed area shall have priority over a project that does not. A grant to assist with water infrastructure needs is not subject to the provisions of G.S. 143-355.4.

SECTION 14.16.(f) 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.

SECTION 14.16.(g) Beginning Fiscal Year 2012-2013, 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 the Rural Center.

RURAL ECONOMIC DEVELOPMENT CENTER/INFRASTRUCTURE PROGRAM

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 sixteen million five hundred five thousand seven hundred fifty-eight dollars ($16,505,758) for each year in the 2011-2013 biennium 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. The grants under this Program shall not be subject to the provisions of G.S. 143-355.4.

(2) To provide matching grants or loans to local governments in distressed areas 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 grants and technical assistance to reinvigorate the economies of towns with populations of less than 7,500, and to invest in economic innovation that stimulates business and job growth in distressed areas.

(4) Recipients of grant funds appropriated under this section shall contribute a cash match for the grant that is equivalent to at least five percent (5%) of the grant amount. The cash match shall come from local resources and may not be derived from other State or federal grant funds or from funds provided by the Rural Center.

SECTION 14.17.(b) In awarding grants under this section, the Rural Center shall give preference to a resident company. For purposes of this section, the term "resident company" means a company that has paid unemployment taxes or income taxes in this State and whose principal place of business is located in this State. An application for a project that serves an economically distressed area shall have priority over a project that does not. A grant to assist with water infrastructure needs is not subject to the provisions of G.S. 143-355.4.

SECTION 14.17.(c) During each year of the 2011-2013 biennium, the Rural Center may use up to three hundred twenty-nine thousand one hundred seventy-eight dollars ($329,178) of the funds appropriated in this act to cover its expenses in administering the North Carolina Economic Infrastructure Program.

SECTION 14.17.(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 14.18.(a) Of the funds appropriated in this act to the North Carolina Rural Economic Development Center, Inc. (Rural Center), the sum of two hundred eighty-seven thousand two hundred eighty dollars ($287,280) for each year in the 2011-2013 biennium shall be equally distributed among the certified Opportunities Industrialization Centers (OI Centers).

SECTION 14.18.(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 OI Centers receiving funds pursuant to subsection (a) of this section. The report shall include data for each OI Center on all itemized expenditures and all fund sources for the prior State fiscal year. The report shall also contain a written narrative on prior fiscal year program activities, objectives, and accomplishments that were funded with funds appropriated in subsection (a) of this section.

SECTION 14.18.(c) The Rural Center shall ensure that each OI Center complies with the audit and reporting requirements prescribed by G.S. 143C-6-232 and Section 09 North Carolina Administrative Code 03M .0101.

SECTION 14.18.(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 CENTER/RURAL JOBS FUND

SECTION 14.20.(a) Appropriation. – There is appropriated from the General Fund to the North Carolina Rural Economic Development Center, Inc., (Rural Center) the sum of five million dollars ($5,000,000) for the 2011-2012 fiscal year in nonrecurring funds and the sum of five million dollars ($5,000,000) for the 2012-2013 fiscal year in nonrecurring funds to be used to provide grants to local government units for infrastructure needs as provided in this section.

SECTION 14.20.(b) Definitions. – The following definitions shall apply in this section, unless otherwise provided:

(1) Economically distressed area. – An economically distressed county as defined in G.S. 143B-437.01.

(2) Private sector jobs. – Jobs that are located in or will be created in private, for-profit enterprises.

(3) Rural county. – Any of the 85 rural counties served by the Rural Center.

SECTION 14.20.(c) Eligible Applicants; Eligible Projects. – A local government unit is eligible for a Rural Jobs Infrastructure Grant under the provisions of this section if it meets the eligibility requirements provided in subsection (d) of this section. The funds appropriated in this section may be used to provide grants that meet the requirements of subsections (d) and (e) of this section. Projects addressing the following infrastructure needs are eligible for receiving a Rural Jobs Infrastructure Grant under the provisions of this section:

(1) Public wastewater collection system upgrade, extension, improvements.

(2) Public wastewater treatment works.

(3) Public water system upgrade, extension, improvements.

(4) Natural gas availability.

(5) Fiber availability.

(6) Building restoration or upfits.

(7) Other infrastructure needs as may be determined by the Rural Center's Board of Directors.

SECTION 14.20.(d) Rural Jobs Infrastructure Grants. – A Rural Jobs Infrastructure Grant is available to supplement other funds to be applied to the construction or installation costs of an eligible project. Other funds contributed to the project may include federal funds, State funds, and local funds, including contributions from private sector enterprises that may benefit from the proposed improvements. A Rural Jobs Infrastructure Grant is subject to the following provisions:

(1) Eligibility. – A local government unit is eligible for a Rural Jobs Infrastructure Grant if it is a rural county or is located in a rural county.

(2) Maximum grant amount. – Grant funds shall be available based upon the number of private sector jobs to be created as a result of the investment from the Rural Jobs Infrastructure Grant Fund. An applicant for a grant may request up to five thousand dollars ($5,000) per job to be created. An applicant for a Rural Jobs Infrastructure Grant shall not receive more than five hundred thousand dollars ($500,000) for a proposed infrastructure project.

(3) Matching funds. – A local government unit shall match a Rural Jobs Infrastructure Grant on a dollar-for-dollar basis. As part of the matching funds, recipients of grant funds under the provisions of this section shall contribute a cash match for the grant that is equivalent to at least five percent (5%) of the grant amount. The required applicant cash-matching contribution shall come from local resources and may not be derived from other State or federal grant funds or from funds provided by the Rural Center.

SECTION 14.20.(e) Criteria for Grants. – All requests for Rural Jobs Infrastructure Grants shall do all of the following:

(1) Document the infrastructure needs that the project will address.

(2) Specify the number of jobs that will be created as a result of the infrastructure improvements proposed for funding assistance.

(3) Document the availability of all matching funds.

(4) Identify the private enterprises that will be creating the jobs and provide documentation that the enterprises will agree to contract to produce the number of jobs promised.

(5) Provide any additional documentation requested by the Rural Center to complete its review.

As part of its review of grant applications, the Rural Center shall determine that the private sector jobs to be created through the investment of the Rural Jobs Infrastructure Grant Fund will not compete unfairly with existing businesses. An application for a project that serves an economically distressed area shall have priority over a project that does not. A Rural Jobs Infrastructure Grant to assist with water infrastructure needs is not subject to the provisions of G.S. 143-355.4. The Board of Directors of the Rural Center may establish additional criteria to effectively allocate the funds appropriated in this section.

SECTION 14.20.(f) Grant Applications. – Any application for a grant under the provisions of this section shall be submitted by the local government unit to the Rural Center. An application shall be submitted on a form prescribed by the Rural Center and shall contain the information required by or subsequently requested by the Rural Center in order to make a determination on the application. An application that does not contain information required for the application or requested by the Rural Center is incomplete and is not eligible for consideration.

SECTION 14.20.(g) Administrative Costs. – The Rural Center may use up to four percent (4%) of the funds appropriated in this section to cover administrative costs for the life of the grant program created under the provisions of this section.

SECTION 14.20.(h) Loans Prohibited. – The Rural Center shall not use the funds appropriated in this section to make loans.

SECTION 14.20.(i) Reports. – 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 emergency Rural Jobs Infrastructure Grant program created under the provisions of this section.

PART XV. JUDICIAL DEPARTMENT

GRANT FUNDS

SECTION 15.1. 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.

TRANSFER OF EQUIPMENT AND SUPPLY FUNDS

SECTION 15.2. Funds appropriated to the Judicial Department in the 2011-2013 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.

REIMBURSEMENT FOR USE OF PERSONAL VEHICLES

SECTION 15.3. Notwithstanding the provisions of G.S. 138-6(a)(1), the Judicial Department, during the 2011-2013 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.

COLLECTION OF WORTHLESS CHECK FUNDS

SECTION 15.4. 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, 2011, for the purchase or repair of office or information technology equipment during the 2011-2012 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 15.5. G.S. 7A-38.2(d) reads as rewritten:

"(d) An administrative fee, not to exceed two hundred dollars ($200.00), may be charged by the Administrative Office of the Courts to applicants for certification and annual renewal of certification for mediators and mediation training programs operating under this Article. The fees collected may be used by the Director of the Administrative Office of the Courts to establish and maintain the operations of the Commission and its staff. 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."

WORKLOAD FORMULA FOR SUPERIOR COURT JUDGES/MINUTES MAINTAINED BY THE CLERK OF SUPERIOR COURT TO RECORD CONVENING AND ADJOURNMENT OR RECESS OF COURT

SECTION 15.6.(a) The Administrative Office of the Courts shall use funds available to contract with the National Center for State Courts to develop a workload formula for superior court judges. The results of this formula shall be submitted to the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety by December 1, 2011.

SECTION 15.6.(b) G.S. 7A-109 is amended by adding a new section to read:

"(a1) The minutes maintained by the clerk pursuant to this subsection shall record the date and time of each convening of court, as well as the date and time of each recess or adjournment of court with no further business before the court."

SECTION 15.6.(c) The Administrative Office of the Courts shall provide on a monthly basis the records of the dates and times of convening, recess, and adjournment of court collected by each clerk of superior court pursuant to G.S. 7A-109, as enacted by subsection (b) of this section, to the National Center for State Courts, the Fiscal Research Division, and the Study Committee on Consolidation of Judicial and Prosecutorial Districts created in Section 15.11 of this act.

STUDY FEASIBILITY OF OFFICE OF PROSECUTORIAL SERVICES

SECTION 15.7.(a) The School of Government at the University of North Carolina at Chapel Hill shall study the feasibility and cost of creating an Office of Prosecutorial Services

within the judicial branch. The study shall compare North Carolina's judicial branch structure to that of other states in terms of organizational placement of prosecutorial and defense services within the context of the unified court system and shall also determine the necessary resources and costs required to make an Office of Prosecutorial Services viable as an independent agency under the judicial branch. The School of Government shall submit the report by April 1, 2012, to the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety.

SECTION 15.7.(b) The Conference of District Attorneys may use funds available during the 2011-2012 fiscal year to contract for fiscal management and analysis services to analyze the differences between budgeted and actual position and associated costs in prosecutors' offices.

ENSURE MINIMUM NUMBER OF CLERK OF COURT STAFF

SECTION 15.8. G.S. 7A-102(a) reads as rewritten:

"(a) The numbers and salaries of assistant clerks, deputy clerks, and other employees in the office of each clerk of superior court shall be determined by the Administrative Officer of the Courts after consultation with the clerk concerned. However, no office of clerk of superior court shall have fewer than five total staff positions in addition to the elected clerk of superior court. All personnel in the clerk's office are employees of the State. The clerk appoints the assistants, deputies, and other employees in the clerk's office to serve at his or her pleasure. Assistant and deputy clerks shall take the oath of office prescribed for clerks of superior court, conformed to the office of assistant or deputy clerk, as the case may be. Except as provided by subsection (c2) of this section, the job classifications and related salaries of each employee within the office of each superior court clerk shall be subject to the approval of the Administrative Officer of the Courts after consultation with each clerk concerned and shall be subject to the availability of funds appropriated for that purpose by the General Assembly."

STUDY INFRACTIONS AND WAIVABLE OFFENSES

SECTION 15.9. The Revenue Laws Study Committee shall study the penalties and fines for infractions and waivable offenses and determine whether the current amounts are at a level appropriate for the associated offenses. The Committee shall report its findings, together with any recommended legislation, to the 2012 Regular Session of the 2011 General Assembly upon its convening.

WAIVER OF CRIMINAL COURT COSTS ONLY WHEN JUDGE MAKES FINDING OF JUST CAUSE TO GRANT WAIVER

SECTION 15.10.(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~~collected. No costs may be assessed when a case is dismissed. Costs under this section may not be waived unless the judge makes a written finding of just cause to grant such a waiver.

...."

SECTION 15.10.(b) The Administrative Office of the Courts shall make the necessary modifications to its information systems to maintain records of all cases in which the judge makes a finding of just cause to grant a waiver of criminal court costs under G.S. 7A-304(a) and shall report on those waivers to the Joint Legislative Commission on Governmental Operations by October 1 of each year.

STUDY CONSOLIDATION OF JUDICIAL AND PROSECUTORIAL DISTRICTS

SECTION 15.11.(a) Creation. – There is created the Study Committee on Consolidation of Judicial and Prosecutorial Districts. The Committee shall consist of 10 members to be appointed as follows:

(1) Four members of the House of Representatives appointed by the Speaker of the House of Representatives.

(2) Four members of the Senate appointed by the President Pro Tempore of the Senate.

(3) Two members who are knowledgeable about the operations of district attorneys' offices, one appointed by the Speaker of the House of Representatives and one appointed by the President Pro Tempore of the Senate.

The Speaker of the House of Representatives shall designate one representative as cochair, and the President Pro Tempore of the Senate shall designate one senator as cochair. Vacancies on the Committee shall be filed by the same appointing authority making the initial appointment.

The Committee, while in the discharge of its official duties, may exercise all powers provided for under G.S. 120-19 and G.S. 120-19.1 through G.S. 120-19.4. The Committee may meet at any time upon the joint call of the cochairs. The Committee may meet in the Legislative Building or the Legislative Office Building.

The Legislative Services Commission, through the Legislative Services Officer, shall assign professional staff to assist the Committee in its work. The House of Representatives and the Senate's Directors of Legislative Assistants shall assign clerical staff to the Committee, and the expenses relating to the clerical employees shall be borne by the Committee. Members of the Committee shall receive subsistence and travel expenses at the rates set forth in G.S. 120-3.1, 138-5, or 138-6, as appropriate.

SECTION 15.11.(b) Duties. – The Committee shall study the number and structure of judicial and prosecutorial districts in the State and shall make recommendations to reduce those districts by consolidation to increase efficiency and improve the quality of justice. Those recommendations shall, to the extent deemed feasible by the Committee, provide for judicial and prosecutorial district plans that are identical.

SECTION 15.11.(c) Report. – The Committee may make a final report, including any proposed legislation, to the 2012 Regular Session of the 2011 General Assembly upon its convening. The Committee shall terminate upon filing its final report or upon the convening of the 2012 Regular Session of the 2011 General Assembly, whichever is earlier.

STATEWIDE ADMINISTRATIVE COURT SESSIONS

SECTION 15.11A. The Administrative Office of the Courts shall develop protocols to offer regular Administrative Court sessions in each district court district in the State for the purpose of hearing Chapter 20 infractions. Each district shall offer Administrative Court regularly by October 1, 2011. The Administrative Office of the Courts shall report to the Joint Legislative Commission on Governmental Operations on the scheduling and deployment of resources by February 1, 2012.

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

SECTION 15.16.(a) The Judicial Department, Office of Indigent Defense Services, may use up to the sum of two million one hundred fifty thousand dollars ($2,150,000) in appropriated funds during the 2011-2012 fiscal year for the expansion of existing offices currently providing legal services to the indigent population under the oversight of the Office of Indigent Defense Services, for the creation of new public defender offices within existing public defender programs, or for the establishment of regional public defender programs. Notwithstanding the defender districts established by G.S. 7A-498.7, the Office of Indigent Defense Services may use a portion of these funds to create positions within existing public defender programs to handle cases in adjacent counties or districts. These funds may be used to create up to 50 new attorney positions and 25 new support staff positions during the 2011-2012 fiscal year and for the salaries, benefits, equipment, and related expenses for these positions in both years of the biennium. Positions creation will be staggered across the two years of the biennium. 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.

SECTION 15.16.(b) G.S. 7A-498.7(b) reads as rewritten:

"(b) For each new term, and to fill any vacancy, public defenders shall be appointed from a list of not less than two and not more than three names nominated by written ballot of the attorneys resident in the defender district who are licensed to practice law in North Carolina. The balloting shall be conducted pursuant to rules adopted by the Commission on Indigent Defense Services. The appointment shall be made by the ~~senior resident superior court~~

~~judge of the superior court district or set of districts as defined in G.S. 7A-41.1 that includes the county or counties of the defender district for which the public defender is being appointed.~~Commission on Indigent Defense Services."

SECTION 15.16.(c) The Office of Indigent Defense Services shall issue a request for proposals from private law firms or not-for-profit legal representation organizations for the provision of all legal services for indigent clients in all judicial districts. The Office of Indigent Defense Services shall report on the issuance of this request for proposals to the Joint Legislative Commission on Governmental Operations by October 1, 2011. In cases where the proposed contract can provide representation services more efficiently than current costs, the Office of Indigent Defense Services shall use private assigned counsel funds to enter into contracts for this purpose.

OFFICE OF INDIGENT DEFENSE SERVICES REPORT

SECTION 15.17. 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.

AUDIT OF FARMWORKER LEGAL AID PROGRAM

SECTION 15.18. The State Auditor shall conduct a financial audit of the Farmworker Legal Aid program of Legal Aid of North Carolina. The audit shall include assessments of compliance with all State and federal mandates regarding use of funds under the Access to Civil Justice Act and shall assess whether State and federal funds are commingled in the administration and operation of this legal aid program. The State Auditor shall publish this audit not later than October 1, 2011.

LIMIT COMPENSATION RATE PAID TO EXPERT WITNESSES BY THE OFFICE OF INDIGENT DEFENSE SERVICES

SECTION 15.20. G.S. 7A-498.5(f) reads as rewritten:

"(f) The Commission shall establish policies and procedures with respect to the distribution of funds appropriated under this Article, including rates of compensation for appointed counsel, schedules of allowable expenses, appointment and compensation of expert witnesses, and procedures for applying for and receiving compensation. The rate of compensation set for expert witnesses may be no greater than the rate set by the Administrative Office of the Courts under G.S. 7A-314(d)."

TRIAL COURT ADMINISTRATOR POSITIONS

SECTION 15.21. Notwithstanding any other provision of this act, there shall be a trial court administrator position in the following judicial districts: 4, 5, 7B/7C, 10, 12, 14, 18, 21, 26, and 28.

PART XVI. DEPARTMENT OF JUSTICE

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

SECTION 16.1.(a) Assets transferred to the Departments of Justice, Correction, and Crime Control and Public Safety during the 2011-2013 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 16.1.(b) The General Assembly finds that the use of assets transferred pursuant to federal law for new personnel positions, new projects, acquisition of real property, repair of buildings where the repair includes structural change, and construction of or additions to buildings may result in additional expenses for the State in future fiscal periods. Therefore, the Department of Justice, the Department of Correction, and the Department of Crime Control and Public Safety are prohibited from using these assets for such purposes without the prior approval of the General Assembly.

SECTION 16.1.(c) Nothing in this section prohibits North Carolina law enforcement agencies from receiving funds from the United States Department of Justice, the United States Department of the Treasury, and the United States Department of Health and Human Services.

PURCHASE OF TIME MANAGEMENT SOFTWARE

SECTION 16.2. The Department of Justice shall use funds available to purchase, or purchase licenses for, time management software to be used to ensure adequate record keeping and management of Department attorneys' time. The software shall be of a quality and type generally used by attorneys in the private sector.

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

SECTION 16.3.(a) G.S. 74C-4 is amended by adding a new subsection to read:

"(h) The Board shall pay the appropriate State agency for the use of physical facilities and services provided to it by the State."

SECTION 16.3.(b) G.S. 74D-4 is amended by adding a new subsection to read:

"(h) The Board shall pay the appropriate State agency for the use of physical facilities and services provided to it by the State."

CERTAIN LITIGATION EXPENSES TO BE PAID BY CLIENTS

SECTION 16.4. G.S. 114-8.2 reads as rewritten:

"**§ 114-8.2. Charges for legal services.**

The Department of Justice shall charge State boards and commissions that are totally supported by receipts from fees or surcharges for legal services rendered by the Department to the board or commission. Client State departments, agencies, boards, and commissions 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."

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.

CRIMINAL INFORMATION DATABASE STUDY

SECTION 16.6. The Department of Justice shall issue a request for information to determine the cost to have a private company maintain the software required for criminal information databases managed by the Criminal Information Division. The Department of Justice shall report the results of this request for information to the Chairs of the House and

Senate Appropriations Subcommittees on Justice and Public Safety and to the Fiscal Research Division by March 1, 2012.

PART XVII. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION

STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS

SECTION 17.1. Funds appropriated in this act to the Department of Juvenile Justice and Delinquency Prevention for the 2011-2012 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 2011-2012 fiscal year, the amount of funds anticipated for the 2012-2013 fiscal year, and the allocation of funds by program and purpose.

ANNUAL EVALUATION OF COMMUNITY PROGRAMS

SECTION 17.2. The Department of Juvenile Justice and Delinquency Prevention shall conduct an evaluation of the 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.

ALLOCATE REALIZED SAVINGS OF WILDERNESS CAMPS TO FUND CERTAIN LEVEL 2 INTERMEDIATE DISPOSITIONAL ALTERNATIVES FOR JUVENILES

SECTION 17.3.(a) If any funds appropriated by this act to the Department of Juvenile Justice and Delinquency Prevention for the 2011-2013 fiscal biennium for wilderness camps are not required for or expended for wilderness camps, then those funds shall be allocated to the Juvenile Crime Prevention Council grants fund to be used for the Level 2 intermediate dispositional alternatives for juveniles listed in G.S. 7B-2506(13) through (23).

SECTION 17.3.(b) The Department of Juvenile Justice and Delinquency Prevention shall submit an electronic report by October 1, 2011, on all expenditures made from the miscellaneous contract line in Fund Code 1310 to the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and the Fiscal Research Division of the General Assembly. The report shall include all of the following: an itemized list of the contracts that have been executed, the amount of each contract, the date the contract was executed, the purpose of the contract, the number of juveniles that will be served and the manner in which they will be served, the amount of money transferred to the Juvenile Crime Prevention Council fund, and an itemized list of grants allocated from the funds transferred to the Juvenile Crime Prevention Council fund.

JUVENILE CRIME PREVENTION COUNCIL FUNDS

SECTION 17.4.(a) 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 (JCPC) grants, including the following:

(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.

An electronic copy of the list and other information regarding the projects shall also be sent to the Fiscal Research Division of the General Assembly.

SECTION 17.4.(b) Of the funds appropriated by this act for the 2011-2012 fiscal year to the Department of Juvenile Justice and Delinquency Prevention for Juvenile Crime Prevention Council grants, the sum of one hundred twenty-one thousand six hundred dollars ($121,600) shall be transferred to Project Challenge North Carolina, Inc., to be used for the continued support of Project Challenge programs throughout the State.

FUNDING FOR JUVENILE JUSTICE AND DELINQUENCY PREVENTION EDUCATION PROGRAMMING

SECTION 17.5. The Department of Juvenile Justice and Delinquency Prevention shall work with the Department of Public Instruction to identify all education fund sources that can be used to cover education programming costs of the Department of Juvenile Justice and Delinquency Prevention.

The Department of Juvenile Justice and Delinquency Prevention shall report by March 1, 2012, 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 regarding its findings and recommendations.

DJJDP AND DOC JOINT EFFORT TO MAKE IN-HOME MONITORING AVAILABLE AS ALTERNATIVE TO DETENTION FOR JUVENILES

SECTION 17.6. It is the intent of the General Assembly to reduce the State's reliance on detention facilities and youth development centers in the Department of Juvenile Justice and Delinquency Prevention as correctional options for juveniles by increasing the use of community-based alternatives whenever possible. Therefore, the Department of Juvenile Justice and Delinquency Prevention and the Department of Correction shall work together to increase the use of in-home monitoring as an alternative to detention for juveniles. The Department of Correction and the Department of Juvenile Justice and Delinquency Prevention shall assess the monitoring needs for both the adult and juvenile systems, identify the contracts that the Department of Correction currently has for monitoring services, and determine which contracts, if any, may be negotiated or renegotiated to cover monitoring services for both the adult and juvenile systems. The Department of Juvenile Justice and Delinquency Prevention and the Department of Correction may also identify other options to increase the use of in-home monitoring as an alternative to detention for juveniles that may work well and be cost-effective.

The Department of Juvenile Justice and Delinquency Prevention and the Department of Correction shall report to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety, the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, and the Fiscal Research Division regarding their findings and recommendations by September 1, 2011.

TREATMENT STAFFING MODEL AT YOUTH DEVELOPMENT CENTERS

SECTION 17.7. 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 2011-2013 fiscal biennium. Staffing ratios shall be no more than 2.1 staff per every juvenile committed at every other existing youth development center.

YOUTH DEVELOPMENT CENTER ANNUAL REPORT

SECTION 17.8. The Department of Juvenile Justice and Delinquency Prevention shall report by October 1 of each year to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety, the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, and the Fiscal Research Division on the Youth Development Center (YDC) population, staffing, and capacity in the preceding fiscal year. Specifically, the report shall include all of the following:

(1) The on-campus population of each YDC, including the county the juveniles are from.
(2) The housing capacity of each YDC.
(3) A breakdown of staffing for each YDC, including number, type of position, position title, and position description.
(4) The per-bed and average daily population cost for each facility.
(5) The operating cost for each facility, including personnel and nonpersonnel items.
(6) A brief summary of the treatment model, education, services, and plans for reintegration into the community offered at each facility.
(7) The average length of stay in the YDCs.
(8) The number of incidents of assaults/attacks on staff at each facility.

DJJDP FACILITY MONTHLY COMMITMENT REPORT

SECTION 17.9. The Department of Juvenile Justice and Delinquency Prevention shall report electronically on the first day of each month to the Fiscal Research Division regarding each juvenile correctional facility and the average daily population for the previous month. The report shall include (i) the average daily population for each detention center and (ii) the monthly summary of the Committed Youth Report.

USE OF INMATE LABOR FOR REPAIR AND RENOVATION OF YOUTH DEVELOPMENT CENTERS

SECTION 17.10.(a) The Department of Juvenile Justice and Delinquency Prevention and the Department of Correction in consultation with the Governor's Crime Commission shall establish policies regarding the appropriate use of inmate construction crews provided by the Department of Correction for repair and renovation projects located on property owned or controlled by the Department of Juvenile Justice and Delinquency Prevention. The policies shall require that a sight and sound barrier be maintained between the adults and juveniles at the center at any time that inmate construction crews are used for repair and renovation projects on property owned or controlled by the Department of Juvenile Justice and Delinquency Prevention. The policies shall be developed and ready for implementation by September 1, 2011.

SECTION 17.10.(b) Effective September 1, 2011, and notwithstanding G.S. 148-26(f), the Department of Juvenile Justice and Delinquency Prevention and the Department of Correction may use inmate construction crews provided by the Department of Correction for repair and renovation projects located on property owned or controlled by the Department of Juvenile Justice and Delinquency Prevention pursuant to the policies developed and implemented under subsection (a) of this section.

ALLOCATE FUNDS FOR REPAIRS AND RENOVATIONS TO STONEWALL JACKSON AND C.A. DILLON YOUTH DEVELOPMENT CENTERS

SECTION 17.11. Of the funds appropriated by this act to the Department of Juvenile Justice and Delinquency Prevention for the 2011-2012 fiscal year, the sum of two million three hundred thirty thousand nine hundred dollars ($2,330,900) shall be allocated to the Stonewall Jackson Youth Development Center, and the sum of one million five hundred thirty-one thousand dollars ($1,531,000) shall be allocated to the C.A. Dillon Youth Development Center to be used for repairs and renovations that (i) will increase operational capacity at those facilities and (ii) satisfy the requirements of G.S. 143C-4-3(b). This allocation is separate from and in addition to any allocation of funds that might be made pursuant to Section 30.5 of this act.

JUVENILE ASSESSMENT CENTER FUNDS

SECTION 17.12. Of the funds appropriated by this act for the 2011-2012 fiscal year and for the 2012-2013 fiscal year to the Department of Juvenile Justice and Delinquency Prevention for the operation of the Cumberland Regional Juvenile Detention Center the sum of one hundred twenty-four thousand seventy-five dollars ($124,075) shall be used for the Juvenile Assessment Center in each fiscal year.

PART XVIII. DEPARTMENT OF CORRECTION

FEDERAL GRANT REPORTING

SECTION 18.1. The Department of Correction, the Department of Justice, the Department of Crime Control and Public Safety, the Judicial Department, and the Department of Juvenile Justice and Delinquency Prevention shall report by May 1 of each year to the Joint Legislative Commission on Governmental Operations, the Chairs of the 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.

FEDERAL GRANT MATCHING FUNDS

SECTION 18.2. 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 2011-2012 fiscal year and up to the sum of one million two hundred thousand dollars ($1,200,000) during the 2012-2013 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.

USE OF CLOSED PRISON FACILITIES

SECTION 18.3. 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, federal 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.

LIMIT USE OF OPERATIONAL FUNDS

SECTION 18.4. 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.

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

SECTION 18.5. Notwithstanding G.S. 143C-6-9, the Department of Correction may use funds available to the Department for the 2011-2013 fiscal 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.

CENTER FOR COMMUNITY TRANSITIONS/CONTRACT AND REPORT

SECTION 18.6. 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 2011-2013 fiscal 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.

PAROLE ELIGIBILITY REPORT/MUTUAL AGREEMENT PAROLE PROGRAM/MEDICAL RELEASE PROGRAM

SECTION 18.7.(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, 2012, 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 18.7.(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 18.7.(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, 2012. 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 18.7.(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 18.7.(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.

CRIMINAL JUSTICE PARTNERSHIP

SECTION 18.8.(a) 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 18.8.(b) Effective July 1, 2011, the Department of Correction shall recalculate the county allocation funding formula mandated under G.S. 143B-273.15 using updated data.

SECTION 18.8.(c) 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 18.8.(d) 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 18.8.(e) 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.

SWANNANOA CORRECTIONAL CENTER FOR WOMEN

SECTION 18.9. The Department of Correction shall relocate the fence at Swannanoa Correctional Center for Women so that the school building is located on the side of the campus housing the Department of Correction facilities, and the Department shall retain the sight and sound barrier between the adults and juveniles at the center.

INMATE MEDICAL COST CONTAINMENT

SECTION 18.10.(a) The Department of Correction shall reimburse those providers and facilities providing approved inmate medical services outside the correctional facility the lesser amount of either a rate of seventy percent (70%) of the provider's then-current prevailing charge or two times the then-current Medicaid rate for any given service. The Department shall have the right to audit any given provider to determine the actual prevailing charge to ensure compliance with this provision.

This section does apply to vendors providing services that are not billed on a fee-for-service basis, such as temporary staffing. Nothing in this section shall preclude the Department from contracting with a provider for services at rates that provide greater documentable cost avoidance for the State than do the rates contained in this section or at rates that are less favorable to the State but that will ensure the continued access to care.

SECTION 18.10.(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 reasonable efforts to make use of hospitals or other providers with which it has a contract or, if none is reasonably available, hospitals with available capacity or other health care facilities in a region to accomplish that goal. The Department shall make reasonable efforts to equitably distribute inmates among all hospitals or other appropriate health care facilities. With respect to any single hospital, the Department of Correction shall continue to make its best effort to seek admission of the number of inmates representing no more than nine percent (9%) of all inmates requiring hospitalization or hospital services on an annual basis beginning in the 2011-2012 fiscal year, unless the failure to do so would jeopardize the health of an inmate or unless a higher level is agreed to by contract. The Department shall also give

preference to those hospitals or other health care facilities in the same county or an adjoining county to the correctional facility where an inmate requiring hospitalization is incarcerated. The Department will continue these efforts until it has reached a number which represents no more than five percent (5%) of all inmates requiring hospitalization or hospital services on an annual basis at any single hospital by July 1, 2013, unless the failure to do so would jeopardize the health of an inmate or unless a higher level is agreed to by contract.

SECTION 18.10.(c) G.S. 131E-77 is amended by adding a new subsection to read:

"(a1) As a condition of licensure, hospitals licensed under this Article shall treat inmates in the custody of the Department of Correction, unless a hospital lacks the capacity or capability to provide such treatment."

SECTION 18.10.(d) The Department of Correction shall report to the Joint Legislative Commission on Governmental Operations no later than November 1, 2011, 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.

DEPARTMENT OF CORRECTION RULES FOR INMATE LABOR

SECTION 18.12. G.S. 148-26 is amended by adding a new subsection to read:

"(g) The Department of Correction shall establish rules, standards, and procedures for establishing inmate labor services contracts with any county or municipality expressing interest in contracting for inmate labor."

REPORT ON PROBATION AND PAROLE CASELOADS

SECTION 18.13.(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 18.13.(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 18.13.(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, 2013.

SECTION 18.13.(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 2011-2012 fiscal year and the end of the 2012-2013 fiscal year.

REMOVE SUNSET ON CORRECTION ENTERPRISES STATE AND LOCAL EMPLOYEE/RETIREE PURCHASE ALLOWANCE

SECTION 18.14. Section 6 of S.L. 2007-280 reads as rewritten:

"**SECTION 6.** This act becomes effective ~~August 1, 2007, but the first sentence of G.S. 148-127(5) as enacted by this act expires on July 1, 2012.~~August 1, 2007."

PART XIX. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY

CONSOLIDATE THE DEPARTMENT OF CORRECTION, THE DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY, AND THE DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION INTO THE DEPARTMENT OF PUBLIC SAFETY

CREATION OF DEPARTMENT

SECTION 19.1.(a) The Department of Public Safety is established as a new executive department. All functions, powers, duties, and obligations vested in the following departments and agencies are transferred to, vested in, and consolidated within the Department of Public Safety by a Type I transfer, as defined in G.S. 143A-6:

(1) The Department of Correction.
(2) The Department of Crime Control and Public Safety.
(3) The Department of Juvenile Justice and Delinquency Prevention.

SECTION 19.1.(b) Chapter 143B of the General Statutes is amended by adding a new Article to read:

"Article 5A.
"Department of Public Safety.
"Part 1. General Provisions.

"**§ 143B-259. Organization.**

(a) There is established the Department of Public Safety. The head of the Department of Public Safety is the Secretary of Public Safety, who shall be known as the Secretary. The Department shall consist of seven divisions and an Office of External Affairs as follows:

(1) The Division of Adult Correction, which shall consist of the former Department of Correction. The head of the Division of Adult Correction shall be a chief deputy secretary, who shall be responsible for prisons, community corrections, and correction enterprises.
(2) The Division of Juvenile Justice, which shall consist of the former Department of Juvenile Justice and Delinquency Prevention. The head of the Division of Juvenile Justice shall be a chief deputy secretary, who shall be responsible for youth detention centers, court services, community programs, and youth development centers.
(3) The Division of Law Enforcement, which shall consist of the following former divisions of the Department of Crime Control and Public Safety and the Department of Justice: the State Highway Patrol, the Alcohol Law Enforcement Division, the Butner Public Safety Division, and the State Capitol Police Division. The head of the Division of Law Enforcement shall be a chief deputy secretary.

(4) The Division of Emergency Management, which shall consist of the former Division of Emergency Management of the Department of Public Safety and the Civil Air Patrol.
(5) The National Guard.
(6) The Division of Administration, the head of which shall be a deputy secretary responsible for all administrative functions, including fiscal, auditing, information technology, purchasing, human resources, training, engineering, and facility management functions for the Department. Within the Division, there is established a Grants Management Section, which shall consist of the Governor's Crime Commission, the Criminal Justice Partnership Program, and the Juvenile Crime Prevention Council Fund.
(7) The Office of External Affairs, which shall be responsible for federal and State liaison activities, victim services, and public affairs.

(b) The powers and duties of the deputy secretaries and the respective divisions shall be subject to the direction and control of the Secretary of Public Safety.

"**§ 143B-259.1. Powers and duties of the Department of Public Safety.**

It shall be the duty of the Department of Public Safety to do all of the following:

(1) Provide assigned law enforcement and emergency services to protect the public against crime and against natural and man-made disasters.
(2) To plan and direct a coordinated effort by the law enforcement agencies of State government and to ensure maximum cooperation between State and local law enforcement agencies in the fight against crime.
(3) To prepare annually a State plan for the State's criminal justice system.
(4) To serve as the State's chief coordinating agency to control crime, to ensure the safety of the public, and to ensure an effective and efficient State criminal justice system.
(5) To have charge of investigations of criminal matters particularly set forth in this Article and of such other crimes and areas of concern in the criminal justice system as the Governor may direct.
(6) To regularly patrol the highways of the State and enforce all laws and regulations respecting travel and the use of vehicles upon the highways of the State and all laws for the protection of the highways of the State.
(7) To provide National Guard troops trained by the State to federal standards.
(8) To ensure the preparation, coordination, and currency of military and civil preparedness plans and the effective conduct of emergency operations by all participating agencies to sustain life and prevent, minimize, or remedy injury to persons and damage to property resulting from disasters caused by enemy attack or other hostile actions or from disasters due to natural or man-made causes.
(9) To develop a plan for a coordinated and integrated electronic communications system for State government and cooperating local agencies, including coordination and integration of existing electronic communications systems.
(10) To carry out the relevant provisions of Part 2 of this Article, Chapter 148 of the General Statutes, Chapter 15 of the General Statutes, Chapter 15A of the General Statutes, and other provisions of the General Statutes governing the provision of necessary custody, supervision, and treatment to control and rehabilitate criminal offenders and thereby reduce the rate and cost of crime and delinquency.
(11) To carry out the relevant provisions of Part 3 of this Article, Chapter 7B of the General Statutes, and other provisions of the General Statutes governing juvenile justice and the prevention of delinquent acts by juveniles.

"**§ 143B-259.2. Powers and duties of the Secretary of Public Safety.**

The Secretary of Public Safety shall have the powers and duties as are conferred on the Secretary by this Article, delegated to the Secretary by the Governor, and conferred on the Secretary by the Constitution and laws of this State. These powers and duties include the following:

(1) Provision of assistance to other agencies. – The Secretary, through appropriate subunits of the Department, shall, at the request of the Governor,

provide assistance to State and local law enforcement agencies, district attorneys, and judges when called upon by them and so directed.

(2) Coordination of government subunits emergencies. – In the event that the Governor, in the exercise of the Governor's constitutional and statutory responsibilities, shall deem it necessary to utilize the services of more than one subunit of State government to provide protection to the people from natural or man-made disasters or emergencies, including, but not limited to, wars, insurrections, riots, civil disturbances, or accidents, the Secretary, under the direction of the Governor, shall serve as the chief coordinating officer for the State between the respective subunits so utilized.

(3) Allocation of State resources during emergencies. – Whenever the Secretary exercises the authority provided in subdivision (2) of this section, the Secretary shall be authorized to utilize and allocate all available State resources as are reasonably necessary to cope with the emergency or disaster, including directing of personnel and functions of State agencies or units thereof for the purpose of performing or facilitating the initial response to the disaster or emergency. Following the initial response, the Secretary, in consultation with the heads of the State agencies which have or appear to have the responsibility for dealing with the emergency or disaster, shall designate one or more lead agencies to be responsible for subsequent phases of the response to the emergency or disaster. Pending an opportunity to consult with the heads of such agencies, the Secretary may make interim lead agencies designations.

(4) Reporting of emergencies to the Secretary. – Every department of State government is required to report to the Secretary, by the fastest means practicable, all natural or man-made disasters or emergencies, including, but not limited to, wars, insurrections, riots, civil disturbances, or accidents which appear likely to require the utilization of the services of more than one subunit of State government.

(5) Rule making. – The Secretary is authorized to adopt rules and procedures for the implementation of this section.

(6) Powers of Governor and Council of State not superseded. – Nothing contained in this section shall be construed to supersede or modify those powers granted to the Governor or the Council of State to declare and react to a state of disaster as provided in Chapter 166A of the General Statutes, the Constitution, or elsewhere.

(7) Reporting required prior to grant awards. – Prior to any notification of proposed grant awards to State agencies for use in pursuing the objectives of the Governor's Crime Commission pursuant to sub-subdivisions a. through g. of subdivision (8) of this section, the Secretary shall report to the Senate and House of Representatives Appropriations Committees for review of the proposed grant awards.

(8) Other powers and duties. – The Secretary shall have the following additional powers and duties:

a. 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.

b. Making grants for use in pursuing the objectives of the Governor's Crime Commission.

c. 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 Public Safety as provided by the various commercial vehicle, oversize/overweight, motor carrier safety, motor fuel, and mobile and manufactured home statutes.

d. 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.

e. Administering the Assistance Program for Victims of Rape and Sex Offenses.

f. Appointing, with the Governor's approval, a special police officer to serve as Chief of the State Capitol Police Section of the Division of Law Enforcement.

g. Appointing an employee of the Division of Administration to be the central point of contact for any federal surplus property or purchasing programs."

CREATION OF STATUTORY PARTS AND SUBPARTS

SECTION 19.1.(c) Article 5A of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 4. Division of Law Enforcement."

SECTION 19.1.(e) Article 5A of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 5. Division of Emergency Management."

SECTION 19.1.(f) Article 5A of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 6. Division of Administration."

SECTION 19.1.(f1) Article 5A of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 7. Office of External Affairs."

CHANGES TO STATUTORY REFERENCES TO AGENCIES

SECTION 19.1.(g) The following statutes are amended by deleting the language "Crime Control and Public Safety" wherever it appears and substituting "Public Safety": G.S. 7A-343.1, 8-50.2, 14-86.1, 14-309.7, 14-309.11, 15B-3, 15B-6, 17C-3, 17C-6, 18B-101, 18B-110, 19-2.1, 20-17.7, 20-39.1, 20-49, 20-79.5, 20-81.12, 20-116, 20-118, 20-119, 20-125, 20-178.1, 20-183.9, 20-183.10, 20-184, 20-185, 20-187, 20-187.1, 20-187.3, 20-188, 20-189, 20-190, 20-191, 20-192, 20-195, 20-196, 20-196.3, 20-196.4, 20-377, 20-379, 20-380, 20-381, 20-382.2, 20-383, 20-387, 20-389, 20-390, 20-391, 20-392, 20-393, 20-396, 20-397, 58-32-1, 58-78-1, 66-165, 66-168, 104E-8, 105-259, 105-269.3, 105-449.44, 120-12.1, 120-70.94, 122C-408, 122C-409, 122C-411, 122C-414, 126-5, 127A-17.1, 127A-19, 127A-20, 127A-21, 127A-22, 127A-35, 127A-40, 127A-42, 127A-43, 127A-54, 127A-57, 127A-80, 127A-81, 127A-107, 127A-139, 127A-161, 127A-162, 127A-163, 127A-164, 127C-2, 130A-475, 143-166.13, 143-215.52, 143-215.56, 143-215.93A, 143-215.94GG, 143-215.94HH, 143-341, 143-355.1, 143-651, 143-652.1, 143-652.2, 143-654, 143-655, 143-658, 143-661, 143-664, 143-726, 143A-79.2, 143A-239, 143A-240, 143A-241, 143A-242, 143A-243, 143A-244, 143A-245, 143B-2, 143B-6, 143B-181, 143B-394.15, 143B-417, 143B-426.22, 143B-477, 143B-478, 143B-479, 143B-480, 143B-480.1, 143B-480.2, 143B-480.3, 143B-490, 143B-491, 143B-492, 143B-495, 143B-496, 143B-497, 143B-498, 143B-499, 143B-499.2, 143B-499.4, 143B-499.7, 143B-508, 143B-508.1, Parts 8 and 9 of Article 11 of Chapter 143B of the General Statutes, 143B-510, 146-30, 147-12, 150B-1, 161-11.4, 164-37, 166A-5, 166A-6, 166A-6.03, 166A-6.1, 166A-14, 166A-18, 166A-21, 166A-26, 166A-28, 166A-60, 166A-61, and 166A-62. In all other instances in which the term "Crime Control and Public Safety" appears in the General Statutes, the Revisor of Statutes shall replace that term with "Public Safety".

SECTION 19.1.(h) Except for instances in which language is rewritten pursuant to subsection (i) of this section, the following statutes are amended by deleting the language "Department of Correction" wherever it appears and substituting "Division of Adult Correction of the Department of Public Safety" and by deleting the word "Department" when it refers to the Department of Correction and substituting "Division": G.S. 1-110, 7A-109.3, 7A-313, 7A-451, 7A-474.3, 7A-474.18, 7A-498.3, 7B-2204, 7B-2517, 7B-3000, 7B-3001, 7B-3100, 13-1, 14-202, 14-208.6, 14-208.20, 14-208.22, 14-208.40, 14-208.43, 14-208.45, 14-258.1, 14-258.3, 14-258.4, 14-415.10, 15-6.1, 15-10.1, 15-194, 15-196.3, 15-203, 15-204, 15-205, 15-206, 15-209, 15A-145, 15A-145.1, 15A-146, 15A-147, 15A-149, 15A-150, 15A-544.3, 15A-544.5, 15A-615, 15A-821, 15A-830, 15A-832, 15A-1332, 15A-1340.13, 15A-1340.16, 15A-1340.20, 15A-1342, 15A-1343, 15A-1343.2, 15A-1343.3, 15A-1344, 15A-1351, 15A-1352, 15A-1353, 15A-1354, 15A-1355, 15A-1368, 15A-1368.2, 15A-1368.3,

15A-1368.4, 15A-1368.6, 15A-1369, 15A-1374, 15A-1376, 15A-2000, 15B-21, 15B-31, 15B-32, 17C-3, 20-19, 20-81.12, 20-179, 65-4, 66-58, 97-13, 105-259, 108A-14, 114-10.1, 114-14, 115C-106.3, 115C-108.1, 115C-296.2, 115D-5, 120-12.1, 120-70.94, 122C-22, 122C-55, 122C-62, 122C-311, 122C-312, 122C-313, 122C-402, 122C-421, 126-5, 127A-54, 130A-25, 131E-98, 131E-184, 131E-214.1, 143-63.1, 143-134, 143-166.2, 143-166.13, 143-300.7, 143-599, 143B-2, 143B-6, 143B-179, 143B-260 through 143B-267, 143B-270, 143B-271, 143B-272, 143B-273.2, 143B-273.5, 143B-273.8, 143B-273.15, 143B-273.15A, 143B-394.15, 143B-417, 143B-476, 143B-478, 146-33, 147-12, 148-2 through 148-4.1, 148-6, 148-10 through 148-10.3, 148-12, 148-18 through 148-19.1, 148-22, 148-22.1, 148-23 through 148-24, 148-26, 148-26.5, 148-28, 148-29, 148-32.1 through 148-33.2, 148-36, 148-37, 148-37.2, 148-37.3, 148-40, 148-41, 148-45, 148-46.1, 148-53, 148-54, 148-57, 148-59, 148-64, 148-64.1, 148-65.7, 148-66, 148-67, 148-70, 148-74, 148-77, 148-78, 148-118.1, 148-118.2, 148-118.4, 148-118.5, 148-118.6, 148-118.8, 148-128, 148-134, 150B-1, 153A-221, 153A-230.1, 153A-230.2, 153A-230.3, 153A-230.5, 162-39, 163-82.20A, 164-40, 164-42, and 164-47. In any other instances in which the term "Department of Correction" appears in the General Statutes, the Revisor of Statutes shall replace "Department of Correction" with "Division of Adult Correction", and in any other instances in which the word "Department" is used to refer to the Department of Correction, the Revisor of Statutes shall delete the word "Department" and substitute the word "Division".

SECTION 19.1.(i) The following statutes are amended by deleting the language "Secretary of Correction" or "Secretary of the Department of Correction" wherever it appears and substituting "Secretary of Public Safety": G.S. 15-10.2, 15-10.3, 15-194, 15-203 through 15-207, 15-209, 15A-1340.36, 15A-1371, 17C-3, 20-79.5, 115C-112.1, 122C-312, 130A-25, 143B-261.2, 143B-262.1, 143B-262.4, 143B-263, 143B-265, 143B-266, 143B-267, 143B-270, 143B-271, 143B-273.2, 143B-394.15, 143B-478, 148-4, 148-4.1, 148-5, 148-10.1, 148-11, 148-13, 148-18.1, 148-19, 148-20, 148-22, 148-22.1, 148-24, 148-25, 148-26, 148-26.5, 148-28, 148-33, 148-33.1, 148-33.2, 148-36, 148-37, 148-37.2, 148-41, 148-45, 148-46, 148-46.2, 148-57, 148-65.6, 148-65.9, 148-74, 148-78, 148-118.6, 148-118.8, 148-118.9, 148-121, 148-122, 162-39, 164-37, and 164-40. In any other instances in which the term "Secretary of Correction" appears in the General Statutes, the Revisor of Statutes shall replace "Secretary of Correction" with "Secretary of Public Safety".

SECTION 19.1.(j) The following statutes are amended by deleting the language "Division of Prisons" wherever it appears and substituting "Section of Prisons of the Division of Adult Correction": G.S. 14-208.6, 14-208.40C, 14-258.2, 15A-1343, 17C-3, 66-58, 130A-25, 143B-262.1, 143B-262.2, 143B-264, 143B-478, 148-11, 148-18, 148-29, and 148-130. In any other instances in which the term "Division of Prisons" appears in the General Statutes, the Revisor of Statutes shall replace "Division of Prisons" with "Section of Prisons of the Division of Adult Correction". The following statutes are amended by deleting the language "Division of Correction Enterprises" wherever it appears and substituting "Section of Correction Enterprises of the Division of Adult Correction": G.S. 14-208.6, 14-208.40C, 14-258.2, 15A-1343, 17C-3, 66-58, 130A-25, 143B-262.1, 143B-262.2, 143B-264, 143B-478, 148-11, 148-18, 148-29, and 148-130. In any other instances in which the term "Division of Correction Enterprises" appears in the General Statutes, the Revisor of Statutes shall replace "Division of Correction Enterprises" with "Section of Correction Enterprises of the Division of Adult Correction".

SECTION 19.1.(k) The following statutes are amended by deleting the language "Division of Community Corrections" wherever it appears and substituting "Section of Community Corrections of the Division of Adult Correction": G.S. 7B-3000, 7B-3001, 7B-3100, 14-208.40C, 14-208.41, 15A-837, 15A-1340.11, 15A-1342, 15A-1343, 15A-1343.2, 15A-1368.4, 15A-1369.4, 15A-1371, 17C-3, 20-179.3, 105-259, 115D-5, 143B-262, 143B-262.4, 143B-273.4, 143B-478, and 148-65.6. In any other instances in which the term "Division of Community Corrections" appears in the General Statutes, the Revisor of Statutes shall replace "Division of Community Corrections" with "Section of Prisons of the Division of Adult Correction".

SECTION 19.1.(l) Except for instances in which language is rewritten pursuant to subsection (m) of this section, the following statutes are amended by deleting the language "Department of Juvenile Justice and Delinquency Prevention" wherever it appears and substituting "Division of Juvenile Justice of the Department of Public Safety": G.S. 7A-302, 7B-1501, 7B-3100, 7B-4002, 14-239, 14-258.4, 14-316.1, 66-58, 114-12.1, 114-19.6,

115C-106.3, 115C-107.6, 115C-108.1, 115C-296.2, 115D-1, 115D-5, 120-70.94, 120-216, 122C-113, 122C-117, 126-5, 143-166.2, 143-166.13, 143-661, 143B-2, 143B-6, 143B-152.14, 143B-153, 143B-417, 143B-478, 143B-511 through 143B-550, 148-26, 164-37, 164-40, and 164-43. In all other instances in which the term "Department of Juvenile Justice and Delinquency Prevention" appears in the General Statutes, the Revisor of Statutes shall replace "Department of Juvenile Justice and Delinquency Prevention" with "Division of Juvenile Justice" and in all other instances in which the word "Department" is used to refer to the Department of Juvenile Justice and Delinquency Prevention, the Revisor of Statutes shall delete the word "Department" and substitute the word "Division", or, make other appropriate changes to the General Statutes to reference the Division rather than the Department.

SECTION 19.1.(m) The following statutes are amended by deleting the language "Secretary of Juvenile Justice and Delinquency Prevention" wherever it appears and substituting "Secretary of Public Safety": G.S. 17C-3, 20-79.5, 115C-112.1, and 143B-515. In all other instances in which the term "Secretary of Juvenile Justice and Delinquency Prevention" appears in the General Statutes, the Revisor of Statutes shall replace "Secretary of Juvenile Justice and Delinquency Prevention" with "Secretary of Public Safety".

SECTION 19.1.(n) The following statutes are amended by deleting the language "Alcohol Law Enforcement Division" and "Division of Alcohol Law Enforcement" wherever it appears and substituting "Alcohol Law Enforcement Section" and by deleting the word "Division" when it refers to the Alcohol Law Enforcement Division and substituting "Section": G.S. 18B-903, 19-2.1, 105-259, 143-652.1, 143-652.2, 143-654, 143-655, and 143-656. In all other instances in which the terms "Alcohol Law Enforcement Division" or "Division of Alcohol Law Enforcement" appear in the General Statutes, the Revisor of Statutes shall replace those terms with "Alcohol Law Enforcement Section", and in all other instances in which the word "Division" is used to refer to the Alcohol Law Enforcement Division, the Revisor of Statutes shall delete the word "Division" and substitute the word "Section".

SECTION 19.1.(p) The following statutes are amended by deleting the language "State Highway Patrol Division" wherever it appears and substituting "State Highway Patrol Section"; by deleting the word "Division" wherever it appears when it refers to the State Highway Patrol Division and substituting "Section"; and by deleting the language "Division of the State Highway Patrol" wherever it appears and substituting "State Highway Patrol Section": G.S. 20-185, 20-195, and 20-196. In all other instances in which the term "State Highway Patrol Division" appears in the General Statutes, the Revisor of Statutes shall replace that term with "State Highway Patrol Section", and in all other instances in which the word "Division" is used to refer to the State Highway Patrol Division, the Revisor of Statutes shall delete the word "Division" and substitute the word "Section".

SECTION 19.1.(q) The following statutes are amended by deleting the language "ALE Division" wherever it appears and substituting "ALE Section": G.S. 18B-201, 18B-202, 18B-203, 18B-504, 18B-805, 18B-902, and 18B-904. In any other instances in which the term "ALE Division" appears in the General Statutes, the Revisor of Statutes shall replace "ALE Division" with "ALE Section".

SECTION 19.1.(q1) The following statutes are amended by deleting the word "Director" wherever it appears and substituting "Chief": G.S. 114-13, 114-14, 114-14.1, 114-15, 114-15.1, 114-15.3, 114-20, and 114-20.1.

RECODIFICATION OF AFFECTED STATUTES

SECTION 19.1.(r) Both of the following apply to any recodification pursuant to subsections (s) through (x) of this section:

(1) Statutory sections of the former statutes that were reserved for future codification shall have corresponding sections that are reserved for future codification in the recodified statutes.

(2) The recodifications are of the affected statutes as rewritten by subsections (g) through (q) of this section, as applicable.

SECTION 19.1.(s) Division of Adult Correction. – Article 6 of Chapter 143B of the General Statutes is recodified as Part 2 of Article 5A of Chapter 143B of the General Statutes, "Division of Adult Correction", but the statutory numbering shall remain unchanged, and the various Parts of former Article 6 shall be redesignated as Subparts of Part 2 of Article 5A of the General Statutes.

SECTION 19.1.(t) Division of Juvenile Justice. – Article 12 of Chapter 143B of the General Statutes, except for G.S. 143B-550, is recodified as Part 3 of Article 5A of Chapter 143B of the General Statutes, "Division of Juvenile Justice and Delinquency Prevention", G.S. 143B-272.1 through G.S. 143B-272.43. The various Parts of former Article 12 shall be redesignated as Subparts of Part 3 of Article 5A of the General Statutes.

SECTION 19.1.(u) Division of Law Enforcement. – Parts 1 and 7 of Article 11 of Chapter 143B of the General Statutes are repealed. Part 9 of Article 11 of Chapter 143B of the General Statutes is recodified as Subpart A of Part 4 of Article 5A of Chapter 143B of the General Statutes, G.S. 143B-272.45.

SECTION 19.1.(w) Division of Emergency Management. – Part 8 of Article 11 of Chapter 143B of the General Statutes is recodified as Subpart A of Part 5 of Article 5A of Chapter 143B of the General Statutes and renumbered as G.S. 143B-272.52. Part 5A of Article 11 of Chapter 143B of the General Statutes is recodified as Subpart B of Part 5 of Article 5A of Chapter 143B of the General Statutes, G.S. 143B-272.60 through G.S. 143B-272.72. Part 5 of Article 11 of Chapter 143B of the General Statutes is recodified as Subpart C of Part 5 of Article 5A of Chapter 143B of the General Statutes, G.S. 143B-272.73A through G.S. 143B-272.73C.

SECTION 19.1.(x) Division of Administration. – Part 3 of Article 11 of Chapter 143B of the General Statutes is recodified as Subpart A of Part 6 of Article 5A of Chapter 143B of the General Statutes, "Grants Management Section", G.S. 143B-272.75 through G.S. 143B-272.77. G.S. 143B-477 and G.S. 143B-550 are recodified under that Subpart as G.S. 143B-272.78 and G.S. 143B-272.79, respectively. Article 6A of Chapter 143B of the General Statutes is recodified as Subpart B of Part 6 of Article 5A of Chapter 143B of the General Statutes, G.S. 143B-272.80 through G.S. 143B-272.101.

SECTION 19.1.(x1) Office of External Affairs. – Part 3A of Article 11 of Chapter 143B of the General Statutes is recodified as Part 7 of Article 5A of Chapter 143B of the General Statutes, "Victims' Services Section", G.S. 143B-272.103 through G.S. 143B-272.104.

OTHER SUBSTANTIVE CHANGES

SECTION 19.1.(y) Part 9 of Article 11 of Chapter 143B of the General Statutes, as rewritten by subsection (g) of this section, and recodified by subsection (u) of this section, reads as rewritten:

"Subpart A. State Capitol Police ~~Division.~~Section.

"§ 143B-272.45. State Capitol Police ~~Division~~ Section – powers and duties.

(a) ~~Division~~Section Established. – There is hereby established, within the Law Enforcement Division of the Department of Public Safety, the State Capitol Police ~~Division,~~Section, 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~~ Section shall serve as a special police agency of the Department of Public Safety. The ~~Director~~ Chief of the State Capitol Police, appointed by the Secretary pursuant to ~~G.S. 143B-476(6),~~ G.S. 143B-259.2, 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.

(e) Reserved for future codification purposes.

(f) Public Safety. – The ~~Director~~ Chief of the State Capitol Police, or the ~~Director's~~ Chief's designee, shall exercise at all times those means that, in the opinion of the ~~Director~~ Chief 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,~~Chief, or the ~~Director's~~ Chief'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."

SECTION 19.1.(z) G.S. 18B-500 reads as rewritten:

"**§ 18B-500. Alcohol law-enforcement agents.**

(a) Appointment. – The ~~Secretary of Crime Control and Public Safety~~ Secretary of the Department of Public Safety shall appoint alcohol law-enforcement agents and other enforcement personnel. The ~~Secretary of Crime Control and Public Safety~~ Secretary of the Department of Public Safety may also appoint regular employees of the Commission as alcohol law-enforcement agents. Alcohol law-enforcement agents shall be designated as "alcohol law-enforcement agents". Persons serving as reserve alcohol law-enforcement agents are considered employees of the ~~Division of Alcohol Law Enforcement~~ Alcohol Law Enforcement Section for workers' compensation purposes while performing duties assigned or approved by the Director of Alcohol Law Enforcement Section or the Director's designee.

(b) Subject Matter Jurisdiction. – After taking the oath prescribed for a peace officer, an alcohol law-enforcement agent shall have authority to arrest and take other investigatory and enforcement actions for any criminal offense. The primary responsibility of an agent shall be enforcement of the ABC laws, lottery laws, and Article 5 of Chapter 90 (The Controlled Substances Act); however, an agent may perform any law-enforcement duty assigned by the ~~Secretary of Crime Control and Public Safety~~Secretary of the Department of Public Safety or the Governor.

(c) Territorial Jurisdiction. – An alcohol law-enforcement agent is a State officer with jurisdiction throughout the State.

(d) Service of Commission Orders. – Alcohol law-enforcement agents may serve and execute notices, orders, or demands issued by the Alcoholic Beverage Control Commission or the North Carolina State Lottery Commission for the surrender of permits or relating to any administrative proceeding. While serving and executing such notices, orders, or demands, alcohol law-enforcement agents shall have all the power and authority possessed by law-enforcement officers when executing an arrest warrant.

(e) Discharge. – Alcohol law-enforcement agents are subject to the discharge provisions of G.S. 18B-202.

(f) Repealed by Session Laws 1995, c. 507, s. 6.2(a)."

SECTION 19.1.(aa) Part 8 of Article 11 of Chapter 143B of the General Statutes, as rewritten by subsection (g) of this section and recodified as Subpart A of Part 5 of Article 5A of that Chapter by subsection (w) of this section, reads as rewritten:

"Subpart A. Emergency Management Division.

"**§ 143B-272.52. Division of Emergency Management of the Department of 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 19.1.(bb) Part 7 of Article 11 of Chapter 143B of the General Statutes is repealed, and the Law Enforcement Support Services Division of the Department of Crime Control and Public Safety is abolished.

SECTION 19.1.(bb1) Part 5 of Article 11 of Chapter 143B of the General Statutes, as rewritten by subsection (d) of this section, is recodified as Subpart B of Part 6 of Article 5A of Chapter 143B of the General Statutes, G.S. 143B-272.55 through G.S. 143B-272.57.

SECTION 19.1.(bb2) G.S. 143B-490, as rewritten by subsection (d) of this section and recodified by subsection (cc) of this section, reads as rewritten:

"**§ 143B-272.55. Civil Air Patrol ~~Division~~ Section – powers and duties.**

(a) There is hereby established, within the Department of Public Safety the Civil Air Patrol ~~Division,~~ Section, which shall be organized and staffed in accordance with this ~~Part~~ Subpart and within the limits of authorized appropriations.

(b) The Civil Air Patrol ~~Division~~ Section shall:

(1) Receive and supervise the expenditure of State funds provided by the General Assembly or otherwise secured by the State of North Carolina for the use and benefit of the North Carolina Wing-Civil Air Patrol;
(2) Supervise the maintenance and use of State provided facilities and equipment by the North Carolina Wing-Civil Air Patrol;
(3) Receive, from State and local governments, their agencies, and private citizens, requests for State approval for assistance by the North Carolina Wing-Civil Air Patrol in natural or man-made disasters or other emergency situations. Such State requested and approved missions shall be approved or denied by the Secretary of Public Safety or his designee under such rules, terms and conditions as are adopted by the Department."

SECTION 19.1.(cc) The evidence warehouse that was operated by the Law Enforcement Support Services Division of the Department of Crime Control and Public Safety prior to the effective date of this section, and all State-owned personal property located in or associated with the warehouse, is hereby reallocated to the North Carolina State Crime Laboratory of the Department of Justice. The Department of Justice shall assume any lease to which the warehouse is subject at the time this section becomes effective.

CONFORMING CHANGES

SECTION 19.1.(dd) G.S. 7A-343.1, as rewritten by subsection (g) of this section, reads as rewritten:

"§ 7A-343.1. Distribution of copies of the appellate division reports.

...

~~Juvenile Justice and Delinquency Prevention, Department of~~Juvenile Justice, Division of 1

...."

SECTION 19.1.(dd1) G.S. 14-16.9 reads as rewritten:

"§ 14-16.9. Officers-elect to be covered.

Any person who has been elected to any office covered by this Article but has not yet taken the oath of office shall be considered to hold the office for the purpose of this Article and ~~G.S. 114-15.~~G.S. 143B-272.46F."

SECTION 19.1.(ee) G.S. 15A-1342(j) reads as rewritten:

"(j) Immunity for Injury to Defendant Performing Community Service. – Immunity from liability for injury to a defendant performing community service shall be as set forth in ~~G.S. 143B-475.1(d).~~G.S. 143B-262.4(d)."

SECTION 19.1.(gg) G.S. 18B-101(5), as rewritten by subsection (g) of this section, reads as rewritten:

"(5) ~~'ALE Division'~~ 'ALE Section' means the Alcohol Law Enforcement ~~Division~~ Section of the Department of Public Safety."

SECTION 19.1.(hh) G.S. 20-184, as rewritten by subsection (g) of this section, reads as rewritten:

"§ 20-184. Patrol under supervision of Department of Public Safety.

The Secretary of Public Safety, under the direction of the Governor, shall have supervision, direction and control of the State Highway Patrol. The Secretary shall establish in the Department of Public Safety a State Highway Patrol ~~Division,~~Section, prescribe regulations governing ~~said Division,~~the Section, and assign to the ~~Division~~ Section such duties as ~~he~~the Secretary may deem proper."

SECTION 19.1.(ii) G.S. 120-70.94(2a), as rewritten by subsection (g) of this section, reads as rewritten:

"(2a) Examine the effectiveness of the Department of Public Safety in implementing the duties and responsibilities charged to the Department in ~~G.S. 143B-474~~ G.S. 143B-259.1(1) through (9) and the overall effectiveness and efficiency of law enforcement in the State;".

SECTION 19.1.(jj) G.S. 122C-408, as rewritten by subsection (g) of this section, reads as rewritten:

"§ 122C-408. Butner Public Safety ~~Division~~ Section of the Department of Public Safety; jurisdiction; fire and police district.

(a) The Secretary of Public Safety may employ special police officers for the territory of the Butner Reservation. The Secretary of Public Safety shall contract with the Town of Butner to provide fire and police protection to those areas within the incorporated limits of the

Town of Butner. The territorial jurisdiction of these officers shall consist of the property shown on a map produced May 20, 2003, by the Information Systems Division of the North Carolina General Assembly and kept on file in the office of the Butner Town Manager and in the office of Director of the Butner Public Safety ~~Division~~ Section of the Department of Public Safety and such additional areas which are within the incorporated limits of the Town of Butner as shown on a map to be kept in the office of the Butner Town Manager and in the office of Director of the Butner Public Safety ~~Division~~ Section of the Department of Public Safety. The Secretary of Public Safety may organize these special police officers into a public safety department for that territory and may establish it as a division within that principal department as permitted by Chapter 143B of the General Statutes.

(b) After taking the oath of office required for law-enforcement officers, the special police officers authorized by this section shall have the authority of deputy sheriffs of Durham and Granville Counties in those counties respectively. Within the territorial jurisdiction stated in subsection (a) of this section, the special police officers have the primary responsibility to enforce the laws of North Carolina, the ordinances of the Town of Butner, and any rule applicable to the Butner Reservation adopted under authority of this Part or under G.S. 143-116.6 or G.S. 143-116.7 or under the authority granted any other agency of the State and also have the powers set forth for firemen in Articles 80, 82 and 83 of Chapter 58 of the General Statutes. Any civil or criminal process to be served on any individual confined at any State facility within the territorial jurisdiction described in subsection (a) of this section shall be forwarded by the sheriff of the county in which the process originated to the Director of the Butner Public Safety ~~Division.~~Section. Special police officers authorized by this section shall be assigned to transport any individual transferred to or from any State facility within the territorial jurisdiction described in subsection (a) of this section to or from the psychiatric service of the University of North Carolina Hospitals at Chapel Hill.

(c) The contract between the Town of Butner and the Department of Public Safety shall provide that:

(1) The Butner Public Safety ~~Division~~ Section of the Department of Public Safety shall provide the same level of service to the incorporated area known as the Town of Butner as provided to those areas of the Town of Butner served by Butner Public Safety on January 1, 2007;

(2) The Town of Butner shall pay to the State Treasurer, on or before May 1 of each year, for deposit in the General Fund an amount equal to the amount that actually would have been collected from real and personal property ad valorem taxes due January 5, 2007, in the area incorporated as the Town of Butner effective July 1, 2007, assuming a tax of twenty-five cents (25¢) per one hundred dollars ($100.00) valuation of all real and personal property in said area increased effective July 1 of each year by the increase in the percentage change in the Consumer Price Index published by the U.S. Department of Labor, Bureau of Labor Statistics, for the southeast region, all urban consumers (or if that data shall no longer be available, the closest equivalent substitute then in publication by the United States Government) for the previous year ended December 31st;

(3) If additional areas are added to the incorporated limits of the Town of Butner, the payments due under the contract shall be increased by an amount equal to the amount that actually would have been collected from real and personal property ad valorem taxes due January 5 of the year of incorporation of such area if said incorporation occurs on or before May 1 or the amount collected for the preceding year if said incorporation occurs prior to May 1 of the then current year assuming a tax of twenty-five cents (25¢) per one hundred dollars ($100.00) valuation of all real and personal property in said area and increased yearly as set out above; and

(4) The Town of Butner and the Department of Public Safety may by mutual agreement modify the amounts required to be paid by the Town of Butner pursuant to subdivisions (2) and (3) of this subsection."

SECTION 19.1.(kk) G.S. 122C-414, as rewritten by subsection (g) of this section, reads as rewritten:

"**§ 122C-414. Butner Fire and Police Commission.**

...

(b) The Butner Fire and Police Commission shall consist of seven members, three appointed by the Town of Butner, two appointed by the Secretary, one appointed by the Secretary of Public Safety, and one appointed by the Granville County Board of Commissioners. All members appointed by the Town of Butner shall reside within the Town of Butner or its extraterritorial jurisdiction or the Butner Reservation. All members appointed by the Secretary or the Secretary of Public Safety shall either work at or have responsibility for one of the State-run institutions located within the Butner Reservation or shall reside within the Town of Butner and its extraterritorial jurisdiction or the Butner Reservation. The Director of the Butner Public Safety ~~Division~~ Section of the Department of Public Safety shall serve as an ex officio member of the Butner Fire and Police Commission. No active member of the Butner Public Safety ~~Division~~ Section of the Department of Public Safety may serve on the Butner Fire and Police Commission.

(c) The Butner Fire and Police Commission has the following duties and responsibilities:

(1) To periodically review, and recommend changes to, the operational policy for the Butner Public Safety ~~Division~~ Section of the Department of Public Safety.

(2) To consult with the Secretary of the Department of Public Safety in the Department's hiring of the Director of the Butner Public Safety ~~Division~~ Section of the Department of Public Safety. Such consultation shall include, but not be limited to, the Commission reviewing and providing its comments to the Secretary of the Department of Public Safety on the credentials of the applicants for said position. In performing its functions under this subsection, the Commission members shall have the same access to the applicants' personnel records pursuant to Article 7, Chapter 126 of the General Statutes as the Secretary of the Department of Public Safety and shall be subject to the same restraints concerning the personnel information as set out in said article.

(3) To review and make recommendations to the Secretary of Public Safety concerning the recommended needs of the Butner Public Safety ~~Division~~ Section of the Department of Public Safety.

(4) To receive and forward citizen complaints received by the Commission concerning the Butner Public Safety ~~Division~~ Section of the Department of Public Safety to the Director of the Butner Public Safety ~~Division~~ Section of the Department of Public Safety and the Secretary of the Department of Public Safety as the Commission determines is appropriate.

(5) To perform all such other functions assigned to it by the General Assembly or the Secretary of the Department of Public Safety.

...."

SECTION 19.1.(ll) G.S. 131D-10.4(3) reads as rewritten:

"**§ 131D-10.4. Exemptions.**

This Article shall not apply to:

...

(3) Secure detention facilities as specified in ~~Article 12~~Part 3 of Article 5A of Chapter 143B of the General Statutes;".

SECTION 19.1.(mm) G.S. 143-138(g) reads as rewritten:

"(g) Publication and Distribution of Code. – The Building Code Council shall cause to be printed, after adoption by the Council, the North Carolina State Building Code and each amendment thereto. It shall, at the State's expense, distribute copies of the Code and each amendment to State and local governmental officials, departments, agencies, and educational institutions, as is set out in the table below. (Those marked by an asterisk will receive copies only on written request to the Council.)

OFFICIAL OR AGENCY	NUMBER OF COPIES
State Departments and Officials	
...	
~~Office of Juvenile Justice~~Division of Juvenile Justice of the Department of Public Safety	1

...."

SECTION 19.1.(oo) G.S. 143B-273.4(b), as recodified by subsection (x) of this section, reads as rewritten:

"(b) The priority populations for programs funded under this ~~Article~~ Subpart shall be offenders sentenced to intermediate punishments."

SECTION 19.1.(pp) G.S. 143B-273.7, as recodified as G.S. 143B-272.87 by subsection (x) of this section, reads as rewritten:

"**§ 143B-272.87. Duties of State Criminal Justice Partnership Advisory Board.**

The State Criminal Justice Partnership Advisory Board has the following duties:

...

(5) To coordinate community-based corrections programs administered by the state agencies and programs funded under this ~~Article;~~Subpart;

...

(8) To evaluate the effects of categories of programs funded by this ~~Article~~ Subpart and prepare a written report."

SECTION 19.1.(qq) G.S. 143B-273.9, as recodified as G.S. 143B-272.89 by subsection (x) of this section, reads as rewritten:

"**§ 143B-272.89. Election to apply for funding.**

A county may elect to apply for funding under this ~~Article~~ Subpart by a vote of the board of county commissioners approving the decision to apply, and by appointing a county criminal justice partnership advisory board. Two or more counties, by vote of the board of county commissioners of each county, may agree to create a multicounty board instead of a county board. A multicounty board shall perform the same functions as a county board for each county that participates in establishing the multicounty board. The board or boards of county commissioners shall notify the Secretary of the intent to apply for funds within 60 days of receiving notification of the availability of funds and may request technical assistance to develop the community-based corrections plan."

SECTION 19.1.(rr) G.S. 143B-273.12(c), as recodified as G.S. 143B-272.89 by subsection (x) of this section, reads as rewritten:

"(c) The proposed program shall target eligible offenders as defined in ~~G.S. 143B-273.4.~~G.S. 143B-272.84."

SECTION 19.1.(ss) G.S. 143B-273.14, as recodified as G.S. 143B-273.94 by subsection (x) of this section, reads as rewritten:

"**§ 143B-273.94. Fundable programs; community-based corrections programs.**

(a) Fundable programs under this ~~Article~~ Subpart shall include community-based corrections programs which are operated under a county community-based corrections plan and funded by the State subsidy provided in this ~~Article.~~Subpart. Based on the prioritized populations in ~~G.S. 143B-273.4,~~ G.S. 143B-272.84, the programs may include, but are not limited to, the following:

...

(a1) Funding provided under this ~~Article~~ Subpart for personnel for satellite substance abuse centers shall only be used for personnel who provide direct services to offenders.

(b) Community-based corrections funds may be used to operate programs and may also be used to construct, acquire, or renovate community facilities established to provide the programs and services set forth in subsection (a) of this section. Construction and renovation funds may not be used for jails. Construction and renovation funds may not be used to reimburse expenses for any facilities renovated before the effective date of this ~~Article.~~Subpart.

(c) When a county receives more than fifty thousand dollars ($50,000) in community-based corrections funds, then that county shall use at least fifty percent (50%) of those funds to develop programs for offenders who receive intermediate punishments."

SECTION 19.1.(tt) G.S. 143B-273.16(a), as recodified by subsection (x) of this section, reads as rewritten:

"(a) To continue to receive funding under this ~~Article,~~Subpart, a county shall submit an updated application for implementation funding to the Secretary at the beginning of each fiscal year."

SECTION 19.1.(uu) G.S. 143B-273.17, as recodified as G.S. 143B-272.98 by subsection (x) of this section, reads as rewritten:

"**§ 143B-272.98. Termination of participation in program.**

A county receiving financial aid under this ~~Article~~ Subpart may terminate its participation by delivering a resolution of the board or boards of county commissioners to the Secretary at

the beginning of any calendar quarter. Upon withdrawal from the program, the board or boards of county commissioners may adopt a resolution stating that it is in the best interests of the county that the county community corrections advisory board be dissolved, whereupon the county commissioners shall pay and discharge any debts or liabilities of the advisory board, collect and distribute assets of the advisory board under the laws of North Carolina, and pay over any remaining proceeds or property to the proper fund."

SECTION 19.1.(vv) G.S. 143B-273.19, as recodified as G.S. 143B-272.100 by subsection (x) of this section, reads as rewritten:

"**§ 143B-272.100. Prohibited uses of funds.**

(a) Counties may not use funds received under this ~~Article~~ Subpart to supplant or replace existing funds or other resources from the federal, State, or county government for existing community-based corrections programs.

(b) Counties may not use funds received under this ~~Article~~ Subpart for indirect costs associated with a program."

SECTION 19.1.(ww) G.S. 143B-477, as recodified as G.S. 143B-272.78 by subsection (x) of this section, reads as rewritten:

"**§ 143B-272.78. ~~Crime Control Division of the Department of Public Safety.~~Additional duties of the Grants Management Section.**

~~(a) There is hereby established, within the Department of Public Safety, the Crime Control Division, which shall be organized and staffed in accordance with applicable laws and regulations and within the limits of authorized appropriations.~~

(b) The ~~Crime Control Division shall provide clerical and professional services required by the Governor's Crime Commission and~~ Grants Management Section shall administer the State Law Enforcement Assistance Program and such additional related programs as may be established by or assigned to the ~~Commission~~Section. It shall serve as the single State planning agency for purposes of the Crime Control Act of 1976 (Public Laws 94-503). Administrative responsibilities shall include, but are not limited to, the following:

(1) Compiling data, establishing needs and setting priorities for funding and policy recommendations for the Governor's Crime Commission;

(2) Preparing and revising statewide plans for adoption by the Governor's Crime Commission which are designed to improve the administration of criminal justice and to reduce crime in North Carolina;

(3) Advising State and local interests of opportunities for securing federal assistance for crime reduction and for improving criminal justice administration and planning within the State of North Carolina;

(4) Stimulating and seeking financial support from federal, State, and local government and private sources for programs and projects which implement adopted criminal justice administration improvement and crime reduction plans;

(5) Assisting State agencies and units of general local government and combinations thereof in the preparation and processing of applications for financial aid to support improved criminal justice administration, planning and crime reduction;

(6) Encouraging and assisting coordination at the federal, State, and local government levels in the preparation and implementation of criminal justice administration improvements and crime reduction plans;

(7) Applying for, receiving, disbursing, and auditing the use of funds received for the program from any public and private agencies and instrumentalities for criminal justice administration, planning, and crime reduction purposes;

(8) Entering into, monitoring, and evaluating the results of contracts and agreements necessary or incidental to the discharge of its assigned responsibilities;

(9) Providing technical assistance to State and local law-enforcement agencies in developing programs for improvement of the law-enforcement and criminal justice system; and

(10) Taking such other actions as may be deemed necessary or appropriate to carry out its assigned duties and responsibilities.

~~(c) The Crime Control Division shall also provide professional and clerical staff services to the adjunct committees of the Governor's Crime Commission established in G.S. 143B-480.~~"

SECTION 19.1.(xx) G.S. 143B-479(a)(10), as recodified by subsection (x) of this section, reads as rewritten:

"(10) To serve as a coordinating committee and forum for discussion of recommendations from its adjunct committees formed pursuant to ~~G.S. 143B-480;~~ G.S. 143B-272.77; and".

SECTION 19.1.(yy) G.S. 143B-499.1, as recodified as G.S. 143B-272.65 by subsection (w) of this section, reads as rewritten:

"**§ 143B-272.65. Dissemination of missing persons data by law-enforcement agencies.**

A law-enforcement agency, upon receipt of a missing person report by a parent, spouse, guardian, legal custodian, or person responsible for the supervision of the missing individual shall immediately make arrangements for the entry of data about the missing person or missing child into the national missing persons file in accordance with criteria set forth by the FBI/NCIC, immediately inform all of its on-duty law-enforcement officers of the missing person report, initiate a statewide broadcast to all appropriate law-enforcement agencies to be on the lookout for the individual, and transmit a copy of the report to the Center. No law enforcement agency shall establish or maintain any policy which requires the observance of any waiting period before accepting a missing person report.

If the report involves a missing child and the report meets the criteria established in ~~G.S. 143B-499.7(b),~~ G.S. 143B-272.71(b), as soon as practicable after receipt of the report, the law enforcement agency shall notify the Center and the National Center for Missing and Exploited Children of the relevant data about the missing child."

SECTION 19.1.(zz) G.S. 143B-499.2(6a), as recodified by subsection (w) of this section, reads as rewritten:

"(6a) Develop and maintain the AMBER Alert System as created by ~~G.S. 143B-499.7;~~G.S. 143B-272.71."

SECTION 19.1.(aaa) G.S. 143B-499.4(5), as rewritten by subsection (g) of this section and recodified by subsection (w) of this section, reads as rewritten:

"(5) Any other person authorized by the Secretary of the Department of Public Safety pursuant to ~~G.S. 143B-498(1).~~G.S. 143B-272.63."

SECTION 19.1.(bbb) G.S. 143B-499.5, as recodified as G.S. 143B-272.69 by subsection (w) of this section, reads as rewritten:

"**§ 143B-272.69. Provision of toll-free service; instructions to callers; communication with law-enforcement agencies.**

The Center shall provide a toll-free telephone line for anyone to report the disappearance of any individual or the sighting of any missing child or missing person. The Center personnel shall instruct the caller, in the case of a report concerning the disappearance of an individual, of the requirements contained in ~~G.S. 143B-499~~ G.S. 143B-272.64 of first having to submit a missing person report on the individual to the law-enforcement agency having jurisdiction of the area in which the individual became or is believed to have become missing. Any law-enforcement agency may retrieve information imparted to the Center by means of this phone line. The Center shall directly communicate any report of a sighting of a missing person or a missing child to the law-enforcement agency having jurisdiction in the area of disappearance or sighting."

SECTION 19.1.(ccc) G.S. 143B-515(3), as recodified by subsection (t) of this section, reads as rewritten:

"(3) County Councils. – Juvenile Crime Prevention Councils created under ~~G.S. 143B-544.~~G.S. 143B-272.33."

SECTION 19.1.(ddd) G.S. 143B-535, as recodified as G.S. 143B-272.24 by subsection (t) of this section, reads as rewritten:

"**§ 143B-272.24. Duties and powers of chief court counselors.**

The chief court counselor in each district appointed under ~~G.S. 143B-516(b)(15)~~ G.S. 143B-272.6(b)(15) may:

(1) Appoint juvenile court counselors, secretaries, and other personnel authorized by the Department in accordance with the personnel policies adopted by the Department.

(2) Supervise and direct the program of juvenile intake, protective supervision, probation, and post-release supervision within the district.
(3) Provide in-service training for staff as required by the Department.
(4) Keep any records and make any reports requested by the Secretary in order to provide statewide data and information about juvenile needs and services.
(5) Delegate to a juvenile court counselor or supervisor the authority to carry out specified responsibilities of the chief court counselor to facilitate the effective operation of the district.
(6) Designate a juvenile court counselor in the district as acting chief court counselor, to act during the absence or disability of the chief court counselor."

SECTION 19.1.(eee) G.S. 143B-543, as recodified as G.S. 143B-272.105 by subsection (x) of this section, reads as rewritten:

"**§ 143B-272.105. Legislative intent.**

It is the intent of the General Assembly to prevent juveniles who are at risk from becoming delinquent. The primary intent of this ~~Part~~ Subpart is to develop community-based alternatives to youth development centers and to provide community-based delinquency, substance abuse, and gang prevention strategies and programs. Additionally, it is the intent of the General Assembly to provide noninstitutional dispositional alternatives that will protect the community and the juveniles.

These programs and services shall be planned and organized at the community level and developed in partnership with the State. These planning efforts shall include appropriate representation from local government, local public and private agencies serving juveniles and their families, local business leaders, citizens with an interest in youth problems, youth representatives, and others as may be appropriate in a particular community. The planning bodies at the local level shall be the Juvenile Crime Prevention Councils."

SECTION 19.1.(fff) G.S. 143B-545, as recodified as G.S. 143B-272.34 by subsection (t) of this section, reads as rewritten:

"**§ 143B-272.34. Terms of appointment.**

Each member of a County Council shall serve for a term of two years, except for initial terms as provided in this section. Each member's term is a continuation of that member's term under G.S. 147-33.62. Members may be reappointed. The initial terms of appointment began January 1, 1999. In order to provide for staggered terms, persons appointed for the positions designated in subdivisions (9), (10), (12), (15), (17), and (18) of ~~G.S. 143B-544(a)~~G.S. 143B-272.33(a) were appointed for an initial term ending on June 30, 2000. The initial term of the second member added to each County Council pursuant to ~~G.S. 143B-544(a)(12)~~ G.S. 143B-272.33(a)(12) shall begin on July 1, 2001, and end on June 30, 2002. After the initial terms, persons appointed for the positions designated in subdivisions (9), (10), (12), (15), (17), and (18) of ~~G.S. 143B-544(a)~~ G.S. 143B-272.33(a) shall be appointed for two-year terms, beginning on July 1. All other persons appointed to the Council were appointed for an initial term ending on June 30, 2001, and, after those initial terms, persons shall be appointed for two-year terms beginning on July 1."

SECTION 19.1.(ggg) G.S. 143B-550, as recodified as G.S. 143B-272.79 by subsection (x) of this section and as rewritten by subsection (l) of this section, reads as rewritten:

"**§ 143B-272.79. Funding for programs.**

(a) Annually, the ~~Department~~ Division of Administration shall develop and implement a funding mechanism for programs that meet the standards developed under ~~this Part.~~Subpart F of Part 3 of Article 5A of Chapter 143B of the General Statutes. The ~~Department~~ Division shall ensure that the guidelines for the State and local partnership's funding process include the following requirements:

(1) Fund effective programs. – The ~~Department~~ Division shall fund programs that it determines to be effective in preventing delinquency and recidivism. Programs that have proven to be ineffective shall not be funded.
(2) Use a formula for the distribution of funds. – A funding formula shall be developed that ensures that even the smallest counties will be able to provide the basic prevention and alternative services to juveniles in their communities.

(3) Allow and encourage local flexibility. – A vital component of the State and local partnership established by this section is local flexibility to determine how best to allocate prevention and alternative funds.

(4) Combine resources. – Counties shall be allowed and encouraged to combine resources and services.

(b) The ~~Department~~ Division shall adopt rules to implement this section. The ~~Department~~ Division shall provide technical assistance to County Councils and shall require them to evaluate all State-funded programs and services on an ongoing and regular basis.

(c) The Division of Juvenile Justice of the Department of Public Safety shall report to the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety no later than March 1, 2006, and annually thereafter, on the results of the alternatives to commitment demonstration programs funded by Section 16.7 of S.L. 2004-124. The 2007 report and all annual reports thereafter shall also include projects funded by Section 16.11 of S.L. 2005-276 for the 2005-2006 fiscal year. Specifically, the report shall provide a detailed description of each of the demonstration programs, including the numbers of juveniles served, their adjudication status at the time of service, the services/treatments provided, the length of service, the total cost per juvenile, and the six- and 12-month recidivism rates for the juveniles after the termination of program services."

SECTION 19.1.(hhh) G.S. 166A-14(a1)(1)a., as rewritten by subsection (g) of this section, reads as rewritten:

"a. Emergency management services are provided at any place in this State during a state of disaster or state of emergency declared by the Governor pursuant to this Article or G.S. 14-288.15, and the services are provided under the direction and control of the Secretary of the Department of Public Safety pursuant to G.S. 166A-5, 166A-6, and ~~143B-476,~~ 143B-259.2, or the Governor."

LIMITED AUTHORITY TO RECLASSIFY AND ELIMINATE CERTAIN POSITIONS

SECTION 19.1.(hhh1) Notwithstanding any other provision of law, subject to the approval of the Director of the Budget, the Office of State Budget and Management or the Secretary of the Department of Public Safety may reclassify or eliminate existing administrative positions that are not specifically addressed in this act as needed for the efficient operation of the Department.

CREATION OF REGIONAL OFFICES

SECTION 19.1.(hhh2) The Department of Public Safety shall, in addition to the headquarters offices, create eight regional offices in the Division of Law Enforcement at each of which shall be collocated personnel and property of the Alcohol Law Enforcement Section and the State Highway Patrol. Specifically, each regional office shall house one district of personnel and equipment for the Alcohol Law Enforcement Section, and headquarters personnel and equipment for each State Highway Patrol Section troop headquarters. These regional offices shall be operational by July 1, 2012, and on or before March 1, 2012, the Department shall report to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on the following:

(1) The amount of savings the Department anticipates achieving as a result of collocating personnel and property of the Alcohol Law Enforcement Section and the State Highway Patrol at the eight regional offices.

(2) The counties that will be included in each district and the regional office that will serve each district.

(3) The staffing levels anticipated at each regional office.

(4) Any statutory or regulatory changes that will be required as a prerequisite to or consequence of housing personnel and property of the Alcohol Law Enforcement Section and the State Highway Patrol within the same regional offices.

REPORTING AND EFFECTIVE DATE

SECTION 19.1.(iii) The Office of State Budget and Management, in consultation with the Department of Juvenile Justice and Delinquency Prevention, the Department of Crime Control and Public Safety, and the Department of Correction, shall make the following reports

on progress implementing this section to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee:

(1) An interim report on or before October 1, 2011.

(2) A final report on or before January 15, 2012. This report shall include information about any reclassifications of positions or reductions in force pursuant to subsection (hhh1) of this section and may include any recommendations for changes to the statutes that organize the Department of Public Safety.

SECTION 19.1.(jjj) Other than subsection (iii) of this section, this section becomes effective January 1, 2012. On and after that date, any references or directives in this act to the Department of Correction, the Department of Juvenile Justice and Delinquency Prevention, or the Department of Crime Control and Public Safety shall be construed to apply to the appropriate division of the Department of Public Safety pursuant to the departmental consolidation enacted by this section.

CONSOLIDATE BUDGET CODES FOR DEPARTMENT OF PUBLIC SAFETY

SECTION 19.2. The Office of State Budget and Management and the State Controller, in consultation with the Fiscal Research Division, shall consolidate the budget codes for the Department of Crime Control and Public Safety, the Department of Juvenile Justice and Delinquency Prevention, and the Department of Correction into a single budget code for the Department of Public Safety. Fund codes within that budget code shall align with the new organizational structure of the Department of Public Safety. The new budget code shall be established by July 1, 2012.

MODIFY THE REMITTANCE OF TAXES BASED ON VALUATION OF PROPERTY IN THE BUTNER FIRE AND POLICE PROTECTION DISTRICT

SECTION 19.3.(a) Section 1(b) of Chapter 830 of the 1983 Session Laws, as rewritten by Section 43.3 of S.L. 2005-276, reads as rewritten:

"(b) The territorial jurisdiction set forth in subsection (a) of this section shall constitute the Butner Fire and Police Protection District. The tax collectors of Durham and Granville Counties shall annually collect a tax of twenty-five cents (25¢) per one hundred dollars ($100.00) valuation of all real and personal property in the portions of said district in their respective counties from year to year which tax shall be collected as county taxes are collected and shall remit the same to the ~~State Treasurer for deposit in the General Fund.~~Town of Butner."

SECTION 19.3.(b) G.S. 122C-408(c) reads as rewritten:

"§ 122C-408. Butner Public Safety Division of the Department of Crime Control and Public Safety; jurisdiction; fire and police district.

...

(c) The contract between the Town of Butner and the Department of Crime Control and Public Safety shall provide ~~that:~~for each of the following:

(1) The Butner Public Safety Division of the Department of Crime Control and Public Safety shall provide the same level of service to the incorporated area known as the Town of Butner as provided to those areas of the Town of Butner served by Butner Public Safety on January 1, ~~2007;~~2007.

~~(2) The Town of Butner shall pay to the State Treasurer, on or before May 1 of each year, for deposit in the General Fund an amount equal to the amount that actually would have been collected from real and personal property ad valorem taxes due January 5, 2007, in the area incorporated as the Town of Butner effective July 1, 2007, assuming a tax of twenty-five cents (25¢) per one hundred dollars ($100.00) valuation of all real and personal property in said area increased effective July 1 of each year by the increase in the percentage change in the Consumer Price Index published by the U.S. Department of Labor, Bureau of Labor Statistics, for the southeast region, all urban consumers (or if that data shall no longer be available, the closest equivalent substitute then in publication by the United States Government) for the previous year ended December 31st;~~

~~(3) If additional areas are added to the incorporated limits of the Town of Butner, the payments due under the contract shall be increased by an amount~~

~~equal to the amount that actually would have been collected from real and personal property ad valorem taxes due January 5 of the year of incorporation of such area if said incorporation occurs on or before May 1 or the amount collected for the preceding year if said incorporation occurs prior to May 1 of the then current year assuming a tax of twenty five cents (25¢) per one hundred dollars ($100.00) valuation of all real and personal property in said area and increased yearly as set out above; and~~

(4) The Town of Butner and the Department of Crime Control and Public Safety may by mutual agreement modify the amounts required to be paid by the Town of ~~Butner pursuant to subdivisions (2) and (3) of this subsection.~~Butner."

SECTION 19.3.(c) G.S. 122C-411 reads as rewritten:

"**§ 122C-411. Fire protection contracts.**

The Department of Crime Control and Public Safety may contract with industries in the vicinity of Butner to provide fire protection to those industries. Those contracts shall provide for a payment by any contracting industry calculated on the basis of ~~twenty~~ twenty-five cents ~~(20¢)~~ (25¢) per one hundred dollars ($100.00) of assessed valuation."

REPORTS ON LAW ENFORCEMENT ACCREDITATION SERVICES

SECTION 19.4. The State Highway Patrol, Alcohol Law Enforcement Division, State Capitol Police, and State Bureau of Investigation shall report by March 1, 2012, to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, to the Chairs of the House and Senate Appropriations Subcommittees on Justice and Public Safety, and to the Fiscal Research Division on any national associations that provide accreditation services for those law enforcement agencies, including, but not limited to, the Commission on Accreditation for Law Enforcement Agencies. The report shall include an itemization of the personnel and other costs associated with the service, a summary of the accreditation process, and a summary of the benefits gained from the services.

STUDY THE FEASIBILITY OF ASSESSING A FEE FOR PROVIDING TRAFFIC CONTROL BY THE STATE HIGHWAY PATROL AT SPECIAL EVENTS

SECTION 19.5.(a) The Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee shall study the feasibility of assessing a fee for services provided by the State Highway Patrol for certain special events. In conducting this study, the Committee shall determine the costs associated with providing traffic control devices and personnel to provide traffic control and direction at special functions and events. The Committee shall also develop criteria to determine events, if any, for which a fee will be assessed and criteria to determine the amount of the fee, if any, that should be assessed.

SECTION 19.5.(b) The Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee shall make a report to the 2012 Regular Session of the 2011 General Assembly no later than June 1, 2012, detailing the information required by this section and shall provide any recommended changes in current legislation or proposed new legislation if required.

PART XX. DEPARTMENT OF ADMINISTRATION

STATE ENTITIES TO USE AGENCY FOR PUBLIC TELECOMMUNICATIONS

SECTION 20.1. Part 22 of Article 9 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-426.11A. Use of Agency for Public Telecommunications required.**

Notwithstanding any other provision of law, the Agency for Public Telecommunications shall be the primary party with whom all State agencies, departments, and institutions other than The University of North Carolina System and the Community College System may contract for media placement and the creation of the media to be placed. Agencies, departments, and institutions may use another party only if the Agency for Public Telecommunications determines that the Agency for Public Telecommunications cannot fulfill the agency's, department's, or institution's needs. Any contract entered into contrary to the provisions of this section is voidable at the discretion of the Governor and the Council of State."

TRANSFER OF NC HUMAN RELATIONS COMMISSION FROM DEPARTMENT OF ADMINISTRATION TO OFFICE OF ADMINISTRATIVE HEARINGS

SECTION 20.1A.(a) The North Carolina Human Relations Commission created pursuant to G.S. 143B-391, other than the administration of the Martin Luther King, Jr. Commission created pursuant to G.S. 143B-426.34A, is hereby transferred by a Type I transfer, as defined in G.S. 143A-6, from the Department of Administration to the Office of Administrative Hearings.

SECTION 20.1A.(b) Part 9 of Article 9 of Chapter 143B of the General Statutes, G.S. 143B-391 and G.S. 143B-392, is recodified as G.S. 7A-761 and G.S. 7A-762 in Article 60 of the General Statutes.

SECTION 20.1A.(c) G.S. 7A-761, as recodified by this section, reads as rewritten:

"**§ 7A-761. North Carolina Human Relations Commission – creation; powers and duties.**

There is hereby created the North Carolina Human Relations Commission of the ~~Department of Administration.~~Office of Administrative Hearings. The North Carolina Human Relations Commission shall have the following functions and duties:

...

(7) To receive on behalf of the ~~Department of Administration~~Office of Administrative Hearings and to recommend expenditure of gifts and grants from public and private donors;

...

(10) To advise the ~~Secretary of Administration~~ Director of the Office of Administrative Hearings upon any matter the ~~Secretary~~ Director may refer to it;

...."

SECTION 20.1A.(d) G.S. 7A-762, as recodified by this section, reads as rewritten:

"**§ 7A-762. North Carolina Human Relations Commission – Members; selection; quorum; compensation.**

(a) The Human Relations Commission of the ~~Department of Administration~~Office of Administrative Hearings shall consist of 22 members. The Governor shall appoint one member from each of the 13 congressional districts, plus five members at large, including the chairperson. The Speaker of the North Carolina House of Representatives shall appoint two members to the Commission. The President Pro Tempore of the Senate shall appoint two members to the Commission. The terms of four of the members appointed by the Governor shall expire June 30, 1988. The terms of four of the members appointed by the Governor shall expire June 30, 1987. The terms of four of the members appointed by the Governor shall expire June 30, 1986. The terms of four of the members appointed by the Governor shall expire June 30, 1985. The terms of the members appointed by the Speaker of the North Carolina House of Representatives shall expire June 30, 1986. The terms of the members appointed by the Lieutenant Governor shall expire June 30, 1986. The initial term of office of the person appointed to represent the 12th Congressional District shall commence on January 3, 1993, and expire on June 30, 1996. At the end of the respective terms of office of the initial members of the Commission, the appointment of their successors shall be for terms of four years. No member of the commission shall serve more than two consecutive terms. A member having served two consecutive terms shall be eligible for reappointment one year after the expiration of his second term. Any appointment to fill a vacancy on the Commission created by the resignation, dismissal, death, or disability of a member shall be filled in the manner of the original appointment for the unexpired term.

...

(d) All clerical and support services required by the Commission shall be supplied by the ~~Secretary of the Department of Administration.~~Director of the Office of Administrative Hearings."

STUDY BY THE LEGISLATIVE RESEARCH COMMISSION OF THE DUTIES AND SERVICES OF THE NORTH CAROLINA HUMAN RELATIONS COMMISSION AND THE CIVIL RIGHTS DIVISION OF THE OFFICE OF ADMINISTRATIVE HEARINGS

SECTION 20.2.(a) The Legislative Research Commission is authorized to study the duties and services of the North Carolina Human Relations Commission and the Civil

Rights Division of the Office of Administrative Hearings to determine whether there is unnecessary overlap and duplication of services and recommend the placement of the Commission and Division in the appropriate agency or agencies.

SECTION 20.2.(b) The Legislative Research Commission may make an interim report to the 2011 General Assembly when it reconvenes in 2012 and shall make its final report to the 2013 General Assembly.

SECTION 20.2.(c) This section is effective when it becomes law.

DOMESTIC VIOLENCE CENTER FUNDS

SECTION 20.3. The Department of Administration, in administering the Domestic Violence Center Fund, G.S. 50B-9, shall adhere to the requirements of the law and shall not limit the number of grantees that are eligible in each county, or by any other geographic limitation. Every domestic violence center that was in operation by the preceding July 1, offers the services described in the statute, and is a nonprofit corporation or a local government entity shall receive an amount that is equal to that received by all other grantees of the Fund.

USE OF CAPITAL PROJECT CONTINGENCY FUNDS TO INCREASE THE SPEED AND EFFICIENCY OF THE STATE CONSTRUCTION OFFICE

SECTION 20.4.(a) Contingency reserve funds appropriated for capital improvement projects that are subject to the Department of Administration's review authority under G.S. 143-341(3)a. shall be placed in a statewide capital reserve administered by the Office of State Budget and Management to ensure optimal management and administration of funds needed for new construction and repairs and renovations projects.

Notwithstanding any other provision of law, upon a request of the administration of a State agency, and after consultation with the Office of State Construction, the Director of the Budget may, when it is in the best interest of the State to do so, allocate funds from the reserve to the requesting agency to be used for any of the purposes for which contingency funds may permissibly be used. Under no circumstances, may funds disbursed from the statewide capital reserve be used for a capital improvement project not previously authorized by the General Assembly.

SECTION 20.4.(b) Each fiscal year of the biennium, the Director of the Budget may reallocate a portion of the funds deposited in the reserve not to exceed eight hundred seventy-five thousand dollars ($875,000) in any fiscal year to the State Construction Office in the Department of Administration to be used to support the staffing needs of the Office in connection with carrying out its design and plan review, construction, building code compliance, inspection, and related duties imposed by G.S. 143-341(3) and other sections of the General Statutes to ensure timely and complete responses in an effort to reduce the need for the use of contingency fees.

SECTION 20.4.(c) This section is effective when it becomes law and applies to all open and active capital improvement projects, regardless of the source of funds.

OFFICE OF STATE PERSONNEL/STUDY CENTRALIZED HUMAN RESOURCES FOR COUNCIL OF STATE OFFICES

SECTION 20.5. By the convening of the 2012 Regular Session of the 2011 General Assembly, the Office of State Personnel (OSP), in conjunction with the Office of State Budget and Management, shall report to the General Assembly and to the Fiscal Research Division on the feasibility of transferring the human resources management functions currently divided among the various Council of State offices and departments to be centralized under the Office of State Personnel. At a minimum, the report shall include the following:

(1) A detailed analysis of the costs to the State of maintaining separate human resources offices in Council of State offices and departments.

(2) An estimate of potential cost savings that would accrue to the State if all human resources management functions were under the OSP.

(3) Recommendations on State law changes required to effectuate centralization of all human services resources management functions under the OSP.

HUMAN RESOURCES DEVELOPMENT

SECTION 20.5A. During the 2011-2013 fiscal biennium, notwithstanding the provisions of G.S. 143C-6-10, 126-95, 116-17.2, or any other law to the contrary, the sum of

one million five hundred thousand dollars ($1,500,000) from the savings in the employer's share of contributions under the Federal Insurance Contributions Act on account of the reduction in salary may be transferred from the NCFlex FICA Fund to the Office of State Personnel to support program components of the HCM System.

ELIMINATE FUNDING FOR DEVELOPMENT OF SMART CARDS

SECTION 20.7. Notwithstanding Section 6.19 of S.L. 2010-31, funds in the amount of one million dollars ($1,000,000) shall be transferred from the E-Commerce Reserve Fund to the General Fund to support appropriations made in this act.

PART XXI. DEPARTMENT OF CULTURAL RESOURCES

TRANSPORTATION MUSEUM SPECIAL FUND

SECTION 21.1. Article 1 of Chapter 121 of the General Statutes is amended by adding a new section to read:

"**§ 121-7.6. North Carolina Transportation Museum special fund.**

(a) Fund Established. – The North Carolina Transportation Museum Fund is created as a special interestbearing, nonreverting enterprise fund in the Department of Cultural Resources. The Fund shall be used to pay all costs associated with the operation and maintenance of the North Carolina Transportation Museum.

(b) Monies Credited to the Fund. – Notwithstanding Chapter 146 of the General Statutes, all receipts derived from the lease, rental, or other disposition of structures or products of the land, as well as all admissions and fees, gifts, donations, grants, and bequests, shall be credited to the Fund. The Fund shall be credited with interest by the State Treasurer pursuant to G.S. 147-69.2 and G.S. 147-69.3.

(c) Emergency Reserve. – The Department of Cultural Resources shall establish, out of existing unobligated funds including lapsed salaries and unobligated special funds, an emergency reserve fund in the amount of three hundred thousand dollars ($300,000). Any use of the emergency reserve will require reimbursement from museum receipts.

(d) Audit. – The Fund shall be subject to the oversight of the State Auditor pursuant to Article 5A of Chapter 147 of the General Statutes. The Fund shall reimburse the State Auditor for the cost of any audit."

ROANOKE ISLAND COMMISSION FUNDING/HISTORIC ROANOKE ISLAND FUND

SECTION 21.2.(a) The Roanoke Island Commission shall receive State funds through the 2011-2012 fiscal year. Beginning with the 2012-2013 fiscal year, the Roanoke Island Commission shall be self-supporting.

SECTION 21.2.(b) All funds and assets in the Outer Banks Island Farm Fund are transferred to the Roanoke Island Commission Fund established in G.S. 143B-131.8.

SECTION 21.2.(c) G.S. 143B-131.8 is amended by adding the following new subsections:

"(c) Notwithstanding subsection (b) of this section, the Commission may expend and use funds from the principal and from the remaining twenty percent (20%) of the interest generated by the principal of the Roanoke Island Commission Endowment Fund if (i) the Commission has insufficient cash flow to meet its financial obligations as they become due and (ii) those financial obligations are critical to the operation and maintenance of the Commission or the properties operated by the Commission. The Commission shall not use funds from the principal or the remaining twenty percent (20%) of the interest generated by the principal of the Roanoke Island Endowment Fund for capital expenditures.

(d) The Department of Cultural Resources shall pay to the Commission on a monthly basis a pro rata share of the utilities, maintenance, and operating expenses of the Outer Banks History Center, which is located in the facility owned by the Commission. The funds received pursuant to this subsection shall be credited to the Roanoke Island Commission Fund.

(e) The Department of Cultural Resources shall credit to the Roanoke Island Commission Fund all rental proceeds received by the Department from the rental properties located near the Outer Banks Island Farm."

SECTION 21.2.(d) G.S. 143B-131.2(b)(1) reads as rewritten:

"(1) To advise the Secretary of Transportation and adopt rules on matters pertaining to, affecting, and encouraging restoration, preservation, and enhancement of the appearance, maintenance, and aesthetic quality of U.S. Highway 64/264 and the U.S. 64/264 Bypass travel corridor on Roanoke Island and the grounds on Roanoke Island Festival Park. However, the local government that has jurisdiction over the affected portion of the travel corridor shall process the applications for and issue the certificates of appropriateness and shall be responsible for the enforcement of those certificates and any rules adopted pursuant to this subdivision that apply to the portion of the travel corridor within the jurisdiction of the local government. No reimbursement shall be made by the Commission to the local government for the processing of applications or issuance of certificates of appropriateness, or the enforcement of those certificates or the rules."

SECTION 21.2.(e) G.S. 143B-131.2(b)(10) reads as rewritten:

"(10) ~~To establish and maintain a separate fund composed of moneys which may come into its hands from~~ To accept gifts, donations, grants, or bequests, which funds will be used by the Commission for purposes of carrying out its duties and purposes herein set forth. The Commission may ~~also~~ establish a reserve fund to be maintained and used for contingencies and emergencies. ~~Funds appropriated to the Commission may be transferred to the Friends of Elizabeth II, Inc., a private, nonprofit corporation.~~ The Friends of Elizabeth II, Inc., shall use the balance of any unencumbered funds that were transferred to it ~~to carry out the purposes of this Part.~~ pursuant to this subdivision only for expenses of the Commission or the properties operated by the Commission that are identified as operating or for maintenance costs by the Commission and that are requested by the Commission."

SECTION 21.2.(f) Effective July 1, 2012, all funds held by the Roanoke Island Commission, including all balances credited to the Roanoke Island Commission Endowment Fund, shall be transferred to the Historic Roanoke Island Fund established in G.S. 143B-131.8A.

SECTION 21.2.(g) Effective July 1, 2012, G.S. 143B-131.1 reads as rewritten:

"**§ 143B-131.1. Commission established.**

There is established the Roanoke Island Commission. The Commission shall be an ~~independent~~ independent, self-supporting commission, but shall be located within the Department of Cultural Resources for historic resource management, organizational, and budgetary purposes."

SECTION 21.2.(h) Effective July 1, 2012, G.S. 143B-131.2(b)(14) reads as rewritten:

"(14) To administer the ~~Roanoke Island Commission Fund and the Roanoke Island Commission Endowment Fund as provided in G.S. 143B-131.8.~~ Historic Roanoke Island Fund as provided in G.S. 143B-131.8A."

SECTION 21.2.(i) Effective July 1, 2012, G.S. 143B-131.8 is repealed.

SECTION 21.2.(j) Effective July 1, 2012, Part 27A of Article 2 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-131.8A. Historic Roanoke Island Fund.**

(a) The Historic Roanoke Island Fund is established as a nonreverting enterprise fund and shall be administered by the Roanoke Island Commission. All operating revenues generated by the Roanoke Island Commission, including revenues collected from any property operated by the Roanoke Island Commission, together with all gifts, grants, donations, or other financial assets of whatever kind received or held by the Roanoke Island Commission shall be credited to the Historic Roanoke Island Fund and shall be used only (i) for the expenses of operating and maintaining the Roanoke Island Commission and the properties managed by the Roanoke Island Commission, (ii) to carry out any of the other duties and purposes set out by this Part, or (iii) for capital expenditures for the properties operated by the Commission.

(b) The Department of Cultural Resources shall pay to the Commission on a monthly basis a pro rata share of the utilities, maintenance, and operating expenses of the Outer Banks History Center, which is located in the facility owned by the Commission. The funds received pursuant to this subsection shall be credited to the Historic Roanoke Island Fund.

(c) The Department of Cultural Resources shall credit to the Historic Roanoke Island Fund all rental proceeds received by the Department from the rental properties located near the Outer Banks Island Farm."

TRYON PALACE FUNDING

SECTION 21.3. Beginning with the 2014-2015 fiscal year, it is the intent of the General Assembly that no State funds will be used to support Tryon Palace Historic Sites and Gardens. By May 1, 2012, the Department of Cultural Resources shall report to the General Assembly on how the site will become financially self-sufficient.

PART XXII. GENERAL ASSEMBLY

PED STUDYING ADMINISTRATION OF STATE ATTRACTIONS

SECTION 22.1.(a) The Program Evaluation Division shall study and review State operations considered attractions in the State, such as State Historic Sites, Museums, State Parks, Aquariums, and the North Carolina Zoo, and recommend whether administration of such attractions can be consolidated in one Department or administrative unit. In conducting its study, the Program Evaluation Division shall review all sources of revenue generated by these attractions, including admission fees, donations, and concession sales, and shall review daily visitation trends for these attractions to determine optimal operating schedules.

SECTION 22.1.(b) The Program Evaluation Division shall report its findings by March 30, 2012, to the full chairs of the House of Representatives and Senate Appropriations Committees, the chairs of the House of Representatives Appropriations Subcommittee on General Government, the chairs of the Senate Appropriations Committee on General Government and Information Technology, and the Fiscal Research Division.

ACCOMMODATING FEDERAL LAW FLEXIBILITY

SECTION 22.3. G.S. 120-30.9B(b) reads as rewritten:

"**§ 120-30.9B. Statewide statutes; State Board of Elections.**

(a) The Executive Director of the State Board of Elections or, in the discretion of the Legislative Services Commission, a person designated by the Legislative Services Commission shall seek approval as required by 42 U.S.C. § 1973c for all of the following:

(1) Within 30 days of the time they become laws all acts of the General Assembly that amend, delete, add to, modify or repeal any provision of Chapter 163 of the General Statutes or any other statewide legislation, except relating to Chapter 7A of the General Statutes or as provided in subsection (b) of this section, which constitutes a "change affecting voting" under Section 5 of the Voting Rights Act of 1965; and

(2) Within 30 days all alterations of precinct boundaries under G.S. 163-132.2(c) in counties covered by Section 5 of the Voting Rights Act of 1965.

(b) With respect to acts of the General Assembly that amend, delete, add to, modify, or repeal any provision relating to apportioning or redistricting of State legislative or congressional districts, the Attorney General of North Carolina or, in the discretion of the Legislative Services Commission, a person designated by the Legislative Services Commission shall seek approval of the plan as required by 42 U.S.C. § 1973c."

CLIENT DECISIONS

SECTION 22.4. G.S. 147-17 is amended by adding a new subsection to read:

"(d) In those instances when a department, officer, agency, institution, commission, bureau, or other organized activity of the State which receives support in whole or in part from the State shall employ counsel other than the Attorney General as permitted by law, such employed counsel shall allocate authority between counsel and the State client in conformance with Rule 1.2 of the North Carolina Rules of Professional Conduct. In those instances where more than one counsel is providing legal representation, counsel, or service on a legal matter on behalf of a State client, the client shall designate in writing which of its legal counsel possesses final decision-making authority on behalf of the State client, and other co-counsel shall, consistent with the Rules of Professional Conduct, cooperate with such designated lead counsel."

CONFORMING CHANGE

SECTION 22.5. G.S. 120-32.6 reads as rewritten:

"**§ 120-32.6. Certain employment authority.**

G.S. 114-2.3 and G.S. ~~147-17~~ 147-17(a) through (c) shall not apply to the General Assembly."

PART XXIII. DEPARTMENT OF INSURANCE

PERMISSABLE USE OF INSURANCE REGULATORY FUND

SECTION 23.1. The Department of Insurance shall not expend funds from the Insurance Regulatory Fund created under G.S. 58-6-25 for any purpose other than to reimburse the General Fund for appropriations from that fund to the Department.

NO BUDGET REDUCTION FOR CERTAIN STATE FIRE PROTECTION GRANT FUND RECIPIENTS

SECTION 23.2. Notwithstanding any other provision of this act, there shall be no reduction in funding under G.S. 58-85A-1 during the 2011-2013 fiscal biennium for local fire districts and political subdivisions of the State that receive grant funding of one thousand dollars ($1,000) or less under that statute.

PART XXIV. OFFICE OF ADMINISTRATIVE HEARINGS

ACCESS TO REGISTER AND CODE

SECTION 24.1. G.S. 150B-21.24 reads as rewritten:

"**§ 150B-21.24. Access to Register and Code.**

(a) Register. – The Codifier of Rules shall make available the North Carolina Register on the Internet at no charge. ~~Upon request the Codifier shall provide a free copy of the current volume of the Register to any person who receives a free copy of the North Carolina Administrative Code or any member of the General Assembly.~~

(b) Code. – The Codifier of Rules shall make available the North Carolina Administrative Code on the Internet at no charge. ~~The Codifier shall distribute copies of the North Carolina Administrative Code as soon after publication as practical, without charge, to the following:~~

~~(1) One copy to the board of commissioners of each county that specifically requests a printed copy, to be placed at the county clerk of court's office or at another place selected by the board of commissioners. The Codifier of Rules is not required to provide a copy of the Administrative Code to any board of county commissioners unless a request is made.~~

~~(2) One copy to the Commission.~~

~~(3) One copy to the Clerk of the Supreme Court and to the Clerk of the Court of Appeals of North Carolina.~~

~~(4) One copy to the Supreme Court Library and one copy to the library of the Court of Appeals.~~

~~(5) One copy to the Administrative Office of the Courts.~~

~~(6) One copy to the Governor.~~

~~(7) One copy to the Legislative Services Commission for the use of the General Assembly.~~

~~(8) Repealed by Session Laws 2002-97, s. 1, effective August 29, 2002.~~

~~(9) One copy to the Division of State Library of the Department of Cultural Resources pursuant to G.S. 125-11.7.~~"

PART XXV. OFFICE OF STATE BUDGET AND MANAGEMENT

TRANSFER STATE FIRE PROTECTION GRANT FUND

SECTION 25.1. Article 85A of Chapter 58 of the General Statutes reads as rewritten:

"Article 85A.
"State Fire Protection Grant Fund.

"§ 58-85A-1. Creation of Fund; allocation to local fire districts and political subdivisions of the State.

(a) There is created in the ~~Office of State Budget and Management~~Department of Insurance the State Fire Protection Grant Fund. The purpose of the Fund is to compensate local fire districts and political subdivisions of the State for providing local fire protection to State-owned buildings and their contents.

(b) The ~~Office of State Budget and Management~~Department of Insurance shall develop and implement an equitable and uniform statewide method for distributing any funds to the State's local fire districts and political subdivisions.

~~Upon the request of the Director of the Budget, the Department of Insurance shall provide the Office of State Budget and Management all information necessary to develop and implement the formula.~~

(c) It is the intent of the General Assembly to appropriate annually to the State Fire Protection Grant Fund up to four million one hundred eighty thousand dollars ($4,180,000) from the General Fund, one hundred fifty-eight thousand dollars ($158,000) from the Highway Fund, and one million three hundred forty-five thousand dollars ($1,345,000) from University of North Carolina receipts. Funds received from the General Fund shall be allocated only for providing local fire protection for State-owned property supported by the General Fund; funds received from the Highway Fund shall be allocated only for providing local fire protection for State-owned property supported by the Highway Fund; and funds received from University of North Carolina receipts shall be allocated only for providing local fire protection for State-owned property supported by University of North Carolina receipts."

NC SYMPHONY FUNDING

SECTION 25.2.(a) Of the funds appropriated in this act to the Office of State Budget and Management-Special Appropriations, the sum of one million five hundred thousand dollars ($1,500,000) in nonrecurring funds for the 2011-2012 fiscal year shall be allocated to the North Carolina Symphony in accordance with this section.

SECTION 25.2.(b) It is the intent of the General Assembly that the NC Symphony achieve its goal of raising the sum of eight million dollars ($8,000,000) in non-State funding to support the operations of the Symphony. To that end, upon demonstrating to the Office of State Budget and Management that the NC Symphony has reached fund-raising targets in the amounts set forth in this subsection, the NC Symphony shall receive allocations from the Office of State Budget and Management as follows:

(1) Upon raising the initial sum of four million dollars ($4,000,000) in non-State funding, the NC Symphony shall receive the sum of five hundred thousand dollars ($500,000).

(2) Upon raising an additional sum of two million dollars ($2,000,000) in non-State funding for a total amount of six million dollars ($6,000,000) in non-State funds, the NC Symphony shall receive the sum of five hundred thousand dollars ($500,000).

(3) Upon raising an additional sum of two million dollars ($2,000,000) in non-State funding for a total sum of eight million dollars ($8,000,000) in non-State funds, the NC Symphony shall receive the final sum of five hundred thousand dollars ($500,000) for the 2011-2012 fiscal year.

SECTION 25.2.(c) Funds allocated pursuant to this section are in addition to any other funds allocated to the NC Symphony in this act.

PART XXVI. STATE BOARD OF ELECTIONS

NO EXPENDITURE OF HAVA TITLE II FUNDS FOR STATE FY 2011-2012

SECTION 26.1. The State Board of Election shall not expend any Help America Vote Funds (HAVA) Title II Funds for the 2011-2012 fiscal year and, unless prohibited by federal law, shall retain those funds until Maintenance of Effort funds are appropriated.

ALLOWING COUNTY BOARDS OF ELECTION TO EMPLOY PERSONNEL TO MAINTAIN VOTING SYSTEMS

SECTION 26.3.(a) G.S. 163-165.9 reads as rewritten:

"§ 163-165.9. Voting systems: powers and duties of county board of elections.

(a) Before approving the adoption and acquisition of any voting system by the board of county commissioners, the county board of elections shall do all of the following:

(1) Recommend to the board of county commissioners which type of voting system should be acquired by the county.

(2) Witness a demonstration, in that county or at a site designated by the State Board of Elections, of the type of voting system to be recommended and also witness a demonstration of at least one other type of voting system certified by the State Board of Elections.

(3) Test, during an election, the proposed voting system in at least one precinct in the county where the voting system would be used if adopted.

(b) After the acquisition of any voting system, the county board of elections shall comply with any requirements of the State Board of Elections regarding training and support of the voting system by completing all of the following:

(1) The county board of elections shall comply with all specifications of its voting system vendor for ballot printers. The county board of elections is authorized to contract with noncertified ballot printing vendors, so long as the noncertified ballot printing vendor meets all specifications and all quality assurance requirements as set by the State Board of Elections.

(2) The county board of elections shall annually maintain software license and maintenance agreements necessary to maintain the warranty of its voting system. A county board of elections may employ qualified personnel to maintain a voting system in lieu of entering into maintenance agreements necessary to maintain the warranty of its voting system. The State Board of Elections ~~shall not~~is not required to provide routine maintenance to any county board of elections that does not maintain the warranty of its voting system. If the State Board of Elections provides any maintenance to a county that has not maintained the warranty of its voting system, the county shall reimburse the State for the cost.

(3) The county board of elections shall not replace any voting system, or any portion thereof, without approval of the State Board of Elections.

(4) The county board of elections may have its voting system repaired pursuant to its maintenance agreement but shall notify the State Board of Elections at the time of every repair, according to guidelines that shall be provided by the State Board of Elections."

SECTION 26.3.(b) This section becomes effective July 1, 2011.

PART XXVI-A. STATE CONTROLLER

OVERPAYMENTS AUDIT

SECTION 26A.1.(a) During the 2011-2013 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 Special Reserve Account 24172.

SECTION 26A.1.(b) For each year of the 2011-2013 biennium, five hundred thousand dollars ($500,000) of the funds transferred from Special Reserve Account 24172 shall be used by the Office of the State Controller for data processing, debt collection, or e-commerce costs.

SECTION 26A.1.(c) All funds available in Special Reserve Account 24172 on July 1 of each year of the 2011-2013 biennium are transferred to the General Fund on that date.

SECTION 26A.1.(d) Any unobligated funds in 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 26A.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 Special Reserve Account 24172 and the disbursement of that revenue.

PART XXVII. DEPARTMENT OF THE STATE TREASURER

LOCAL GOVERNMENT UNIT POSITIONS

SECTION 27.1.(a) G.S. 105-501(b) reads as rewritten:

"(b) Deductions. – 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.~~The Local Government Division.

b. The Property Tax Commission.

(1a) The Department of State Treasurer's costs for personnel and operations of the Local Government 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 27.1.(b) G.S. 105-501(b), as rewritten by subsection (a) of this section, reads as rewritten:

"(b) Deductions. – 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. The Local Government Division.

b. The Property Tax Commission.

(1a) The Department of State Treasurer's costs for personnel and operations of the Local Government 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 27.1.(c) Subsection (b) of this section becomes effective July 1, 2012.

PART XXVIII. DEPARTMENT OF TRANSPORTATION

CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATION

SECTION 28.1.(a) The General Assembly authorizes and certifies anticipated revenues for the Highway Fund as follows:

For Fiscal Year 2013-2014	$2,125.4 million
For Fiscal Year 2014-2015	$2,238.0 million
For Fiscal Year 2015-2016	$2,352.3 million
For Fiscal Year 2016-2017	$2,470.9 million

SECTION 28.1.(b) The General Assembly authorizes and certifies anticipated revenues for the Highway Trust Fund as follows:

For Fiscal Year 2013-2014	$1,084.0 million
For Fiscal Year 2014-2015	$1,169.8 million
For Fiscal Year 2015-2016	$1,232.6 million

For Fiscal Year 2016-2017	$1,256.7 million

CHANGES TO HIGHWAY FUND CERTIFIED BUDGET TO INCREASE TRANSPARENCY

SECTION 28.2. Notwithstanding G.S. 143C-6-4(b), the Office of State Budget and Management, in consultation with the Department of Transportation, the Office of the State Controller, and the Fiscal Research Division, shall execute changes to the Department of Transportation's Highway Fund (Budget Code 84210) 2012-2013 Fiscal Year Certified Budget to increase transparency. The Adjusted 2012-2013 Fiscal Year Certified Budget for Budget Code 84210 shall include object detail using the North Carolina Accounting System Uniform Chart of Accounts prescribed by the Office of the State Controller to provide a more detailed accounting of the proposed budgets and receipts and actual expenditures and revenue collections. This includes, but is not limited to, applying object detail at the four-digit level for all acounts to full-time and part-time positions, to operating expenditures and receipts, and to intrafund transfers. In addition, work order positions shall be budgeted within existing fund codes. These readjustments to the enacted budget are for the sole purpose of correctly aligning authorized positions and associated operating costs with the appropriate purposes and definitions as defined in G.S. 143C-1-1. The Office of State Budget and Management shall change the certified budget to reflect these adjustments only after reporting the proposed adjustments to the Chairs of the Senate Appropriations Committee on Department of Transportation and the Chairs of the House Appropriations Subcommittee on Transportation and to the Fiscal Research Division no later than March 1, 2012. It is the intent of the General Assembly that these changes in the certified budget for Budget Code 84210 shall begin with the 2012-2013 fiscal year and shall be used in subsequent fiscal years.

REMOVE PILOT DESIGNATION FOR PUBLIC-PRIVATE PARTNERSHIPS

SECTION 28.3. G.S. 136-28.1 reads as rewritten:

"§ 136-28.1. Letting of contracts to bidders after advertisement; exceptions.

...

(l) The Department of Transportation may enter into ~~as many as two pilot~~ contracts for ~~public-private~~ public-private participation in providing litter removal from State right-of-way. Selection of firms to perform this work shall be made using a best value procurement process and shall be without regard to other provisions of law regarding the Adopt-A-Highway Program administered by the Department. Acknowledgement of sponsors may be indicated by appropriate signs that shall be owned by the Department of Transportation. The size, style, specifications, and content of the signs shall be determined in the sole discretion of the Department of Transportation. The Department of Transportation may issue ~~rules~~ guidelines, rules, and policies necessary to ~~implement~~ administer this ~~section.~~ subsection.

(m) The Department of Transportation may enter into ~~as many as two pilot~~ contracts for public-private participation ~~in providing real-time traveler information~~ at State-owned rest areas. Selection of firms ~~to perform this work~~ shall be made using a best value procurement process. Recognition of sponsors in the program may be indicated by appropriate acknowledgment for any services provided. The size, style, specifications, and content of the acknowledgment shall be determined in the sole discretion of the Department. Revenues generated pursuant to a contract initiated under this subsection shall be shared with Department of Transportation at a predetermined percentage or rate, and shall be earmarked by the Department to maintain the State owned rest areas from which the revenues are generated. The Department of Transportation may issue guidelines, rules, and policies necessary to administer ~~a pilot program initiated under~~ this subsection."

REMOVE CAP ON DESIGN-BUILD PROJECTS

SECTION 28.4. G.S. 136-28.11(a) reads as rewritten:

"(a) Design-Build Contracts Authorized. – Notwithstanding any other provision of law, the Board of Transportation may award contracts ~~for up to 25 projects~~ each fiscal year for construction of transportation projects on a design-build basis."

REQUEST FOR INFORMATION RELATED TO SPONSORSHIPS

SECTION 28.5. The Department of Transportation shall issue a request for information from potential sponsors of welcome centers, visitor centers, rest areas, ferry

welcome centers, ferries, and Incident Management Assistance Patrols. The Department shall report to the Joint Legislative Transportation Oversight Committee no later than March 1, 2012, on the results of its request for information and shall provide the Joint Legislative Transportation Oversight Committee the following information:

(1) The current cost of the suggested activities to be sponsored.
(2) The potential receipts that could reasonably be collected through sponsorships.
(3) Suggested guidelines and process for selecting reputable sponsors.
(4) What sponsorships might look like once implemented, including mock-ups of potential sponsors' signage on materials, buildings, vehicles, vessels, or other locations.
(5) What administrative, statutory, or regulatory changes may be necessary to effect the Department's proposed sponsorship changes.

SMALL CONSTRUCTION AND CONTINGENCY FUNDS

SECTION 28.6. Of the funds appropriated in this act to the Department of Transportation:

(1) Seven million dollars ($7,000,000) shall be allocated in each fiscal year for small construction projects recommended by the State Highway Administrator in consultation with the Chief Operating Officer and approved by the Secretary of the Department 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) Twelve million dollars ($12,000,000) shall be allocated statewide in each fiscal year 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 construction. 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.

ADJUST SECONDARY ROAD CONSTRUCTION AND SECONDARY ROAD MAINTENANCE

SECTION 28.7.(a) Notwithstanding G.S. 136-44.2A, the amount allocated from the Highway Fund for secondary road construction and secondary road maintenance under G.S. 136-44.2A shall not increase over the amounts allocated in the fiscal year 2011-2012 and fiscal year 2012-2013 base budgets. Notwithstanding G.S. 136-44.2A or any other provision of law, the difference between the amounts that would have been allocated from the Highway Fund for secondary road construction and secondary road maintenance pursuant to G.S. 136-44.2A if not for this section and the amounts allocated in the base budgets for fiscal year 2011-2012 and fiscal year 2012-2013 shall be allocated to highway maintenance.

SECTION 28.7.(b) Notwithstanding G.S. 136-176(b)(4), the amount allocated from the Highway Trust Fund for secondary roads pursuant to G.S. 136-176(b)(4) shall not increase over the amounts allocated in the fiscal year 2011-2012 and fiscal year 2012-2013 base budgets. Notwithstanding G.S. 136-176(b) or any other provision of law, the difference between the amounts that would have been allocated to secondary roads pursuant to G.S. 136-176(b)(4) if not for this section and the amounts allocated in the base budgets for fiscal year 2011-2012 and fiscal year 2012-2013 shall be allocated to urban loop projects.

SYSTEM PRESERVATION FUNDS PREFERENCE FOR DEFICIENT BRIDGES

SECTION 28.8. The funds allocated to the system preservation program (Budget Code 84240-7839) for fiscal years 2011-2012 and 2012-2013 shall be used for bridge improvements on structurally deficient bridges.

INCREASE DOT PRIVATIZATION

SECTION 28.9. The Department of Transportation shall seek to increase the use of contracts to further privatize design and engineering work where practical and economical. In doing so, the Department of Transportation shall do the following:

(1) Identify State-funded professional service contracts of two hundred fifty thousand dollars ($250,000) or less that are likely to attract increased participation by Small Professional Services Firms and then direct the solicitation of applicable contracts to those firms.

(2) Expand the use of multiple contract awards for maintenance and repair projects.

(3) Increase the outsourcing of preliminary engineering projects to fifty percent (50%) of the total funds in the annual work plan.

STATE STREET-AID TO MUNICIPALITIES (POWELL BILL) ADJUSTMENTS

SECTION 28.10.(a) G.S. 136-41.1(a) reads as rewritten:

"(a) There is annually appropriated out of the State Highway Fund a sum equal to the net amount after refunds that was produced during the fiscal year by a one and three-fourths cents (1 3/4¢) tax on each gallon of motor fuel taxed under Article 36C of Chapter 105 of the General Statutes and on the equivalent amount of alternative fuel taxed under Article 36D of that Chapter. ~~The~~ One-half of the amount appropriated shall be allocated in cash on or before October 1 of each year to the cities and towns of the State in accordance with this section. The second one-half of the amount appropriated shall be allocated in cash on or before January 1 of each year to the cities and towns of the State in accordance with this section. In addition, as provided in G.S. 136-176(b)(3), revenue is allocated and appropriated from the Highway Trust Fund to the cities and towns of this State to be used for the same purposes and distributed in the same manner as the revenue appropriated to them under this section from the Highway Fund. Like the appropriation from the Highway Fund, the appropriation from the Highway Trust Fund shall be based on revenue collected during the fiscal year preceding the date the distribution is made.

...."

SECTION 28.10.(b) Article 2 of Chapter 136 of the General Statutes is amended by adding a new section to read:

"**§ 136-41.2B. Eligibility for funds; municipalities with no road miles ineligible.**

No municipality shall be eligible to receive funds under G.S. 136-41.1 unless the municipality maintains public streets that (i) are within its jurisdiction and (ii) do not form a part of the State highway system."

SECTION 28.10.(c) Unexpended and unencumbered funds previously allocated to municipalities made ineligible to receive funds by subsection (b) of this section shall be reallocated to eligible municipalities in accordance with G.S. 136-41.1.

SECTION 28.10.(d) G.S. 136-41.3 reads as rewritten:

"**§ 136-41.3. Use of funds; records and annual statement; excess accumulation of funds; contracts for maintenance, etc., of streets.**

...

No funds allocated to municipalities pursuant to G.S. 136-41.1 and 136-41.2 shall be permitted to accumulate for a period greater than permitted by this section. Interest on accumulated funds shall be used only for the purposes permitted by the provisions of G.S. 136-41.3. ~~Any~~ Except as otherwise provided in this section, any municipality having accumulated an amount greater than the sum of the past 10 allocations made, shall have an amount equal to such excess deducted from the next allocation after receipt of the report required by this section. Such deductions shall be carried over and added to the amount to be allocated to municipalities for the following year. Notwithstanding the other provisions of this section, the Department shall adopt a policy to allow small municipalities to apply to the Department to be allowed to accumulate up to the sum of the past 20 allocations if a municipality's allocations are so small that the sum of the past 10 allocations would not be sufficient to accomplish the purposes of this section.

...."

STATE AID TO RAILROADS TRANSPARENCY

SECTION 28.12. G.S. 136-44.20(d) is repealed.

PROGRAM EVALUATION DIVISION TO STUDY NORTH CAROLINA RAILROAD

SECTION 28.12A. The Program Evaluation Division of the General Assembly shall conduct a comprehensive evaluation of the North Carolina Railroad Company, a North Carolina corporation of which the State is the sole shareholder and which is a discretely reported component unit of the State as defined by the Governmental Accounting Standards Board. The evaluation shall address, at a minimum, the following issues:

(1) Whether the corporation is adhering to its stated corporate mission of maximizing the value of the corporation for the people of the State.

(2) What economic development benefits have been provided by the corporation and for what costs.

(3) An evaluation of the use of available cash by the corporation, including the purchase of real property used for investment purposes rather than paying dividends to the State.

(4) The approximate value of the corporation's assets, based on a market valuation rather than historic or book value of assets.

(5) The approximate value of the entire corporation as a going concern.

(6) The effectiveness of the provisions of Chapter 124 of the General Statutes to allow the State to exercise its shareholder rights and to provide effective shareholder oversight of the corporation.

(7) Whether the ownership of the corporation provides the State a reasonable return on its investment, attempting to consider both the tangible and intangible value provided by the corporation.

(8) Whether the corporation should be sold, transferred under the jurisdiction of the Department of Transportation or another State agency, or maintain its corporate structure.

(9) Whether the General Assembly should consider the possibility of repealing the corporate charter of the corporation by a special act, as allowed under Section 1 of Article VIII of the North Carolina Constitution.

For the purposes of this evaluation, the terms "State agency" or "agency" as used under Article 7C of Chapter 120 of the General Statutes shall include the North Carolina Railroad Company.

For the purposes of this evaluation, the Program Evaluation Division is hereby granted authority to exercise the State's shareholder right to inspect the corporate books and records of the North Carolina Railroad Company on behalf of the State.

The Program Evaluation Division may hire consultants to aid it in its evaluation, including experts in appraisal and valuation.

The Program Evaluation Division shall report the results of its study to the Joint Legislative Program Evaluation Oversight Committee and the Joint Legislative Transportation Oversight Committee no later than May 1, 2012.

STATE AID TO SHORT-LINE RAILROADS

SECTION 28.13. Article 2D of Chapter 136 is amended by adding a new section to read as follows:

"**§ 136-44.39. Department to provide State and federal financial assistance to short-line railroads.**

The Department of Transportation is authorized to provide assistance to short-line railroads to continue and enhance rail service in the State so as to assist in economic development and access to ports and military installations. Assistance under this section may involve both the Rail Industrial Access Program and the Short Line Infrastructure Access Program, as well as other innovative programs. Grants under this section shall not exceed fifty percent (50%) of the nonfederal share and must be matched by equal or greater funding from the applicant."

REPORT, CONSULTATION, AND APPROVAL OF RAIL PROJECTS

SECTION 28.15. G.S. 136-44.36 reads as rewritten:

"**§ 136-44.36. Department of Transportation designated as agency to administer federal and State railroad revitalization programs.**

(a) The General Assembly hereby designates the Department of Transportation as the agency of the State of North Carolina responsible for administering all State and federal railroad revitalization programs. The Department of Transportation is authorized to develop, and the Board of Transportation is authorized to adopt, a State railroad plan, and the Department of Transportation is authorized to do all things necessary under applicable State and federal legislation to properly administer State and federal railroad revitalization programs within the State. Such authority shall include, but shall not be limited to, the power to receive federal funds and distribute and expend federal and State funds for rail programs designed to cover the costs of acquiring, by purchase, lease or other manner as the department considers appropriate, a railroad line or other rail property to maintain existing or to provide future rail service; the costs of rehabilitating and improving rail property on railroad lines to the extent necessary to permit safe, adequate and efficient rail service on such lines; and the costs of constructing rail or rail related facilities for the purpose of improving the quality, efficiency and safety of rail service. The Department shall also have the authority to preserve railroad corridors for future railroad use and interim compatible uses and may lease such corridors for interim compatible uses. Such authority shall also include the power to receive and administer federal financial assistance without State financial participation to railroad companies to cover the costs of local rail service continuation payments, of rail line rehabilitation, and of rail line construction as listed above. This Article shall not be construed to grant to the department the power or authority to operate directly any rail line or rail facilities.

(b) Notwithstanding subsection (a) of this section, the acceptance of federal funds by the Department of Transportation for rail programs shall be subject to the following:

(1) Report. – For any project under subsection (a) of this section, the Department of Transportation shall report the project details, including the amounts of federal funds and any State matching funds, as well as the expected annual maintenance and operational costs to the State of the project for the next 25 years, to the Joint Legislative Transportation Oversight Committee if the General Assembly is not in session, or to the House Appropriations Subcommittee on Transportation and the Senate Committee on Appropriations on Department of Transportation if the General Assembly is in session.

(2) Consultation. – If either the amount of State matching funds required by the federal grant or the amount of future annual maintenance and operational costs of the project are reasonably expected to exceed three million dollars ($3,000,000), then the Department shall not accept the federal funds prior to consultation with the Joint Legislative Transportation Oversight Committee if the General Assembly is not in session, or with the House Appropriations Subcommittee on Transportation and the Senate Committee on Appropriations on Department of Transportation if the General Assembly is in session. Failure of the Joint Legislative Transportation Oversight Committee, the House Appropriations Subcommittee on Transportation, or the Senate Committee on Appropriations on Department of Transportation to hold a meeting with the Department of Transportation within 60 days of a written request for a meeting from the Department of Transportation shall be deemed a waiver of consultation by the committee.

(3) Approval. – If either the amount of State matching funds required by the federal grant or the amount of future annual maintenance and operational costs of the project are reasonably expected to exceed five million dollars ($5,000,000), then the Department's acceptance of funds shall be subject to approval of the project by an act of the General Assembly. If 30 days have passed since consultation or the expiration of the consultation period under subdivision (2) of this subsection, then the inaction of the General Assembly, including the lack of an extra session to address the project, shall be deemed an approval of the project, and the Department may accept the funds without an act of the General Assembly.

For purposes of this subsection, the terms "State matching funds" and "annual maintenance and operational costs to the State" shall not include funds that may pass through the Department of Transportation but that originally came from a non-State source."

PROHIBIT RAIL DIVISION FROM PROVIDING CONVENIENCE ITEMS FREE OF CHARGE ON ALL PASSENGER RAIL SERVICE

SECTION 28.16. The Department of Transportation, Rail Division, shall not provide convenience items to passengers free of charge unless the items are donated to the State. These items include bottled or canned drink products, excluding water, newspapers, or other items of convenience. The Department of Transportation may charge a nominal fee for such items through vending machines or through other mechanisms.

ELIMINATE AERONAUTICS COUNCIL, BICYCLE COMMITTEE, AND RAIL COUNCIL

SECTION 28.17.(a) The Aeronautics Council of the Department of Transportation is eliminated. G.S. 143B-356 and G.S. 143B-357 are repealed.

SECTION 28.17.(b) The North Carolina Bicycle Committee within the Department of Transportation is eliminated. G.S. 136-71.13 is repealed.

SECTION 28.17.(c) The North Carolina Rail Council of the Department of Transportation is eliminated. Part 9 of Article 8 of Chapter 143B of the General Statutes is repealed.

AVIATION DIVISION APPROPRIATION

SECTION 28.17A. Notwithstanding G.S. 136-16.4, the continuing aviation appropriation from the Highway Fund to the Department of Transportation shall be reduced as provided in this act.

FLEXIBLE USE OF FUNDS TO LEVERAGE FEDERAL FUNDS FOR RURAL PUBLIC TRANSPORTATION

SECTION 28.18. In order to ensure maximum receipts of funding and to facilitate the use of funds available to the Department, the Department of Transportation, Public Transportation Division, shall have the flexibility to transfer funding from the consolidated capital program of its rural funding programs for vehicles, technology, and facilities to the operating programs, based on the Department's ability to leverage all additional federal funds to meet the capital needs of rural transportation systems. This section applies only to fiscal years 2011-2012 and 2012-2013.

MAXIMIZE LEVERAGE OF FEDERAL PUBLIC TRANSPORTATION OPERATING AND CAPITAL FUNDS FOR LOCAL PUBLIC TRANSPORTATION SYSTEMS

SECTION 28.19. The Department of Transportation, Public Transportation Division, shall provide local public transportation systems with maximum flexibility to use State operating funds from the "urban and regional maintenance," "elderly and disabled," "work first and transportation employment," and "urban technology, human service transportation management, and rural general public" grant programs to leverage all eligible federal transit operating assistance funds. This section applies only to fiscal years 2011-2012 and 2012-2013.

STREAMLINE GRANT PROCESS AND CONSOLIDATE GRANTS FOR PUBLIC TRANSPORTATION

SECTION 28.20.(a) The Department of Transportation, Public Transportation Division, shall work with stakeholders to streamline the grant application process, determine levels for funding distributions, and make recommendations to the General Assembly to maximize the use of these grant funds. The Department of Transportation shall report these findings to the Joint Legislative Transportation Oversight Committee no later than March 1, 2012.

SECTION 28.20.(b) The Department of Transportation and the Office of State Budget and Management are directed to combine grant funding to the "elderly and disabled," "work first and transportation employment," and the human service transportation management and rural general public grant programs within the "urban technology, human service transportation management and rural general public" grant programs. The Highway Fund

Budget Code 84210, Fund Code 7831, shall be changed to reflect these consolidations and the separation of the "urban technology, human service transportation management and rural general public" grant program. The grant categories and respective formulas shall remain unchanged. The Department shall determine an appropriate distribution for funds based upon the needs of the local governments.

Consolidating the funding sources should enable the Department to increase utilization of all available funds based on documented local needs, reduce program administration at the State and local levels, and increase flexibility for regional systems to apply and expend funds for multicounty transit needs.

SECTION 28.20.(c) Subsection (b) of this section becomes effective July 1, 2012.

STUDY REGIONAL CONSOLIDATION OF TRANSIT SYSTEMS

SECTION 28.21. The Department of Transportation, Public Transportation Division, is directed to study the feasibility and appropriateness of developing regional transit systems with the goals of (i) providing increased mobility between existing transit systems within one county and between counties, (ii) improving planning and coordination to better meet public demand, (iii) maximizing funding, and (iv) developing centralized professional staff that will create operational and administrative efficiencies. This study shall examine both (i) the consolidation of transit service planning and delivery based on regional travel patterns and (ii) the consolidation of single-county transit systems, where applicable. The Department of Transportation, Public Transportation Division, shall report the results of its study to the Joint Legislative Transportation Oversight Committee no later than March 1, 2012.

FLEXIBLE USE OF FUNDS FOR DIVISION OF MOTOR VEHICLES FOR FISCAL YEARS 2011-2012 AND 2012-2013

SECTION 28.23. Of the funds appropriated in this act to the Department of Transportation, Division of Motor Vehicles:

(1) One hundred five thousand dollars ($105,000) may be used for contractual security services at the Division of Motor Vehicles Registration and International Registration Plan (IRP) office in the City of Charlotte.

(2) Two hundred twenty-five thousand thirty dollars ($225,030) may be used for the purpose of staffing the dedicated commercial drivers license skills testing sites located in the City of Lumberton and under construction in Iredell County. The Division is authorized to reclassify five existing, vacant positions for this purpose.

CONFORMING CHANGES RELATED TO DMV AUDITORS AND CHANGES RELATED TO DMV HEARINGS

SECTION 28.23B.(a) G.S. 20-183.8F reads as rewritten:

"**§ 20-183.8F. Requirements for giving license holders notice of violations and for taking summary action.**

~~(a) Finding of Violation. – When an auditor of the Division finds that a violation has occurred that could result in the suspension or revocation of an inspection station license, a self-inspector license, a mechanic license, or the registration of a person engaged in the business of replacing windshields, the auditor must give the affected license holder written notice of the finding. The notice must be given within five business days after the completion of the investigation that resulted in the discovery of the violation. The notice must state the period of suspension or revocation that could apply to the violation and any monetary penalty that could apply to the violation. The notice must also inform the license holder of the right to a hearing if the Division charges the license holder with the violation.~~

(b) Notice of Charges. – When the Division decides to charge an inspection station, a self-inspector, or a ~~mechanic, or a person who is engaged in the business of replacing windshields~~mechanic with a violation that could result in the suspension or revocation of the person's license, ~~an auditor of~~ the Division must deliver a written statement of the charges to the affected license holder. The statement of charges must inform the license holder of ~~this right,~~the right to request a hearing, instruct the person on how to obtain a hearing, and inform the license holder of the effect of not requesting a hearing. The license holder has the right to a hearing before the license is suspended or revoked. ~~G.S. 20-183.8E~~G.S. 20-183.8G sets out the procedure for obtaining a hearing.

(c) Exception for Summary Action. – The right granted by subsection (b) of this section to have a hearing before a license is suspended or revoked does not apply if the Division summarily suspends or revokes the license after a judge has reviewed and authorized the proposed action. A license issued to an inspection station, a self-inspector, or a mechanic is a substantial property interest that cannot be summarily suspended or revoked without judicial review.

(d) A notice or statement prepared pursuant to this section or an order of the Division that is directed to a mechanic may be served on the mechanic by delivering a copy of the notice, statement, or order to the station or to the place of business of the self-inspector where the mechanic is employed. Delivery under this section to any person may be made via certified mail or by hand delivery."

SECTION 28.23B.(b) G.S. 20-183.8G(b) reads as rewritten:

"(b) Hearing After Statement of Charges. – When a license holder receives a statement of charges of a violation that could result in the suspension or revocation of the person's license, the person can obtain a hearing by making a request for a hearing. The person must make the request to the Division within 10 days after receiving the statement of the charges. A person who does not request a hearing within this time limit waives the right to a hearing.

The Division must hold a hearing requested under this subsection within ~~10 business~~30 days after receiving the request. The hearing must be held at the location designated by the Division. Suspension or revocation of the license is stayed until a decision is made following the hearing.

If a person does not request a hearing within the time allowed for making the request, the proposed suspension or revocation becomes effective the day after the time for making the request ends. If a person requests a hearing but does not attend the hearing, the proposed suspension or revocation becomes effective the day after the date set for the hearing."

STUDY EXEMPTING MOTOR VEHICLES FROM EMISSIONS INSPECTIONS

SECTION 28.24.(a) The Department of Transportation, Division of Motor Vehicles, shall lead a study to examine exempting from the emissions inspection required for motor vehicles under G.S. 20-183.2(b) (i) the three newest model year vehicles and (ii) all vehicles. As part of this study, the Department of Environment and Natural Resources, Division of Air Quality, in coordination with the Department of Transportation, Division of Motor Vehicles, shall evaluate the potential impacts of exempting these motor vehicles on emissions levels and air quality. In evaluating these potential impacts, the Division of Air Quality shall consider all of the following:

(1) Whether North Carolina would be in jeopardy of the United States Environmental Protection Agency (USEPA) finding that the State failed to implement its State Implementation Plan; if so, what specific alternative programs would result in emissions reductions that would be equivalent to any increased emissions resulting from exempting these motor vehicles from emissions testing; and what approvals, demonstrations, documentation, or other requirements is the State subject to in order to comply with federal law and to assure that the State does not lose eligibility to secure federal transportation funds.

(2) Whether air quality standards would be violated based on (i) existing air quality standards adopted under Article 21B of Chapter 143 of the General Statutes and (ii) revised air quality standards, including a revised standard for ozone, that are currently being considered for adoption by the United States Environmental Protection Agency.

(3) Whether the State would be in jeopardy of being found to be out of conformity such that its State and local transportation plans would interfere with the State's ability to attain federal air standards, resulting in loss of future federal transportation funds.

(4) What new or amended rules would be necessary regarding any recommendation of this study and the time frame for adopting such new or amended rules.

(5) What fiscal impacts would result for motor vehicle owners, licensed inspection stations, the Department of Transportation, and the Department of Environment and Natural Resources.

(6) Any other issues pertinent to the study under this section.

SECTION 28.24.(b) No later than March 1, 2012, the Department of Transportation and Department of Environment and Natural Resources shall submit a joint report of the results of the study under this section, including the findings, recommendations, and any legislative or administrative proposals, to the Joint Legislative Transportation Oversight Committee, the Environmental Review Commission, the Joint Legislative Commission on Governmental Operations, the House and Senate Appropriations Subcommittees on Natural and Economic Resources, the House Appropriations Subcommittee on Transportation, and the Senate Committee on Appropriations on Department of Transportation.

DEPARTMENT OF REVENUE TO REPORT ON MOTOR FUELS TAX AUDITOR AND INVESTIGATOR PERFORMANCE

SECTION 28.25. The Department of Revenue, Motor Fuels Division and the Tax Enforcement Division, shall report on the performance of auditor and investigator collection and enforcement activities as it relates to its administration of the motor fuels, alternative fuels, motor carrier, and inspection tax laws. The report will overview the Department's collection and enforcement activities and include recommendations to improve these efforts. This Department shall develop a methodology to compare performance by employees and include these results in the report. The Department of Revenue shall report to the Joint Legislative Transportation Oversight Committee and to the Joint Legislative Commission on Governmental Operations by March 1, 2012.

REDUCE ADMINISTRATIVE TRANSFERS AND REDIRECT LEAKING UNDERGROUND STORAGE TANK FUNDING TO HIGHWAY FUND FOR SYSTEM PRESERVATION

SECTION 28.25A.(a) Notwithstanding G.S. 119-18(b) or any other provision of law, the amount of allowable costs of administering Chapter 119 of the General Statutes for the Department of Agriculture and Consumer Services shall be reduced by a recurring two hundred sixty-one thousand eight hundred eighty-eight dollars ($261,888). Notwithstanding G.S. 119-18(b) or any other provision of law, the amount of allowable costs of administering Subchapter V of Chapter 105 of the General Statutes for the Department of Revenue shall be reduced by a recurring one million twenty-four thousand five hundred forty-four dollars ($1,024,544).

SECTION 28.25A.(b) G.S. 119-18(b) reads as rewritten:

"(b) Proceeds. – The proceeds of the inspection tax levied by this section shall be applied first to the costs of administering this Article and Subchapter V of Chapter 105 of the General Statutes. The remainder of the proceeds shall be credited on a monthly basis to ~~the Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund and the Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund. If the amount of revenue in the Noncommercial Fund at the end of a month is at least five million dollars ($5,000,000), one-half of the remainder of the proceeds shall be credited to the Noncommercial Fund and one-half of the remainder of the proceeds shall be credited to the Commercial Fund. If the amount of revenue in the Noncommercial Fund at the end of a month is less than this threshold amount, all of the remainder of the proceeds shall be credited to the Noncommercial Fund.~~the Highway Fund to be used for system preservation under the Department of Transportation in the highway maintenance program."

STUDY REIMBURSEMENT PROCESS FOR DEPARTMENT OF CORRECTION LITTER PICKUP

SECTION 28.26. The Office of State Budget and Management, in consultation with the Department of Correction and Department of Transportation, shall study performance-based reimbursement as an alternative to the current funding mechanism for inmate litter pickup, which consists of a direct appropriation from the Department of Transportation's Highway Fund budget to the Department of Correction. Measures for an alternative funding mechanism may include reimbursements based on total mileage of highways cleaned, per hour reimbursements for non-litter pickup activities, or other factors, as appropriate.

The Office of State Budget and Management shall report to the Joint Legislative Transportation Oversight Committee and to the Joint Legislative Commission on Governmental Operations no later than March 1, 2012. It is intended that the report contain recommendations for reimbursement rates that have been agreed upon by the Department of Correction and the Department of Transportation and that the recommended rate structure will be included in the report. The report shall also include any statutory changes to be considered by the General Assembly in relation to this report.

STATE HIGHWAY PATROL FUNDS TRANSFER

SECTION 28.27.(a) In fiscal year 2011-2012, the State Treasurer shall transfer one hundred ninety-six million eight hundred forty-nine thousand five hundred forty-two dollars ($196,849,542) of the funds allocated to the Highway Fund under G.S. 105-449.125 to the General Fund. The transfer of funds authorized by this section may be made by transferring one-fourth of the amount at the end of each quarter in the fiscal year or by transferring the full amount annually on July 1 of each fiscal year, subject to the availability of revenue.

SECTION 28.27.(b) In fiscal year 2012-2013, the State Treasurer shall transfer one hundred eighty-eight million two hundred nine thousand forty-nine dollars ($188,209,049) of the funds allocated to the Highway Fund under G.S. 105-449.125 to the General Fund. The transfer of funds authorized by this section may be made by transferring one-fourth of the amount at the end of each quarter in the fiscal year or by transferring the full amount annually on July 1 of each fiscal year, subject to the availability of revenue.

SECTION 28.27.(c) The Office of State Budget and Management and the Office of State Controller shall discontinue use of the Crime Control and Public Safety – Highway Fund budget code (Budget Code 24960) and shall certify funds appropriated by this act for the State Highway Patrol under a separate fund code within the Crime Control and Public Safety – General Fund budget code (Budget Code 14900). The Department of Transportation, Office of State Budget and Management, and Office of State Controller shall certify and account for State matching funds for Motor Carrier Safety Assistance Program grants, federal funds, and other receipts budgeted for State Highway Patrol programs, as necessary.

SECTION 28.27.(d) G.S. 20-194 reads as rewritten:

"**§ 20-194. ~~Expense of administration; defense~~Defense of members and other State law-enforcement officers in civil actions; payment of judgments.**

~~(a) All expenses incurred in carrying out the provisions of this Article shall be paid out of the highway fund.~~

...."

STATE HIGHWAY PATROL POSITIONS AND MANAGEMENT FLEXIBILITY

SECTION 28.28.(a) The Administrative Services Section of the State Highway Patrol is hereby eliminated. The Secretary of the Department of Crime Control and Public Safety shall consolidate remaining Administrative Services Section positions and organizational units with other functions of the Department.

SECTION 28.28.(b) The following State Highway Patrol positions are hereby eliminated:

Position ID	Position Title
60084611	Program Assistant V
60084615	Attorney
60085385	Sergeant
60084952	First Sergeant
60085315	W/A First Sergeant
60084628	Assessment Analyst
60084772	Office Assistant
60084779	Budget Analyst
60085953	Major
60084998	First Sergeant
60084947	Captain
60085945	W/A Captain
60085302	Lieutenant
60084755	Office Assistant
60084858	Office Assistant

60084686 Deputy Secretary

SECTION 28.28.(c) In addition to the other budgetary reductions required by this act, the Department of Crime Control and Public Safety, State Highway Patrol, shall have management flexibility to achieve savings in the Patrol's operation of two million three hundred twenty-five thousand four hundred eighty-four dollars ($2,325,484), recurring, in fiscal year 2011-2012 and ten million three hundred seventy-three thousand three hundred fifty dollars ($10,373,350), recurring, in fiscal year 2012-2013. The Department of Crime Control and Public Safety, State Highway Patrol, is authorized to eliminate positions to achieve this budgetary reduction but is encouraged to find efficiencies and savings elsewhere in the Patrol's administrative structure. Additionally, the Department of Crime Control and Public Safety, State Highway Patrol, may eliminate filled positions but shall not eliminate sworn law enforcement officer positions assigned to districts for the purposes of traffic and commercial motor vehicle enforcement, unless the State Highway Patrol has first achieved twenty-five percent (25%) of the requisite savings elsewhere in the operation of the Patrol, including through staffing reductions in its administrative structure and areas other than district-level enforcement operations. If the State Highway Patrol must eliminate district-level enforcement positions to meet the savings required by this section, then the Patrol shall maintain balanced law enforcement coverage among the troops and is authorized to move trooper positions from one troop to another to maintain balanced coverage.

SECTION 28.28.(d) The Commander of the State Highway Patrol shall report on the number of positions eliminated for fiscal year 2011-2012. The report shall identify the position number and type; assignment area or organizational unit; whether the position was filled or vacant; personnel savings achieved; and any severance paid. The report shall also include alternatives considered to the implemented reductions in force. The Commander shall submit the report to the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the Senate Appropriations Committee on Justice and Public Safety, and the Joint Legislative Crime Control and Public Safety Oversight Committee no later than March 1, 2012.

HIGHWAY TRUST FUND MONEY FOR VISITOR CENTERS; SPECIAL REGISTRATION PLATES MONEY FOR VISITOR CENTERS

SECTION 28.30.(a) G.S. 20-85.1(a1), as amended by Section 31.11 of this act, reads as rewritten:

"(a1) One dollar ($1.00) of the fee imposed for any transaction assessed a fee under subdivision (a)(1), (a)(2), (a)(3), (a)(7), (a)(8), or (a)(9) of this section shall be credited to the North Carolina Highway Fund. The Division shall use the fees derived from transactions with the Division for technology improvements. The Division shall use the fees derived from transactions with commission contract agents for the payment of compensation to commission contract agents. An additional fifty cents ($.50) of the fee imposed for any transaction assessed a fee under subdivision (a)(1) of this section shall be credited to the Mercury Switch Removal Account in the Department of Environment and Natural Resources. An additional fifty cents (50¢) of the fee imposed for any transaction assessed a fee under subdivision (a)(1) of this section shall be credited as follows:

(1) The first four hundred thousand dollars ($400,000) collected shall be credited to the Reserve for Visitor Centers in the Highway Fund.

(2) Any additional funds collected shall be credited to the Highway Fund and, notwithstanding G.S. 136-176(b), shall be allocated and used for urban loop projects."

SECTION 28.30.(b) G.S. 20-79.7(c)(2) reads as rewritten:

"(2) From the funds remaining in the Special Registration Plate Account after the deductions in accordance with subdivision (1) of this subsection, there is annually appropriated from the Special Registration Plate Account the sum of ~~one million two hundred thousand dollars ($1,200,000)~~ one million three hundred thousand dollars ($1,300,000) to provide operating assistance for the Visitor Centers:

a. on U.S. Highway 17 in Camden County, ($100,000);
b. on U.S. Highway 17 in Brunswick County, ($100,000);
c. on U.S. Highway 441 in Macon County, ($100,000);
d. in the Town of Boone, Watauga County, ($100,000);
e. on U.S. Highway 29 in Caswell County, ($100,000);

f. on U.S. Highway 70 in Carteret County, ($100,000);
g. on U.S. Highway 64 in Tyrrell County, ($100,000);
h. at the intersection of U.S. Highway 701 and N.C. 904 in Columbus County, ($100,000);
i. on U.S. Highway 221 in McDowell County, ($100,000);
j. on Staton Road in Transylvania County, ($100,000);
k. in the Town of Fair Bluff, Columbus County, near the intersection of U.S. Highway 76 and N.C. 904, ~~($100,000); and~~ ($100,000);
l. on U.S. Highway 421 in Wilkes County, ~~($100,000).~~ ($100,000); and
m. at the intersection of Interstate 73 and Interstate 74 in Randolph County, ($100,000)."

MAINTAIN CURRENT LEVEL OF ADMINISTRATIVE FUNDING FROM HIGHWAY TRUST FUND; SEND SAVINGS TO URBAN LOOPS

SECTION 28.31. Notwithstanding G.S. 136-176(b), the amount of allowable expenses to administer the Highway Trust Fund shall not increase over the amounts allocated in the fiscal year 2011-2012 and fiscal year 2012-2013 base budgets. Notwithstanding G.S. 136-176(b), the difference between what would have been the amount of allowable expenses to administer the Highway Trust Fund if not for this section and the amounts allocated in the base budgets for fiscal year 2011-2012 and fiscal year 2012-2013 shall be allocated to urban loop projects.

ADMINISTRATIVE FUND BALANCE TRANSFERRED TO URBAN LOOPS

SECTION 28.31A. Notwithstanding G.S. 136-176(b) or any other provision of law, twenty-five million dollars ($25,000,000) of the accumulated fund balance for administrative costs associated with the Highway Trust Fund is hereby reallocated to urban loop projects.

SCHOOL BUS FUNDING FROM UNEXPENDED MID-CURRITUCK BRIDGE GAP FUNDS AND URBAN LOOP FUNDS; REDUCE GARDEN PARKWAY GAP FUNDS AND TRANSFER FUNDING TO URBAN LOOPS PROGRAM

SECTION 28.32.(a) Any funds appropriated to the North Carolina Turnpike Authority under G.S. 136-176(b2) to cover debt service or related financing costs for the Mid-Currituck Bridge project and that remain unencumbered at the end of fiscal year 2010-2011 are hereby transferred to the General Fund for the purpose of replacing school buses for local school districts. Notwithstanding G.S. 136-176(b), the sum of five million two hundred twenty-three thousand six hundred forty-two dollars ($5,223,642) of the funds for fiscal year 2011-2012 that would have been used for urban loop projects shall instead be transferred to the General Fund for the purpose of replacing school buses for local school districts.

SECTION 28.32.(b) Any funds appropriated to the North Carolina Turnpike Authority under G.S. 136-176(b2) to cover debt service or related financing costs for the Garden Parkway project and that remain unencumbered at the end of fiscal year 2010-2011 are hereby transferred to the Highway Trust Fund to be used for urban loop projects.

SECTION 28.32.(c) G.S. 136-176(b2), as amended by Section 28.7(g) of S.L. 2010-31, reads as rewritten:

"(b2) There is annually appropriated to the North Carolina Turnpike Authority from the Highway Trust Fund the sum of ~~ninety-nine million dollars ($99,000,000).~~ sixty-four million dollars ($64,000,000). Of the amount allocated by this subsection, twenty-five million dollars ($25,000,000) shall be used to pay debt service or related financing costs and expenses on revenue bonds or notes issued for the construction of the Triangle Expressway, twenty-four million dollars ($24,000,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the Monroe Connector/Bypass, and fifteen million dollars ($15,000,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the Mid-Currituck ~~Bridge, and thirty-five million dollars ($35,000,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the Garden Parkway.~~ Bridge. The amounts appropriated to the Authority pursuant to this subsection shall be used by the Authority to pay debt service or related financing costs and expenses on revenue

bonds or notes issued by the Authority to finance the costs of one or more Turnpike Projects, to refund such bonds or notes, or to fund debt service reserves, operating reserves, and similar reserves in connection therewith. The appropriations established by this subsection constitute an agreement by the State to pay the funds appropriated hereby to the Authority within the meaning of G.S. 159-81(4). Notwithstanding the foregoing, it is the intention of the General Assembly that the enactment of this provision and the issuance of bonds or notes by the Authority in reliance thereon shall not in any manner constitute a pledge of the faith and credit and taxing power of the State, and nothing contained herein shall prohibit the General Assembly from amending the appropriations made in this subsection at any time to decrease or eliminate the amount annually appropriated to the Authority. Funds transferred from the Highway Trust Fund to the Authority pursuant to this subsection are not subject to the equity formula in G.S. 136-17.2A."

SECTION 28.32.(d) Effective for the 2012-2013 fiscal year only, G.S. 136-176(b2), as amended by subsection (c) of this section, reads as rewritten:

"(b2) There is annually appropriated to the North Carolina Turnpike Authority from the Highway Trust Fund the sum of ~~sixty-four million dollars ($64,000,000).~~eighty-one million five hundred thousand dollars ($81,500,000). Of the amount allocated by this subsection, twenty-five million dollars ($25,000,000) shall be used to pay debt service or related financing costs and expenses on revenue bonds or notes issued for the construction of the Triangle Expressway, twenty-four million dollars ($24,000,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the Monroe Connector/Bypass, ~~and~~ fifteen million dollars ($15,000,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the Mid-Currituck ~~Bridge.~~Bridge, and seventeen million five hundred thousand dollars ($17,500,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the Garden Parkway. The amounts appropriated to the Authority pursuant to this subsection shall be used by the Authority to pay debt service or related financing costs and expenses on revenue bonds or notes issued by the Authority to finance the costs of one or more Turnpike Projects, to refund such bonds or notes, or to fund debt service reserves, operating reserves, and similar reserves in connection therewith. The appropriations established by this subsection constitute an agreement by the State to pay the funds appropriated hereby to the Authority within the meaning of G.S. 159-81(4). Notwithstanding the foregoing, it is the intention of the General Assembly that the enactment of this provision and the issuance of bonds or notes by the Authority in reliance thereon shall not in any manner constitute a pledge of the faith and credit and taxing power of the State, and nothing contained herein shall prohibit the General Assembly from amending the appropriations made in this subsection at any time to decrease or eliminate the amount annually appropriated to the Authority. Funds transferred from the Highway Trust Fund to the Authority pursuant to this subsection are not subject to the equity formula in G.S. 136-17.2A."

SECTION 28.32.(e) G.S. 136-189.183(a)(2) reads as rewritten:

"(2) To study, plan, develop, and undertake preliminary design work on up to ~~nine~~ eight Turnpike Projects. At the conclusion of these activities, the Turnpike Authority is authorized to design, establish, purchase, construct, operate, and maintain the following projects:

a. Triangle Expressway, including segments also known as N.C. 540, Triangle Parkway, ~~and~~ Western Wake Freeway in Wake and Durham Counties, and Southeast Extension in Wake and Johnston Counties, except that ~~segment known as the Triangle Expressway~~ no portion of the Southeast Extension ~~which~~ shall ~~not~~ be located north of an existing protected corridor established by the Department of Transportation circa 1995, except in the area of Interstate 40 East.

b. Gaston East-West Connector, also known as the Garden Parkway.

c. Monroe Connector/Bypass.

d. Cape Fear Skyway.

e. A bridge of more than two miles in length going from the mainland to a peninsula bordering the State of Virginia, pursuant to G.S. 136-89.183A.

f. Repealed by Session Laws 2008-225, s. 4, effective August 17, 2008.

Any other project proposed by the Authority in addition to the projects listed in this subdivision must be approved by the General Assembly prior to construction.

A Turnpike Project selected for construction by the Turnpike Authority shall be included in any applicable locally adopted comprehensive transportation plans and shall be shown in the current State Transportation Improvement Plan prior to the letting of a contract for the Turnpike Project."

MOBILITY FUND PROJECT SELECTION CRITERIA ADJUSTMENT; MOBILITY FUND MONEY PLACED IN RESERVE ACCOUNT FOR FY 2012-2013 AND FUTURE FISCAL YEARS

SECTION 28.33.(a) Section 28.7(b) of S.L. 2010-31, as rewritten by Section 8.2 of S.L. 2010-123, reads as rewritten:

"**SECTION 28.7.(b)** The Department of Transportation shall develop selection criteria under G.S. 136-188, as enacted by this act, and shall report to the Joint Legislative Transportation Oversight Committee on its development of the selection criteria. A preliminary report on the selection criteria for projects is due to the Joint Legislative Transportation Oversight Committee by October 1, 2010. A final report is due to the Joint Legislative Transportation Oversight Committee by December 15, 2010. ~~When developing the project criteria and selection process, the Department shall give preferential consideration to projects qualified to receive State grants from the Congestion Relief and Intermodal Transportation 21st Century Fund under Article 19 of Chapter 136 of the General Statutes. When developing the project criteria and selection process, the Department shall involve the public and other stakeholders, including, but not limited to, the North Carolina Association of Metropolitan Planning Organizations, the North Carolina Association of Rural Planning Organizations, the North Carolina League of Municipalities, the North Carolina Association of County Commissioners, the North Carolina Metropolitan Mayors Coalition, and the North Carolina Council of Regional Governments.~~"

SECTION 28.33.(b) The Department of Transportation shall report to the Joint Legislative Transportation Oversight Committee on its development of the selection criteria, taking into account the modification by subsection (a) of this section, by October 15, 2011.

SECTION 28.33.(c) Effective July 1, 2012, G.S. 105-187.9(c) reads as rewritten:

"(c) ~~Mobility Fund~~Prioritization Reserve Transfer. – In each fiscal year, the State Treasurer shall transfer forty-five million dollars ($45,000,000) from the taxes deposited in the Trust Fund to the ~~Mobility Fund.~~ DOT Prioritization Reserve account within the Trust Fund. The transfer of funds authorized by this section may be made by transferring one-fourth of the amount at the end of each quarter in the fiscal year or by transferring the full amount annually on July 1 of each fiscal year, subject to the availability of revenue."

SECTION 28.33.(d) Effective July 1, 2013, G.S. 105-187.9(c) as amended by subsection (c) of this section reads as rewritten:

"(c) Prioritization Reserve Transfer. – In each fiscal year, the State Treasurer shall transfer ~~forty-five million dollars ($45,000,000)~~ fifty-eight million ($58,000,000) from the taxes deposited in the Trust Fund to the DOT Prioritization Reserve account within the Trust Fund. The transfer of funds authorized by this section may be made by transferring one-fourth of the amount at the end of each quarter in the fiscal year or by transferring the full amount annually on July 1 of each fiscal year, subject to the availability of revenue."

REMOVE URBAN LOOP PROJECTS FROM STATUTE AND ALLOW DEPARTMENT OF TRANSPORTATION TO DEFINE AND PRIORITIZE URBAN LOOP PROJECTS

SECTION 28.34.(a) G.S. 136-180 reads as rewritten:

"**§ 136-180. Urban loops.**

~~(a)~~ Funds allocated from the Trust Fund for urban loops may be used only for ~~the following urban loops:~~urban loops as designated and prioritized by the Department of Transportation.

~~Loop~~	~~Description~~	~~Affected Counties~~
~~Asheville Western Loop~~	~~Multilane facility on new~~	~~Buncombe~~

	~~location from I-26 west of Asheville to US-19/23 north of Asheville for the purpose of connecting these roads. The funds may be used to improve existing corridors.~~	
~~Charlotte Outer Loop~~	~~Multilane facility encircling City of Charlotte including 6-laning of the portion from Johnston Road/US-521 south to I-77 south of Charlotte including widening, resurface, and interchange~~	~~Mecklenburg~~
~~Durham Northern Loop~~	~~The projects listed below are eligible for funding under this section as part of the Durham Northern Loop. The priorities for planning and constructing these projects will be established by mutual agreement of the Metropolitan Planning Organization (MPO) and the Department of Transportation through the federally mandated Transportation Improvement Program development process. The cross sections for these projects will be established by mutual agreement of the MPO and the Department of Transportation through the State and federal environmental review process. (1) East end connector, from N.C. 147 to U.S. 70 East. (2) U.S. 70, from Lynn Rd. to the Northern Durham Parkway. (3) I-85, from U.S. 70 to Red Mill Rd. (4) Northern Durham Parkway, Section B, from Old Oxford Rd. to I-85. (5) Northern Durham Parkway, Section A, from I-85 to I-540. (6) Northern Durham Parkway, Section C, from Old Oxford Rd. to Roxboro Rd. (7) Roxboro Rd. from Duke St. to Goodwin Rd.~~	~~Durham, Wake~~
~~Fayetteville Western Outer Loop~~	~~Multilane facility on new location from US-401 north of Fayetteville to I-95 south of Hope Mills~~	~~Cumberland~~
~~Gastonia Loop~~	~~Multilane facility known as the Garden Parkway, on a new location beginning at I-485, extending west across southern Gaston County~~	~~Gaston, Mecklenburg~~

	~~to I-85, and continuing north to US 321~~	
~~Greensboro Loop~~	~~Multilane facility on new location encircling City of Greensboro including interchanges with Cone Boulevard Extension and Lewiston-Fleming Road Extension~~	~~Guilford~~
~~Greenville Loop~~	~~Multilane extension of the Greenville Loop from US 264 west of Greenville to NC 11 south of Winterville~~	~~Pitt~~
~~Raleigh Outer Loop~~	~~Multilane facility on new location encircling City of Raleigh~~	~~Wake, Durham, Johnston~~
~~Wilmington Bypass~~	~~Multilane facility on new location from US 17 northeast of Wilmington to US 421 in southern Wilmington, continuing from US 421 in southern Wilmington northeast along Independence Blvd., and extending to Martin Luther King, Jr. Parkway, and including the Blue Clay Road interchange~~	~~New Hanover~~
~~Winston-Salem Northbelt~~	~~Multilane facility on new location from I-40 west of Winston-Salem northerly to US 311/Future I-74 in eastern Forsyth County~~	~~Forsyth~~

~~(b) The Board of Transportation may, by official resolution, accept a new interstate or freeway as the revised termini of an urban loop described in subsection (a) of this section, and the revised project shall be eligible for funding with funds described in G.S. 136-176(b)(2) if the following conditions are met:~~

~~(1) The Department of Transportation has constructed a new interstate or freeway facility since 1989 and has changed the official route designation from the termini described in subsection (a) of this section to the new facility.~~

~~(2) The Board of Transportation finds that the purposes of the urban loop facility, specifically including reduced congestion and high speed, safe, regional through travel service, would be enhanced by the action.~~"

SECTION 28.34.(b) In removing the statutory listing of urban loop projects, it is not the intent of the General Assembly to interfere with the acceleration of the following urban loop projects announced in March 2011:

(1) Charlotte I-485 widening.

(2) Greensboro Western Loop, Part C (Bryan Boulevard to Battleground Avenue) and Part D (Battleground Avenue to Lawndale Drive).

(3) Greensboro Eastern Loop, Part B (US 70 to US 29).

(4) Wilmington US 17 Bypass, Part B (US 74/76 to US 421).

MODIFY DEPARTMENT OF TRANSPORTATION REPORTING REQUIREMENTS

SECTION 28.35.(a) G.S. 136-12(a1), 136-12.2, 136-89.193(e), 136-93.1(g), and 136-125.2 are repealed.

SECTION 28.35.(b) G.S. 136-44.2 reads as rewritten:

"**§ 136-44.2. Budget and appropriations.**

...

The Department of Transportation shall have all powers necessary to comply fully with provisions of present and future federal-aid acts. ~~No federally eligible construction project may be funded entirely with State funds unless the Department of Transportation has first reported to the Joint Legislative Commission on Governmental Operations.~~ For purposes of this section, "federally eligible construction project" means any construction project except secondary road projects developed pursuant to G.S. 136-44.7 and 136-44.8 eligible for federal funds under any federal-aid act, whether or not federal funds are actually available.

...."

SECTION 28.35.(c) G.S. 136-89.182 reads as rewritten:

"**§ 136-89.182. North Carolina Turnpike Authority.**

...

(j) Bylaws. – The Authority Board shall adopt, change, or amend bylaws with respect to the calling of meetings, quorums, voting procedures, the keeping of records, and other organizational, staffing, and administrative matters as the Authority Board may determine. Any bylaws, or subsequent changes or amendments to the bylaws, shall be ~~submitted to the Board of Transportation and the Joint Legislative Transportation Oversight Committee for review and comment at least 45 days prior to adoption by the Authority Board.~~ included in the Annual Report as required by G.S. 136-89.193.

(k) Executive Director and Administrative Employees. – The Authority Board shall appoint an Executive Director, whose salary shall be fixed by the Authority, to serve at its pleasure. The Executive Director shall be the Authority's chief administrative officer and shall be responsible for the daily administration of the toll roads and bridges constructed, maintained, or operated pursuant to this Article. The Executive Director or his designee shall appoint, employ, dismiss, and, within the limits approved by the Authority Board, fix the compensation of administrative employees as the Executive Director deems necessary to carry out this Article. ~~The Authority shall report the hiring of all administrative employees to the Joint Legislative Transportation Oversight Committee within 30 days of the date of employment.~~

...."

COST-EFFICIENT TIRE RETREADS ON STATE VEHICLES AND SCHOOL BUSES

SECTION 28.36.(a) Article 3 of Chapter 143 of the General Statutes is amended by adding a new section to read as follows:

"**§ 143-63.2. Purchase of tires for State vehicles; repair or refurbishment of tires for State vehicles.**

(a) Definitions. – The following terms apply in this section:

(1) State vehicle. – Any vehicle owned, rented, or leased by the State, or an institution, department, or agency of the State, that is driven on a public road consistently at speeds greater than 30 miles per hour.

(2) Critical tire information. – Tire brand name, tire line name, tire identification numbers, load and pressure markings, tire size designation, service descriptions such as load and speed ratings, and other information and specifications placed on the original tire sidewall by the original tire manufacturer.

(b) Forensic Tire Standards. – In order to preserve critical tire information, the Secretary of Administration and any institution, department, or agency of the State shall only procure and install tires for State vehicles that possess the original, unaltered, and uncovered tire sidewall. Furthermore, neither the Secretary of Administration nor any institution, department, or agency of the State shall execute a contract for the repair or refurbishment of tires for State vehicles that provides for the removal, covering, or other alteration in any manner of the critical tire information contained on the original tire sidewall.

(c) Tire Purchase and Contract Standards Applicability. – All contracts for the purchase, repair, or refurbishment of tires for State vehicles, or contracts for the purchase of products or services related to the repair or refurbishment of tires for State vehicles, executed on or after the date this section becomes effective shall comply with the provisions of this section.

(d) Exemption. – Notwithstanding the provisions of this section, the State or any institution, department, or agency of the State that owns or has a legally binding contract in place for the future purchase of tires having altered or covered sidewalls prior to the date that

this section becomes effective shall perform its existing contractual obligations related thereto and may continue to use those tires on State vehicles for the useful life of the retreaded tire."

SECTION 28.36.(b) Article 17 of Chapter 115C of the General Statutes is amended by adding a new section to read as follows:

"**§ 115C-249.1. Purchase of tires for school buses; repair or refurbishment of tires for school buses.**

(a) Definitions. – The following terms apply in this section:

(1) Critical tire information. – Tire brand name, tire line name, tire identification numbers, load and pressure markings, tire size designation, service descriptions such as load and speed ratings, and other information and specifications placed on the original tire sidewall by the original tire manufacturer.

(2) School bus. – A vehicle as defined in G.S. 20-4.01(27)d3. and G.S. 20-4.01(27)d4. that is owned, rented, or leased by a local board of education.

(b) Forensic Tire Standards. – In order to preserve critical tire information, a local board of education shall procure and install for school buses only tires that possess the original, unaltered, and uncovered tire sidewall. Furthermore, a local board of education shall not execute a contract for the repair or refurbishment of tires for school buses that provides for the removal, covering, or other alteration in any manner of the critical tire information contained on the original tire sidewall.

(c) Tire Purchase and Contract Standards Applicability. – All contracts for the purchase, repair, or refurbishment of tires for school buses, or contracts for the purchase of products or services related to the repair or refurbishment of tires for school buses, executed on or after the date this section becomes effective shall comply with the provisions of this section.

(d) Exemption. – Notwithstanding the provisions of this section, a local board of education that owns or has a legally binding contract in place for the future purchase of tires having altered or covered sidewalls prior to the date that this section becomes effective shall perform its existing contractual obligations related thereto and may continue to use those tires on school buses for the useful life of the retreaded tire."

DRIVER EDUCATION REFORM

SECTION 28.37.(a) G.S. 115C-215 reads as rewritten:

"**§ 115C-215. ~~Instruction in driver training and safety education.~~Administration of driver education program by the Department of Public Instruction.**

~~There shall be organized and administered under the general supervision of the Superintendent of Public Instruction a program of driver training and safety education in the public schools of this State, said courses to be noncredit courses taught by instructors who meet the requirements established by the State Board of Education. Instructors shall not be required to hold teacher certificates.~~

(a) In accordance with criteria and standards approved by the State Board of Education, the State Superintendent of Public Instruction shall organize and administer a standardized program of driver education to be offered at the public high schools of this State for all physically and mentally qualified persons who (i) are older than 14 years and six months, (ii) are approved by the principal of the school, pursuant to rules adopted by the State Board of Education, (iii) are enrolled in a public or private high school within the State or are receiving instruction through a home school as provided by Part 3 of Article 39 of Chapter 115 C of the General Statutes, and (iv) have not previously enrolled in the program. The State Board of Education shall use for this purpose all funds appropriated to it for this purpose and may use all other funds that become available for its use for this purpose.

(b) The driver education curriculum shall include the following:

(1) Instruction on the rights and privileges of the handicapped and the signs and symbols used to assist the handicapped relative to motor vehicles, including the "international symbol of accessibility" and other symbols and devices as provided in Article 2A of Chapter 20 of the General Statutes.

(2) At least six hours of instruction on the offense of driving while impaired and related subjects.

(3) At least six hours of actual driving experience. To the extent practicable, this experience may include at least one hour of instruction on the techniques of defensive driving.

(4) At least one hour of motorcycle safety awareness training.

(c) The State Board of Education shall establish and implement a strategic plan for the driver education program. At a minimum, the strategic plan shall consist of goals and performance indicators, including the number of program participants as compared to the number of persons projected to be eligible to participate in the program, the implementation of a standard curriculum for the program, expenditures for the program, and the success rate of program participants in receiving a drivers license as reported by the Division of Motor Vehicles. The strategic plan shall also outline specific roles and duties of an advisory committee consisting of employees of the Division of Motor Vehicles and the Department of Public Instruction and other stakeholders in driver education.

(d) The State Board of Education shall adopt a salary range for driver education instructors who are public school employees and who are not licensed teachers.

Driver education instructors who are public school employees and who are licensed teachers shall be paid on the teacher salary schedule. A day of employment for driver education instructors who hold teacher certificates shall be the same number of hours required of all regular classroom teachers as established by the local board of education.

(e) The State Board of Education shall adopt rules to permit local boards of education to enter contracts with public or private entities to provide a program of driver education at public high schools. All driver education instructors shall meet the requirements established by the State Board of Education; provided, however, driver education instructors shall not be required to hold teacher certificates."

SECTION 28.37.(b) G.S. 115C-216 reads as rewritten:

"**§ 115C-216. Boards of education required to provide courses in operation of motor vehicles.**

(a) Course of Training and Instruction Required in Public High Schools. – ~~The State Board of Education and local~~ Local boards of education ~~are required to provide as a part of the program of the public high schools in this State a course of training and instruction in the operation of motor vehicles, in accordance with G.S. 20-88.1.~~shall offer noncredit driver education courses in high schools using the standardized curriculum provided by the Department of Public Instruction.

(b) Inclusion of Expense in Budget. – The local boards of education ~~of every local school administrative unit are hereby authorized to~~shall include as an item of instructional service and as a part of the current expense fund of the budget of the ~~several~~ high schools under their supervision, the expense necessary ~~to install and maintain such a course of training and instructing eligible persons in such schools in the operation of motor vehicles.~~to offer the driver education course.

(c) to (f) Repealed by Session Laws 1991, c. 689, s. 32(c)."

SECTION 28.37.(c) G.S. 20-88.1 reads as rewritten:

"**§ 20-88.1. Driver education.**

~~(a) In accordance with criteria and standards approved by the State Board of Education, the State Superintendent of Public Instruction shall organize and administer a program of driver education to be offered at the public high schools of this State for all physically and mentally qualified persons who (i) are older than 14 years and six months, (ii) are approved by the principal of the school, pursuant to rules adopted by the State Board of Education, (iii) are enrolled in a public or private high school within the State, and (iv) have not previously enrolled in the program. The State Board of Education shall use for such purpose all funds appropriated to it for said purpose, and may use all other funds that become available for its use for said purpose.~~

~~The driver education program established pursuant to this section must include the following:~~

~~(1) Instruction on the rights and privileges of the handicapped and the signs and symbols used to assist the handicapped relative to motor vehicles, including the "international symbol of accessibility" and other symbols and devices as provided in Article 2A of this Chapter.~~

~~(2) At least six hours of instruction on the offense of driving while impaired and related subjects.~~

~~(3) At least six hours of actual driving experience. To the extent practicable, this experience may include at least one hour of instruction on the techniques of defensive driving.~~

~~(b) The State Board of Education shall adopt a salary range for driver education instructors who are public school employees and who do not hold teacher certificates.~~

~~Driver education instructors who are public school employees and who hold teacher certificates shall be paid on the teacher salary schedule. A day of employment for driver education instructors who hold teacher certificates shall be the same number of hours required of all regular classroom teachers as established by the local board of education.~~

~~(b1) The State Board of Education shall adopt rules to permit local boards of education to enter contracts with public or private entities to provide a program of driver education at public high schools. All driver education instructors shall meet the requirements established by the State Board of Education; provided, however, driver education instructors shall not be required to hold teacher certificates.~~

(c) ~~All expenses~~Expenses incurred by the State in carrying out the provisions of ~~this section~~the driver education program administered by the Department of Public Instruction in accordance with G.S. 115C-215 shall be paid out of the Highway ~~Fund.~~Fund based on an annual appropriation by the General Assembly.

(d) The Division shall prepare a driver license handbook that explains the traffic laws of the State and shall periodically revise the handbook to reflect changes in these laws. At the request of the Department of ~~Education,~~ Public Instruction, the Division shall provide free copies of the handbook to that Department for use in the program of driver education offered at public high schools."

SECTION 28.37.(d) G.S. 20-11(b) reads as rewritten:

"(b) Level 1. – A person who is at least 15 years old but less than 18 years old may obtain a limited learner's permit if the person meets all of the following requirements:

(1) Passes a course of driver education prescribed in ~~G.S. 20-88.1~~ G.S. 115C-215 or a course of driver instruction at a licensed commercial driver training school.

(2) Passes a written test administered by the Division.

(3) Has a driving eligibility certificate or a high school diploma or its equivalent."

SECTION 28.37.(e) G.S. 20-322(b) reads as rewritten:

"(b) Regulations adopted by the Commissioner shall state the requirements for a school license, including requirements concerning location, equipment, courses of instruction, instructors, financial statements, schedule of fees and charges, character and reputation of the operators, insurance, bond or other security in such sum and with such provisions as the Commissioner deems necessary to protect adequately the interests of the public, and such other matters as the Commissioner may prescribe. A driver education course offered to prepare an individual for a limited learner's permit or another provisional license must meet the requirements set in ~~G.S. 20-88.1~~ G.S. 115C-215 for the program of driver education offered in the public schools."

SECTION 28.37.(f) The State Board of Education shall report to the Joint Legislative Program Evaluation Oversight Committee by July 15, 2011, on the status of the implementation of Section 7.12 of S.L. 2010-31, which mandates the creation of a standard curriculum to be used for the driver education program in the Department of Public Instruction.

SECTION 28.37.(g) For the 2011-2012 school year, no State funds shall be used for driver education programs that do not use the standard driver education curriculum created in accordance with Section 7.12 of S.L. 2010-31.

SECTION 28.37.(h) The State Board of Education shall establish a pilot program to deliver driver education by electronic means. At least five local school administrative units shall participate in the pilot program. Funds appropriated for driver education shall be used to implement the pilot program. The State Board shall report on the implementation of the pilot program to the Joint Legislative Education Oversight Committee and the Joint Legislative Program Evaluation Oversight Committee by June 15, 2012. The report shall include the cost per student of delivering the instruction and the success rate of program participants in receiving a drivers license.

SECTION 28.37.(i) The State Board of Education shall report to the Joint Legislative Education Oversight Committee and to the Joint Legislative Program Evaluation Oversight Committee by June 15, 2012, on the following:

(1) The most cost-effective method of delivering driver education in the short- and long-term. In making this determination, the State Board of Education shall consider the results of the pilot program implemented pursuant to Section 5 of this act.

(2) The strategic plan adopted by the State Board of Education in accordance with G.S. 115C-215.

ROAD IMPROVEMENTS FOR LAWYERS ROAD IN MECKLENBURG AND UNION COUNTIES

SECTION 28.38. Of the funds appropriated to the Department of Transportation, except for funds for maintenance of highways, up to two million dollars ($2,000,000) shall be used for road improvements for Lawyers Road located in Mecklenburg and Union Counties between NC Highway 51 and Interstate 485.

PART XXIX. SALARIES AND BENEFITS

GOVERNOR AND COUNCIL OF STATE

SECTION 29.1.(a) Effective for the 2011-2013 fiscal biennium, the salary of the Governor set by G.S. 147-11(a) in the amount of one hundred thirty-nine thousand five hundred ninety dollars ($139,590) annually, payable monthly, shall remain unchanged.

SECTION 29.1.(b) Effective for the 2011-2013 fiscal biennium, the annual salaries for the members of the Council of State, payable monthly, for the 2011-2013 fiscal biennium shall remain unchanged as follows:

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

SECTION 29.2.(a) Effective for the 2011-2013 fiscal biennium, the salaries set by G.S. 143B-9, the maximum annual salaries, payable monthly, for the nonelected heads of the principal State departments remain unchanged as follows:

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.

SECTION 29.2.(b) Effective January 1, 2012, subsection (a) of this section reads as rewritten:

"**SECTION 29.2.(a)** Effective for the 2011-2013 fiscal biennium, the salaries set by G.S. 143B-9, the maximum annual salaries, payable monthly, for the nonelected heads of the principal State departments remain unchanged as follows:

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 Public Safety	120,363
Secretary of Revenue	120,363
Secretary of Transportation	120,363".

CERTAIN EXECUTIVE BRANCH OFFICIALS

SECTION 29.3. Effective for the 2011-2013 fiscal biennium, the annual salaries, payable monthly, for the following executive branch officials shall remain unchanged as follows:

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
Chairman, Employment Security Commission	120,363
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

SECTION 29.4.(a) Effective for the 2011-2013 fiscal biennium, the annual salaries, payable monthly, for specified judicial branch officials shall remain unchanged as follows:

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 29.4.(b) Effective for the 2011-2013 fiscal biennium, the annual salaries of employees of the Judicial Department shall remain unchanged as follows:

(1) The annual salaries of permanent full-time and part-time employees of the Judicial Department whose salaries are not itemized in this act shall remain unchanged.

(2) Notwithstanding anything to the contrary, the annual salaries of clerks of superior court under G.S. 7A-101(a) shall not change when a county changes from one population group to another.

(3) The annual salaries of assistant and deputy clerks of court set under G.S. 7A-102(c1) shall remain unchanged for the 2011-2013 fiscal biennium.

(4) The annual salaries of magistrates set under G.S. 7A-171.1(a) or G.S. 7A-171.1(a1)(1) shall remain unchanged.

GENERAL ASSEMBLY

SECTION 29.5. Effective for the 2011-2013 fiscal biennium, salaries in the legislative branch shall remain unchanged, as follows:

(1) The salaries of members and officers of the General Assembly shall remain unchanged at the amounts set under G.S. 120-3, as provided in 1994 by the 1993 General Assembly.

(2) The annual salaries set by G.S. 120-37(c) for the principal clerks in each house shall remain unchanged.

(3) The annual salaries set by G.S. 120-37(b) of the sergeant-at-arms and the reading clerk in each house shall remain unchanged.

(4) The annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly set under G.S. 120-32 shall remain unchanged.

COMMUNITY COLLEGES PERSONNEL

SECTION 29.6.(a) The annual salaries of all community college nonfaculty and professional staff whose salaries are supported from the State's General Fund shall remain unchanged for the 2011-2013 fiscal biennium.

SECTION 29.6.(b) For the 2011-2013 fiscal biennium, the annual salaries of all community college faculty whose salaries are supported from the State's General Fund shall remain unchanged. The minimum salaries for nine-month, full-time curriculum community college faculty shall also remain unchanged 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

SECTION 29.7.(a) The annual salaries of all University of North Carolina EPA faculty, EPA nonfaculty, SPA employees, and teachers employed by the North Carolina School of Science and Math shall remain unchanged for the 2011-2013 fiscal biennium.

SECTION 29.7.(b) The annual salaries of all employees of the University of North Carolina Health Care System and the Medical Faculty Practice Plan at East Carolina University shall remain unchanged for the 2011-2013 fiscal biennium.

SALARY ADJUSTMENTS FOR SPECIAL CIRCUMSTANCES ONLY/NO AUTOMATIC INCREASES

SECTION 29.8.(a) The annual pay of all State employees for the 2011-2013 fiscal biennium shall remain unchanged from that authorized on June 30, 2011, or the last date in pay status during the 2010-2011 fiscal year, if earlier, except that an increase may be allowed under the following special circumstances:

(1) For all State employees regardless of funding source, and for employees of the North Carolina Community College System and local school boards who are paid from State funds, 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 Part. All other salary increases are prohibited.

(2) For The University of North Carolina, (i) faculty using funds from the Faculty Recruiting and Retention Fund, the Distinguished Professors Endowment Fund, or the University Cancer Research Fund in the case of faculty involved in cancer research supported by that fund and (ii) faculty, nonfaculty, and other employee adjustments, including retention adjustments, funded from non-State funding sources.

(3) For employees of the judicial branch, for local supplementation as authorized by G.S. 7A-300.1.

The cumulative salary adjustment allowed under this subsection for the 2011-2012 fiscal year may exceed ten percent (10%) of annual salary only if the adjustment is approved in advance by the Office of State Budget and Management, The University of North Carolina Board of Governors, the Board of the North Carolina Community College System, the Legislative Services Commission, the local board of education, or other authorized body as appropriate.

SECTION 29.8.(b) The automatic salary step increases for assistant and deputy clerks of superior court and magistrates are suspended for the 2011-2013 fiscal biennium.

SECTION 29.8.(c) The salary increase provisions of G.S. 20-187.3 are suspended for the 2011-2013 fiscal biennium.

SECTION 29.8.(d) Notwithstanding G.S. 53-96.1, and except as provided by subdivision (1) of subsection (a) of this section, employees of the Office of the Commissioner of Banks shall not be awarded compensation increases or bonuses during the 2011-2013 fiscal biennium.

SECTION 29.8.(e) Employees of the Lottery Commission shall not receive compensation bonuses during the 2011-2013 fiscal biennium.

SECTION 29.8.(f) No employee of any other State agency or constituent institution of The University of North Carolina, excluding employees of the University of North Carolina Health Care System and employees participating in a constituent institution's medical faculty practice plan, shall receive compensation bonuses.

MOST STATE EMPLOYEES

SECTION 29.9.(a) Effective for the 2011-2013 fiscal biennium, the salaries in effect June 30, 2011, of all permanent, full-time State employees whose salaries are set in accordance with the State Personnel Act, shall remain unchanged.

SECTION 29.9.(b) Effective for the 2011-2013 fiscal biennium, the compensation of permanent, full-time State officials and persons in exempt positions shall remain unchanged.

SECTION 29.9.(c) Effective for the 2011-2013 fiscal biennium, the salaries of permanent, part-time State employees shall remain unchanged.

SECTION 29.9.(d) Effective for the 2011-2013 fiscal biennium, the compensation of temporary and permanent hourly State employees shall remain unchanged.

ALL STATE-SUPPORTED PERSONNEL/NO SALARY INCREASES

SECTION 29.10.(a) The salaries provided for in this act are to be effective July 1, 2011, do not apply to persons separated from State service due to resignation, dismissal, reduction in force, death, or retirement, or whose last workday is prior to July 1, 2011.

This subsection shall apply to all employees, subject to or exempt from the State Personnel Act, paid from State funds, including public schools, community colleges, and The University of North Carolina.

SECTION 29.10.(b) For the 2011-2013 fiscal biennium, the salaries of permanent, full-time employees who work a nine-, ten-, or eleven-month work year schedule shall remain unchanged.

STATE AGENCY TEACHERS' COMPENSATION

SECTION 29.11.(a) The salaries of employees of schools operated by the Department of Health and Human Services, the Department of Correction, or the Department of Juvenile Justice and Delinquency Prevention who are paid on the Teacher Salary Schedule or the School Based Administrator Salary Schedule shall remain unchanged for the 2011-2013 fiscal biennium.

SECTION 29.11.(b) Effective January 1, 2012, subsection (a) of this section reads as rewritten:

"**SECTION 29.11.(a)** The salaries of employees of schools operated by the Department of Health and Human ~~Services, the Department of Correction, or the Department of Juvenile Justice and Delinquency Prevention,~~ Services or by the Department of Public Safety who are paid on the Teacher Salary Schedule or the School Based Administrator Salary Schedule shall remain unchanged for the 2011-2013 fiscal biennium."

TEACHER SALARY SCHEDULES

SECTION 29.12.(a) The following monthly salary schedules shall apply for the 2011-2012 fiscal year to certified personnel of the public schools who are classified as teachers. The schedules contain 35 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 2010-2011 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.

2011-2012 Monthly Salary Schedule

Years of Experience	"A" Teachers	NBPTS Certification
	"A" Teachers	
0	$3,043	N/A
1	$3,043	N/A
2	$3,043	N/A
3	$3,043	$3,408
4	$3,085	$3,455
5	$3,129	$3,504
6	$3,264	$3,656
7	$3,404	$3,812
8	$3,538	$3,963
9	$3,667	$4,107
10	$3,771	$4,224
11	$3,819	$4,277
12	$3,868	$4,332
13	$3,918	$4,388
14	$3,967	$4,443
15	$4,018	$4,500
16	$4,069	$4,557
17	$4,122	$4,617
18	$4,176	$4,677
19	$4,231	$4,739
20	$4,286	$4,800
21	$4,345	$4,866
22	$4,403	$4,931
23	$4,461	$4,996
24	$4,523	$5,066
25	$4,584	$5,134
26	$4,650	$5,208

27	$4,714	$5,280
28	$4,779	$5,352
29	$4,845	$5,426
30	$4,913	$5,503
31	$4,984	$5,582
32	$5,055	$5,662
33	$5,153	$5,771
34+	$5,255	$5,886

2011-2012 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	$3,347	$3,749
4	$3,394	$3,801
5	$3,442	$3,855
6	$3,590	$4,021
7	$3,744	$4,193
8	$3,892	$4,359
9	$4,034	$4,518
10	$4,148	$4,646
11	$4,201	$4,705
12	$4,255	$4,766
13	$4,310	$4,827
14	$4,364	$4,888
15	$4,420	$4,950
16	$4,476	$5,013
17	$4,534	$5,078
18	$4,594	$5,145
19	$4,654	$5,212
20	$4,715	$5,281
21	$4,780	$5,354
22	$4,843	$5,424
23	$4,907	$5,496
24	$4,975	$5,572
25	$5,042	$5,647
26	$5,115	$5,729
27	$5,185	$5,807
28	$5,257	$5,888
29	$5,330	$5,970
30	$5,404	$6,052
31	$5,482	$6,140
32	$5,561	$6,228
33	$5,668	$6,348
34+	$5,781	$6,475

SECTION 29.12.(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 29.12.(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 29.12.(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 29.12.(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 29.12.(f) Certified school nurses who are employed in the public schools as nurses shall be paid on the "M" salary schedule.

SECTION 29.12.(g) As used in this section, the term "teacher" shall also include instructional support personnel.

SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 29.13.(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 2011-2012 fiscal year, commencing July 1, 2011. Provided, however, school-based administrators (i) employed during the 2010-2011 school year who did not work the required number of months to acquire an additional year of experience and (ii) employed during the 2011-2012 school year in the same classification shall not receive a decrease in salary as otherwise would be required by the salary schedule below.

2011-2012 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)
0-7	$3,781	-	-	-	-
8	$3,931	-	-	-	-
9	$4,074	-	-	-	-
10	$4,189	-	-	-	-
11	$4,243	$4,243	-	-	-
12	$4,298	$4,298	-	-	-
13	$4,353	$4,353	$4,408	-	-
14	$4,408	$4,408	$4,464	-	-
15	$4,464	$4,464	$4,521	$4,579	-
16	$4,521	$4,521	$4,579	$4,640	$4,701
17	$4,579	$4,579	$4,640	$4,701	$4,762
18	$4,640	$4,640	$4,701	$4,762	$4,828
19	$4,701	$4,701	$4,762	$4,828	$4,891
20	$4,762	$4,762	$4,828	$4,891	$4,956
21	$4,828	$4,828	$4,891	$4,956	$5,025
22	$4,891	$4,891	$4,956	$5,025	$5,092

23	$4,956	$4,956	$5,025	$5,092	$5,166
24	$5,025	$5,025	$5,092	$5,166	$5,237
25	$5,092	$5,092	$5,166	$5,237	$5,310
26	$5,166	$5,166	$5,237	$5,310	$5,383
27	$5,237	$5,237	$5,310	$5,383	$5,458
28	$5,310	$5,310	$5,383	$5,458	$5,537
29	$5,383	$5,383	$5,458	$5,537	$5,617
30	$5,458	$5,458	$5,537	$5,617	$5,725
31	$5,537	$5,537	$5,617	$5,725	$5,839
32	$5,617	$5,617	$5,725	$5,839	$5,956
33	$5,725	$5,725	$5,839	$5,956	$6,075
34	$5,839	$5,839	$5,956	$6,075	$6,197
35	-	$5,956	$6,075	$6,197	$6,321
36	-	-	$6,197	$6,321	$6,447
37	-	-	$6,321	$6,447	$6,576
38	-	-	-	$6,576	$6,708
39	-	-	-	$6,708	$6,842
40	-	-	-	-	$6,979

2011-2012 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+)
0-17	$4,828	-	-	-
18	$4,891	-	-	-
19	$4,956	$5,025	-	-
20	$5,025	$5,092	$5,237	-
21	$5,092	$5,166	$5,310	$5,383
22	$5,166	$5,237	$5,383	$5,458
23	$5,237	$5,310	$5,458	$5,537
24	$5,310	$5,383	$5,537	$5,617
25	$5,383	$5,458	$5,617	$5,725
26	$5,458	$5,537	$5,725	$5,839
27	$5,537	$5,617	$5,839	$5,956
28	$5,617	$5,725	$5,956	$6,075
29	$5,725	$5,839	$6,075	$6,197
30	$5,839	$5,956	$6,197	$6,321
31	$5,956	$6,075	$6,321	$6,447
32	$6,075	$6,197	$6,447	$6,576
33	$6,197	$6,321	$6,576	$6,708
34	$6,321	$6,447	$6,708	$6,842
35	$6,447	$6,576	$6,842	$6,979
36	$6,576	$6,708	$6,979	$7,119
37	$6,708	$6,842	$7,119	$7,261
38	$6,842	$6,979	$7,261	$7,406
39	$6,979	$7,119	$7,406	$7,554
40	$7,119	$7,261	$7,554	$7,705
41	$7,261	$7,406	$7,705	$7,859
42	-	$7,554	$7,859	$8,016
43	-	$7,705	$8,016	$8,176
44	-	-	$8,176	$8,340

SECTION 29.13.(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 29.13.(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 2011-2012 or 2012-2013 fiscal years shall not receive a corresponding increase in salary during the 2011-2013 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 29.13.(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 29.13.(e) Longevity pay for principals and assistant principals shall be as provided for State employees under the State Personnel Act.

SECTION 29.13.(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 29.13.(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 29.13.(h) During the 2011-2012 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 29.14.(a) The monthly salary ranges that follow apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers and shall remain unchanged for the 2011-2013 fiscal biennium, beginning July 1, 2011.

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 29.14.(b) The monthly salary ranges that follow apply to public school superintendents and shall remain unchanged for the 2011-2013 fiscal biennium, beginning July 1, 2011.

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 29.14.(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 29.14.(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 29.14.(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 29.14.(f) The salaries of all permanent full-time personnel paid from the Central Office Allotment shall remain unchanged for the 2011-2013 fiscal biennium.

NONCERTIFIED PERSONNEL SALARIES

SECTION 29.15. The annual salary for permanent, full-time and part-time noncertified public school employees whose salaries are supported from the State's General Fund shall be remain unchanged for the 2011-2013 fiscal biennium.

ALL FURLOUGHS PROHIBITED EXCEPT AS ORDERED TO BALANCE THE BUDGET/BENEFITS PROTECTION FOR FURLOUGHED PERSONNEL

SECTION 29.18.(a) The following definitions apply in this section:

(1) Furlough. – A temporary, involuntary period of leave from employment without pay but shall not include any period of involuntary leave resulting from disciplinary action.

(2) Public agency. – A State agency, department, or institution in the executive branch of State government; The University of North Carolina; the North Carolina Community College System; and a local school administrative unit.

(3) Public employee. – An employee employed by the legislative or judicial branches or by a public agency.

SECTION 29.18.(b) Any furlough of a public employee paid with State funds is prohibited unless the furlough is ordered by the Governor while acting to balance the budget pursuant to Section 5 of Article III of the North Carolina Constitution or by the Chief Justice or the Legislative Services Officer, respectively, to balance the judicial branch or legislative branch budget.

The Board of Governors of The University of North Carolina, the State Board of Community Colleges, and each local public school board of education must petition the Governor to furlough its respective employees in order to balance the respective budgets.

SECTION 29.18.(c) If, in accordance with subsection (b) of this section, necessary economies in expenditures must be effected by a furlough of public employees, the employing public agency, the judicial branch, or the legislative branch, respectively, shall report to the State Treasurer, the Director of the Retirement Systems Division, and the Executive Administrator of the State Health Plan the following:

(1) The specifics of the authorized furlough.

(2) The positions affected, including all full-time, part-time, temporary, and contractual positions, all nonessential personnel, and all nonteaching positions.

(3) The individual employees affected, including the applicable reduction in salary and whether the employee is subject to or exempt from the Fair Labor Standards Act.

SECTION 29.18.(d) If, in accordance with subsection (b) of this section, necessary economies in expenditures must be effected by a furlough of public employees, then a public employee on a furlough who is:

(1) A member of any of the State-supported retirement plans administered by the Retirement Systems Division of the Department of State Treasurer or of an Optional Retirement Program (ORP) administered under G.S. 135-5.1 or G.S. 135-5.4 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. The member shall suffer no diminution of retirement average final compensation based on being on furlough, and the retirement average final compensation shall be calculated based on the undiminished compensation. During a furlough period, the employer shall pay both employee and employer contributions to the Retirement Systems Division or ORP on behalf of the furloughed employee as though the employee were in active service.

(2) A member of 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 public employer shall pay contributions on behalf of the furloughed public employee as though the employee were in active service.

SECTION 29.18.(e) The benefits protections provided by this section shall also apply to public employees in the judicial and legislative branches.

MONITOR COMPLIANCE WITH FREEZE ON MOST SALARY INCREASES

SECTION 29.19.(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 29.8 of this act and 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 29.19.(b) The Legislative Services Officer shall report quarterly to the President Pro Tempore of the Senate and the Speaker of the House of Representatives on compliance with this act.

COMPREHENSIVE REVIEW FOR REFORM OF PUBLIC EMPLOYEE COMPENSATION PLANS/RECOMMENDATIONS FOR LEGISLATION BY MAY 1, 2012

SECTION 29.20.(a) It is the intent of the General Assembly to create and implement a modernized, fair, and fully functional performance-based compensation system for employees of State agencies, departments, institutions, The University of North Carolina System, the North Carolina Community College System, and local education agencies. To that end, the Legislative Services Commission, jointly through the Fiscal Research and Program Evaluation Divisions, is directed to commission a review and study of the current compensation plans of State agencies, departments, institutions, The University of North Carolina System, the North Carolina Community College System, and local education agencies (government sectors). The Legislative Services Commission may use a Request for Information process or a Request for Proposals process to contract with a qualified consulting firm to perform this review and study. The study, at minimum, shall include all of the following:

(1) A labor market analysis of pay, fringe benefits, classification, and banding plans of government sector employees to determine whether current employees are compensated appropriately relative to market rates for similar positions as compared to (i) other North Carolina public employees, (ii) similar positions and employees in other states, and (iii) where applicable, employees in private industry.

(2) An analysis of current performance-based compensation plans in use by the North Carolina Banking Commission, the University of North Carolina Health Care System, and the performance-based compensation system proposed by Charlotte/Mecklenburg County Schools. This analysis should include an assessment of the effectiveness of these performance-based plans and should include identification of best practices.

(3) An evaluation of current longevity pay as applicable to most government sector employees and recommendations as to whether longevity pay should be continued for new hires.

(4) An evaluation of current laws and policies related to "career status" for employees subject to the State Personnel Act and tenure for public school teachers and university professors. For public school teachers, the evaluation of tenure shall include its relationship with student performance, if any. This evaluation should also include recommendations as to whether these laws and policies should be continued or modified based upon human resource best practices.

(5) An evaluation of salary supplements for public school employees paid on account of master's degrees, attainment of other advanced degrees, and national board certification, including the relationship to student performance, if any. This evaluation should also include recommendations as to whether these salary supplements should be continued or modified based upon the effect on student performance, if any, and human resource best practices.

(6) An evaluation of the State Personnel Act, including recommendations as to whether these laws and policies should be continued or modified based upon human resource best practices.

(7) An analysis of the effect of in-State regional variables on employee compensation and recommendations as to how those variables should be addressed in the future.

(8) Recommendations of how to evaluate and compare the value of employee fringe benefits.

(9) Recommendations, timetable, and design of a comprehensive performance-based compensation plan across all government sectors for implementation by the General Assembly. Recommendations must include the design of an effective employee performance evaluation system, including the identification of effective employee performance measures and information systems (including estimated costs) to track and monitor employee performance.

(10) Training recommendations for supervisors and managers regarding employee productivity and performance evaluation.

(11) Recommendations to assure equity of compensation among public employees across government sectors.

(12) Feasibility of a consensus forecasting group to make annual recommendations for compensation policy across all government sectors. These recommendations should include how to establish and maintain priorities for General Fund appropriations necessary to fund the performance-based compensation system while remaining affordable for the State and its taxpayers.

SECTION 29.20.(b) In the event that the Legislative Services Commission contracts with a qualified consulting firm to perform the review and study, the consultant shall report its progress to the Fiscal Research and Program Evaluation Divisions every 90 days.

SECTION 29.20.(c) By May 1, 2012, the Fiscal Research and Program Evaluation Divisions, or at their direction by the consultant hired to perform the review and study, shall report all findings and any other final results of the study, including recommendations and legislative proposals, to the 2012 Regular Session of the 2011 General Assembly.

SECTION 29.20.(d) All State agencies, departments, institutions, The University of North Carolina System, the North Carolina Community College System, and local education agencies shall provide any information, data, or documents within their possession, ascertainable from their records, or otherwise available to them to the Fiscal Research and Program Evaluation Divisions and/or the consultant necessary to complete this review and study.

SECTION 29.20.(e) The State Personnel Director, the State Budget Director, the State Controller, and the State Treasurer shall dedicate and identify staff for technical assistance, as needed, to aid in the reviews required by this section.

ESTABLISH COMPENSATION ADJUSTMENT AND PERFORMANCE PAY RESERVE IN ANTICIPATION OF COMPENSATION RECOMMENDATIONS

SECTION 29.20A.(a) General Fund and Highway Fund reserve budget codes are established in the Office of State Budget and Management for the purpose of correcting labor market and other salary inequities and to provide funding for a performance-based compensation plan to effectuate recommendations made in connection with the comprehensive review and reform of public employee compensation plans under Section 29.20 of this act.

SECTION 29.20A.(b) The Director of the Budget shall allocate funds appropriated to the Compensation Adjustment and Performance Pay Reserve in Sections 2.1 and 3.1 of this act, as directed by the General Assembly, to public agencies to fund labor market and equity salary increases and to provide funding for performance-based pay plans upon review of the Comprehensive Review and Reform of Public Employee Compensation Plans report.

Funds appropriated to the Compensation Adjustment and Performance Pay Reserve may be allocated to public agencies for positions that are funded by the General Fund or Highway Fund. Positions that are funded partially from the General Fund or Highway Fund and partially from sources other than the General Fund or Highway Fund may be increased with

funding from the Compensation Adjustment and Performance Pay Reserve only to the extent of the proportionate part of the salaries paid from the General Fund or Highway Fund.

For the purposes of this subsection, the term "public employee" means an employee of a State agency, department, or institution; The University of North Carolina; the North Carolina Community College System; or a local school administrative unit.

ESTABLISH SEVERANCE EXPENDITURE RESERVE

SECTION 29.21.(a) There are established in the Office of State Budget and Management General Fund and Highway Fund reserve budget codes for the purpose of funding severance-related obligations to State employees subject to the State Personnel Act, and employees exempt from the State Personnel Act, who are separated from service due to a reduction-in-force action. Severance-related expenditures from these reserves shall include obligations to fund:

(1) A State employee's severance salary continuation with an age adjustment factor as authorized by G.S. 126-8.5, including employer-related contributions for social security, and

(2) Noncontributory health premiums for up to 12 months as authorized by G.S. 135-45.2(a)(8) for employees of employing units as defined by G.S. 135-45.1(12).

SECTION 29.21.(b) The Director of the Budget shall allocate funds appropriated in Sections 2.1 and 3.1 of this act to the Severance Expenditure Reserve to public agencies to fund severance-related obligations incurred by the agencies as a result of reduction-in-force actions that cause State-supported public employees to be terminated from public employment. Funds appropriated to the Severance Expenditure Reserve shall be expended in their entirety before funds appropriated to a public agency for State-supported personal services expenditures may be used to fund any severance-related obligations.

Funds appropriated to the Severance Expenditure Reserve may be allocated to public agencies for positions that are funded by the General Fund or Highway Fund. Funds appropriated to the Severance Expenditure Reserve may also be allocated to public agencies 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 but only to the extent of the proportionate part of the salaries paid from the General Fund or Highway Fund.

For the purposes of this subsection, the term "public employee" means an employee of a State agency, department, or institution; The University of North Carolina; the North Carolina Community College System; or a local school administrative unit.

REPEAL REDUCTION-IN-FORCE PRIORITY CONSIDERATION UNDER THE STATE PERSONNEL ACT

SECTION 29.21A.(a) G.S. 126-7.1 reads as rewritten:

"**§ 126-7.1. Posting requirement; ~~State employees receive priority consideration; reduction-in-force rights;~~ reduction in force; Work First hiring.**

(a) All vacancies for which any State agency, department, or institution openly recruit shall be posted in a place readily accessible to employees that is located within at least the following:

(1) The personnel office of the agency, department, or institution having the vacancy; and

(2) The particular work unit of the agency, department, or institution having the ~~vacancy~~vacancy. ~~in a location readily accessible to employees.~~ If the decision is made, initially or at any time while the vacancy remains open, to receive applicants from outside the recruiting agency, department, or institution, the vacancy shall be listed with the Office of State Personnel for the purpose of informing current State employees of such vacancy. The State agency, department, or institution may not receive approval from the Office of State Personnel to fill a job vacancy if the agency, department, or institution cannot prove to the satisfaction of the Office of State Personnel that it complied with these posting requirements. The agency, department, or institution which hires any person in violation of these posting requirements shall pay such person when employment is discontinued as a result of such

violation for the work performed during the period of time between his initial employment and separation.

(a1) State employees to be affected by a reduction in force shall be notified of the reduction in force as soon as practicable, and in any event, no less than 30 days prior to the effective date of the reduction in force.

~~(a2) The State Personnel Commission shall adopt rules to provide that priority consideration for State employees separated from State employment as the result of reductions in force is to enable a State employee's return to career service at a salary grade and salary rate equal to that held in the most recent position. The State Personnel Commission shall provide that a State employee who:~~

~~(1) Accepts a position at the same salary grade shall be paid at the same salary rate as the employee's previous position.~~

~~(2) Accepts a position at a lower salary grade than the employee's previous position shall be paid at the same rate as the previous position unless the salary rate exceeds the maximum of the new salary grade. When the salary rate exceeds the maximum of the salary grade, the employee's new salary rate shall be reduced to the maximum of the new salary grade.~~

(b) Subsection (a) of this section does not apply to vacancies which must be filled immediately to prevent work stoppage or the protection of the public health, safety, or security.

(c) If a State employee subject to this section:

(1) Applies for another position of State employment that would constitute a promotion and;

(2) Has substantially equal qualifications as an applicant who is not a State employee then the State employee shall receive priority consideration over the applicant who is not a State employee. This priority consideration shall not apply when the only applicants considered for the vacancy are current State employees.

~~(c1) If a State employee who has been separated due to reduction in force or who has been given notice of imminent separation due to reduction in force:~~

~~(1) Applies for another position of State employment equal to or lower in salary grade than the position held by the employee at the time of notification or separation; and~~

~~(2) Is determined qualified for that position~~

~~then within all State agencies, the State employee shall receive priority consideration over all other applicants but shall receive equal consideration with other applicants who are current State employees not affected by the reduction in force. This priority shall remain in effect for a period of 12 months from the date the employee receives notification of separation by reduction in force. State employees separated due to reduction in force shall receive higher priority than other applicants with employment or reemployment priorities, except that the reemployment priority created by G.S. 126-5(e)(1) shall be considered as equal. The reduction in force priority created by this subsection shall be administered in accordance with rules promulgated by the State Personnel Commission.~~

~~(c2) If the applicants for reemployment for a position include current State employees, a State employee with more than 10 years of service shall receive priority consideration over a State employee having less than 10 years of service in the same or related position classification. This reemployment priority shall be given by all State departments, agencies, and institutions with regard to positions subject to this Chapter.~~

~~(d) "Qualifications" within the meaning of subsection (c) of this section shall consist of:~~

~~(1) Training or education;~~

~~(2) Years of experience; and~~

~~(3) Other skills, knowledge, and abilities that bear a reasonable functional relationship to the abilities and skills required in the job vacancy applied for.~~

(e) Each State agency, department, and institution is encouraged to hire into State government employment qualified applicants who are current or former Work First Program participants.

(f) Each State agency, department, institution, university, community college, and local education agency shall verify, in accordance with the Basic Pilot Program administered by the United States Department of Homeland Security pursuant to 8 U.S.C. § 1101, et seq, each

individual's legal status or authorization to work in the United States after hiring the individual as an employee to work in the United States."

SECTION 29.21A.(b) Nothing in this section affects the extended period of priority reconsideration afforded to State employees by Section 26.14D of S.L. 2009-451, as amended by Section 9.3 of S.L. 2009-575.

SECTION 29.21A.(c) This section applies to employees subject to reductions in force on or after July 1, 2011.

STATE PERSONNEL INFORMATION AMENDMENT

SECTION 29.21C. G.S. 120-32.01(b) reads as rewritten:

"(b) Notwithstanding subsection (a) of this section, access to the ~~State Personnel Management Information System~~ BEACON/HR payroll system by the ~~Research, Bill Drafting, and Program Evaluation~~ Research and Bill Drafting Divisions shall only be through the Fiscal Research Division and access to the system by the Program Evaluation Division shall only be through the Division Director and two employees of the Division designated by the Division Director."

SALARY-RELATED CONTRIBUTIONS

SECTION 29.22.(a) Effective for the 2011-2013 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, as defined in G.S. 135-45.1 or in G.S. 135-48.1 as enacted by this act, 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 29.22.(b) The General Assembly directs the Boards of Trustees of the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System, and the Firemen's and Rescue Squad Workers' Pension Fund to adopt a 12-year liquidation period for all unfunded accrued liability. The General Assembly further directs the State Treasurer to adopt a 12-year liquidation period for all unfunded accrued liability in the North Carolina National Guard Pension Fund.

SECTION 29.22.(c) Effective July 1, 2011, the State's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for the 2011-2012 fiscal year are: (i) thirteen and twelve hundredths percent (13.12%) – Teachers and State Employees; (ii) eighteen and twelve hundredths percent (18.12%) – State Law Enforcement Officers; (iii) twelve and thirty-six hundredths percent (12.36%) – University Employees' Optional Retirement System; (iv) twelve and thirty-six hundredths percent (12.36%) – Community College Optional Retirement Program; (v) thirty and five hundredths percent (30.05%) – Consolidated Judicial Retirement System; and (vi) five and zero hundredths percent (5.00%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and zero hundredths percent (5.00%) 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 29.22.(d) Effective July 1, 2012, the State's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for the 2012-2013 fiscal year are: (i) fourteen and thirty-one hundredths percent (14.31%) – Teachers and State Employees; (ii) nineteen and thirty-one hundredths percent (19.31%) – State Law Enforcement Officers; (iii) twelve and sixty-six hundredths percent (12.66%) – University Employees' Optional Retirement System; (iv) twelve and sixty-six hundredths percent (12.66%) – Community College Optional Retirement Program; (v) thirty-one and seventy hundredths percent (31.70%) – Consolidated Judicial Retirement System; and (vi) five and thirty hundredths percent (5.30%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and thirty hundredths percent (5.30%) 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 29.22.(e) Effective July 1, 2011, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2011-2012 fiscal year to the State Health Plan for Teachers and State Employees are: (i) Medicare-eligible employees and retirees – three thousand right hundred thirty-two dollars ($3,832) and (ii) non-Medicare-eligible employees and retirees – four thousand nine hundred thirty-one dollars ($4,931).

SECTION 29.22.(f) Effective July 1, 2012, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2012-2013 fiscal year to the State Health Plan for Teachers and State Employees are: (i) Medicare-eligible employees and retirees – four thousand thirty-five dollars ($4,035) and (ii) non-Medicare-eligible employees and retirees – five thousand one hundred ninety-two dollars ($5,192).

LIMIT STATE ABORTION FUNDING/HEALTH PLAN/INSURANCE

SECTION 29.23.(a) Part 1 of Article 6 of Chapter 143C of the General Statutes is amended by adding a new section to read:

"**§ 143C-6-5.5. Limitation on use of State funds for abortions.**

No State funds may be used for the performance of abortions or to support the administration of any governmental health plan or government-offered insurance policy offering abortion, except that this prohibition shall not apply where (i) the life of the mother would be endangered if the unborn child were carried to term or (ii) the pregnancy is the result of a rape or incest. Nothing in this section shall be construed to limit medical care provided after a spontaneous miscarriage."

SECTION 29.23.(b) Effective until January 1, 2012, the provisions of G.S. 135-45.8(21) and (22) do not apply to complications or related charges from an abortion not covered under G.S. 143C-6-5.5, as enacted by subsection (a) of this section.

SECTION 29.23.(c) Effective January 1, 2012, G.S. 135-48.50(1), as enacted by S.L. 2011-85, reads as rewritten:

"(1) Abortion coverage. – The Plan shall not provide coverage for abortions for which State funds could not be used under G.S. 143C-6-5.5. The Plan shall, however, provide coverage for subsequent complications or related charges arising from an abortion not covered under this subdivision."

PERMANENTLY EXEMPT PARTICIPANTS IN THE UNIVERSITY OF NORTH CAROLINA PHASED RETIREMENT PROGRAM FROM THE RESTRICTIONS ON RETURNING TO WORK

SECTION 29.24.(a) Section 29.28(f) of S.L. 2005-276, as amended by Section 22.21 of S.L. 2006-66 and by Section 26.22 of S.L. 2009-451, 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 August 31, 2013, or 12 months after the issuance of final phased retirement regulations by the~~

~~Internal Revenue Service.~~Program. The remainder of this section becomes effective June 30, 2005."

SECTION 29.24.(b) G.S. 135-1(20) reads as rewritten:

"(20) "Retirement" means the termination of employment and the complete separation from active service with no intent or agreement, express or implied, to return to service. A retirement allowance under the provisions of this Chapter may only be granted upon retirement of a member. In order for a member's retirement to become effective in any month, the member must render no service, including part-time, temporary, substitute, or contractor service, at any time during the six months immediately following the effective date of retirement. For purposes of this subdivision, service as a member of a school board or as an unpaid bona fide volunteer in a local school administrative unit shall not be considered service. A member who is a full-time faculty member of The University of North Carolina may effect a retirement allowance under this Chapter, notwithstanding the six-month requirement above, provided the member immediately enters the University's Phased Retirement Program for Tenured Faculty as that program existed on May 25, 2011."

PROVIDE FOR VESTING RECIPROCITY BETWEEN THE STATE AND LOCAL EMPLOYEES' RETIREMENT SYSTEMS AND THE OPTIONAL RETIREMENT PROGRAM FOR STATE INSTITUTIONS OF HIGHER LEARNING

SECTION 29.26. G.S. 135-5.1(b)(5) reads as rewritten:

"(5) If any participant in the Optional Retirement Program having less than five years ~~coverage under the Optional Retirement Program~~ of total membership service under any combination of the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Consolidated Judicial Retirement System, or the Optional Retirement Program leaves the employ of The University of North Carolina and either retires or commences employment with an employer not having a retirement program with the same company underwriting the participant's annuity contract, regardless of whether the annuity contract is held by the participant, a trust, or the Retirement System, the participant's interest in the Optional Retirement Program attributable to contributions of The University of North Carolina shall be forfeited and shall either (i) be refunded to The University of North Carolina and forthwith paid by it to the Retirement System and credited to the pension accumulation fund or (ii) be paid directly to the Retirement System and credited to the pension accumulation fund."

ENABLE THE UNC HEALTH CARE SYSTEM TO OFFER THE OPTIONAL RETIREMENT PROGRAM (ORP) AS A RETIREMENT OPTION

SECTION 29.27. G.S. 135-5.1(a) reads as rewritten:

"(a) An Optional Retirement Program provided for in this section is authorized and established and shall be implemented by the Board of Governors of The University of North Carolina. The Optional Retirement Program shall be underwritten by the purchase of annuity contracts, which may be both fixed and variable contracts or a combination thereof, or financed through the establishment of a trust, for the benefit of participants in the Program. Participation in the Optional Retirement Program shall be limited to University personnel who are eligible for membership in the Teachers' and State Employees' Retirement Program and who are:

...

(5) Employees of The University of North Carolina Health Care System, subject to rules for eligibility and participation as may be adopted by the Board of Governors in the Optional Retirement Program plan document."

PART XXX. CAPITAL APPROPRIATIONS

GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION

SECTION 30.1. The appropriations made by the 2011 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 30.2. There is appropriated from the General Fund for the 2011-2012 fiscal year the following amounts for capital improvements:

Capital Improvements – General Fund	**2011-2012**
Department of Environment and Natural Resources	
Water Resources Development Projects	$ 4,535,000
TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	**$ 4,535,000**

WATER RESOURCES DEVELOPMENT PROJECTS

SECTION 30.3.(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-three million four hundred forty-nine thousand dollars ($23,449,000) in federal funds.

	Name of Project	**2011-2012**
(1)	B. Everett Jordan Lake Water Supply Storage	$ 200,000
(2)	Wilmington Harbor Maintenance	–
(3)	Morehead City Harbor Maintenance	50,000
(4)	Water Resources Planning in Support of Session Law 2010-143	–
(5)	John H. Kerr Dam and Reservoir Sec. 216 – (50/50)	50,000
(6)	Planning Assistance to Communities (50/50)	50,000
(7)	Aquatic Plant Control, Statewide and Lake Gaston (50/50)	100,000
(8)	Wilmington Harbor Improvements Feasibility (50/50)	250,000
(9)	Belhaven Harbor – CAP – Sec. 1135 (75/25)	–
(10)	Concord Streams, NC Sec. 206 (65/35)	–
(11)	Manteo Old House Channel – CAP – Sec. 204 (65/35)	1,225,000
(12)	Wilmington Harbor Deepening (75/25)	300,000
(13)	Bogue Banks Coastal Storm Damage Reduction Study – (50/50)	50,000
(14)	West Onslow Beach (Topsail Beach) PED (75/25)	–
(15)	Surf City/NTB Coastal Storm Damage Reduction Study – PED (75/25)	85,000
(16)	Neuse River Basin Restoration Feasibility Study (50/50)	300,000
(17)	Currituck Sound Environmental Restoration Study (50/50)	275,000
(18)	Princeville Flood Damage Reduction (50/50)	100,000
(19)	State-Local Projects	500,000
(20)	Agricultural Water Resources Assistance Program	1,000,000
TOTALS		**$ 4,535,000**

SECTION 30.3.(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 2011-2012 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 2011-2012.

(3) State-local water resources development projects.

Funds subject to this subsection that are not expended or encumbered for the purposes set forth in subdivisions (1) through (3) of this subsection shall revert to the General Fund at the end of the 2012-2013 fiscal year.

SECTION 30.3.(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.

SECTION 30.3.(d) Notwithstanding any provision of law to the contrary, funds appropriated for a water resources development project shall be used to provide no more than fifty percent (50%) of the nonfederal portion of funds for the project. This subsection applies to funds appropriated in this act and to funds appropriated prior to the 2011-2013 fiscal biennium that are unencumbered and proposed for reallocation to provide the nonfederal portion of funds for water resources development projects. The limitation on fund usage contained in this subsection applies only to projects in which a local government or local governments participate.

SECTION 30.3.(e) G.S. 143-215.73A is amended by adding a new subsection to read:

"(c1) The Department shall provide information annually to appropriate county or municipal officials about the availability, requirements, and process to secure federal and State funding under the Water Resource Development Program."

NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS

SECTION 30.4.(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 2011-2012**
Department of Correction	
OSDT and DCC Search Trailer	$ 45,400
Statewide Emergency Fund for Small Storage Buildings	85,000
Statewide Emergency Fund for Visitors Registration	500,000
Department of Crime Control and Public Safety	
High Point Readiness Center – Addition/Alteration	1,551,000
Greensboro Readiness Center – Addition/Alteration	306,000
Murphy Firefighting Team Support Facility	2,946,000
Morrisville Flight Facility Fixed Wing Hangar	8,815,000
Statewide Master Planning Support Services – Ph III	125,000
Statewide Master Planning Support Services – Ph IV	100,000
Statewide Master Planning Support Services – Ph V	100,000
Camp Butner Operations Readiness Training Center – Ph I	1,612,000
Department of Cultural Resources	
USS North Carolina Battleship Major Hull Repairs	1,914,000
Construction of Fort at Fort Dobbs State Historic Site	2,600,000
Department of Environment and Natural Resources	
Zoo – New Restrooms at Elephant/Rhino Exhibit	400,000
Aquarium – Roanoke Island Turtle Rehabilitation Center	500,000
Wildlife Resources Commission	

Agency Land Purchases	7,500,000
Watha Hatchery Replacement of 3 Residences	150,000
Fishing Access Areas – New Construction	240,000
Boating Access Areas – New Construction	800,000
Repairs & Renovations	1,105,000
TOTAL AMOUNT OF NON-GENERAL FUND CAPITAL PROJECTS AUTHORIZED	**$31,294,400**

SECTION 30.4.(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 2011-2012 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, and environmental studies, and for the management of the plant conservation program preserves owned by the Department.

REPAIRS AND RENOVATIONS RESERVE ALLOCATION

SECTION 30.5.(a) Of the funds in the Reserve for Repairs and Renovations for the 2011-2012 fiscal year, fifty percent (50%) 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 fifty percent (50%) 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 30.5.(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 of North Carolina'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 30.5.(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).

PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS

SECTION 30.6. The appropriations made by the 2011 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 2011 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 2011 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.

UNC NON-GENERAL FUND CAPITAL PROJECTS

SECTION 30.7.(a) The purpose of this section is (i) to authorize the planning or construction by certain constituent institutions of The University of North Carolina of the capital improvement projects listed in this section for the respective institutions and (ii) to authorize the financing of these projects with funds available to the institutions from gifts, grants, receipts, self-liquidating indebtedness, Medicare reimbursements for education costs, hospital receipts from patient care, or other funds, or any combination of these funds, but not including funds received for tuition or appropriated from the General Fund of the State. These funds are hereby appropriated.

SECTION 30.7.(b) The capital improvement projects, and their respective costs, authorized by this section to be constructed and financed as provided in subsection (a) of this section, including by revenue bonds, by special obligation bonds as authorized in subsection (e) of this section, or by both, are as follows:

Appalachian State University	
Winkler Residence Hall Renovation	$ 11,805,000
East Carolina University	
Athletic Facilities Expansion and Improvement – Phase 4	
Auxiliary Practice Gymnasium	15,000,000
Fayetteville State University	
Rudolph Jones Student Center Expansion and Renovation	23,289,021
North Carolina A&T State University	
New Health Center	10,000,000

North Carolina Central University	
Chidley Residence Hall Expansion and Renovation	41,193,000
North Carolina State University	
Centennial Campus Housing Complex	129,000,000
Lee Residence Hall and Sullivan Residence Hall	6,000,000
The University of North Carolina at Chapel Hill	
Carolina Inn Renovation – Phase 2	9,000,000
Woollen Gymnasium Renovation – Phase 2	2,650,000
The University of North Carolina at Charlotte	
New Residence Hall – Phase X	31,045,802
New Residence Hall – Phase XI	40,837,005
Residence Dining Hall Replacement	29,176,738
Parking Deck J	27,418,000
The University of North Carolina at Greensboro	
Student Recreation Center	91,000,000
Tower Village II Residence Hall Acquisition	34,500,000
Campus Police Building	10,030,000
Village Parking Deck	10,877,000
The University of North Carolina at Pembroke	
Student Health Services Comprehensive Renovation and Addition	3,950,000
Western Carolina University	
Walker Residence Hall Expansion and Renovation	17,289,000

SECTION 30.7.(c) The capital improvement projects, and their respective costs, authorized by this section to be planned and financed as provided in subsection (a) of this section, including by revenue bonds, by special obligation bonds as authorized in subsection (e) of this section, or by both, are as follows:

The University of North Carolina at Chapel Hill	
Mary Ellen Jones Renovation – Phase 1	$ 4,000,000
Research Building at Carolina North	6,000,000
The University of North Carolina at Charlotte	
New Residence Hall – Phase XII	3,840,741
Cedar, Hickory, and Sycamore Residence Halls Renovation	750,000

SECTION 30.7.(d) At the request of the Board of Governors of The University of North Carolina and upon determining that it is in the best interest of the State to do so, the Director of the Budget may authorize an increase or decrease in the cost of, or a change in the method of, funding the projects authorized by this section. In determining whether to authorize a change in cost or funding, the Director of the Budget may consult with the Joint Legislative Commission on Governmental Operations.

SECTION 30.7.(e) Pursuant to G.S. 116D-26, the Board of Governors may issue, subject to the approval of the Director of the Budget, at one time or from time to time, special obligation bonds of the Board of Governors for the purpose of paying all or any part of the cost of acquiring, constructing, or providing for the projects authorized by subsections (b) and (c) of this section. The maximum principal amount of bonds to be issued shall not exceed the specified project costs in subsections (b) and (c) of this section plus five percent (5%) of such amount to pay issuance expenses, fund reserve funds, pay capitalized interest, and pay other related additional costs, plus any increase in the specific project costs authorized by the Director of the Budget pursuant to subsection (d) of this section.

SECTION 30.7.(f) This section is effective when it becomes law.

VANCE-GRANVILLE COMMUNITY COLLEGE BOND FUNDS

SECTION 30.9. Section 3(b) of S.L. 2000-3 reads as rewritten:

"**Section 3.(b)** Except as provided in this subsection, a community college may use the bond proceeds allocated in subsection (a) of this section for new construction only in accordance with the capital allocation formula adopted by the State Board of Community Colleges in March 2000. Except as provided in this subsection, a community college may use the bond proceeds allocated in subsection (a) of this section for repair and renovation only in accordance with the repair and renovation formula adopted by the State Board of Community Colleges in May 1998, as supplemented by additional repair and renovation needs determined by the State Board of Community Colleges as of April 2000. The following provisions govern reallocations:

(1) New Construction. – Except as provided in this paragraph, new construction funds allocated in this section to a specific site may not be allocated to another site. If the local board of trustees of a community college determines that new construction funds allocated to a specific site are not needed at that site, the board may request that the State Board of Community Colleges reallocate those funds for new construction at another site of the community college. Except in the case of Mayland Community ~~College,~~College and Vance-Granville Community College, the funds may not be reallocated from a site outside the main campus county to a site within the main campus county. If the State Board of Community Colleges determines that the funds are not needed for new construction at the site for which they were originally allocated, it shall approve the reallocation to the other site and shall substitute the proposed facility at the other site in the Community Colleges System Office's application to the State Treasurer pursuant to G.S. 116D-43.

Each community college shall submit to the State Board of Community Colleges a statement (i) proposing the capital facilities to be financed with the proceeds of community college general obligation bonds allocated to that community college, (ii) certifying that the proposed site is included in the allocations in this section or is a substitute facility at another site because the funds are not needed for new construction at the site for which they are allocated in this section, (iii) certifying that the community college is prepared to proceed with the construction, acquisition, or improvement of the proposed capital facilities, and (iv) demonstrating that the applicable matching requirements have been or will be met.

Upon receipt by the State Board of Community Colleges of the information set forth above, the Board shall add the proposed capital facilities to the next application of the Community Colleges System Office to the State Treasurer to issue bonds pursuant to G.S. 116D-43.

The board of trustees of an individual community college may use funds allocated for new construction either for new construction or for repair and renovations.

...."

ALLOW THE UNIVERSITY OF NORTH CAROLINA BOARD OF GOVERNORS TO APPROVE THE PLANNING, AUTHORIZATION, AND FUNDING OF CAPITAL PROJECTS FROM NON-GENERAL FUND SOURCES

SECTION 30.10.(a) G.S. 143C-8-12 reads as rewritten:

"**§ 143C-8-12. University system capital improvement projects from sources that are not General Fund sources: approval of new project or change in scope of existing project.**

Notwithstanding any other provision of this Chapter, ~~the Director of the Budget may, upon request of~~ the Board of Governors of The University of North Carolina ~~and after consultation with the Joint Legislative Commission on Governmental Operations,~~ may approve: (i) expenditures to plan a capital improvement project of The University of North Carolina the planning for which is to be funded entirely with non-General Fund money, (ii) expenditures for a capital improvement project of The University of North Carolina that is to be funded and operated entirely with non-General Fund money, or (iii) a change in the scope of any previously approved capital improvement project of The University of North Carolina provided

that both the project and change in scope are funded entirely with non-General Fund money. The Board of Governors shall report any expenditure made pursuant to this section to the Office of State Budget and Management and to the Joint Legislative Commission on Governmental Operations."

SECTION 30.10.(b) This section is effective when it becomes law.

AUTHORIZE THE UNIVERSITY OF NORTH CAROLINA BOARD OF GOVERNORS TO ALLOCATE OR REALLOCATE FUNDS TO REPAIRS AND RENOVATIONS PROJECTS

SECTION 30.11.(a) G.S. 143C-4-3 is amended by adding a new subsection to read:

"(d) Board of Governors May Allocate Funds to Particular Projects. – Any funds in the Reserve for Repairs and Renovations that are allocated to the Board of Governors of The University of North Carolina may be allocated or reallocated by the Board for repairs and renovations projects so long as (i) any project that receives an allocation or reallocation satisfies the requirements of subsection (b) of this section unless the Board determines that sufficient funds are not available from other sources and that conditions warrant General Fund assistance and (ii) the allocation or reallocation is 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. The Board of Governors shall report to the Joint Legislative Commission on Governmental Operations on the allocation or reallocation of funds pursuant to this section within 60 days of any allocation or reallocation under this subsection."

SECTION 30.11.(b) This section becomes effective July 1, 2011.

WAIVE THE REQUIREMENT FOR A CAPITAL PROJECT FEASIBILITY DETERMINATION FOR CAPITAL PROJECTS OF THE UNIVERSITY OF NORTH CAROLINA FOR WHICH ADVANCE PLANNING HAS NOT BEEN UNDERTAKEN

SECTION 30.12.(a) G.S. 143C-3-3 reads as rewritten:

"**§ 143C-3-3. Budget requests from State agencies in the executive branch.**

...

(c) Repairs and Renovations Funds Request. – In addition to any other information requested by the Director, any State agency proposing to repair or renovate an existing facility shall accompany that request with all of the following:

(1) A description of current deficiencies and proposed corrections with a review and evaluation of that proposal prepared by the Department of Administration.

(2) An estimate of project costs approved by the Department of Administration.

(3) A certification of project feasibility as described in ~~G.S. 143-341.~~G.S. 143-341, except that in the case of a project of The University of North Carolina for which advance planning has not been completed, the request may be submitted without this certification.

(4) An explanation of the method by which the repair or renovation is to be financed.

(d) Capital Funds Request. – In addition to any other information requested by the Director, any State agency proposing to (i) acquire real property, (ii) construct a new facility, (iii) expand the building area (sq. ft.) of an existing facility, or (iv) rehabilitate an existing facility to accommodate new or expanded uses shall accompany that request with all of the following:

(1) An estimate of its space needs and other physical requirements, together with a review and evaluation of that estimate prepared by the Department of ~~Administration.~~Administration, except that in the case of a project of The University of North Carolina for which advance planning has not been completed, the estimate of space needs may be a preliminary estimate.

(2) An estimate of project costs and cash flow requirements approved by the Department of Administration.

(3) A certification of project feasibility as described in ~~G.S. 143-341.~~G.S. 143-341, except that in the case of a project of The

University of North Carolina for which advance planning has not been completed, the request may be submitted without this certification.

(4) An explanation of the method by which the acquisition, construction, or rehabilitation is to be financed.

(5) An estimate of maintenance and operating costs, including personnel, for the project, covering the first five years of operation.

(6) An estimate of revenues, if any, to be derived from the project, covering the first five years of operation.

This subsection does not apply to requests for State resources for railroad, highway, or bridge construction or renovation.

(e) Information Technology Request. – In addition to any other information requested by the Director, any State agency requesting significant State resources, as defined by the Director, for the purpose of acquiring or maintaining information technology shall accompany that request with all of the following:

(1) A statement of its needs for information technology and related resources, including expected improvements to programmatic or business operations, together with a review and evaluation of that statement prepared by the State Chief Information Officer.

(2) A statement setting forth the requirements for State resources, together with an evaluation of those requirements by the State Chief Information Officer that takes into consideration the State's current technology, the opportunities for technology sharing, the requirements of Article 3D of Chapter 147 of the General Statutes, and any other factors relevant to the analysis.

(3) A statement by the State Chief Information Officer that sets forth viable alternatives, if any, for meeting the agency needs in an economical and efficient manner.

(4) In the case of an acquisition, an explanation of the method by which the acquisition is to be financed.

This subsection shall not apply to requests submitted by the General Assembly, the Administrative Office of the Courts, or The University of North Carolina."

SECTION 30.12.(b) G.S. 143-341(3)b1. reads as rewritten:

"**§ 143-341. Powers and duties of Department.**

The Department of Administration has the following powers and duties:

...

(3) Architecture and Engineering:

...

b1. To certify that a statement of needs pursuant to ~~G.S. 143C-3-3~~ G.S. 143C-3-3, other than for a project of The University of North Carolina for which advance planning has not been completed, is feasible. For purposes of this sub-subdivision, "feasible" means that the proposed project is sufficiently defined in overall scope; building program; site development; detailed design, construction, and equipment budgets; and comprehensive project scheduling so as to reasonably ensure that it may be completed with the amount of funds requested. At the discretion of the General Assembly, advanced planning funds may be appropriated in support of this certification. This sub-subdivision shall not apply to requests for appropriations of less than one hundred thousand dollars ($100,000)."

SECTION 30.12.(c) This section becomes effective July 1, 2011.

JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON CAPITAL IMPROVEMENTS SHALL EXAMINE ADEQUACY OF PLANNING FOR LONG-TERM STATE CAPITAL NEEDS

SECTION 30.13.(a) G.S. 120-259 reads as rewritten:

"**§ 120-259. Purpose and powers of the Committee.**

(a) The Joint Legislative Oversight Committee on Capital Improvements shall examine, on a continuing basis, all of the following: ~~capital improvements approved and undertaken for State facilities and institutions. As used in this section "capital improvements" includes repairs~~

~~and renovations, and "State facilities and institutions" includes facilities and institutions of The University of North Carolina.~~

(1) Capital improvements approved and undertaken for State facilities and institutions.

(2) The adequacy of planning for the State's long-term capital needs. This examination (i) may take into account the priorities embodied in the six-year capital improvements plan developed pursuant to G.S. 143C-8-5 and other planning documents but shall constitute a separate examination that does not rely exclusively on any particular document and (ii) shall look at capital needs throughout the State and not only in Wake County.

(b) The Committee shall have oversight over implementation of the six-year capital improvements plan developed pursuant to G.S. 143C-8-5.

(c) The Committee, while in discharge of official duties, shall have access to any paper or document and may compel the attendance of any State official or employee before the Committee or secure any evidence under ~~G.S. 120.19.~~ G.S. 120-19. In addition, G.S. 120-19.1 through G.S. 120-19.4 shall apply to the proceedings of the Committee as if it were a joint committee of the General Assembly.

(d) The Committee may make interim reports to the General Assembly on matters for which it may report to a regular session of the General Assembly. A report to the General Assembly may contain any legislation needed to implement a recommendation of the Committee.

(e) As used in this section, 'capital improvements' includes repairs and renovations, and 'State facilities and institutions' includes facilities and institutions of The University of North Carolina."

SECTION 30.13.(b) The Joint Legislative Oversight Committee on Capital Improvements shall report to the General Assembly no later than April 1, 2012, on the adequacy of planning for the State's long-term capital needs. This report shall accord with G.S. 120-259(a)(2) and shall also include at least the following:

(1) An analysis of the various mechanisms that currently exist to facilitate the long-term capital planning of State facilities and an assessment of the degree to which those mechanisms serve the needs of the State.

(2) An examination of whether and to what degree the capital project priorities of individual State agencies and departments accord with the long-term capital planning needs of the State as a whole.

(3) An examination of whether the long-term capital planning needs of the State might be better served by changing the way in which capital projects are planned. This analysis shall include an examination of the methods by which other States engage in long-term capital planning.

(4) An analysis of whether, historically, the percentage of funds that have been allocated from the Reserve for Repairs and Renovations to the Board of Governors of The University of North Carolina for university facilities compared to the percentage of funds that have been allocated from that Reserve to the Office of State Budget and Management for other State facilities is an appropriate ratio.

(5) An analysis of whether requiring the Board of Governors of The University of North Carolina to set forth capital project requests that prioritize projects on a systemwide basis would better serve the long-term capital planning needs of the State than the current practice of having each campus prioritize capital projects requests for that particular campus does.

PART XXXI. FEE PROVISIONS

EDUCATION/DRIVER EDUCATION COURSE FEE

SECTION 31.1. G.S. 115C-216 is amended by adding a new subsection to read:

"(g) Fee for Instruction. – The local boards of education may charge each student participating in a driver education course a fee of up to forty-five dollars ($45.00) to offset the costs of providing the training and instruction."

EDUCATION/STATE BOARD AUTHORITY TO ESTABLISH GED TESTING FEES

SECTION 31.2. G.S. 115D-5(s) reads as rewritten:

"(s) The State Board of Community Colleges may establish, retain and budget fees charged to students taking the General Education Development (GED) ~~test.~~ test, including fees for retesting. Fees collected for this purpose shall be used only to (i) offset the costs of the GED test, including the cost of scoring the test, (ii) offset the costs of printing GED certificates, and (iii) meet federal and State reporting requirements related to the test."

NER/COMMERCE/SET REGULATORY FEE FOR UTILITIES COMMISSION

SECTION 31.4.(a) The percentage rate to be used in calculating the public utility regulatory fee under G.S. 62-302(b)(2) is twelve-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, 2011.

SECTION 31.4.(b) The electric membership corporation regulatory fee imposed under G.S. 62-302(b1) for the 2011-2012 fiscal year is two hundred thousand dollars ($200,000).

SECTION 31.4.(c) This section becomes effective July 1, 2011.

NER/AGRICULTURE/INCREASE FEES FOR PET SHOPS, AUCTIONS, KENNELS, AND DEALERS

SECTION 31.5.(a) G.S. 19A-27 reads as rewritten:

"**§ 19A-27. License required for operation of pet shop.**

No person shall operate a pet shop unless a license to operate such establishment shall have been granted by the Director. Application for such license shall be made in the manner provided by the Director. The license shall be for the fiscal year and the license fee shall be ~~fifty dollars ($50.00)~~seventy-five dollars ($75.00) for each license period or part thereof beginning with the first day of the fiscal year."

SECTION 31.5.(b) G.S. 19A-28 reads as rewritten:

"**§ 19A-28. License required for public auction or boarding kennel.**

No person shall operate a public auction or a boarding kennel unless a license to operate such establishment shall have been granted by the Director. Application for such license shall be made in the manner provided by the Director. The license period shall be the fiscal year and the license fee shall be ~~fifty dollars ($50.00)~~seventy-five dollars ($75.00) for each license period or part thereof beginning with the first day of the fiscal year."

SECTION 31.5.(c) G.S. 19A-29 reads as rewritten:

"**§ 19A-29. License required for dealer.**

No person shall be a dealer unless a license to deal shall have been granted by the Director to such person. Application for such license shall be in the manner provided by the Director. The license period shall be the fiscal year and the license fee shall be ~~fifty dollars ($50.00)~~seventy-five dollars ($75.00) for each license period or part thereof, beginning with the first day of the fiscal year."

NER/AGRICULTURE/FEES FOR OUT-OF-STATE SOIL TESTS AND EXPEDITED SOIL TESTS

SECTION 31.7. G.S. 106-22 reads as rewritten:

"**§ 106-22. Joint duties of Commissioner and Board.**

The Commissioner of Agriculture, by and with the consent and advice of the Board of Agriculture shall:

...

(17) Agronomic Testing. – Provide agronomic testing services and charge reasonable fees for plant ~~analysis and~~analysis, nematode ~~testing.~~testing, out-of-state soil testing, and expedited soil testing. The Board shall charge at least four dollars ($4.00) for plant ~~analysis and~~analysis, at least two dollars ($2.00) for nematode ~~testing.~~testing, at least five dollars ($5.00) for out-of-state soil testing, and at least one hundred dollars ($100.00) for expedited soil testing."

NER/AGRICULTURE/TECHNICAL CORRECTIONS REGARDING COMMERCIAL FERTILIZER INSPECTION FEE, PESTICIDE TECHNICIAN IDENTIFICATION CARD RENEWAL FEE, AND PESTICIDE DEALER LICENSE RENEWAL FEE

SECTION 31.8.(a) G.S. 106-671(b) reads as rewritten:

"(b) Reporting System. – Each manufacturer, importer, jobber, firm, corporation or person who distributes commercial fertilizers in this State shall make application to the Commissioner for a permit to report the tonnage of commercial fertilizer sold and shall pay to the North Carolina Department of Agriculture and Consumer Services an inspection fee of ~~twenty-five cents (25¢)~~fifty cents (50¢) per ton. The Commissioner is authorized to require each such distributor to keep such records as may be necessary to indicate accurately the tonnage of commercial fertilizers sold in the State, and as are satisfactory to the Commissioner. Such records shall be available to the Commissioner, or his duly authorized representative, at any and all reasonable hours for the purpose of making such examination as is necessary to verify the tonnage statement and the inspection fees paid. Each registrant shall report monthly the tonnage sold to non-registrants on forms furnished by the Commissioner. Such reports shall be made and inspection fees shall be due and payable monthly on the fifteenth of each month covering the tonnage and kind of commercial fertilizers sold during the past month. If the report is not filed and the inspection fee paid by the last day of the month it is due, the amount due shall bear a penalty of ten percent (10%), which shall be added to the inspection fee due. If the report is not filed and the inspection fee paid within 60 days of the date due, or if the report or tonnage be false, the Commissioner may revoke the permit."

SECTION 31.8.(b) G.S. 106-65.31(b1) reads as rewritten:

"(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 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).~~forty dollars ($40.00). 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."

SECTION 31.8.(c) G.S. 143-448(c) reads as rewritten:

"(c) The license for a pesticide dealer may be renewed annually upon application to the Board, accompanied by a fee of ~~fifty dollars ($50.00)~~seventy-five dollars ($75.00) for each license, on or before the first day of January of the calendar year for which the license is issued."

NER/AGRICULTURE/INCREASE AGRICULTURAL LIMING MATERIALS TONNAGE FEES

SECTION 31.9. G.S. 106-92.8 reads as rewritten:

"**§ 106-92.8. Tonnage fees: reporting system.**

For the purpose of defraying expenses connected with the registration, inspection and analysis of the materials coming under this Article, each manufacturer or registrant shall pay to the Department of Agriculture and Consumer Services tonnage fees in addition to registration fees as follows: for agricultural liming material, ~~ten cents (10¢)~~fifty cents (50¢) per ton; for landplaster, ~~ten cents (10¢)~~fifty cents (50¢) per ton; excepting that these fees shall not apply to materials which are sold to fertilizer manufacturers for the sole purpose for use in the manufacture of fertilizer or to materials when sold in packages of 10 pounds or less.

Any manufacturer, importer, jobber, firm, corporation or person who distributes materials coming under this Article in this State shall make application for a permit to report the materials sold and pay the tonnage fees as set forth in this section.

The Commissioner of Agriculture shall grant such permits on the following conditions: The applicant's agreement that he will keep such records as may be necessary to indicate accurately the tonnage of liming materials, etc., sold in the State and his agreement for the Commissioner or this authorized representative to examine such records to verify the tonnage statement. The registrant shall report quarterly and pay the applicable tonnage fees quarterly, on or before the

tenth day of October, January, April, and July of each year. The report and payment shall cover the tonnage of liming materials, etc., sold during the preceding quarter. The report shall be on forms furnished by the Commissioner. If the report is not filed and the tonnage fees paid by the last day of the month in which it is due, or if the report be false, the amount due shall bear a penalty of ten percent (10%) which shall be added to the tonnage fees due. If the report is not filed and the tonnage fees paid within 60 days of the date due, or if the report or tonnage be false, the Commissioner may revoke the permit and cancel the registration."

NER/AGRICULTURE/INCREASE ANTIFREEZE DISTRIBUTION REGISTRATION FEE

SECTION 31.10. G.S. 106-579.4 reads as rewritten:

"**§ 106-579.4. Registrations.**

On or before the first day of July of each year, and before any antifreeze may be distributed for the permit year beginning July 1, the manufacturer, packager, or person whose name appears on the label shall make application to the Commissioner on forms provided by the latter for registration for each brand of antifreeze which he desires to distribute. The application shall be accompanied by specimens or facsimiles of labeling for all container sizes to be distributed, when requested by the Commissioner; a license and inspection fee of ~~two hundred fifty dollars ($250.00)~~five hundred dollars ($500.00) for each brand of antifreeze and a properly labeled sample of the antifreeze shall also be submitted at this time. The Commissioner may inspect, test, or analyze the antifreeze and review the labeling. If the antifreeze is not adulterated or misbranded, if it meets the standards established and promulgated by the Board, and if the said antifreeze is not such a type or kind that is in violation of this Article, the Commissioner shall thereafter issue a written license or permit authorizing the sale of such antifreeze in this State for the fiscal year in which the license or inspection fee is paid. If the antifreeze is adulterated or misbranded, if it fails to meet standards promulgated by the Board, or is in violation of this Article or regulations thereunder, the Commissioner shall refuse to register the antifreeze, and he shall return the application to the applicant, stating how the antifreeze or labeling is not in conformity. If the Commissioner shall, at a later date, find that a properly registered antifreeze product has been materially altered or adulterated, or a change has been made in the name, brand or trademark under which the antifreeze is sold, or that it violates the provisions of this Article, or that it violates regulations, definitions or standards duly promulgated by the Board, he shall notify the applicant that the license authorizing sale of the antifreeze is canceled. No antifreeze license shall be canceled unless the registrant shall have been given an opportunity to be heard before the Commissioner or his duly designated agent and to modify his application in order to comply with the requirements of this Article and regulations, definitions, and standards promulgated by the Board. All fees received by the Commissioner shall be placed in the Department of Agriculture and Consumer Services fund for the purpose of supporting the antifreeze enforcement and testing program."

NER/ENVIRONMENT/REDUCE PORTION OF CERTIFICATE OF TITLE FEES CREDITED TO MERCURY SWITCH REMOVAL ACCOUNT

SECTION 31.11. G.S. 20-85(a1) reads as rewritten:

"(a1) One dollar ($1.00) of the fee imposed for any transaction assessed a fee under subdivision (a)(1), (a)(2), (a)(3), (a)(7), (a)(8), or (a)(9) of this section shall be credited to the North Carolina Highway Fund. The Division shall use the fees derived from transactions with the Division for technology improvements. The Division shall use the fees derived from transactions with commission contract agents for the payment of compensation to commission contract agents. An additional ~~one dollar ($1.00)~~fifty cents (50¢) of the fee imposed for any transaction assessed a fee under subdivision (a)(1) of this section shall be credited to the Mercury Switch Removal Account in the Department of Environment and Natural Resources."

LOCALS TO RECEIVE LARGER PORTION OF FOOD AND LODGING FEES

SECTION 31.11A. 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 and Adult Services of the Department of Health and Human Services, establishments that prepare and sell meat food products or poultry products, and public school cafeterias, a fee of seventy-five dollars ($75.00)

for each permit issued. This fee shall be reassessed annually for permits that do not expire. 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%)~~ten percent (10%) of the fees collected under this subsection may be used to support State health programs and activities."

NER/ENVIRONMENT/ADDITIONAL USES OF HAZARDOUS WASTE FEES

SECTION 31.15. G.S. 130A-294.1(b) reads as rewritten:

"(b) Funds collected pursuant to this section shall be used for personnel and other resources necessary to:

(1) Provide a high level of technical assistance and waste minimization effort for the hazardous waste management program;
(2) Provide timely review of permit applications;
(3) Insure that permit decisions are made on a sound technical basis and that permit decisions incorporate all conditions necessary to accomplish the purposes of this Part;
(4) Improve monitoring and compliance of the hazardous waste management program;
(5) Increase the frequency of inspections;
(6) Provide chemical, biological, toxicological, and analytical support for the hazardous waste management program; and
(7) Provide resources for emergency response to imminent hazards associated with the hazardous waste management program.
(8) Implement and provide oversight of necessary response activities involving inactive hazardous substance or waste disposal sites.
(9) Provide compliance and prevention activities within the solid waste program to ensure that hazardous waste is not disposed in solid waste management facilities."

NER/NATURAL RESOURCES/NO NEW FEES FOR PARKING IN STATE PARKS

SECTION 31.22. Notwithstanding any provision to the contrary, the funds appropriated to the Department of Environment and Natural Resources for State Parks for the 2011-2012 fiscal year and for the 2012-2013 fiscal year shall not be reduced or replaced with fees for parking at State Parks, unless these fees were charged prior to the 2011-2012 fiscal year. No fees shall be charged and no fees shall be collected for parking in a State Park during the 2011-2012 fiscal year and for the 2012-2013 fiscal year, unless these fees were charged prior to the 2011-2012 fiscal year.

JPS/AOC/INCREASE CERTAIN COURT COSTS

SECTION 31.23.(a) G.S. 7A-304(a)(4) 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.

...

(4) For support of the General Court of Justice, the sum of one hundred twenty-nine dollars and fifty cents ~~($100.50)~~($129.50) in the district court, including cases before a magistrate, and the sum of one hundred ~~two~~ fifty-four dollars and fifty cents ~~($102.50)~~($154.50) 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)~~one dollar and fifty cents ($1.50) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4, and ninety-five cents ($.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 31.23.(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 one hundred ~~twenty-five~~eighty dollars ~~($125.00)~~($180.00) 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 ~~eighty-one~~ hundred thirty dollars ~~($80.00)~~($130.00) in the district court except that if the case is assigned to a magistrate the sum shall be ~~fifty-five~~eighty dollars ~~($55.00).~~($80.00). 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)~~one dollar and fifty cents ($1.50) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4, and ninety-five cents ($.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) In every civil action in the superior or district court wherein a party files a pleading containing one or more counterclaims or cross-claims, except for counterclaim and cross-claim actions brought under Chapter 50B of the General Statutes for which costs are assessed pursuant to subsection (a1) of this section, the following 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 municipality providing the facilities in which the judgment is rendered. If a municipality does not provide the facilities in which the judgment is rendered, the sum is to be remitted to the county in which the judgment is rendered. 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.

(2) For the upgrade, maintenance, and operation of the judicial and county courthouse phone systems, the sum of four dollars ($4.00), to be credited to the Court Information Technology Fund.

(3) For support of the General Court of Justice, the sum of one hundred eighty dollars ($180.00) 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 one hundred thirty dollars ($130.00) in the district court, except that if the case is assigned to a magistrate, the sum shall be eighty dollars ($80.00). Sums collected under this subdivision shall be remitted to the State Treasurer. The State Treasurer shall remit the sum of one dollar and fifty cents ($1.50) of each fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4, and ninety-five cents ($.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.

...

(f) For the support of the General Court of Justice, the sum of twenty dollars ($20.00) shall accompany any filing containing one or more motions not listed in G.S. 7A-308 that is filed with the clerk. No costs shall be assessed to a motion containing as a sole claim for relief the taxing of costs, including attorneys' fees."

SECTION 31.23.(c) G.S. 7A-306 reads as rewritten:

"**§ 7A-306. Costs in special proceedings.**

(a) In every special proceeding in the superior court, the following costs shall be assessed:

...

(2) For support of the General Court of Justice the sum of ~~seventy-five~~one hundred six dollars ~~($75.00).~~($106.00). In addition, in proceedings involving land, except boundary disputes, if the fair market value of the land involved is over one hundred dollars ($100.00), there shall be an additional sum of thirty cents (30¢) per one hundred dollars ($100.00) of value, or major fraction thereof, not to exceed a maximum additional sum of two hundred dollars ($200.00). Fair market value is determined by the sale price if there is a sale, the appraiser's valuation if there is no sale, or the appraised value from the property tax records if there is neither a sale nor an appraiser's valuation. 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)~~one dollar and fifty cents ($1.50) of each ~~seventy five dollar ($75.00)~~one hundred six-dollar ($106.00) General Court of Justice fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4.

...

(g) For the support of the General Court of Justice, the sum of twenty dollars ($20.00) shall accompany any filing containing one or more motions not listed in G.S. 7A-308 that is filed with the clerk. No costs shall be assessed to a motion containing as a sole claim for relief the taxing of costs, including attorneys' fees."

SECTION 31.23.(d) G.S. 7A-307(a) reads as rewritten:

"(a) In the administration of the estates of decedents, minors, incompetents, of missing persons, and of trusts under wills and under powers of attorney, in trust proceedings under G.S. 36C-2-203, and in collections of personal property by affidavit, the following costs shall be assessed:

...

(2) For support of the General Court of Justice, the sum of ~~seventy-five~~one hundred six dollars ~~($75.00),~~($106.00), plus an additional forty cents (40¢) per one hundred dollars ($100.00), or major fraction thereof, of the gross estate, not to exceed six thousand dollars ($6,000). Gross estate shall include the fair market value of all personality when received, and all proceeds from the sale of realty coming into the hands of the fiduciary, but shall not include the value of realty. In collections of personal property by affidavit, the fee based on the gross estate shall be computed from the information in the final affidavit of collection made pursuant to G.S. 28A-25-3 and shall be paid when that affidavit is filed. In all other cases, this fee shall be computed from the information reported in the inventory and shall be paid when the inventory is filed with the clerk. If additional gross estate, including income, comes into the hands of the fiduciary after the filing of the inventory, the fee for such additional value shall be assessed and paid upon the filing of any account or report disclosing such additional value. For each filing the minimum fee shall be fifteen dollars ($15.00). 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)~~one dollar and fifty cents ($1.50) of each ~~seventy five dollar ($75.00)~~one hundred six-dollar ($106.00) General Court of Justice fee collected under this subdivision to the North Carolina State Bar for the provision of services described in G.S. 7A-474.4.

...

(4) For the support of the General Court of Justice, the sum of twenty dollars ($20.00) shall accompany any filing containing one or more motions not listed in G.S. 7A-308 that is filed with the clerk. No costs shall be assessed to a motion containing as a sole claim for relief the taxing of costs, including attorneys' fees."

SECTION 31.23.(e) G.S. 7A-308(a) reads as rewritten:

"(a) The following miscellaneous fees and commissions shall be collected by the clerk of superior court and remitted to the State for the support of the General Court of Justice:

(1) Foreclosure under power of sale in deed of trust or mortgage.....~~$150.00~~$300.00
If the property is sold under the power of sale, an additional amount will be charged, determined by the following formula: forty-five cents (.45) per one hundred dollars ($100.00), or major fraction thereof, of the final sale price. If the amount determined by the formula is less than ten dollars ($10.00), a minimum ten dollar ($10.00) fee will be collected. If the amount determined by the formula is more than five hundred dollars ($500.00), a maximum five hundred-dollar ($500.00) fee will be collected.

...

(21) In civil matters, all alias and pluries summons issued and all endorsements issued on an original summons ..... $15.00."

SECTION 31.23.(f) G.S. 7A-34.1 is repealed.

JPS/AOC/COMMUNITY MEDIATION CENTERS/WORTHLESS CHECK PROGRAMS

SECTION 31.24.(a) G.S. 14-107.2 is amended by adding a new subsection to read:

"(b1) A community mediation center may establish and charge fees for its services in the collection of worthless checks as part of a program established under this section and may assist the Administrative Office of the Courts and district attorneys in the establishment of worthless check programs in any districts in which worthless check programs have not been established."

SECTION 31.24.(b) G.S. 7A-38.5(a) reads as rewritten:

"(a) The General Assembly finds that it is in the public interest to encourage the establishment of community mediation centers, also known as dispute settlement centers or dispute resolution centers, to support the work of these centers in facilitating communication, understanding, reconciliation, and settlement of conflicts in communities, courts, and schools, and to promote the widest possible use of these centers by the courts and law enforcement officials across the State. A center may establish and charge fees for its services."

SECTION 31.24.(c) G.S. 7A-38.6(a) reads as rewritten:

"(a) All community mediation centers ~~currently receiving State funds~~ shall report annually to the Mediation Network of North Carolina on the program's funding and activities, including:

(1) Types of dispute settlement services provided;
(2) Clients receiving each type of dispute settlement service;
(3) Number and type of referrals received, cases actually mediated (identified by docket number), cases resolved in mediation, and total clients served in the cases mediated;
(4) Total program funding and funding sources;
(5) Itemization of the use of funds, including operating expenses and personnel;
(6) Itemization of the use of State funds appropriated to the center;
(7) Level of volunteer activity; and
(8) Identification of future service demands and budget requirements.

(a1) The Mediation Network of North Carolina shall compile and summarize the information provided pursuant to ~~this subsection~~ subsection (a) of this section and shall provide the information 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 February 1 of each year.

The Mediation Network of North Carolina shall also submit a copy of its report to the Administrative Office of the Courts. The receipt and review of this report by the Administrative Office of the Courts shall satisfy any program monitoring, evaluation, and contracting requirements imposed on the Administrative Office of the Courts by Part 3 of Article 6 of Chapter 143C of the General Statutes and any rules adopted under that Part."

SECTION 31.24.(d) G.S. 7A-38.7 reads as rewritten:

"**§ 7A-38.7. Dispute resolution fee for cases resolved in mediation.**

(a) In each criminal case filed in the General Court of Justice that is resolved through referral to a community mediation center, a dispute resolution fee shall be assessed in the sum of sixty dollars ($60.00) per mediation ~~for the support of the General Court of Justice.~~to support the services provided by the community mediation centers and the Mediation Network

of North Carolina. Fees assessed under this section shall be paid to the clerk of superior court in the county where the case was filed and remitted by the clerk to the ~~State Treasurer.~~Mediation Network of North Carolina. The Mediation Network may retain up to three dollars ($3.00) of this amount as an allowance for its administrative expenses. The Mediation Network must remit the remainder of this amount to the community mediation center that mediated the case.

(b) Before providing the district attorney with a dismissal form, the community mediation center shall require proof that the defendant has paid the dispute resolution fee as required by subsection (a) of this section and shall attach the receipt to the dismissal form."

JPS/AOC/INCREASE INTERSTATE COMPACT FEE

SECTION 31.25. G.S. 148-65.7(a) reads as rewritten:

"(a) Persons convicted in this State who make a request for transfer to another state pursuant to the compact shall pay a transfer application of ~~one~~ two hundred fifty dollars ~~($150.00)~~($250.00) for each transfer application submitted. The transfer application fee shall be paid to the Compact Commissioner upon submission of the transfer application. The Commissioner or the Commissioner's designee may waive the application fee if either the Commissioner or the Commissioner's designee finds that payment of the fee will constitute an undue economic burden on the offender.

All fees collected pursuant to this section shall be deposited in the Interstate Compact Fund and shall be used only to support administration of the Interstate Compact.

The Interstate Compact Fund is established within the Department of Correction as a nonreverting, interest-bearing special revenue account. Accordingly, revenue in the Fund at the end of a fiscal year does not revert, and interest and other investment income earned by the Fund shall be credited to it. All moneys collected by the Department of Correction pursuant to this subsection shall be remitted to the State Treasurer to be deposited and held in this Fund. Moneys in the Fund shall be used to supplement funds otherwise available to the Department of Correction for the administration of the Interstate Compact."

JPS/AOC/CONTINGENT COURT COST INCREASES FOR COUNTIES

SECTION 31.26.(a) If House Bill 642 or other substantially similar legislation that requires a misdemeanant with a period of confinement of six months or less to serve the period in a local confinement facility becomes law, then Chapter 148 of the General Statutes is amended by adding a new section to read:

"**§ 148.10. Statewide Misdemeanor Confinement Fund established.**

There is created within the Department of Correction a special, nonreverting fund called the Statewide Misdemeanor Confinement Fund."

SECTION 31.26.(b) If House Bill 642 or other substantially similar legislation that requires a misdemeanant with a period of confinement of six months or less to serve the period in a local confinement facility becomes law, then G.S. 7A-304(a) is amended by adding a new subdivision to read:

"(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.

...

(2b) For the maintenance of misdemeanors in county jails, the sum of eighteen dollars ($18.00) in the district court to be remitted to the Statewide Misdemeanor Confinement Fund in the Department of Correction.

...."

SECTION 31.26.(c) If House Bill 642 or other substantially similar legislation that requires a misdemeanant with a period of confinement of six months or less to serve the period in a local confinement facility becomes law, then G.S. 7A-304(a) is amended by adding a new subdivision to read:

"(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.

...

(4b) To provide for contractual services to reduce county jail populations, the sum of fifty dollars ($50.00) for all offenses arising under Chapter 20 of the General Statutes and resulting in a conviction of an improper equipment offense, to be remitted to the Statewide Misdemeanor Confinement Fund in the Department of Correction."

SECTION 31.26.(d) If House Bill 642 or other substantially similar legislation that requires a misdemeanant with a period of confinement of six months or less to serve the period in a local confinement facility becomes law, then G.S. 7A-311(a) reads as rewritten:

"(a) In a civil action or special proceeding, except for actions brought under Chapter 50B of the General Statutes, the following fees and commissions shall be assessed, collected, and remitted to the county:

(1) a. For each item of civil process served, including summons, subpoenas, notices, motions, orders, writs and pleadings, the sum of ~~fifteen~~ thirty dollars ~~($15.00).~~($30.00). When two or more items of civil process are served simultaneously on one party, only one ~~fifteen-dollar ($15.00)~~thirty-dollar ($30.00) fee shall be charged.

...."

SECTION 31.26.(e) If House Bill 642 or other substantially similar legislation that requires a misdemeanant with a period of confinement of six months or less to serve the period in a local confinement facility becomes law, then G.S. 7A-313 reads as rewritten:

"§ 7A-313. Uniform jail fees.

Persons who are lawfully confined in jail awaiting trial shall be liable to the county or municipality maintaining the jail in the sum of ~~five~~ ten dollars ~~($5.00)~~($10.00) for each 24 hours' confinement, or fraction thereof, except that a person so confined shall not be liable for this fee if the case or proceeding against him is dismissed, or if acquitted, or if judgment is arrested, or if probable cause is not found, or if the grand jury fails to return a true bill.

Persons who are ordered to pay jail fees pursuant to a probationary sentence shall be liable to the county or municipality maintaining the jail at the same per diem rate paid by the Department of Correction to local jails for maintaining a prisoner, as set by the General Assembly in its appropriations acts."

SECTION 31.26.(f) If House Bill 642 or other substantially similar legislation that requires a misdemeanant with a period of confinement of six months or less to serve the period in a local confinement facility becomes law, then G.S. 153A-225(a) reads as rewritten:

"(a) Each unit that operates a local confinement facility shall develop a plan for providing medical care for prisoners in the facility. The plan

(1) Shall be designed to protect the health and welfare of the prisoners and to avoid the spread of contagious disease;

(2) Shall provide for medical supervision of prisoners and emergency medical care for prisoners to the extent necessary for their health and welfare;

(3) Shall provide for the detection, examination and treatment of prisoners who are infected with tuberculosis or venereal diseases.

The unit shall develop the plan in consultation with appropriate local officials and organizations, including the sheriff, the county physician, the local or district health director, and the local medical society. The plan must be approved by the local or district health director after consultation with the area mental health, developmental disabilities, and substance abuse authority, if it is adequate to protect the health and welfare of the prisoners. Upon a determination that the plan is adequate to protect the health and welfare of the prisoners, the plan must be adopted by the governing body.

As a part of its plan, each unit may establish fees of not more than ~~ten dollars ($10.00)~~ twenty dollars ($20.00) per incident for the provision of nonemergency medical care to prisoners. In establishing fees pursuant to this section, each unit shall establish a procedure for waiving fees for indigent prisoners."

LABORATORY FACILITIES FEE EXPANSION

SECTION 31.26A. G.S. 7A-304(a)(7) 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.

...

(7) For the services of the State Bureau of Investigation laboratory facilities or local law enforcement laboratory facilities, the district or superior court judge shall, upon conviction, order payment of the sum of six hundred dollars ($600.00) to be remitted to the Department of Justice for support of the State Bureau of ~~Investigation.~~Investigation or to the local law enforcement laboratory that performed the analysis. 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.

...."

GENGOV/INS/SET INSURANCE REGULATORY CHARGE

SECTION 31.27.(a) The percentage rate to be used in calculating the insurance regulatory charge under G.S. 58-6-25 is six percent (6%) for the 2011 calendar year.

SECTION 31.27.(b) This section is effective when it becomes law.

INVESTMENT COMPANY NOTICE FILING FEE

SECTION 31.27A.(a) G.S. 78A-31(a) reads as rewritten:

"(a) The Administrator, by rule or order, may require the filing of any of the following documents with regard to a security (i) issued by an investment company that is registered or has filed a registration statement under the Investment Company Act of 1940 and (ii) covered under section 18(b)(2) of the Securities Act of 1933 (15 U.S.C. § 77r(b)(2)):

(1) Prior to the initial offer of the security in this State, all documents that are part of a federal registration statement filed with the Securities and Exchange Commission under the Securities Act of 1933, or, in lieu thereof, a form prescribed by the Administrator, together with a consent to service of process signed by the issuer and with the payment of a notice filing fee ~~of two thousand dollars ($2,000).~~equal to the sum of one thousand seven hundred twenty-five dollars ($1,725) and two hundred seventy-five dollars ($275.00) for each series, fund, or portfolio offered in this State and listed in the federal registration statement.

(2) After the initial offer of the security in this State, all documents that are part of an amendment to a federal registration statement filed with the Securities and Exchange Commission under the Securities Act of 1933, or, in lieu thereof, a form prescribed by the Administrator, which shall be filed concurrently with the Administrator.

(3) A report of the value of securities covered under federal law that are offered or sold in this State.

(4) A notice filing pursuant to this section shall expire on December 31 of each year or some other date not more than one year from its effective date as the Administrator may by rule or order provide. A notice filing of the offer of securities covered under federal law that are to be offered for a period in excess of one year shall be renewed annually by payment of a renewal fee ~~of two thousand dollars ($2,000)~~ equal to the sum of one thousand seven hundred twenty-five dollars ($1,725) and two hundred seventy-five dollars ($275.00) for each series, fund, or portfolio offered in this State and listed in the federal registration statement and by filing any documents and reports that the Administrator may by rule or order require consistent with this

section. The renewal shall be effective upon the expiration of the prior notice period.

(5) A notice filed in accordance with this section may be amended after its effective date to increase the securities specified as proposed to be offered. An amendment becomes effective upon receipt by the Administrator. Every person submitting an amended notice filing shall pay a filing fee of fifty dollars ($50.00) with respect to the additional securities proposed to be offered."

SECTION 31.27A.(b) This section becomes effective July 1, 2011, and applies to fees for filings due on or after that date.

RAISE PARKING RATES

SECTION 31.27B.(a) The Department of Administration shall raise visitor parking rates for lots it administers in the State Government Complex by one dollar ($1.00) per hour.

SECTION 31.27B.(b) Funds generated by subsection (a) of this section shall be used to support debt service associated with the Green Square Parking Lot authorized in S.L. 2008-107.

TRANSPORTATION/DIVISION OF MOTOR VEHICLES BULK DATA

SECTION 31.29. G.S. 20-43.1 is amended by adding a new subsection to read:

"**§ 20-43.1. Disclosure of personal information in motor vehicle records.**

(a) The Division shall disclose personal information contained in motor vehicle records in accordance with the federal Driver's Privacy Protection Act of 1994, as amended, 18 U.S.C. §§ 2721, et seq.

(b) As authorized in 18 U.S.C. § 2721, the Division shall not disclose personal information for the purposes specified in 18 U.S.C. § 2721(b)(11).

(c) The Division shall not disclose personal information for the purposes specified in 18 U.S.C. § 2721(b)(12) unless the Division receives prior written permission from the person about whom the information is requested.

(d) As authorized in 18 U.S.C. § 2721, the Division may disclose personal information to federally designated organ procurement organizations and eye banks operating in this State for the purpose of identifying individuals who have indicated an intent to be an organ donor. Personal information authorized under this subsection is limited to the individual's first, middle, and last name, date of birth, address, sex, county of residence, and drivers license number. Employees of the Division who provide access to or disclosure of information in good-faith compliance with this subsection are not liable in damages for access to or disclosure of the information.

(e) As authorized in 18 U.S.C. § 2721, the Division may also provide copies of partial crash report data collected pursuant to G.S. 20-166.1, partial driver license data kept pursuant to G.S. 20-26(a), and partial vehicle registration application data collected pursuant to G.S. 20-52 in bulk form to persons, private companies, or other entities, for uses other than official, upon payment of a fee of three cents (3¢) per individual record. The Division shall not furnish such data except upon execution by the recipient of a written agreement to comply with the Driver's Privacy Protection Act of 1994, as amended, 18 U.S.C. §§ 2721, et seq. The information released to persons, private companies, or other entities, for uses other than official, pursuant to this subsection, shall not be a public record pursuant to Chapter 132 of the General Statutes."

TRANSPORTATION/FERRY DIVISION TOLLING

SECTION 31.30.(a) Effective April 1, 2012, G.S. 136-82 reads as rewritten:

"**§ 136-82. Department of Transportation to establish and maintain ferries.**

The Department of Transportation is vested with authority to provide for the establishment and maintenance of ferries connecting the parts of the State highway system, whenever in its discretion the public good may so require, and to prescribe and collect such tolls therefor as may, in the discretion of the Department of Transportation, be expedient. The Board of Transportation shall establish tolls for all ferry routes, except for the Ocracoke/Hatteras Ferry and the Knotts Island Ferry.

To accomplish the purpose of this section said Department of Transportation is authorized to acquire, own, lease, charter or otherwise control all necessary vessels, boats, terminals or

other facilities required for the proper operation of such ferries or to enter into contracts with persons, firms or corporations for the operation thereof and to pay therefor such reasonable sums as may in the opinion of said Department of Transportation represent the fair value of the public service rendered.

The Department of Transportation, notwithstanding any other provision of law, may operate, or contract for the operation of, concessions on the ferries and at ferry facilities to provide to passengers on the ferries food, drink, and other refreshments, personal comfort items, and souvenirs publicizing the ferry system."

SECTION 31.30.(b) The Board of Transportation shall toll all ferry routes no later than the effective date of subsection (a) of this section but is encouraged to begin tolling on all routes before that date. In establishing tolls for ferry routes under G.S. 136-82, as amended by this section, the Board of Transportation shall consider the needs of commuters and other frequent passengers.

PART XXXI-A. FINANCE PROVISIONS

USE ADJUSTED GROSS INCOME AS STARTING POINT FOR CALCULATION OF STATE INCOME TAX AND PROVIDE TAX RELIEF FOR SMALL BUSINESSES

SECTION 31A.1.(a) G.S. 105-134.1 reads as rewritten:

"**§ 105-134.1. Definitions.**

The following definitions apply in this Part:

(1) Adjusted gross income. – Defined in section 62 of the Code.

~~(1)~~(1a) Code. – Defined in G.S. 105-228.90.

...

~~(16) Taxable income. – Defined in section 63 of the Code.~~

...

~~(19) This State. – The State of North Carolina.~~"

SECTION 31A.1.(b) G.S. 105-134.5 reads as rewritten:

"**§ 105-134.5. North Carolina taxable income defined.**

(a) Residents. – For ~~residents of this State,~~ an individual who is a resident of this State, the term "North Carolina taxable income" means the taxpayer's ~~taxable income as determined under the Code, adjusted as provided in G.S. 105-134.6 and G.S. 105-134.7.~~adjusted gross income as modified in G.S. 105-134.6.

(b) Nonresidents. – For a nonresident ~~individuals,~~ individual, the term "North Carolina taxable income" means the taxpayer's ~~taxable income as determined under the Code, adjusted as provided in G.S. 105-134.6 and G.S. 105-134.7, multiplied by a fraction the denominator of which is the taxpayer's gross income as determined under the Code, adjusted as provided in G.S. 105-134.6 and G.S. 105-134.7, and the numerator of which is the amount of that gross income, as adjusted,~~ adjusted gross income as modified in G.S. 105-134.6, multiplied by a fraction the denominator of which is the taxpayer's adjusted gross income as modified in G.S. 105-134.6, and the numerator of which is the amount of that adjusted gross income, as modified, that is derived from North Carolina sources and is attributable to the ownership of any interest in real or tangible personal property in this State, is derived from a business, trade, profession, or occupation carried on in this State, or is derived from gambling activities in this State.

(c) Part-year Residents. – If an individual was a resident of this State for only part of the taxable year, having moved into or removed from the State during the year, the term "North Carolina taxable income" has the same meaning as in subsection (b) of this section except that the numerator ~~shall include gross income, adjusted as provided in G.S. 105-134.6 and G.S. 105-134.7,~~ includes adjusted gross income, as modified under G.S. 105-134.6, derived from all sources during the period the individual was a resident.

(d) S Corporations and Partnerships. – In order to calculate the numerator of the fraction provided in subsection ~~(b),~~(b) of this section, the amount of a shareholder's pro rata share of S Corporation income that is includable in the numerator ~~shall be~~ is the shareholder's pro rata share of the S Corporation's income attributable to the State, as defined in G.S. 105-131(b)(4). In order to calculate the numerator of the fraction provided in subsection (b) of this section for a member of a partnership or other unincorporated business ~~with~~ that has one or more nonresident members ~~that~~ and operates in one or more other states, the amount of the member's distributive share of income of the business that is includable in the numerator

~~shall be~~ is determined by multiplying the total net income of the business by the ratio ascertained under the provisions of G.S. 105-130.4. As used in this subsection, total net income means the entire gross income of the business less all expenses, taxes, interest, and other deductions allowable under the Code ~~which~~ that were incurred in the operation of the business.

(e) Tax Year. – A taxpayer must compute North Carolina taxable income on the basis of the taxable year used in computing the taxpayer's income tax liability under the Code."

SECTION 31A.1.(c) G.S. 105-134.6, as amended by S.L. 2011-5, reads as rewritten:

"**§ 105-134.6. ~~Adjustments to taxable income.~~Modifications to adjusted gross income.**

(a) S Corporations. – Each shareholder's pro rata share of an S Corporation's income is subject to the adjustments provided in this section.

(a1) Personal Exemption. – In calculating North Carolina taxable income, a taxpayer may deduct an exemption amount equal to the amount listed in the table below based on the taxpayer's filing status and adjusted gross income. The taxpayer is allowed the same number of personal exemptions claimed under section 151 of the Code for the taxable year.

Filing Status	Adjusted Gross Income	Personal Exemption
Married, filing jointly	Up to $100,000	$2,500
	Over $100,000	$2,000
Head of Household	Up to $80,000	$2,500
	Over $80,000	$2,000
Single	Up to $60,000	$2,500
	Over $60,000	$2,000
Married, filing separately	Up to $50,000	$2,500
	Over $50,000	$2,000

(a2) Deduction Amount. – In calculating North Carolina taxable income, a taxpayer may deduct either the standard deduction amount listed in the table below for that taxpayer's filing status or the itemized deductions amount elected under section 63 of the Code. A taxpayer may not deduct both the standard deduction amount and the itemized deductions amount.

Filing Status	Standard Deduction
Married, filing jointly	$6,000
Head of Household	4,400
Single	3,000
Married, filing separately	3,000.

(b) ~~Deductions.~~ Other Deductions. – ~~The following deductions from taxable income shall be made in calculating North Carolina taxable income, to the extent each item is included in taxable income:~~In calculating North Carolina taxable income, a taxpayer may deduct any of the following items to the extent those items are included in the taxpayer's adjusted gross income.

...

(22) The first fifty thousand dollars ($50,000) of net business income the taxpayer receives during the taxable year. For purposes of this subdivision, the term "business income" does not include income that is considered passive income under the Code.

(c) Additions. – ~~The following additions to taxable income shall be made in calculating North Carolina taxable income, to the extent each item is not included in taxable income:~~In calculating North Carolina taxable income, a taxpayer must add any of the following items to the extent those items are not included in the taxpayer's adjusted gross income. For a taxpayer who deducts the itemized deductions amount under subsection (a2) of this section, the taxpayer must add any of the following items to the extent those items are included in the itemized deductions amount.

...

~~(4) The amount by which the taxpayer's additional standard deduction for aged and blind has been increased for inflation under section 63(c)(4)(A) of the Code plus the amount by which the taxpayer's basic standard deduction, including adjustments for inflation, under the Code exceeds the appropriate amount in the following chart based on the taxpayer's filing status:~~

~~**Filing Status** **Standard Deduction**~~

~~Married filing jointly/Surviving Spouse $6,000~~
~~Head of Household 4,400~~
~~Single 3,000~~
~~Married filing separately 3,000~~

~~(4a) The amount by which each of the taxpayer's personal exemptions has been increased for inflation under section 151(d)(4)(A) of the Code. This amount is reduced by five hundred dollars ($500.00) for each personal exemption if the taxpayer's adjusted gross income (AGI), as calculated under the Code, is less than the following amounts:~~

~~Filing Status~~	~~AGI~~
~~Married, filing jointly~~	~~$100,000~~
~~Head of Household~~	~~80,000~~
~~Single~~	~~60,000~~
~~Married, filing separately~~	~~50,000.~~

~~For the purposes of this subdivision, if the taxpayer's personal exemptions have been reduced by the applicable percentage under section 151(d)(3) of the Code, the amount by which the personal exemptions have been increased for inflation is also reduced by the applicable percentage.~~

...

~~(11) The amount of the taxpayer's real property tax deduction under section 63(e)(1)(C) of the Code.~~

(12) The amount of the taxpayer's deduction for motor vehicle sales taxes under ~~section 164(a)(6) or section 63(e)(1)(E) of the Code.~~section 164(a)(6) of the Code.

...

(d) Other Adjustments. – ~~The following adjustments to taxable income shall be made in calculating North Carolina taxable income:~~In calculating North Carolina taxable income, a taxpayer must make the following adjustments to adjusted gross income.

...."

SECTION 31A.1.(d) G.S. 105-134.4 is repealed.

SECTION 31A.1.(e) G.S. 105-151.26 reads as rewritten:

"**§ 105-151.26. Credit for charitable contributions by nonitemizers.**

A taxpayer who elects the standard deduction under ~~section 63 of the Code for federal tax purposes~~ G.S. 105-134.6(a2) is allowed as a credit against the tax imposed by this Part an amount equal to seven percent (7%) of the taxpayer's excess charitable contributions. The taxpayer's excess charitable contributions are the amount by which the taxpayer's charitable contributions for the taxable year that would have been deductible under section 170 of the Code if the taxpayer had not elected the standard deduction exceed two percent (2%) of the taxpayer's adjusted gross ~~income as calculated under the Code.~~income.

No credit shall be allowed under this section ~~for amounts deducted from gross income in calculating taxable income under the Code or~~ for contributions for which a credit was claimed under G.S. 105-151.12 or G.S. 105-151.14. A nonresident or part-year resident who claims the credit allowed by this section shall reduce the amount of the credit by multiplying it by the fraction calculated under G.S. 105-134.5(b) or (c), as appropriate. The credit allowed under this section may not exceed the amount of tax imposed by this Part for the taxable year reduced by the sum of all credits allowed, except payments of tax made by or on behalf of the taxpayer."

SECTION 31A.1.(f). This section becomes effective for taxable years beginning on or after January 1, 2012.

FRANCHISE TAX BASE MODIFICATION

SECTION 31A.2.(a) G.S. 105-122(b)(2) reads as rewritten:

"(2) Taxes accrued, dividends declared, and reserves for depreciation of tangible assets and for amortization of intangible assets as permitted for income tax purposes."

SECTION 31A.2.(b) This section is effective for taxable years beginning on or after January 1, 2007.

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.

MOST TEXT APPLIES ONLY TO THE 2011-2013 FISCAL BIENNIUM

SECTION 32.2. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2011-2013 fiscal biennium, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 2011-2013 fiscal biennium.

EFFECT OF HEADINGS

SECTION 32.3. 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.

COMMITTEE REPORT

SECTION 32.4.(a) The Senate Appropriations Committee Report on the Continuation, Expansion, and Capital Budgets dated May 31, 2011, 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 32.4.(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 2011-2013 biennial 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 a recommended continuation budget to the General Assembly on February 15, 2011, in the document "The State of North Carolina Governor's Recommended Budget, 2011-2013" and in the Budget Support Document 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 32.4.(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.

SEVERABILITY CLAUSE

SECTION 32.5. If any section or provision of this act is declared unconstitutional or invalid by the courts, it does not affect the validity of this act as a whole or any part other than the part so declared to be unconstitutional or invalid.

EFFECTIVE DATE

SECTION 32.6. Except as otherwise provided, this act becomes effective July 1, 2011.

ATTACHMENT 4

SENATE APPROPRIATIONS COMMITTEE

REPORT
ON THE
CONTINUATION, EXPANSION
AND
CAPITAL BUDGETS

Proposed Senate Committee Substitute for the
Sixth Edition, House Bill 200

May 31st, 2011

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General Fund Availability Statement

		FY 2011-12	FY 2012-13
1	Unappropriated Balance Remaining		13,980,015
2	Ending Unreserved Fund Balance for FY 2009-10	236,902,394	0
3	Anticipated Reversions for FY 2010-11 - Session Law 2011-15 (S.B. 109)	537,740,799	0
4	Anticipated Overcollections from FY 2010-11	180,800,000	0
5	Repayment of Medicaid Receipts in FY 2010-11	(125,000,000)	0
6	**Statutory Earmarks:**		
7	Savings Reserve Account	(185,000,000)	0
8	Repairs and Renovations Reserve Account	(125,000,000)	0
9	**Beginning Unreserved Fund Balance**	**520,443,193**	**13,980,015**
10	**Revenues Based on Existing Tax Structure**	**18,129,800,000**	**19,181,900,000**
11	**Non-tax Revenues**		
12	Investment Income	59,400,000	76,700,000
13	Judicial Fees	217,800,000	217,800,000
14	Disproportionate Share	100,000,000	100,000,000
15	Insurance	71,400,000	73,500,000
16	Other Non-Tax Revenues	182,500,000	182,500,000
17	Highway Trust Fund/Use Tax Reimbursement Transfer	41,500,000	27,600,000
18	Highway Fund Transfer	20,230,000	24,080,000
19	**Subtotal Non-tax Revenues**	**692,830,000**	**702,180,000**
20	**Total General Fund Availability**	**19,343,073,193**	**19,898,060,015**
21	**Adjustments to Availability: 2011 Session**		
22	Loss of Estate Tax	(57,100,000)	(72,200,000)
23	Small Business Tax Relief Package	(131,600,000)	(335,600,000)
24	Repeal Wildlife Resources Commission Sales Tax Earmark	22,970,000	23,920,000
25	Suspend Corporate Income Tax Earmark (Public School Construction)	72,110,000	74,750,000
26	Increase in Judicial Fees	61,765,715	61,765,715
27	Increase Investment Company Notice Filing Fee	1,600,000	1,600,000
28	Increase Parking Fees for Visitors	550,000	550,000
29	Loss of Revenue from the Town of Butner	(1,213,235)	(1,213,235)
30	Transfer from E-Commerce Reserve Fund	4,483,526	0
31	Divert Funds from Parks & Recreation Trust Fund	8,435,000	0
32	Divert Funds from Recreational/ Natural Heritage Trust Fund	8,000,000	0
33	Transfer from Highway Fund for State Highway Patrol	196,849,542	188,209,049
34	Transfer Additional Funds from Highway Trust Fund	35,223,642	0
35	Transfer from Mercury Prevention Pollution Fund	250,000	0
36	Transfer from Commerce - Enterprise Fund	500,000	
37	Divert Funds from Scrap Tire Disposal Account	2,268,989	0
38	Divert Funds from White Goods Management Account	1,951,465	0
39	Diversion of Golden LEAF Funds	17,563,760	17,563,760
40	Master Settlement Agreement Funds	24,668,720	25,580,772
41	Transfer Health and Wellness Trust Funds to Public Health	32,904,411	0
42	Department of Revenue - Accounts Receivable Program	25,000,000	25,000,000
43	Medicaid Disproportionate Share Receipts	15,000,000	15,000,000
44	Adjust Transfer from Insurance Regulatory Fund	(742,348)	(742,348)
45	Adjust Transfer from Treasurer's Office	(3,881,172)	(3,916,453)
46	Transfer from NC Flex FICA Funds	1,000,000	0
47	Proceeds from the Sale of State Assets	15,000,000	25,000,000
48	**Subtotal Adjustments to Availability: 2011 Session**	**353,558,015**	**45,267,260**
49	**Revised General Fund Availability**	**19,696,631,208**	**19,943,327,275**
50	Less General Fund Appropriations	(19,682,651,193)	(19,943,327,275)
51	**Unappropriated Balance Remaining**	**13,980,015**	**0**

SUMMARY:

GENERAL FUND APPROPRIATIONS

SUMMARY OF GENERAL FUND APPROPRIATIONS						
2011 Legislative Session: Fiscal Year 2011-12						
		Legislative Adjustments				Revised
	Continuation	Recurring	Nonrecurring	Net	FTE	Appropriation
	Budget	Adjustments	Adjustments	Changes	Changes	2011-12
Education						
Community Colleges	1,102,475,214	(109,875,214)	(7,600,000)	(117,475,214)	(25.00)	985,000,000
Public Education	7,923,543,951	(341,814,675)	(117,237,219)	(459,051,894)	(99.50)	7,464,492,057
University System	2,887,492,464	(332,663,591)	(14,453,741)	(347,117,332)	309.80	2,540,375,132
Total Education	**11,913,511,629**	**(784,353,480)**	**(139,290,960)**	**(923,644,440)**	**185.30**	**10,989,867,189**
Health and Human Services						
Central Management and Support	70,229,335	(25,651,348)	5,599,390	(20,051,958)	(288.00)	50,177,377
Aging and Adult Services	37,419,667	(400,000)	0	(400,000)	0.00	37,019,667
Blind and Deaf / Hard of Hearing Services	8,389,110	0	0	0	0.00	8,389,110
Child Development	261,759,600	10,695,977	(6,352,644)	4,343,333	0.00	266,102,933
Health Service Regulation	17,925,590	0	(1,792,559)	(1,792,559)	0.00	16,133,031
Medical Assistance	3,314,539,538	(340,004,970)	(16,146,384)	(356,151,354)	(30.00)	2,958,388,184
Mental Health, Dev. Disabilities and Sub. Abuse	723,675,112	(12,962,880)	(45,000,000)	(57,962,880)	(7.00)	665,712,232
NC Health Choice	88,373,806	(8,921,489)	0	(8,921,489)	0.00	79,452,317
Public Health	161,930,589	(4,391,755)	32,904,411	28,512,656	(25.00)	190,443,245
Social Services	202,245,063	(16,061,995)	0	(16,061,995)	(2.00)	186,183,068
Vocational Rehabilitation	41,252,238	(2,058,522)	(2,067,928)	(4,126,450)	(5.00)	37,125,788
Total Health and Human Services	**4,927,739,648**	**(399,756,982)**	**(32,855,714)**	**(432,612,696)**	**(357.00)**	**4,495,126,952**
Justice and Public Safety						
Correction	1,421,644,768	(71,332,902)	(12,495,520)	(83,828,422)	(499.00)	1,337,816,346
Crime Control & Public Safety	34,175,427	191,083,368	0	191,083,368	2,310.20	225,258,795
Judicial Department	477,189,575	(39,454,220)	1,184,693	(38,269,527)	(302.50)	438,920,048
Judicial - Indigent Defense	122,770,246	(10,021,513)	(2,657,207)	(12,678,720)	(11.40)	110,091,526
Justice	89,670,944	(8,806,806)	(160,125)	(8,966,931)	(105.31)	80,704,013
Juvenile Justice & Delinquency Prevention	151,295,187	(19,563,395)	3,861,900	(15,701,495)	(278.60)	135,593,692
Total Justice and Public Safety	**2,296,746,147**	**41,904,532**	**(10,266,259)**	**31,638,273**	**1,113.39**	**2,328,384,420**

SUMMARY OF GENERAL FUND APPROPRIATIONS
2011 Legislative Session: Fiscal Year 2011-12

		Legislative Adjustments				Revised
	Continuation Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2011-12
Natural and Economic Resources						
Agriculture and Consumer Services	61,754,014	(1,555,380)	5,262,230	3,706,850	(8.00)	65,460,864
Commerce	38,907,381	(5,920,640)	17,865,599	11,944,959	(20.00)	50,852,340
Commerce - State Aid	31,169,289	(2,190,286)	3,872,022	1,681,736	0.00	32,851,025
Environment and Natural Resources	188,972,401	(36,366,265)	13,178,751	(23,187,514)	(160.51)	165,784,887
Clean Water Mgmt. Trust Fund	100,000,000	(88,750,000)	0	(88,750,000)	0.00	11,250,000
Labor	16,842,679	(1,005,792)	0	(1,005,792)	(9.00)	15,836,887
NC Biotechnology Center	19,501,900	(1,950,190)	0	(1,950,190)	0.00	17,551,710
Rural Economic Development Center	22,640,814	(2,264,085)	5,000,000	2,735,915	0.00	25,376,729
Wildlife Resources Commission	0	17,221,179	778,821	18,000,000	0.00	18,000,000
Total Natural & Economic Resources	**479,788,478**	**(122,781,459)**	**45,957,423**	**(76,824,036)**	**(197.51)**	**402,964,442**
General Government						
Administration	69,700,026	(6,092,696)	0	(6,092,696)	(94.52)	63,607,330
Auditor	13,063,656	(1,206,082)	0	(1,206,082)	(13.00)	11,857,574
Cultural Resources	72,664,633	(9,139,776)	0	(9,139,776)	(94.01)	63,524,857
Cultural Resources - Roanoke Island Comm.	2,406,982	(601,746)	0	(601,746)	0.00	1,805,236
General Assembly	54,593,047	(8,906,058)	7,572,506	(1,333,552)	(9.00)	53,259,495
Governor	6,189,478	(1,448,321)	0	(1,448,321)	(18.00)	4,741,157
Housing Finance Agency	13,877,996	(4,204,945)	0	(4,204,945)	0.00	9,673,051
Insurance	33,458,756	2,935,165	0	2,935,165	(3.00)	36,393,921
Insurance - Worker's Compensation Fund	4,500,000	(706,000)	(1,500,000)	(2,206,000)	0.00	2,294,000
Lieutenant Governor	954,868	(259,544)	0	(259,544)	(1.00)	695,324
Office of Administrative Hearings	4,328,822	655,049	0	655,049	8.68	4,983,871
Revenue	88,370,399	(10,170,861)	0	(10,170,861)	(106.00)	78,199,538
Secretary of State	11,076,972	(422,409)	0	(422,409)	(4.00)	10,654,563
State Board of Elections	6,189,011	(1,002,408)	0	(1,002,408)	(14.00)	5,186,603
State Budget and Management (OSBM)	6,963,796	(1,115,133)	0	(1,115,133)	(6.00)	5,848,663
OSBM - Special Appropriations	5,934,311	(5,493,699)	1,500,000	(3,993,699)	(13.00)	1,940,612
State Controller	32,517,077	(3,539,584)	(608,536)	(4,148,120)	(18.50)	28,368,957
Treasurer - Operations	10,538,203	(3,881,172)	0	(3,881,172)	(36.00)	6,657,031
Treasurer - Fire/Rescue Retirement	17,812,114	0	0	0	0.00	17,812,114
Total General Government	**455,140,147**	**(54,600,220)**	**6,963,970**	**(47,636,250)**	**(419.35)**	**407,503,897**

SUMMARY OF GENERAL FUND APPROPRIATIONS 2011 Legislative Session: Fiscal Year 2011-12						
		Legislative Adjustments				Revised
	Continuation Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2011-12
Debt Service and Statewide Reserves						
Debt Service						
Interest / Redemption	705,905,183	(16,947,995)	0	(16,947,995)	0.00	688,957,188
Federal Reimbursement	1,616,380	0	0	0	0.00	1,616,380
Subtotal Debt Service	**707,521,563**	**(16,947,995)**	**0**	**(16,947,995)**	**0.00**	**690,573,568**
Statewide Reserves						
Contingency and Emergency Fund	5,000,000	0	0	0		5,000,000
State Retirement System Contributions	0	248,100,000		248,100,000		248,100,000
Judicial Retirement System Contribution	0	6,800,000	0	6,800,000		6,800,000
Firemen & Rescue Squad Workers Pension Fund		4,318,042	0	4,318,042		4,318,042
National Guard Pension Fund		0	0	0		0
State Health Plan	0	7,119,541		7,119,541		7,119,541
Information Technology Fund	7,840,000	(1,537,574)	(1,844,284)	(3,381,858)	(3.00)	4,458,142
Job Development Investment Grants (JDIG)	27,400,000	0	(12,000,000)	(12,000,000)		15,400,000
Continuation Review Reserve						
Review of Compensation Plans			2,000,000	2,000,000		2,000,000
Automated Fraud Detection Development			1,000,000	1,000,000		1,000,000
Controller- Fraud Detection Development			500,000	500,000		500,000
Severance Expenditure Reserve			69,000,000	69,000,000		69,000,000
Subtotal Statewide Reserves	**40,240,000**	**264,800,009**	**58,655,716**	**323,455,725**	**(3.00)**	**363,695,725**
Total Reserves and Debt Service	**747,761,563**	**247,852,014**	**58,655,716**	**306,507,730**	**(3.00)**	**1,054,269,293**
Total General Fund for Operations	**20,820,687,612**	**(1,071,735,595)**	**(70,835,824)**	**(1,142,571,419)**	**321.83**	**19,678,116,193**
Capital Improvements						
Water Resources Development Projects	0	0	4,535,000	4,535,000	0.00	4,535,000
Total Capital Improvements	**0**	**0**	**4,535,000**	**4,535,000**	**0.00**	**4,535,000**
Total General Fund Budget	**20,820,687,612**	**(1,071,735,595)**	**(66,300,824)**	**(1,138,036,419)**	**321.83**	**19,682,651,193**

SUMMARY OF GENERAL FUND APPROPRIATIONS						
2011 Legislative Session: Fiscal Year 2012-13						
		Legislative Adjustments				Revised
	Continuation Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2012-13
Education						
Community Colleges	1,102,475,214	(117,475,214)	0	(117,475,214)	(25.00)	985,000,000
Public Education	7,923,543,951	(338,626,804)	(134,917,147)	(473,543,951)	(99.50)	7,450,000,000
University System	2,886,730,386	(310,045,806)	(25,011,882)	(335,057,688)	205.80	2,551,672,698
Total Education	**11,912,749,551**	**(766,147,824)**	**(159,929,029)**	**(926,076,853)**	**81.30**	**10,986,672,698**
Health and Human Services						
Central Management and Support	70,229,335	(25,651,348)	0	(25,651,348)	(288.00)	44,577,987
Aging and Adult Services	37,419,667	(400,000)	0	(400,000)	0.00	37,019,667
Blind and Deaf / Hard of Hearing Services	8,372,886	0	0	0	0.00	8,372,886
Child Development	261,759,600	10,695,977	(6,352,644)	4,343,333	0.00	266,102,933
Health Service Regulation	17,925,590	0	(1,792,559)	(1,792,559)	0.00	16,133,031
Medical Assistance	3,314,539,538	(382,523,695)	(24,739,541)	(407,263,236)	(40.00)	2,907,276,302
Mental Health, Dev. Disabilities and Sub. Abuse	723,675,112	(12,962,880)	0	(12,962,880)	(7.00)	710,712,232
NC Health Choice	88,373,806	(4,655,941)	0	(4,655,941)	0.00	83,717,865
Public Health	161,930,589	(4,391,755)	0	(4,391,755)	(25.00)	157,538,834
Social Services	202,245,063	(16,061,995)	0	(16,061,995)	(2.00)	186,183,068
Vocational Rehabilitation	41,654,578	(2,058,522)	(2,067,928)	(4,126,450)	(5.00)	37,528,128
Total Health and Human Services	**4,928,125,764**	**(438,010,159)**	**(34,952,672)**	**(472,962,831)**	**(367.00)**	**4,455,162,933**
Justice and Public Safety						
Correction	1,418,867,332	(59,302,927)	(11,153,612)	(70,456,539)	(439.00)	1,348,410,793
Crime Control & Public Safety	34,175,427	180,989,091	0	180,989,091	2,310.50	215,164,518
Judicial Department	477,189,575	(40,367,468)	(1,681,000)	(42,048,468)	(388.50)	435,141,107
Judicial - Indigent Defense	122,770,246	(10,021,513)	0	(10,021,513)	(11.40)	112,748,733
Justice	89,670,944	(8,806,806)	0	(8,806,806)	(105.31)	80,864,138
Juvenile Justice & Delinquency Prevention	151,295,187	(20,154,622)	0	(20,154,622)	(278.60)	131,140,565
Total Justice and Public Safety	**2,293,968,711**	**42,335,755**	**(12,834,612)**	**29,501,143**	**1,087.69**	**2,323,469,854**

SUMMARY OF GENERAL FUND APPROPRIATIONS 2011 Legislative Session: Fiscal Year 2012-13						
		Legislative Adjustments				Revised
	Continuation Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2012-13
Natural and Economic Resources						
Agriculture and Consumer Services	61,754,014	(1,555,380)	2,000,000	444,620	(14.00)	62,198,634
Commerce	38,907,381	(5,656,918)	0	(5,656,918)	(22.00)	33,250,463
Commerce - State Aid	31,169,289	(1,717,305)	700,000	(1,017,305)	0.00	30,151,984
Environment and Natural Resources	188,972,401	(34,824,296)	(6,000,000)	(40,824,296)	(161.51)	148,148,105
Clean Water Mgmt. Trust Fund	100,000,000	(88,750,000)	0	(88,750,000)	0.00	11,250,000
Labor	16,842,679	(1,005,792)	0	(1,005,792)	(9.00)	15,836,887
NC Biotechnology Center	19,501,900	(1,950,190)	0	(1,950,190)	0.00	17,551,710
Rural Economic Development Center	22,640,814	(2,264,085)	5,000,000	2,735,915	0.00	25,376,729
Wildlife Resources Commission	0	17,221,179	0	17,221,179	0.00	17,221,179
Total Natural and Economic Resources	**479,788,478**	**(120,502,787)**	**1,700,000**	**(118,802,787)**	**(206.51)**	**360,985,691**
General Government						
Administration	69,700,026	(4,188,566)	0	(4,188,566)	(94.52)	65,511,460
Auditor	13,063,656	(2,387,621)	0	(2,387,621)	(26.00)	10,676,035
Cultural Resources	72,664,633	(10,967,632)	0	(10,967,632)	(106.51)	61,697,001
Cultural Resources - Roanoke Island Comm.	2,406,982	(1,203,491)	0	(1,203,491)	0.00	1,203,491
General Assembly	54,593,047	(7,488,839)	3,000,000	(4,488,839)	(47.75)	50,104,208
Governor	6,189,478	(1,448,321)	0	(1,448,321)	(18.00)	4,741,157
Housing Finance Agency	13,877,996	(4,204,945)	0	(4,204,945)	0.00	9,673,051
Insurance	33,458,756	2,935,165	0	2,935,165	(3.00)	36,393,921
Insurance - Worker's Compensation Fund	4,500,000	(1,876,346)	0	(1,876,346)	0.00	2,623,654
Lieutenant Governor	954,868	(259,544)	0	(259,544)	(1.00)	695,324
Office of Administrative Hearings	4,328,822	655,049	0	655,049	8.68	4,983,871
Revenue	88,370,399	(10,170,861)	0	(10,170,861)	(106.00)	78,199,538
Secretary of State	11,076,972	(422,409)	0	(422,409)	(4.00)	10,654,563
State Board of Elections	6,189,011	(1,062,408)	0	(1,062,408)	(14.00)	5,126,603
State Budget and Management (OSBM)	6,963,796	(1,115,133)	0	(1,115,133)	(6.00)	5,848,663
OSBM - Special Appropriations	5,934,311	(5,493,699)	0	(5,493,699)	(13.00)	440,612
State Controller	32,517,077	(3,539,584)	(608,536)	(4,148,120)	(18.50)	28,368,957
Treasurer - Operations	10,538,203	(3,916,453)	0	(3,916,453)	(36.00)	6,621,750
Treasurer - Fire/Rescue Retirement	17,812,114	0	0	0	0.00	17,812,114
Total General Government	**455,140,147**	**(56,155,638)**	**2,391,464**	**(53,764,174)**	**(485.60)**	**401,375,973**

SUMMARY OF GENERAL FUND APPROPRIATIONS						
2011 Legislative Session: Fiscal Year 2012-13						
		Legislative Adjustments				Revised
	Continuation Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2012-13
Debt Service and Statewide Reserves						
Debt Service:						
Interest / Redemption	705,905,183	54,079,791	0	54,079,791		759,984,974
Federal Reimbursement	1,616,380	0	0	0		1,616,380
Subtotal Debt Service	**707,521,563**	**54,079,791**	**0**	**54,079,791**	**0.00**	**761,601,354**
Statewide Reserves:						
Contingency and Emergency Fund	5,000,000	0	0	0		5,000,000
State Retirement System Contributions	0	336,000,000	0	336,000,000		336,000,000
Judicial Retirement System Contribution	0	7,800,000	0	7,800,000		7,800,000
Firemen & Rescue Squad Workers Pension Fund		5,366,928	0	5,366,928		5,366,928
National Guard Pension Fund		0	0	0		0
State Health Plan	0	102,151,104	0	102,151,104		102,151,104
Information Technology Fund	7,840,000	162,426	(1,844,284)	(1,681,858)	(3.00)	6,158,142
Job Development Investment Grants (JDIG)	27,400,000	0	0	0		27,400,000
Continuation Review Reserve			35,576,758	35,576,758		35,576,758
Compensation Adjustment, Performance Pay Reserve	0	121,105,840		121,105,840		121,105,840
Automated Fraud Detection Development			7,000,000	7,000,000		7,000,000
Controller- Fraud Detection Development			500,000	500,000		500,000
Subtotal Statewide Reserves	**40,240,000**	**572,586,298**	**41,232,474**	**613,818,772**	**(3.00)**	**654,058,772**
Total Reserves and Debt Service	**747,761,563**	**626,666,089**	**41,232,474**	**667,898,563**	**(3.00)**	**1,415,660,126**
Total General Fund for Operations	**20,817,534,214**	**(711,814,564)**	**(162,392,375)**	**(874,206,939)**	**106.88**	**19,943,327,275**
Capital Improvements						
Water Resources Development Projects	0	0	0	0	0.00	0
Total Capital Improvements	**0**	**0**	**0**	**0**	**0.00**	**0**
Total General Fund Budget	**20,817,534,214**	**(711,814,564)**	**(162,392,375)**	**(874,206,939)**	**109.88**	**19,943,327,275**

EDUCATION
Section F

Public Education

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$7,923,543,951**		**$7,923,543,951**	
Legislative Changes				
A. Technical Adjustments				
1 ADM Adjustment Fully funds both years of average daily membership (ADM) growth for public schools, providing $55.8 million in FY 2011-12 and $143.1 million in FY 2012-13. This adjustment, which accounts for changes in multiple allotments, has traditionally been included in the continuation budget.	$55,882,651	R	$143,087,414	R
2 Average Salary Adjustment Adjusts several budget lines to account for the decrease in average salaries between FY 2009-10 and FY 2010-11. This adjustment has traditionally been included in the continuation budget.	($21,838,817)	R	($22,040,287)	R
B. Other Public School Funding Adjustments				
3 LEA Adjustment Increases the LEA Adjustment reduction. The State Board of Education will distribute this reduction to all LEAs and charter schools on the basis of ADM. LEAs and charters will then be responsible for identifying budget reductions in order to meet their share of the LEA Adjustment. LEAs are expected to utilize federal EduJobs availability to minimize reducing position allotments.	($124,217,542)	R	($198,293,574)	R
4 Class Size Reduction in Grades 1-3 Adds funding for 1,124 additional teaching positions in FY 2011-12 and 1,144 additional teaching positions in FY 2012-13 to reduce the classroom teacher allotment ratios for grades 1-3 from 1 teacher per 18 students to 1 teacher per 17 students in both years of the biennium. A related provision, Section 7.1B, expresses the intent of the General Assembly to add additional teachers as funds become available with a goal of reducing the teacher allotment ratio in grades 1-3 to 1 teacher for every 15 students.	$61,697,942	R	$62,767,803	R
5 Education Reform Studies Provides nonrecurring funding for studies of third grade literacy programs and ways to reduce the need for remedial or developmental education in the State's higher education institutions. Funding will be available to hire an outside consultant to examine these topics.	$200,000	NR		

	FY 11-12		FY 12-13	
6 Testing Eliminates funding for four End of Course tests eliminated by S.L. 2011-8 and not required by federal law. Those tests are United States History, Civics and Economics, Algebra II, and Physical Science. The remaining testing funds are then reduced a further 10%, leaving $8.8 million available for testing in each year of the biennium.	($2,725,029)	R	($2,729,677)	R
7 Dropout Prevention Grants Eliminates funding for the Dropout Prevention Grant program.	($13,290,683)	R	($13,290,683)	R
8 Student Diagnostics Eliminates funding for the Student Diagnostics pilot program.	($10,000,000)	R	($10,000,000)	R
9 Learn & Earn Online Eliminates funding for Learn & Earn Online courses provided through the UNC system.	($4,875,000)	R	($4,875,000)	R
10 Noninstructional Support Personnel Reduces this allotment, which supports clerical, janitorial, substitute teachers, and other personnel, by 15% in both years of the biennium. $337.1 million will remain in this allotment in FY 2011-12 and $340.3 million will remain in FY 2012-13.	($59,497,471)	R	($60,054,792)	R
11 Textbooks Reduces funding for textbooks. $23.4 million will remain in this allotment in FY 2011-12 and $27.2 million will remain available in FY 2012-13.	($13,000,000) ($79,166,861)	R NR	($13,000,000) ($76,500,000)	-- NR
12 Instructional Supplies Reduces funding for this allotment by approximately 46%. $49.3 million will remain in this allotment in FY 2011-12 and $50.2 million will remain available in FY 2012-13.	($3,450,000) ($38,520,358)	R NR	($3,450,000) ($38,417,147)	R NR
13 Central Office Administration Reduces the allotment to LEAs for the salaries and benefits of central office staff by 16%. This staff includes, but is not limited to, superintendents, associate and assistant superintendents, finance officers, athletic trainers, and transportation directors. $90.4 million will remain to support these local staff in FY 2011-12 and $90.5 million will remain available in FY 2012-13.	($17,211,294)	R	($17,254,494)	R
14 School Building Administration Reduces the funding for assistant principal months of employment by approximately 18.8%. This reduction does not reduce any guaranteed principal positions. $304.4 million will remain in this allotment in FY 2011-12 and $306.6 million will remain available in FY 2012-13.	($22,193,080)	R	($22,403,290)	R

	FY 11-12		FY 12-13	
15 School Building Administration Position Conversion Reduces funding for this allotment based on a modification of the allowable conversion of assistant principal and principal months of employment. Currently, LEAs are allowed to "cash-out" their allotted SBA months of employment at the State-average salary and benefits, and then use the money for other purposes. This section would continue to allow conversions, but only at the equivalent amount for a beginning Principal III for converted principal positions, and the equivalent amount for a beginning assistant principal for cashed-out assistant principal positions.	($7,700,000)	R	($7,700,000)	R
16 Instructional Support Reduces this allotment, which supports guidance counselors, social workers, media specialists, and other miscellaneous personnel, by 5%. $435.8 million will remain in this allotment in FY 2011-12 and $439.9 million will remain available in FY 2012-13.	($22,934,278)	R	($23,149,479)	R
17 Transportation Reduces funding for the allotment, which supports the salaries of transportation personnel as well as the maintenance of yellow buses by 2.5%. $403.3 million will remain in this allotment in FY 2011-12 and $407.2 million will remain available in FY 2012-13.	($10,340,115)	R	($10,442,266)	R
18 School Bus Replacement Provides full funding for school bus replacement in FY 2011-12, and reduces the funding on a nonrecurring basis in FY 2012-13. The Department of Public Instruction shall utilize these funds only to support financing payments on previously purchased buses or for finance payments for new replacement buses purchased over the biennium.			($20,000,000)	NR
19 Mentoring Eliminates funding for this allotment. School districts may use State and other funding sources to provide mentoring services for beginning teachers.	($9,214,190)	R	($9,214,190)	R
20 School Technology Fund Eliminates General Fund support for this purpose. An additional $18.0 million for the Fund will remain available from the proceeds of the Civil Penalty and Forfeiture Fund.	($10,000,000)	R	($10,000,000)	R
21 Staff Development Eliminates funding for this allotment. School districts may use State and other funding sources to support professional development.	($12,565,063)	R	($12,626,995)	R
22 Uniform Education Reporting System (UERS) Reduces funding for the Uniform Education Reporting System (UERS) and the related NC WISE system as it moves into an operations and maintenance phase. This adjustment will leave $10.3 million in annual appropriations available for UERS operations.	($2,101,213)	R	($2,101,213)	R

	FY 11-12		FY 12-13	
23 More at Four Funding Reduction Reduces More at Four General Fund support by $16 million, or approximately 20%.	($16,000,000)	R	($16,000,000)	R
24 More at Four Transfer Transfers the remaining $65 million in General Fund appropriations to the Department of Health and Human Service's Division of Child Development (DCD) to provide a dedicated high-quality pre-K program within its Child Care Subsidy program. In addition, Section 5.4 of the budget bill redirects $63 million in Lottery funding for the program to DCD. A related provision in Section 10.7 of the bill details the particulars of the transfer.	($65,011,651)	R	($65,011,651)	R
25 Liability Insurance for Public School Personnel Establishes a single State-funded liability insurance policy for all North Carolina public schools employees. The State Board of Education shall use funding provided to establish this policy with the North Carolina Department of Public Instruction serving as the master policy holder.	$3,700,000	R	$3,700,000	R
26 JOBS Commission Schools Eliminates planning funding for these two schools which will open in the 2011-12 school year.	($200,000)	R	($200,000)	R
27 Learn and Earn Early College High Schools Transfers planning funding for the two schools recommended by the JOBS Commission. These schools shall be eligible for Learn and Earn Early College allotment funding.	$200,000	R	$200,000	
C. Pass-through Funds				
28 Teacher Cadet Eliminates State support for this program.	($340,000)	R	($340,000)	R
29 Science Olympiad Eliminates State support for this program.	($127,500)	R	($127,500)	R
30 Kids Voting Eliminates State support for this program.	($50,000)	R	($50,000)	R
31 NC Science, Math and Technical Education Center Eliminates State support for this program.	($100,000)	R	($100,000)	R
32 Tarheel ChalleNGe Academy Provides funds for the phase one construction of the National Guard Tarheel ChalleNGe Academy site in Badin, NC.	$250,000	NR		

	FY 11-12		FY 12-13	
33 Teaching Fellows Fund Reduces the General Fund appropriation for the Teaching Fellows Fund. This reduction reflects a decrease in funds available for administrative costs associated with the Teaching Fellows Program in FY 2011-12 and FY 2012-13. Additionally, funds are reduced in FY 2012-13 to phase out support for this program. It is the intent of the General Assembly to support its obligations to the 2011-12 class of Teaching Fellows and prior classes until the State's scholarship commitment is completed.	($210,000)	R	($3,475,000)	R
D. Department of Public Instruction				
34 DPI Curriculum Division Eliminates 5.5 State-funded positions working on curriculum issues. Of these, 3.5 State-funded positions are eliminated from the Curriculum, Instruction & Technology section, and 2.0 State-funded positions are eliminated from the Career and Technology Education (CTE) section.	($457,690) -5.50	R	($457,690) -5.50	R
35 DPI Technology Services Eliminates 30.0 State-funded positions from DPI's Technology Services section. 102.85 positions (70.72 State-funded) will remain in this section.	($2,712,988) -30.00	R	($2,712,988) -30.00	R
36 DPI Communications Eliminates 4.0 State-funded positions in the Communications section. 15.0 positions (10.8 State-funded) will remain in this section.	($246,586) -4.00	R	($246,586) -4.00	R
37 Learn and Earn Administration Eliminates the State-funded position at DPI supporting Learn & Earn Online.	($139,050) -1.00	R	($139,050) -1.00	R
38 Governor's Education Cabinet Eliminates funding for the 2.0 positions that DPI provides to support the NC Education Cabinet housed in the Office of the Governor.	($206,063) -2.00	R	($206,063) -2.00	R
39 NC Professional Teaching Standards Commission Eliminates the State funding and positions supporting the NC Professional Teaching Standards Commission.	($235,646) -2.00	R	($235,646) -2.00	R
40 Teacher Academy Eliminates State funding for the Teacher Academy, a provider of professional development services for teachers.	($4,762,874) -14.00	R	($4,762,874) -14.00	R
41 North Carolina Center for the Advancement of Teaching (NCCAT) Reduces State support for the operations of this teacher professional development provider.	($3,000,000) -40.00	R	($3,000,000) -40.00	R

	FY 11-12		FY 12-13	
42 Connectivity Eliminates the $350,000 annual transfer from Connectivity to support the e-Learning Portal. Also eliminates the $300,000 annual transfer from Connectivity to support the evaluation of the Connectivity initiative.	($650,000)	R	($650,000)	R
43 Governor's Schools Eliminates State funding for the Governor's Schools. A related provision in Section 7.9 provides the State Board with the discretion to make the program receipt-supported beginning with the summer 2012 program. Funding remains available to provide the program in summer 2011.			($849,588)	R
44 Residential Schools for the Deaf and Blind Eliminates State funding for the superintendent of residential schools position within DPI and reduces the operating budget for Residential Schools for the Deaf and Blind by approximately 5%. For FY 2012-13, DPI must close one of the three residential schools. A related provision, Section 7.25, directs DPI to report to the Joint Education Oversight Committee of the General Assembly the school slated for closure and the Department's plan for consolidating the programs with those at the two remaining schools.	($1,691,445) -1.00	R	($7,191,445) -1.00	R
Total Legislative Changes	**($341,814,675)** **($117,237,219)**	R NR	**($338,626,804)** **($134,917,147)**	
Total Position Changes	-99.50		-99.50	
Revised Budget	**$7,464,492,057**		**$7,450,000,000**	

Community Colleges

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$1,102,475,214**		**$1,102,475,214**	

Legislative Changes

A. Technical Adjustments

45 Enrollment Growth — $34,140,158 R — $47,699,747 R

Provides funds to fully fund enrollment growth, including enrollment growth for equipment funding, in both years of the biennium.

According to the FY 2010-11 spring enrollment census, enrollment has increased by 3.3% (8,081 full-time-equivalent students or FTE) above the FY 2010-11 budgeted enrollment of 243,854. Curriculum enrollment has increased by 6,928 FTE (3.6%), continuing education enrollment has increased by 1,396 FTE (4.9%), and basic skills enrollment has decreased by 243 FTE (-1.1%). Total equipment funding for FY 2011-12 is $5,643,030, which maintains the amount per equipment FTE at the FY 2009-10 level. Total requirements for the enrollment growth increase are $45,058,958, of which $10,918,800 is funded from receipts.

Estimated enrollment growth during the FY 2011-12 year is also fully funded with an additional appropriation of $13,559,589, $584,775 of which is for equipment. This adjustment is based on estimated enrollment growth of 1.5% (3,672 FTE). Total requirements for the enrollment growth are $18,478,365, of which $4,918,776 is funded from receipts.

46 Hickory Metro Higher Education Center — ($264,833) R — ($264,833) R

Transfers categorical funding for the Hickory Metro Higher Education Center at Catawba Valley Community College to the UNC System budget.

B. State Aid Adjustments

47 Management Flexibility Reduction — ($50,777,984) R — ($58,544,165) R

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.

	FY 11-12		FY 12-13	
48 Curriculum Tuition Increases curriculum tuition by $10 per credit hour in FY 2011-12 and an additional $2.50 per credit hour in FY 2012-13, and makes a corresponding General Fund reduction in anticipation of increased tuition receipts. For FY 2011-12, resident tuition will increase from $56.50 to $66.50 for residents and from $248.50 to $258.50 for nonresidents. Tuition for full-time resident students will increase by a maximum of $320 per year, from $1,808 to $2,128. For FY 2012-13, resident tuition will increase from $66.50 to $69 for residents and from $258.50 to $261 for nonresidents. Tuition for full-time resident students will increase by a maximum of an additional $80 per year, from $2,128 to $2,208.	($47,664,650)	R	($60,393,549)	R
49 Continuing Education Fee Increases continuing education fees by $5 per course, beginning in FY 2012-13, and takes a corresponding General Fund reduction in anticipation of increased tuition receipts. The new fees will be as follows: Classes 1-24 hours - $70, Classes 25-50 hours - $125, Classes 51+ hours - $180.			($664,509)	R
50 Funding Formula Eliminates categorical funding for Health Sciences ($16,842,300), Technical Education ($5,500,000), and Special High Cost Programs allotment for Heavy Equipment ($328,336), and restructures the curriculum and continuing education funding formulas to provide weighted funding based on the type of instruction, as directed in Section 8.3. Curriculum courses in high-cost areas such as healthcare, technical education, and lab-based science courses shall be weighted more heavily than other curriculum courses. Continuing education courses that lead to a third-party credential or certification and courses providing an industry-designed curriculum shall be weighted more heavily than other continuing education courses.	($22,670,636)	R	($22,670,636)	R
51 Basic Skills Reduces funding for basic skills education by 12.4%. Total funding remaining for the program will be $86,246,787, with $70,483,463 in State funding and $15,763,628 in federal funding.	($10,000,000)	R	($10,000,000)	R
52 Institutional and Academic Support Eliminates funding for one of the 5.5 general institutional positions in the institutional and academic support enrollment allotment funding formula for community colleges. Total funding remaining in this allotment will be $452.5 million.	($8,548,090)	R	($8,548,090)	R

	FY 11-12		FY 12-13	
53 Customized Training Reduces the Customized Training budget on a one-time basis. Total recurring funding for the program is $12,457,121; however, per G.S. 115D-5.1(f2), unexpended funds for the program do not revert and are instead carried forward to the next year. After this reduction, the total amount available for expenditure in the biennium is expected to be $31,710,340, or $15,855,170 per year. Of these funds, up to $75,000 may be used to support curriculum development, materials, and training for Small Business Centers.	($7,600,000)	NR		
54 BioNetwork Reduces funds for BioNetwork grants and centers by 6.6%. $205,582 will be reduced from BioNetwork centers (5% reduction) and $84,646 from grants to colleges (30% reduction). Total funding remaining for the program will be $4,106,056.	($290,228)	R	($290,228)	R
55 Minority Male Mentoring Reduces funding for the Minority Male Mentoring program by 10%. Total funding remaining for the program will be $810,000.	($90,000)	R	($90,000)	R
56 NC Military Business Center Reduces the categorical allotment to the NC Military Business Center at Fayetteville Technical Community College by 10%. Total funding remaining for the program will be $1,125,000.	($125,000)	R	($125,000)	R
57 Textile Technology Center Reduces the categorical allotment to the Textile Technology Center at Gaston College by 10%. Total funding remaining for this program will be $821,258.	($91,251)	R	($91,251)	R
58 Manufacturing Solutions Center Reduces the categorical allotment for the Manufacturing Solutions Center at Catawba Valley Community College by 10%. Total funding remaining for this program will be $514,904.	($57,212)	R	($57,212)	R
59 Haywood Regional High Technology Center Eliminates the categorical allotment for the Regional High Technology Center at Haywood Community College. The college will continue to receive regular FTE formula funding for the enrollment at the Center.	($582,383)	R	($582,383)	R
60 NC REAL Eliminates pass-through funding for NC Rural Entrepreneurship through Action Learning (NC REAL).	($250,000)	R	($250,000)	R

	FY 11-12		FY 12-13	
C. Student Aid Adjustments				
61 NC Community College Grant Program Reverts the existing fund balance of $5.7 million to the Escheats Fund and increases annual appropriations by $2.5 million for a total budget of $16.5 million per year. The funds for this item are shown in the Community College System - Trust - General Fund (Budget Code: 66801) section of this report.				
62 Tuition Waivers Eliminates tuition waivers for community college faculty and staff, NC Civil Air Patrol, and individuals engaged in civil preparedness activities. Colleges are permitted to use State and local funds to pay for tuition and registration fees for one course per semester for full-time faculty and staff.	($444,000)	R	($444,000)	R
D. Community Colleges System Office Adjustments				
63 System Office Positions Eliminates 19 positions in the Community Colleges System Office, including 9 vacant, 2 expected-to-be-vacant, and 8 filled positions. The positions are as follows: Executive Division - 3 vacant and 2 filled positions; IT & Workforce Development Division - 3 vacant, 2 expected-to-be-vacant, and 4 filled positions; Business and Finance Division - 1 vacant and 1 filled position; and Academic and Student Services Division - 2 vacant and 1 filled positions.	($1,265,975) -19.00	R	($1,265,975) -19.00	R
64 System Office Operating Funds Reduces operating funds for travel, training, information technology, and other expenses.	($265,417)	R	($265,417)	R
65 2+2 E-learning Initiative Reduces the budget of the 2+2 E-learning initiative by 13%. Total funding remaining for the program will be $653,000.	($97,000)	R	($97,000)	R
66 Receipt-supported Positions Shifts 3.5 positions from General Fund appropriations to receipts. Positions and receipt source are as follows: Accountant (2 positions) - indirect cost receipts; Education Program Director (1 position) - Proprietary School receipts; Education Consultant II (.25 position) and Education Program Director II (.25 position) - federal receipts.	($322,180) -3.50	R	($322,180) -3.50	R

Senate Subcommittee on Education	FY 11-12		FY 12-13	
67 GED Program Shifts the General Education Development (GED) program entirely to receipt support. Section 31.2 permits the State Board of Community Colleges to increase the fee assessed to individuals taking the GED exam. The current fee is $7.50. The fees will be used to support the costs of administering the tests, including scoring the tests and printing the GED certificates. A total of 2.5 positions will be shifted from appropriation to receipt support, including 2 GED & Adult High School Tech positions, and one-half of the Education Program Director position.	($208,533) -2.50	R	($208,533) -2.50	R
Total Legislative Changes	**($109,875,214)** **($7,600,000)**	**R** **NR**	**($117,475,214)**	**R**
Total Position Changes	-25.00		-25.00	
Revised Budget	**$985,000,000**		**$985,000,000**	

UNC System

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$2,887,492,464**		**$2,886,730,386**	
Legislative Changes				
A. Technical Adjustments				
68 Enrollment Growth Fully funds projected enrollment growth for FY 2011-12 at the University of North Carolina. The projected enrollment increase of 1.2% equates to an additional 2,337 full-time-equivalent (FTE) students. Total requirements will increase by $56,474,924, of which $10,656,801 will be funded by increased tuition receipts, for a net State appropriation of $46,818,123.	$46,818,123	R	$46,818,123	R
69 Hickory Metro Higher Education Center Transfers funds for the Hickory Metro Higher Education Center from the North Carolina Community College System budget to the budget for Appalachian State University.	$264,833	R	$264,833	R
B. Base Budget Adjustments				
70 Management Flexibility Reduction Mandates a management flexibility reduction for the UNC operating budget. As directed in Section 9.6, the UNC Board of Governors shall not allocate this reduction on an across-the-board basis to constituent institutions.	($413,987,494)	R	($423,172,261)	R
71 UNC Hospitals Subsidy Reduces the State subsidy to UNC Hospitals by 59% for two years. $18 million will remain available to UNC Hospitals after this reduction.	($26,011,882)	NR	($26,011,882)	NR
72 Center for Public Television Continuation Review Eliminates recurring funding for the Center for Public Television and provides nonrecurring funds with a twelve percent reduction for FY 2011-12. Restoration of recurring funding is subject to the findings of a legislative continuation review.	($11,997,888) $10,558,141	R NR	($11,997,888) -116.00	R

	FY 11-12		FY 12-13	
73 East Carolina School of Dentistry Operations Provides funds to the East Carolina School of Dentistry for new faculty and staff and operating costs to prepare for its first class of students, which will enroll in fall 2011, and to establish dental service learning centers throughout the State where faculty and students will serve patients. Of the new funds appropriated, approximately $3.4 million in FY 2011-12 and approximately $4.5 million in FY 2012-13 will be used for salaries, wages, and benefits. Total State appropriations will be $15 million in FY 2011-12 and $16.5 million in FY 2012-13.	$3,500,000 27.00	R	$5,000,000 39.00	R
74 Building Reserves Provides funds to operate new or renovated UNC buildings completed in FY 2011-12. Specifically, funds are for the housekeeping, maintenance, and security requirements for the added building square footage. The FY 2011-12 amount provides funding for a partial year; the FY 2012-13 appropriation represents the full-year cost.	$18,531,614 282.80	R	$29,233,551 282.80	R
75 NC A&T/UNC-G Joint School of Nanoscience and Nanoengineering Provides nonrecurring funds for the NC A&T/UNC-G Joint School of Nanoscience and Nanotechnology located the Gateway University Research Park in Greensboro. The program is designed to conduct research in areas such as drug design and delivery, nanobioengineering, and genetic screening.	$1,000,000	NR	$1,000,000	NR

	FY 11-12		FY 12-13	
C. Student Aid Adjustments				
76 UNC Need-based Financial Aid Program Shifts program funding to a higher proportion from the General Fund, due to diminishing Escheat Fund principal. In FY 2011-12, total funds available for the UNC Need-based Financial Aid program from all sources will be $301,446 lower than the FY 2011-12 base budget. In FY 2012-13, total funds available will be $4,956,358 lower, and students will be limited in the length of time they can receive the grant (Section 9.11). An additional $59.9 million in forward-funding is provided in FY 2011-12, to increase program stability (Section 9.9). Total funding includes: FY 2011-12 General Fund - $48,891,429 Escheat Fund - $127,354,154 Lottery Fund - $10,744,733 FY 2012-13 General Fund - $79,608,867 Escheat Fund - $32,122,242 Lottery Fund - $10,744,733 Note: Sections 5.4 and 9.8 appropriate funds from the Lottery Fund and Escheat Fund, respectively.	$37,891,429	R	$68,608,867	R
77 Student Incentive Grant Eliminates funding for the Student Incentive Grant, as federal matching funds have been eliminated. In addition to the funds shown here, $3,613,601 in Escheat Fund program funding is also reduced, for a total reduction of $4,414,428.	($800,827)	R	($800,827)	R
78 Nonresident Tuition Waivers Eliminates certain tuition waivers for nonresident students. These waivers include: - Special Talent undergraduate tuition waivers ($529,967); - Nonresident teachers ($984,443); and - Nonresident Prospective Teacher Scholars program ($378,230).	($1,892,640)	R	($1,892,640)	R
79 Academic Common Market Phases out funding for the Academic Common Market program, beginning in FY 2012-13. Based on tuition waived in FY 2009-10, it is estimated that $970,747 will remain in program funding in FY 2012-13.			($970,747)	R
80 Legislative Tuition Grant Reduces funds for the Legislative Tuition Grant (LTG) by 12.3% in FY 2011-12 and eliminates funding in FY 2012-13. This program will be replaced by the Need-based Scholarships for Students Attending Private Institutions of Higher Education, described below.	($7,167,171)	R	($58,269,681)	R

	FY 11-12		FY 12-13	
81 State Contractual Scholarship Fund Reduces funds for the State Contractual Scholarship Fund by 12.3% in FY 2011-12 and eliminates funding in FY 2012-13. This program will be replaced by the Need-based Scholarships for Students Attending Private Institutions of Higher Education, described below.	($5,645,326)	R	($45,896,963)	R
82 Other Private School Aid Reduces funds for Other Private School Aid by 12.3% in FY 2011-12 and eliminates funding in FY 2012-13. This program will be replaced by the Need-based Scholarships for Students Attending Private Institutions of Higher Education, described below.	($39,483)	R	($321,000)	R
83 Need-based Scholarships for Private College Students Provides funds for the newly established Need-based Scholarships for Students Attending Private Institutions of Higher Education, beginning in FY 2012-13. This program is described in Section 9.18.			$81,851,588	R
84 Private Medical School Aid Eliminates funding for the Private Medical School aid program. Students funded under this program are eligible to apply for the Board of Governors Medical School Loan program.	($1,279,000)	R	($1,279,000)	R
85 Principal Fellows Reduces program slots by 10% beginning in FY 2012-13. Total funding remaining for the program in FY 2012-13 will be $3,258,000.			($362,000)	R
86 Future Teachers Scholarship-loan Eliminates the remaining budget of the Future Teachers Scholarship-loan, which was abolished in 2009.	($455,000)	R	($455,000)	R
87 Health, Science, and Mathematics Scholarship-loan Shifts the portion of program funding previously provided from the Escheat Fund to General Fund support. Total program funding will remain at $1,922,779.	$1,100,000	R	$1,100,000	R
88 Board of Governors Medical Scholarship-loan Shifts the portion of program funding previously provided from the Escheat Fund to General Fund support. Total program funding will remain at $1,869,180.	$645,000	R	$645,000	R
89 Board of Governors Dental Scholarship-loan Shifts the portion of program funding previously provided from the Escheat Fund to General Fund support. Total program funding will remain at $939,160.	$450,239	R	$450,239	R
90 Nurse Education Scholarship-loan Shifts the portion of program funding previously provided from the Escheat Fund to General Fund support. Total program funding will remain at $867,756.	$800,000	R	$800,000	R

	FY 11-12		FY 12-13	
91 Teacher Assistant Scholarship Fund Shifts the portion of program funding previously provided from the Escheat Fund to General Fund support. Total program funding will remain at $814,714.	$600,000	R	$600,000	R
Total Legislative Changes	**($332,663,591)**	**R**	**($310,045,806)**	**R**
	($14,453,741)	**NR**	**($25,011,882)**	**NR**
Total Position Changes	309.80		205.80	
Revised Budget	**$2,540,375,132**		**$2,551,672,698**	

NC Community College System – Trust – General

Budget Code: 66801

	FY 2011-12		FY 2012-13	
Beginning Unreserved Fund Balance	**$5,919,657**		**$187,745**	
Recommended Budget				
Requirements	**$26,282,132**		**$26,282,132**	
Receipts	**$26,282,132**		**$26,282,132**	
Positions	**0.00**		**0.00**	
Legislative Changes				
Requirements:				
NC Community College Grant Program	$2,518,798	R	$2,518,798	R
Increases the annual appropriation from the Escheats Fund by $2.5 million, for a total program budget of $16.5 million per year.	$0	NR	$0	NR
	0.00		0.00	
Community College Grant Program Fund Balance	$0	R	$0	R
Appropriates the program's fund balance, which will be transferred to the Escheats Fund.	$5,731,912	NR	$0	NR
	0.00		0.00	
Correction to Base Budget	($11,648,356)	R	($11,648,356)	R
Corrects an error in the Governor's recommended budget for the total requirements in Budget Code 66801, Fund 6102.	$0	NR	$0	NR
	0.00		0.00	
Subtotal Legislative Changes	**($9,129,558)**	R	**($9,129,558)**	R
	$5,731,912	NR	**$0**	NR
	0.00		0.00	
Receipts:				
NC Community College Grant Program	$2,518,798	R	$2,518,798	R
Increases receipts from the Escheats Fund by $2.5 million. Total program receipts will be $16.5 million per year.	$0	NR	$0	NR

	FY 2011-12		FY 2012-13	
Correction to Base Budget	($11,648,356)	R	($11,648,356)	R
Corrects an error in the Governor's recommended budget for the fund balance receipts in Budget Code 66801, Fund 6102.	$0	NR	$0	NR
Subtotal Legislative Changes	**($9,129,558)**	R	**($9,129,558)**	R
	$0	NR	**$0**	NR
Revised Total Requirements	**$22,884,486**		**$17,152,574**	
Revised Total Receipts	**$17,152,574**		**$17,152,574**	
Change in Fund Balance	**($5,731,912)**		**$0**	
Total Positions	**0.00**		**0.00**	
Unappropriated Balance Remaining	**$187,745**		**$187,745**	

HEALTH
&
HUMAN SERVICES
Section G

Health and Human Services

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	$4,927,739,648		$4,928,125,764	
Legislative Changes				
(1.0) Division of Child Development				
1 **Pre-kindergarten Funds Transfer** Transfers $65,011,651 from the Department of Public Instruction to Department of Health and Human Services to operate a pre-kindergarten program within the Division of Child Development. Additionally, lottery funds will be allocated in the amount of $63,135,709 for the continued payment of a high quality pre-kindergarten program. Sec. 10.7	$65,011,651	R	$65,011,651	R
2 **TANF Funding** Replaces State funds for child care subsidy with one time TANF funds. This reduction does not result in loss of services. Sec. 10.60	($6,352,644)	NR	($6,352,644)	NR
3 **Smart Start** Reduces the Smart Start budget by 20%, leaving $150M available to support activities. Sec. 10.5	($37,600,000)	R	($37,600,000)	R
4 **TEACH Program** Swaps federal Child Care Development Fund Block Grant with state funds for the program. Sec. 10.60	($3,800,000)	R	($3,800,000)	R
5 **Social Services Administrative Support** Reduces the allowance for County Departments of Social Services administrative allowance from 5% to 4%. This leaves $16.4M County Departments of Social Services may use to support administrative costs. Sec. 10.60	($3,195,581)	R	($3,195,581)	R
6 **Post-Secondary Education** Reduces child care subsidy funding available for post-secondary education. This reduction will change the existing policy from allowing individuals to receive subsidy for 24 months to 20 months. The combination of changing various policies (items 6-9) will result in a net reduction of $9.7M, leaving approximately $54M. Sec. 10.1 (c)(5)	($7,052,797)	R	($7,052,797)	R

	FY 11-12		FY 12-13	
7 More At Four Match Discontinues payment for the instructional day of More At Four students by child care subsidy funds. The combination of changing various policies (items 6-9) will result in a net reduction of $9.7M, leaving approximately $54M.	($1,305,008)	R	($1,305,008)	R
8 Facility Registration Fees Discontinues payment for child care centers' registration fees by child care subsidy funds. The combination of changing various policies (items 6-9) will result in a net reduction of $9.7M, leaving approximately $54M. Sec. 10.1 (c)(4)	($360,570)	R	($360,570)	R
9 Transportation Services Discontinues payment for transportation services with subsidy funds. The combination of changing various policies (items 6-9) will result in a net reduction of $9.7M, leaving approximately $54M. Sec. 10.1 (c)(4)	($1,001,718)	R	($1,001,718)	R
(2.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services				
10 Management Funding Reduction Reduces community service funds by 2%; this reduction continues a non-recurring reduction made in FY2010-11. These funds have not been used to pay for services. There is currently $350M in state funding to pay for services managed through Local Management Entities.	($7,180,807)	R	($7,180,807)	R
11 Advocacy Positions Eliminates seven vacant advocacy positions located throughout facilities and/or community settings. There are 56 positions remaining after this reduction; this is an 11% reduction in number of positions for advocacy.	($158,045) -7.00	R	($158,045) -7.00	R
12 Community Services Funds Reduces Community Services funds by $20M for FY2011-12. This reduction combined with the Management Funding Reduction leaves $323M of state funds available for purchase of services through Local Management Entities. This reduction is an 8% reduction in this budget. Sec. 10.11(a)	($20,000,000)	NR		
13 Child and Family Support Teams Eliminates funding for coordinator positions located in 15 Local Management Entities. These positions have supported the Child and Family Team Pilot Program. Funds within Division of Social Services for this pilot is also being eliminated within this budget.	($523,638)	R	($523,638)	R

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14 Community Services Funds - Swap Replaces Community Services Funds with Local Management Entities' Fund Balance available for FY2011-12. This reduction/swap is to come from the undesignated/unreserved fund balances and not further reduce community services. Sec. 10.11 (d)	($25,000,000)	NR		
15 Information Technology Reserve Eliminates the funding for the information technology account that is used to fund the facilities' information technology systems upgrade.	($5,100,390)	R	($5,100,390)	R
(3.0) Division of Central Management and Support				
16 Division of Information Resource Management - Contracts Eliminates recurring funding for the DIRM Contracts. Funding for FY2012-13 is pending the findings and recommendations of a Continuation Review.	($5,599,390) $5,599,390	R NR	($5,599,390)	R
17 Community Health Centers Reduces funding available for grants to community health centers. Grants are awarded on a multi-year basis; this reduction represents the new grants to be awarded in FY2011-12. There will be $5M remaining for grants.	($1,452,527)	R	($1,452,527)	R
18 Loan Repayment Program - Federal Receipts Replaces state funds with increased federal funds available for the loan repayment program. The total program has approximately $1.4M in funds.	($458,395)	R	($458,395)	R
19 Information Resource Management - Operating Budget Reduces excess operating funds within the Division of Resource Management.	($550,556)	R	($550,556)	R
20 Position Eliminations - Office of the Controller Eliminates two positions, one due to transfer of the Residential Schools to Department of Public Instruction and one within Purchase of Medical Care Section.	($76,215) -2.00	R	($76,215) -2.00	R
21 Department Wide Administrative Efficiencies Reduces administrative funds and positions available within the Department of Health and Human Services. Administrative cost savings should include the co-location of various regional and field offices to achieve savings in leased space costs.	($1,869,435) -25.00	R	($1,869,435) -25.00	R
22 Non-profit Reductions Reduces grants-in-aid and contract funding for non-profits by $5M. There is currently $75M in state funds for non-profits and this reduction represents 6.6% of total state funding.	($5,000,000)	R	($5,000,000)	R

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23 Migrant Fee for Service Program Reduces the program funds for the Migrant Purchase of Medical Care Program; the federal funds will continue. There remains approximately $2.8M in this program.	($736,145)	R	($736,145)	R
24 NC Care Line Eliminates funding and positions for the NC Care Line.	($380,478) -11.00	R	($380,478) -11.00	R
25 Information Resource Management - Conversion of Contracts to Employees Reduces the contractual services line item within The Division of Resource Management. This reduction represents cost-savings realized from converting 78 Information Technology Contractors to state employees.	($1,360,982)	R	($1,360,982)	R
26 Position Eliminations Eliminates vacant positions. There are over 1,600 positions vacant.	($7,606,000) -250.00	R	($7,606,000) -250.00	R
27 Budgeting Receipts - Information Resource Management Replaces state appropriations within The Division of Resource Management ($410,225) and throughout Central Management and Support ($151,000) with over-realized receipts.	($561,225)	R	($561,225)	R
(4.0) Division of Public Health				
28 Division of Environmental Health Transfer Transfers $14,296,540 from the Department of Environment and Natural Resources to the Department of Health and Human Services to operate various programs and activities that comprised the Division of Environmental Health. In effecting this transfer, the following activities are being eliminated: 1) Public Health Pest Management Section, and 2) the Private Well Program, WaDE Program, and Quality Assurance of the On-Site Water Protection Section.				
29 Early Intervention Requires the Division of Public Health to implement several administrative efficiencies, including: 1) elimination of 11 vacant positions; 2) reducing the contract to the Charlotte-Child Development Service Agency (a reduction that can be made up by its implementing Medicaid cost-settlement); and 3) other administrative efficiencies. The program will continue to be funded at nearly $80 million annually, with a combination of federal and state funds.	($3,118,046) -11.00	R	($3,118,046) -11.00	R
30 Department of Health and Human Services - Chemical Testing Unit Shifts a portion of funds for position number 60039654 from Highway Fund receipts to other receipts within the Department of Health and Human Services budget, and reduces funding for purchased services by $6,280.				

	FY 11-12		FY 12-13	
31 Office of Minority Health Reduces the administrative staff within the Office of Minority Health with little or no impact on the Division's ability to direct this program or provide technical assistance to Local Health Departments in striving to eliminate health disparities.	($302,262) -4.00	R	($302,262) -4.00	R
32 Consolidate Healthy Carolinians and Health Education Integrates the activities of the Office of Healthy Carolinians and Health Education into the duties of other personnel in the Division of Public Health. The Division will continue to provide technical assistance to local communities in support of the Governor's Task Force on Healthy Carolinians.	($571,447) -10.00	R	($571,447) -10.00	R
33 Local Health Department Accreditation Continues funding for the Accreditation program at a level comparable to FY 2010-11 ($375,000). This allows the program to be funded at a maintenance level.	($400,000)	R	($400,000)	R
34 Health & Wellness Trust Fund Transfer to DHHS Transfers $32,904,411 from funds available to the Health & Wellness Trust Fund to the Department of Health and Human Services as follows: -- $22,000,000 shall be used to administer the grants associated with the following programs and initiatives; Teen Tobacco Prevention, CheckMeds, Medication Assistance Program, and Obesity Prevention. -- $10,000,000 shall be used to reduce the total savings required to be achieved for the Medicaid program by Community Care of North Carolina -- The remainder shall be used to reduce the Medicaid Provider Rate cut.	$32,904,411	NR		
(5.0) NC Health Choice				
35 Modify Health Choice Services Modifies and ensures the clinical appropriateness of several Health Choice Services, including: 1) Elimination of long-term care, hearing services, and non-emergency transportation; 2) Reduction of dental benefits; and 3) Assurance of evidence-based treatment.	($650,000)	R	($900,000)	R
36 Benchmark Health Choice to Medicaid Benchmarks Health Choice services to Medicaid including the amounts, types, and reimbursement rates. The exception is that Health Choice will not be benchmarked to Medicaid's Early Periodic Screening, Diagnosis, and Treatment Program.	($125,000)	R	($350,000)	R
37 Targeted Rate Adjustments Adjusts Medicaid provider reimbursement rates. The Division of Medical Assistance will adjust provider reimbursement rates that are above regional rates, or where analysis indicates an adjustment is warranted and appropriate.	($225,000)	R	($250,000)	R

Senate Subcommittee on Health and Human Services	FY 11-12		FY 12-13	
38 Strengthen and Restructure Program Integrity Budgets savings to be realized by the Division of Medical Assistance as a result of restructuring and modernizing its program integrity and fraud and abuse operations to enhance recoveries and avoid overpayments. Complementary savings are expected in the Health Choice program.	($500,000)	R	($666,667)	R
39 Care Coordination through CCNC Reduces State costs in the Division of Medical Assistance by re-establishing the care and utilization management services of the Community Care of North Carolina program-both Networks and Physician of Health Choice recipients. A per member per month payment will be made to physicians and networks. The cost will be offset by better management of services and improved clinical outcomes which lead to reduced state costs.	($4,255,235)	R	($4,489,274)	R
40 Health Choice Adjustment Adjusts funding for Health Choice to reflect the changes in the consumption and mix of services, and payment to cost-settled health care providers. The policy of open enrollment will continue in FY 2011-12 and is projected to increase enrollment to approximately 148,203 children. Open enrollment will continue in FY 2012-13, but at a moderated rate.	($3,166,254)	R	$2,000,000	R
(6.0) Division of Medical Assistance				
41 Medicaid Provider Assessments Levies an assessment of up to 5.5%, consistent with Federal Regulations, on willing Medicaid healthcare providers. Currently, the list of providers includes: Hospitals, Critical Access Behavioral Health Agencies (CABHA), and Community Alternative Programs for Mentally Retarded (CAP/MR). A portion of the assessment will be retained by the State. The current 5.5% assessment on Nursing Homes is not affected.	($60,183,120)	R	($62,798,614)	R
42 Adjust Assessment on Nursing Facilities to 6% Adjusts the assessment rate on Nursing Facilities upward to 6.0%, as allowed by Federal regulations, effective October 1, 2011, by adjusting the appropriate totals accordingly.	($7,926,122)	R	($10,568,163)	R
43 Implement Pregnancy Home Model Budgets savings to be achieved from the March 2011 implementation of a collaborative effort between Community Care of North Carolina Networks and Local Health Departments to improve the quality of perinatal care and ensure that high-risk pregnant women receive the care and case management required. The improved birth outcomes, especially preventing premature births, will reduce state expenditures incurred by the Division of Medical Assistance.	($528,960)	R	($3,457,596)	R

	FY 11-12		FY 12-13	
44 Health Homes for Chronically Ill Budgets revenue from the increased federal matching rate for the Health Homes for Chronically III Program. The Division of Medical Assistance is taking advantage of the two-year Federal program to enhance comprehensive care management for Medicaid recipients with co-occurring illnesses, including a chronic health condition and severe and persistent mental health condition. The Federal matching rate for this program, during the two-years, is 90%, versus the current rate of approximately 65%.	($16,146,384)	NR	($24,739,541)	NR
45 Strengthen and Restructure Program Integrity Budgets the anticipated savings from the Division of Medical Assistance efforts to reduce, if not eliminate, fraud and abuse in the Medicaid program by restructuring and modernizing current policies and efforts. Through policy and staffing changes and technology improvements, state administrative costs will be reduced, over payments avoided and recovery-of-funds improved.	($19,200,000) -30.00	R	($28,000,000) -40.00	R
46 Generic Substitution for Off-Patent Drugs Budgets anticipated savings in FY 2012-13. In the next 12 months several brand-name drugs are scheduled to go off patent, leading to generic drug substitution savings in FY 2012-13.			($7,000,000)	R
47 Modify Pharmacy Services Budgets savings to be realized by the Division of Medical Assistance through several actions, including: 1) Better management of drug rebates, 2) Ensuring Medicare Part D correctly reimburses Medicaid, 3) Elimination of automatic refills, and 4) For flexibility to modify dispensing fees.	($10,845,441)	R	($14,436,600)	R
48 Modify Generic Prescription Dispensing Rates Revises generic drug dispensing rates to increase the rate of generic drugs within the Medicaid Program.	($15,000,000)	R	($24,000,000)	R
49 Behavioral Health Medicaid 1915 b/c Waiver Expands the capitated behavioral health program to additional Local Management Entities (LMEs).	($10,537,931)	R	($52,551,082)	R
50 DHHS Savings Through Community Care of North Carolina (CCNC) Budgets savings to be achieved by DHHS, in conjunction with CCNC Networks and North Carolina Community Care, Inc., through the cooperation of Medicaid health care providers. To the extent these savings are not achieved, DHHS is to undertake whatever actions necessary to affect the savings, including: 1) Reducing provider rates, and 2) Eliminating or reducing the level or duration of optional Medicaid services.	($90,000,000)	R	($90,000,000)	R

Senate Subcommittee on Health and Human Services	FY 11-12		FY 12-13	
51 Modify Optional and Mandatory Services Budgets savings to be achieved by the Division of Medical Assistance through adjustments to mandatory and optional Medicaid services. These changes include the following services: Optical, Durable Medical Equipment, Specialized Therapies, Home Health, Dental, and a variety of other services. In the event, these savings are not fully achieved, the elimination of optional service requirements may be required.	($16,508,903)	R	($22,072,343)	R
52 Eliminate Inflationary Increases Eliminates automatic inflation increases for Medicaid providers. The Division of Medical Assistance is not to authorize any inflationary increases to Medicaid provider rates during the 2011-13 biennium, except as provided for in Section 10.43.	($62,853,775)	R	($130,874,505)	R
53 Adjust Provider Rates Reduces Medicaid provider reimbursement rates. The Division of Medical Assistance is to reduce Medicaid provider rates by 2%, except as provided for in Section 10.37.	($46,420,718)	R	($46,458,260)	R
54 Medicaid Rebase Rebases the Medicaid budget to adjust for changes in the number of Medicaid recipients, utilization or consumption of services, mix of services being consumed, inflation for cost-settled providers, and changes to the Federal Medical Assistance Percentage (FMAP).			$109,693,468	R
(7.0) Division of Health Service Regulation				
55 Nursing Home Licensure and Certification Funds Replaces State funds with federal receipts in the Nursing Home Licensure and Certification Section on a non-recurring basis. The receipts come from civil monetary penalties assessed against nursing homes.	($1,792,559)	NR	($1,792,559)	NR
(8.0) Division of Social Services				
56 Child and Family Team Pilot Elimination Eliminates pilot funding for local departments of social services that partially supports Child and Family Team positions. Child and Family Teams will continue to work in schools and DSS will continue to provide training and technical assistance to local departments of social services in order for the initiative to continue.	($420,804)	R	($420,804)	R
57 Replace State Funding for Child Protective Services Replaces state funds with federal block grant funds to support Child Protective Services. County departments of social services will receive Social Services Block Grant (SSBG) funds in lieu of state general funds. Sec. 10.60 (a)	($5,040,000)	R	($5,040,000)	R

Senate Subcommittee on Health and Human Services	FY 11-12		FY 12-13	
58 Eliminate Special Assistance Intervention Team Eliminates the Special Assistance Intervention team, whose purpose was to provide special assistance and intervention services for low performing counties around child welfare services. The model has not been effective and positions are vacant.	($103,997) -2.00	R	($103,997) -2.00	R
59 Eliminate State General Funds to Local Departments of Social Services Continues the reduction in general funds to county departments of social services from the previous biennium. This action eliminates the State general fund contribution to county social services departments to offset the cost of administering public assistance programs. The administrative cost of these programs is shared evenly by the federal and county governments.	($5,473,985)	R	($5,473,985)	R
60 Use Social Services Block Grant (SSBG) to Support Adult Protective Services Replaces State funds with federal funds by requiring all counties to use federal SSBG funds to provide adult protective services. This will require 52 counties to begin using their SSBG allocations to provide this mandated service. Sec. 10.60 (a)	($2,000,000)	R	($2,000,000)	R
61 Eliminate State Abortion Fund Eliminates funding for the State Abortion Fund. Sec. 10.53	($50,000)	R	($50,000)	R
62 Reduce NC Reach Scholarship Funds Reduces the budget for the NC Reach post-secondary education program by 50%, $1,584,125, maintaining the program at the FY 2010-11 funding level. Sec. 10.54 (a)	($1,584,125)	R	($1,584,125)	R
63 Replace Division Admin Funds with Federal Block Grant Replaces State funding for the Division of Social Services administrative costs with federal TANF Block Grant funds. Sec. 10.60 (a)	($1,389,084)	R	($1,389,084)	R
(9.0) Division of Aging and Adult Services				
64 Replace Funding for Long-Term Care Constituent Advocate Program Replaces State funds with federal Civil Monetary Penalty proceeds to support the Long-Term Care Ombudsman Program, which advocates for the elderly.	($200,000)	R	($200,000)	R

Senate Subcommittee on Health and Human Services	FY 11-12		FY 12-13	
65 **Eliminate Volunteer Program Development** Eliminates funds for the Volunteer Development Program, one of 18 services funded through the Home and Community Care Block Grant. Currently, only 11 counties elect to provide this service.	($200,000)	R	($200,000)	R
(11.0) Division of Vocational Rehabilitation				
66 **Eliminate Recreational Therapists Services** Eliminates recreational therapist services available in only five cities across the state. Four of the five positions to be eliminated are vacant.	($284,501) -5.00	R	($284,501) -5.00	R
67 **Reduce Independent Living Program** Reduces State funding for independent living services by 9%. Services will continue to be prioritized so as to avoid institutional care.	($1,774,021)	R	($1,774,021)	R
68 **Reduce Basic Support Program** Replaces a portion of the State funds for the Basic Support Program with unspent federal funds.	($2,067,928)	NR	($2,067,928)	NR
Total Legislative Changes	**($399,756,982)** **($32,855,714)**	R NR	**($438,010,159)** **($34,952,672)**	R
Total Position Changes	-357.00		-367.00	
Revised Budget	**$4,495,126,952**		**$4,455,162,933**	

Health & Wellness Trust Fund

Budget Code: 23460

	FY 2011-12		FY 2012-13	
Beginning Unreserved Fund Balance	**$32,904,411**		**$0**	
Recommended Budget				
Requirements	**$0**		**$0**	
Receipts	**$0**		**$0**	
Positions	**0.00**		**0.00**	
Legislative Changes				
Requirements:				
Health & Wellness Trust Fund to General Fund	$0	R	$0	R
Transfers the $32,904,411 in Health and Wellness Trust Fund to the General Fund for use by the Department of Health and Human Services.	$32,904,411	NR	$0	NR
	0.00		0.00	
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$32,904,411	NR	**$0**	NR
	0.00		0.00	
Receipts:				
Health & Wellness Trust Fund to General Fund	$0	R	$0	R
Transfers the $32,904,411 in Health and Wellness Trust Fund to the General Fund for use by the Department of Health and Human Services.	$0	NR	$0	NR
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$0	NR	**$0**	NR

	FY 2011-12	FY 2012-13
Revised Total Requirements	**$32,904,411**	**$0**
Revised Total Receipts	**$0**	**$0**
Change in Fund Balance	**($32,904,411)**	**$0**
Total Positions	**0.00**	**0.00**
Unappropriated Balance Remaining	**$0**	**$0**

NATURAL & ECONOMIC RESOURCES Section H

Agriculture and Consumer Services

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	$61,754,014		$61,754,014	

Legislative Changes

Department-wide

1 Cell Phones ($41,805) R ($41,805) R

Reduces General Fund appropriation for cell phones across the Department by 25%. The Department is to reduce the actual number of phones by this percentage as well.

2 Longevity ($25,000) R ($25,000) R

Reduces General Fund appropriation for longevity across the Department to reflect expected longevity needs.

3 Motor Fleet Management ($127,726) R ($127,726) R

Reduces General Fund appropriation for Motor Fleet Management expenditures across the Department by 10%. The Department is to reduce the actual number of Motor Fleet Management vehicles by 10% as well.

4 Vacant Positions and Salary Reserve ($824,249) R ($824,249) R

Eliminates 12 vacant positions and fund shifts one position. Of the eliminated positions, 11 were proposed by the Department and one had been vacant for more than one year as of March 2011. The reduction includes salaries and benefits for these positions and salary reserve. Positions eliminated include: -13.00 -13.00

60011803	Research Tech	$34,923
60011834	Technology Support Analyst	$77,114
60011858	Lithographic Press Operator III	$58,413
60011880	Food Compliance Officer I	$50,736
60011976	Food Inspector	$47,631
60012083	Veterinarian	$126,818
60012226	Veterinary Laboratory Asst I	$32,834
60012592	Research Spec	$49,593
60012527	Processing Assistant IV	$40,649
60012095	Veterinarian	$106,463
60012094	Livestock Compliance Officer	$67,706
60011911	Chemist	$42,294
	Salary Reserve	$12,111

Fund shifts one position to the Pesticide Environmental Trust Fund:

60012056	Environmental Toxicologist	$76,964

	FY 11-12		FY 12-13	
5 Forest Resources Transfers the Division of Forest Resources from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services.				
6 Soil & Water Conservation Transfers the Division of Soil and Water Conservation from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services.				
7 Sleep Products Section Transfers the Sleep Products Section of the Division of Environmental Health within the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services. The Sleep Products Section has eight FTE; the $630,337 budget is entirely supported by receipts.				
Reserves & Transfers				
8 S.B. 109 Funds Provides $2.4 million to the Department to restore funds taken to meet the requirements of S.L. 2011-15 (S.B. 109).	$2,400,000	NR		
9 Tobacco Trust Fund Provides General Fund appropriation for the operation of the Tobacco Trust Fund (TTF). Beginning in FY 2011-12, MSA funds are transferred to the General Fund, not directly to TTF. These funds shall be used for administration, grants, and all costs associated with the enforcement of the MSA formerly covered by payments from both TTF and the Health & Wellness Trust Fund.	$2,000,000	NR	$2,000,000	NR
Administration				
10 Ag. Development and Farmland Preservation Trust Fund Reduces funding for the Agricultural Development and Farmland Preservation Trust Fund by 15%. This leaves $1.7 million to be appropriated to the Trust Fund.	($300,000)	R	($300,000)	R
11 Cooperative Grading Service Charge Reduces General Fund support for the General Administration Division, replacing these funds with $20,000 paid by the Cooperative Grading Program for budgeting, accounting, and HR services provided by the Division.	($20,000)	R	($20,000)	R
12 Ag in the Classroom Transfers the appropriation for Ag in the Classroom to Commerce State-Aid. All nonprofits funded by the Natural and Economic Resources Subcommittee will now be funded out of Commerce State-Aid.	($22,077)	R	($22,077)	R

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
13 FFA Foundation Transfers the appropriation for the FFA Foundation to Commerce State-Aid. A 15% reduction will be taken when the funds are added into the Commerce State-Aid section, leaving $37,531. All nonprofits funded by the Natural and Economic Resources Subcommittee will now be funded out of Commerce State-Aid.	($44,154)	R	($44,154)	R
Agronomics				
14 Soil Testing Fees Implements two fees related to soil testing: (1) A fee for soil tests on samples sent to the Department from outside of North Carolina and (2) a fee for expedited soil testing. The fee for out-of-state soil tests shall not be less than $5. The expedited service will be for bulk samples and the fee shall not be less than $100.	($50,000)	R	($50,000)	R
15 Lime Tonnage Fee Replaces General Fund appropriation with an increase in the lime tonnage fee. The fee will be increased from $0.10 per ton to $0.50 per ton. All receipts from this increase will be used to support the soil testing program in the Agronomic Services Division. This fee has not been increased since 1979.	($250,000)	R	($250,000)	R
Food & Drug				
16 Antifreeze Registration Increases the fee for antifreeze registration from $250 to $500 for each brand of antifreeze. This fee has not been increased since 1979.	($75,000)	R	($75,000)	R
17 Grade "A" Milk Transfers the Grade "A" Milk program from the Division of Environmental Health within the Department of Environment and Natural Resources to the Division of Food & Drug Protection within the Department of Agriculture and Consumer Services.	$811,175 7.00	R	$811,175 7.00	R
Food Distribution				
18 Administrative Position Eliminates one administrative position within the Food Distribution Division. The reduction includes salaries and benefits for this position. 60012718 Office Assistant III $43,235	($43,235) -1.00	R	($43,235) -1.00	R
19 Position to Federal Receipts Transfers funding for one Storeroom Manager from General Fund support to federal receipts. The reduction includes salaries and benefits for this position. 60012736 Storeroom Manager $48,608	($48,608) -1.00	R	($48,608) -1.00	R

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
Markets				
20 **Piedmont Farmers Market** Eliminates General Fund support for the Piedmont Farmers Market. This market will now operate as a self-supporting enterprise budgeted in an Enterprise Fund like the Raleigh Farmers Market.	($22,000)	R	($22,000)	R
21 **Lumberton Ag Center and Farmers Market** Eliminates recurring funding for the Lumberton Agricultural Center and Farmers Market and makes the funding nonrecurring for FY 2011-12. The Fiscal Research Division will perform a Justification Review of this program.	($362,230) $362,230	R NR	($362,230) -6.00	R
22 **International Marketing** Provides $500,000 NR for international marketing of North Carolina agricultural products.	$500,000	NR		
Plant Industry				
23 **Over-realized License Revenue** Directs the Plant Industry Division to budget over-realized receipts from business licenses in the Seed and Fertilizer Section.	($50,000)	R	($50,000)	R
24 **Plant Conservation** Eliminates General Fund support for the Plant Conservation program and transfers the program to receipts provided by the Natural Heritage Trust Fund. This transfer fund shifts the salary and benefits of one position: 60012489 Plant Ecologist $68,481	($68,481) -1.00	R	($68,481) -1.00	
Research Stations				
25 **Research Grant Funds** Reduces General Fund support for the research stations by $50,000 and directs the Division to increase receipts from University research grants accordingly. Currently few researchers provide funding to the research stations for the services they provide. Researchers are encouraged to include operating support for the research stations in grant proposals and to compensate the research stations for the services they provide.	($50,000)	R	($50,000)	R
Vet Services				
26 **Administrative Position** Eliminates one administrative position from the Division of Veterinary Services. The Division is to determine which position to eliminate. The reduction reflects the average salary and benefits of an administrative position within the Division.	($51,990) -1.00	R	($51,990) -1.00	R

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
27 **License Fees** Increases the license fee for pet shops, public auctions, boarding kennels, and dealers as defined in G.S. 19A-23 from $50 to $75. This fee was last increased in 1989.	($10,000)	R	($10,000)	R
28 **Animal Welfare Services** Provides two positions and funds for the Animal Welfare Services program to support operations.	$120,000 2.00	R	$120,000 2.00	R
Total Legislative Changes	**($1,555,380)** **$5,262,230**	R NR	**($1,555,380)** **$2,000,000**	R NR
Total Position Changes	-8.00		-14.00	
Revised Budget	**$65,460,864**		**$62,198,634**	

Labor

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	$16,842,679		$16,842,679	
Legislative Changes				
Department-Wide				
29 **Cell Phones** Reduces General Fund appropriation for cell phones across the Department by 25%. The Department is to reduce the actual number of phones by this percentage as well.	($10,074)	R	($10,074)	R
30 **Motor Fleet Management** Reduces General Fund appropriation for Motor Fleet Management expenditures across the Department by 10%. The Department is to reduce the actual number of Motor Fleet Management vehicles by this percentage as well.	($22,635)	R	($22,635)	R
Administration				
31 **Operating Budget** Reduces the operating budget for the Administration Division.	($81,241)	R	($81,241)	
32 **IT Operating Budget** Reduces the IT operating budget for the Administration Division.	($255,000)	R	($255,000)	R
33 **Vacant Position** Eliminates the salary and benefits of 1.0 vacant position: 60012904 Labor Library Assistant $48,414	($48,414) -1.00	R	($48,414) -1.00	R
Occupational Safety and Health				
34 **Agricultural Safety & Health Vacant Position and Salary Reserve** Eliminates the salary and benefits of 1.0 vacant Agricultural Safety & Health position and department-wide salary reserve: 60013261 Agricultural Safety & Health Officer $53,579 Department-wide salary reserve $25,760	($79,339) -1.00	R	($79,339) -1.00	R
Standards and Inspections				
35 **Apprenticeship Bureau** Transfers $350,000 in Workforce Investment Act funds from the Department of Commerce to the Department of Labor to be used for the recurring operating costs of the Apprenticeship Program.				

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
36 Mine & Quarry Vacant Position and Salary Reserve	($81,560)	R	($81,560)	R
Eliminates salary and benefits of 1.0 vacant position in the Mine & Quarry Bureau and department-wide salary reserve:	-1.00		-1.00	
60012967 Mine Safety & Health Representative $69,900				
Department-wide salary reserve $11,660				
37 Employment Discrimination Bureau Vacant Position	($83,622)	R	($83,622)	R
Eliminates the salary, benefits, salary reserve, and operating costs associated with 1.0 vacant position:	-1.00		-1.00	
60013056 Employment Discrimination Investigator $70,116				
Salary reserve $7,981				
Operating costs $5,525				
38 Positions to Receipts and Reduction to Department-wide Salary Reserve	($343,907)	R	($343,907)	R
Shifts the salary and benefits of 5.0 positions to receipt support:	-5.00		-5.00	
60013001 Executive Assistant I $56,190				
60012894 Accounting Technician $45,991				
60012897 Administrative Assistant I $53,488				
60012899 Accounting Technician $52,688				
60012982 Deputy Commissioner Standards & Insp. $114,402				
Department-wide Salary Reserve $21,148				
Total Legislative Changes	**($1,005,792)**	R	**($1,005,792)**	R
Total Position Changes	-9.00		-9.00	
Revised Budget	**$15,836,887**		**$15,836,887**	

Environment & Natural Resources

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	$188,972,401		$188,972,401	

Legislative Changes

(1.0) Department-wide

39 Cell Phones ($112,250) R ($112,250) R

Reduces General Fund appropriation for cell phones across the Department by 25%. The Department is to reduce the actual number of phones by this percentage as well.

40 Longevity ($100,000) R ($100,000) R

Reduces General Fund appropriation for longevity across the Department to reflect expected longevity needs.

41 Filled and Vacant Positions ($1,099,424) R ($1,099,424) R

Eliminates funding for the salaries and benefits of 11.22 positions and associated operating costs across the Department of Environment and Natural Resources: -11.22 -11.22

60035980	Artist Illustrator II	(1.00)	$53,067
60035995	Personnel Analyst I	(1.00)	$50,036
60035987	Workers' Comp Program Manager	(1.00)	$69,074
60035072	Environmental Program Supv II	(0.22)	$20,436
60035963	Environmental Specialist	(1.00)	$57,919
60035956	Environmental Specialist	(1.00)	$71,954
60036076	GIS Specialist	(1.00)	$89,804
60035006	Nat. Science Curator I	(1.00)	$42,294
60033392	Design Tech.	(1.00)	$42,498
60036022	Business Officer	(1.00)	$59,883
60032483	Engineer	(1.00)	$61,444
69932572	Deputy CIO	(1.00)	$116,417
	Operating Costs		$364,598

42 Motor Fleet Management ($265,029) R ($265,029) R

Reduces General Fund appropriation for Motor Fleet Management expenditures across the Department by 15%. The Department is to reduce the actual number of Motor Fleet Management vehicles by 15% as well.

43 Funds for S.B. 709

Provides $100,000 NR for FY 2011-12 to the Department, contingent upon the adoption of S.B. 709, "Energy Jobs Act," in order to fulfill the requirements of the bill. These funds shall come from the Mercury Pollution Prevention Fund in the Department of Environment and Natural Resources.

	FY 11-12		FY 12-13	
44 Funds for H.B. 242 Provides $100,000 NR for FY 2011-12 to the Department, contingent upon the adoption of H.B. 242, "Nat'l Gas/ Bonds/ Fees/ Studies," in order to fulfill the requirements of the bill. These funds shall come from the Mercury Pollution Prevention Fund in the Department of Environment and Natural Resources.				
(1.0) Reserves & Transfers				
45 Clean Water State Revolving Fund Directs the Department to use $5,567,165 of its loan origination fee fund to provide the 20% State match needed to draw down the maximum available federal funds for the Clean Water State Revolving Fund for FY 2011-12. The US EPA has given the Department permission to use these funds for FY 2011-12 only.				
46 Drinking Water State Revolving Fund Provides funding to meet the 20% State match requirement for drawing down the maximum available federal funds for the Drinking Water State Revolving Fund for FY 2011-12.	$7,118,600	NR		
47 Nature Research Center Operating Reserve Provides funds for the operations of the Nature Research Center building. The Center is scheduled to open in the spring of 2012. These funds are to be transferred to the Department of Administration for utilities, custodial services, maintenance, pest control, etc.	$417,498	R	$1,253,590	R
48 Nature Research Center Program Operating Reserve Provides the operating funds and staff required to open the Nature Research Center in the spring of 2012.	$1,465,460 22.00	R	$2,269,798 22.00	R
49 Green Square Office Building Operating Reserve Provides funds for the operations of the Green Square office building, which DENR plans to move into during the summer of 2011. These funds are to be transferred to the Department of Administration for utilities, custodial services, maintenance, pest control, etc.	$956,408	R	$1,056,408	R
50 Plains Barn Operating Reserve Provides the operating funds and staff needed to operate the plains barn and paddock at the North Carolina Zoo.	$128,409 1.50	R	$128,409 1.50	R
51 State Park System Operating Reserve Provides the operating funds and staff for a new boat ramp at Kerr Lake State Recreation Area and new facilities and trails at Grandfather Mountain, Gorges, and Deep River State Parks. Since the projects for Kerr Lake State Recreation Area and Gorges State Park will not be complete until later in 2011, positions included for these locations shall have an effective date of April 1, 2012.	$143,030 5.00	R	$364,812 5.00	R

	FY 11-12		FY 12-13	
52 Grassroots Science Museums Collaborative Transfers the appropriation for the Grassroots Science Museums Collaborative to Commerce State-Aid. A 15% reduction will be taken when the funds are added into the Commerce State-Aid section, leaving $2,899,885. All nonprofits funded by the Natural and Economic Resources Subcommittee will now be funded out of Commerce State-Aid.	($3,411,713)	R	($3,411,713)	R
53 Partnership for the Sounds Transfers the appropriation for the Partnership for the Sounds to Commerce State-Aid. A 15% reduction will be taken when the funds are added into the Commerce State-Aid section, leaving $409,326 recurring. All nonprofits funded by the Natural and Economic Resources Subcommittee will now be funded out of Commerce State-Aid.	($481,560)	R	($481,560)	R
(1.0) Administration				
54 Vacant Positions Eliminates two positions within the administrative area of the Department. These two positions had been vacant for more than a year as of March 2011. The reduction includes salaries and benefits for these positions. 60036049 Departmental Purchasing Agent II $63,832 60036070 Networking Specialist $95,219	($159,051) -2.00	R	($159,051) -2.00	R
55 Office of Environmental Education and Public Affairs Reduces the environmental education responsibilities of the Office of Environmental Education and Public Affairs, with two positions to remain to administer the environmental teacher certification program and serve as a liaison with the Department of Public Instruction. 60036088 Edu. Dev. Consultant $65,772 60036090 Edu. Dev. Consultant $75,019 60036091 Edu. Dev. Consultant $63,925	($246,134) -3.00	R	($246,134) -3.00	R
(1.0) Aquariums				
56 Gate Admissions Reduces General Fund support for the aquariums and budgets $2 million in gate admissions collected by the three aquariums. Currently, all gate admissions are budgeted in a special fund and are used for capital projects, repairs, maintenance, exhibits, etc. Over $7.5 million from the General Fund will continue to be used to support the aquariums.	($2,000,000)	R	($2,250,000)	R
(1.0) Conservation Planning & Comm. Affairs				
57 Working Lands Program Eliminates the Working Lands Program and the position associated with this program. 60036193 Program Development Coordinator $78,195	($78,195) -1.00	R	($78,195) -1.00	R

	FY 11-12		FY 12-13	
58 Program Staff	($279,271)	R	($279,271)	R
Eliminates all remaining General Fund support for the Office of Conservation Planning & Community Affairs and replaces these funds with receipts from the Natural Heritage Trust Fund. All operating expenses and the salaries and benefits associated with three positions are transferred to receipts.	-3.00		-3.00	

60036191 Program Dev Coordinator $80,859
60036192 Program Dev Coordinator $84,110
60036213 Edu. Dev. Consultant $79,213

(1.0) Forest Resources

59 Positions to Receipt Support	($485,148)	R	($485,148)	R
Reduces General Fund support for 13 positions, replacing these funds with receipts. Several of the positions shifted are partial positions; in total, 8.8 FTE are transferred to receipts. Positions and the amount shifted to receipts are listed below:	-8.80		-8.80	

60031721	Office Assistant III	$16,635 (0.4 FTE)
60031762	Office Assistant III	$14,260 (0.4 FTE)
60031781	Office Assistant III	$16,918 (0.4 FTE)
60031786	Office Assistant III	$16,584 (0.4 FTE)
60031808	Office Assistant III	$16,182 (0.4 FTE)
60031919	Office Assistant III	$14,273 (0.4 FTE)
60031944	Office Assistant III	$15,085 (0.4 FTE)
60031995	Forester III	$80,712 (1.0 FTE)
60032202	Extension Educ & Training Spec.	$64,914 (1.0 FTE)
60032214	Forester III	$73,953 (1.0 FTE)
60032220	Forestry Technician	$55,449 (1.0 FTE)
60032221	Forestry Technician	$50,847 (1.0 FTE)
60032224	Accounting Clerk V	$49,336 (1.0 FTE)

60 Operating Reduction	($2,448,094)	R	($2,548,094)	R
Reduces operating expenses of the Division.				
61 Vacant Position	($31,504)	R	($31,504)	R
Eliminates one vacant position in the Division that had been vacant for more than one year as of March 2011.	-1.00		-1.00	

60031683 Cook $31,504

62 Turnbull Educational State Forest	($87,317)	R	($87,317)	R
Replaces General Fund appropriation for the Turnbull Educational State Forest with receipts generated by the Turnbull forest.	-1.00		-1.00	
63 Aviation Base System	($40,000)	R	($40,000)	R
Directs the Division to transition to a three base system for aircraft. Currently the Division operates nine bases across the State. The Conklin & de Decker report issued in late 2010 recommended the three base system.				

	FY 11-12		FY 12-13	
64 Forest Resources Transfers the Division of Forest Resources from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services.				
(1.0) Marine Fisheries				
65 Operating Expenses Reduces operating expenses across the Division.	($168,910)	R	($168,910)	R
66 Operating Expenses to Receipt Support Transfers operating expenses within the Division to commercial fishing receipts.	($200,000)	R	($200,000)	R
67 Position Changes Eliminates three permanent positions within the Division: one vacant, two filled, and one temporary position.	($202,937) -3.00	R	($202,937) -3.00	R
Filled 60032651 M.F. Biologist II $67,900 60032556 M.F. Biologist II $56,225 Vacant 60032552 Processing Asst IV $38,761 Temporary Position $40,051				
68 Positions to Receipt Support Transfers the salaries and benefits of six positions to federal grant funds.	($297,116) -6.00	R	($297,116) -6.00	R
60032644 Marine Fisheries Biologist II $52,330 60032649 Marine Fisheries Technician II $38,586 60032560 Marine Fisheries Biologist II $62,495 60032650 Marine Fisheries Technician III $52,789 60032645 Marine Fisheries Technician II $38,586 60032642 Marine Fisheries Biologist II $52,330				
69 Columbia Office Closes the Columbia Office of the Division of Marine Fisheries. This reduction includes rent and operating expenses associated with the office.	($55,902)	R	($55,902)	R
70 River Herring Program Reduces funding for river herring research. This reduction leaves approximately $65,000 and one position to continue to monitor river herring.	($85,000)	R	($85,000)	R
71 Oyster Sanctuary Program Eliminates funding for the Oyster Sanctuary Program.	($1,451,778)	R	($1,451,778)	R

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
72 Shellfish Rehabilitation Program Reduces funding for the Shellfish Rehabilitation program, leaving $315,000 to support the Oyster Shell Recycling program and oyster sanctuary construction projects. This reduction reduces operating funds.	($260,000)	R	($260,000)	R
73 Fishery Resource Grant Program Reduces the Fishery Resource Grant Program. This program is funded by the Division of Marine Fisheries but is operated by the SeaGrant program at North Carolina State University.	($200,000)	R	($200,000)	R
74 Shellfish Mapping Program Reduces operating funds as well as the salaries and benefits for five positions associated with the Shellfish Mapping Program. Four of these positions are filled and one is vacant. Filled 60032712 M.F. Technician II $ 40,200 60032771 M.F. Technician II $ 40,200 60032713 M.F. Technician II $ 39,328 60032774 M.F. Technician II $ 38,586 Vacant 60032773 M.F. Technician II $ 38,896	($281,168) -5.00	R	($281,168) -5.00	R
75 Shellfish Sanitation and Recreational Water Quality Moves the Shellfish Sanitation and Recreational Water Quality program from the Division of Environmental Health to the Division of Marine Fisheries.	$1,772,789 24.75	R	$1,772,789 24.75	R
(1.0) Museum of Natural Sciences				
76 Position Changes Eliminates five filled positions within the Division. This reduction includes the salaries and benefits of these positions. 60035038 Natural Science Curator I $47,502 60035013 Art Exhibit Design Technician $48,617 60034968 Art Exhibit Design Technician $46,310 60034980 Natural Science Research Curator II $62,733 60034966 Maintenance Mechanic II $40,018	($245,180) -5.00	R	($245,180) -5.00	R
77 Temporary Wages Reduces temporary wages in the Division.	($189,732)	R	($189,732)	R
(1.0) North Carolina Zoo				
78 Operating Expenses Reduces General Fund operating expenses at the NC Zoo by approximately 6.5%. The NC Zoo may offset this reduction by increasing fees for gate admissions by $2.	($806,396)	R	($806,396)	R

	FY 11-12		FY 12-13	
79 Operations to Receipt Support Budgets $493,604 in receipts generated by the NC Zoo from revenue sources such as gate admissions, carousel rides, and stroller rentals. These receipts are over-realized and are currently deposited into the Special Zoo Fund.	($493,604)	R	($493,604)	R
80 Gift Shops Outsources at least three gift shops operated by the North Carolina Zoo. Outsourcing the NC Zoo's gift shops will eliminate six filled positions and one vacant position.	($603,198) -7.00	R	($603,198) -7.00	R
60033433 Sales Manager I $33,260 60033304 Sales Manager I $32,505 60033404 Sales Manager I $34,235 60033403 Sales Manager II $35,133 60033402 Sales Manager II $36,506 60033459 Stock Clerk I $34,203 60033405 Sales Manager I $32,505				
81 Vacant Positions Eliminates two positions in the Division that had been vacant for more than one year as of March 2011. This reduction includes the salaries and benefits for these positions.	($68,846) -2.00	R	($68,846) -2.00	R
60033308 Grounds Worker $32,505 60033295 Vehicle Operator II $36,341				
(1.0) Parks & Recreation				
82 Operating Expenses Transfers $6 million in Parks and Recreation Trust Fund receipts to the Division of Parks and Recreation to support park operations for the biennium.	($6,000,000)	NR	($6,000,000)	NR
83 Operation Reduction Reduces operating expenses for the Division of Parks and Recreation.	($1,012,500)	R	($1,012,500)	R

	FY 11-12		FY 12-13	
84 Vacant Positions	($856,447)	R	($856,447)	R
Eliminates 18 vacant positions in the Division. This reduction includes the salaries and benefits for these positions.	-18.00		-18.00	

65007762	Maintenance Mechanic IV	$ 43,651
65007760	Maintenance Mechanic III	$ 39,789
60032890	Park Ranger	$ 45,510
60032962	Maintenance Mechanic IV	$ 42,294
65010034	Maintenance Mechanic IV	$ 46,323
65010033	Natural Science Curator II	$ 58,201
65009861	Office Assistant IV	$ 42,740
65009844	Park Ranger	$ 58,322
65009846	Park Ranger	$ 56,460
60033075	Park Ranger	$ 42,809
60033072	Park Ranger	$ 47,721
60033208	Park Ranger	$ 43,392
60032923	Park Ranger	$ 45,438
60032970	Maintenance Mechanic III	$ 39,789
60033159	Parks Designer II	$ 72,069
60032974	Maintenance Mechanic III	$ 44,165
60033046	Park Ranger	$ 44,806
60033057	Park Ranger	$ 42,968

(1.0) Soil & Water Conservation

85 Operating Reduction	($28,719)	R	($28,719)	R
Reduces operating expenses in the Division.				
86 Filled Positions	($105,990)	R	($105,990)	R
Eliminates the salary and benefits of two filled positions in the Division. .	-2.00		-2.00	

60032335	Environmental Specialist	$53,355
60032377	Info & Communication Spec. I	$52,635

87 Soil & Water Conservation Districts	($68,000)	R	($68,000)	R
Reduces funding for soil and water conservation districts by $708 per district. This reduction cuts local matching funds by 10%, or $400 per district. The remainder of the reduction is from funds provided for subsistence expenses for local Supervisors. This reduction means that lunch will no longer be reimbursed on days when the local district boards meet.				

	FY 11-12		FY 12-13	
88 Routine Animal Operating Inspections	($472,725)	R	($472,725)	R
Ends the routine operating inspections of animal operations performed by the Division. Both the Division of Soil & Water Conservation and the Division of Water Quality inspect these operations. This reduction eliminates seven positions, their salaries and benefits, and associated operating costs. Two positions remain to provide technical assistance, conduct voluntary inspections, and respond to critical emergencies.	-7.00		-7.00	

60032353	Env. Specialist	$60,358
60032354	Env. Specialist	$51,649
60032355	Env. Program Supervisor II	$83,575
60032358	Engineer	$61,444
60032341	Soil Scientist	$51,649
60032366	Env. Specialist	$53,698
60032356	Env. Specialist	$56,222

89 Cooperative Soil Survey Program	($105,352)	R	($105,352)	R
Reduces operating funds and positions that support the Cooperative Soil Survey Program. This program conducts soil surveys that show the nature and distribution of various kinds of soil within a county and are used on a technical basis for land use decisions. This activity will now be carried out by local governments and the USDA Natural Resource Conservation Service. One position remains to provide technical assistance to local governments.	-2.00		-2.00	

60032322	Soil Specialist	$52,676
60032324	Soil Specialist	$52,676

90 Animal Waste Pilot Program	($51,880)	R	($51,880)	R
Ends the Animal Waste Pilot Program extended in S.L.2009-84. The pilot program currently operates in four counties (Pender, Jones, Columbus, and Brunswick) and is scheduled to sunset in September of 2011. There is one position associated with this program. This reduction includes salary and benefits for this position.	-1.00		-1.00	

60032357	Environmental Specialist	$51,880

91 Soil & Water Conservation

Transfers the Division of Soil and Water Conservation from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services.

(2.0) Coastal Management

92 Positions to Receipt Support	($314,075)	R	($314,075)	R
Shifts the salary and benefits of 5.0 positions to receipt support:	-5.00		-5.00	

60031539	Office Assistant IV	$47,372
60031553	District Planner	$61,397
60031533	Asst Major Permit Coordinator	$63,651
60031546	Rule Making & Policy Analyst	$68,840
60031601	Compliance & Enforcement Field Rep.	$72,815

	FY 11-12		FY 12-13	
93 Raleigh Office Closes the Raleigh Office of the Division of Coastal Management and eliminates 1.0 filled receipt-supported position. The Department shall fund shift other positions and operating costs within the Division to be supported by these federal receipts. 60031545 Asst Dir For Policy & Planning $109,523	($109,523) -1.00	R	($109,523) -1.00	R
(2.0) Environmental Assistance and Outreach				
94 Filled Position Eliminates the salary and benefits of 1.0 filled position: 60035066 Environmental Program Manager $113,994	($113,994) -1.00	R	($113,994) -1.00	R
95 Customer Service Liaisons Directs the Division of Environmental Assistance and Outreach to provide a minimum of one Customer Service Liaison for each of the Department's Regional Offices in order to address customer services issues, complaints, information requests, and the like.				
(2.0) Environmental Health				
96 Private Well Program Eliminates operating funding for the Private Well Program and 4.0 filled positions in FY 2011-12: 60034257 Environmental Program Supervisor II $73,531 60034539 Environmental Health Regional Specialist $63,332 60034541 Environmental Health Regional Specialist $58,246 60034305 Processing Assistant IV $38,180 and eliminates the program's remaining position in FY 2012-13: 60034542 Environmental Health Regional Specialist $55,275	($278,129) -4.00	R	($348,372) -5.00	R
97 Vector Control Program Eliminates operating funding for the Vector Control Program and its 4.50 filled positions: 60034360 Enviro. Senior Specialist (1.0 FTE) $72,644 60034361 Enviro. Senior Specialist (1.0 FTE) $59,798 60034359 Enviro. Program Consultant (1.0 FTE) $84,637 60034363 Enviro. Program Consultant (1.0 FTE) $88,214 60034358 Pub. Health Pest Mgmt Sec. Chief (0.5 FTE) $23,949 Mosquito control grant funds will be administered by existing staff within the Division of Public Health.	($391,311) -4.50	R	($391,311) -4.50	R

	FY 11-12		FY 12-13	
98 Positions Eliminated and Shifted to Receipt Support	($389,938)	R	($389,938)	R
Eliminates the salary and benefits of 3.0 positions:	-6.50		-6.50	
Filled:				
60034261 Administrative Assistant I $49,013				
60034543 Administrative Assistant I $41,867				
Vacant:				
60034466 Extension Educ & Training Spec III $56,780				
and fund shifts 3.50 positions to receipt support:				
60034300 Nurse Consultant (1.0 FTE) $74,315				
60034293 Enviro. Health Regional Spec. (1.0 FTE) $65,844				
60034495 Enviro. Program Supervisor (0.25 FTE) $19,821				
60034298 Technology Support Analyst (1.0 FTE) $61,118				
60034255 Environmental Program Supv I (0.25 FTE) $21,180				
99 Public Water Supply Positions	($202,628)	R	($202,628)	R
Eliminates the salary and benefits of 2.0 vacant positions in the Public Water Supply Section:	-3.00		-3.00	
60034405 Environmental Senior Specialist $59,750				
60034392 Engineer $98,022				
and 1.0 filled position in the Division Finance Office:				
60034413 Accounting Technician $44,856				
100 Public Water Supply Program	($759,217)	R	($759,217)	R
Transfers the Public Water Supply Program to the Division of Water Resources.	-8.80		-8.80	
101 Food and Lodging Program				
Directs the Division to change the use of the $400,000 appropriation originally intended for aid to counties for local food and lodging programs. The Division is to use those funds to pay for the costs to operate the State elements of the program. Counties will receive a higher percentage of the food and lodging fee that will more than offset not receiving these grant funds.				
102 On-Site Quality Assurance Program	($69,792)	R	($69,792)	R
Eliminates funding for the On-Site Quality Assurance Program and its 1.0 position:	-1.00		-1.00	
60034368 Environmental Health Regional Specialist $69,792				
103 Wastewater Discharge Elimination Program	($160,594)	R	($160,594)	R
Eliminates operating funding for the Wastewater Discharge Elimination Program and its 2.0 filled positions:	-2.00		-2.00	
60034370 Environmental Senior Specialist $55,541				
60034306 Environmental Program Supervisor I $75,547				

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
104 Tick Control Program Eliminates operating funding for the Tick Control Program and its 1.0 filled position: 65001605 Environmental Senior Specialist $58,072	($139,499) -1.00	R	($139,499) -1.00	R
105 Sleep Products Program Transfers the Sleep Products Program to the Department of Agriculture and Consumer Services. This program's expenditures of $630,337 and 8.0 positions are fully supported by receipts.				
106 Shellfish Sanitation and Recreational Water Quality Transfers the Shellfish Sanitation and Recreational Water Quality Program to the Division of Marine Fisheries.	($1,772,789) -24.75	R	($1,772,789) -24.75	R
107 Grade "A" Milk Sanitation Branch Transfers the Grade "A" Milk Sanitation Branch to the Department of Agriculture and Consumer Services. The Department shall transfer the full General Fund amount shown and fund shift other divisional expenses to receipts as necessary.	($811,175) -7.00	R	($811,175) -7.00	R
108 Transfer to DHHS - Division of Public Health Eliminates salary and benefits of 2.0 filled positions that will be eliminated as part of the transfer of the Division of Environmental Health to the Division of Public Health in the Department of Health and Human Services: 60034382 Division Deputy Director $116,617 60034417 Information & Communications Spec. I $56,780	($173,397) -2.00	R	($173,397) -2.00	R
(2.0) Regional Offices				
109 Filled Positions Eliminates the salary and benefits of 3.0 filled positions: 60036122 Office Assistant $37,614 60036157 Office Assistant $37,455 60036154 Office Assistant $36,355	($111,424) -3.00	R	($111,424) -3.00	R
110 Regional Offices Eliminates three positions at each of DENR's seven Regional Offices for a total reduction of 21.0 positions.	($1,238,874) -21.00	R	($1,238,874) -21.00	R

	FY 11-12		FY 12-13	
111 Asheville Regional Office	($479,674)	R	($479,674)	R
Eliminates the salaries and benefits of 6.0 positions and operating costs in the Asheville Regional Office:	-6.00		-6.00	
60032508 Tech Support Analyst $68,894 60032509 Hydrogeologist $60,272 60032510 Hydrogeologist $54,115 60032511 Hydrogeologist $54,115 60032512 Hydrogeologist $76,301 60032513 Hydrogeologist $84,265 Operating Costs $81,712				
112 Regional Offices Justification Review	($12,624,378)	R	($12,624,378)	R
Eliminates recurring funding for the Regional Offices and makes the funding nonrecurring for FY 2011-12. The Fiscal Research Division will perform a Justification Review of this program.	$12,624,378	NR		
(2.0) Waste Management				
113 Operating Budget	($23,819)	R	($23,819)	R
Reduces the operating budget of the Division of Waste Management.				
114 Positions Eliminated and Shifted to Receipt Support	($482,878)	R	($482,878)	R
Eliminate the salary and benefits of 3.0 vacant and 1.0 filled positions:	-6.90		-6.90	
Vacant 60034588 Hydrogeologist (1.0 FTE) $72,226 60095583 Engineer (1.0 FTE) $83,171 60034613 Environmental Sr Specialist (1.0 FTE) $59,273 Filled 60034616 Hydrogeologist (1.0 FTE) $65,806				
and fund shifts 2.9 positions to receipt support:				
60034617 Engineer (0.5 FTE) $43,137 60034596 Environmental Sr Specialist (0.2 FTE) $13,644 60034589 Environmental Sr Specialist (0.2 FTE) $14,245 60034607 Environmental Sr Specialist (1.0 FTE) $65,101 60034595 Environmental Sr Specialist (0.25 FTE) $15,438 60034602 Environmental Supervisor III (0.25 FTE) $21,475 60034608 Environmental Sr Specialist (0.25 FTE) $14,681 60034594 Environmental Sr Specialist (0.25 FTE) $14,681				
115 Vacant Position	($63,764)	R	($63,764)	R
Eliminates the salary and benefits of 1.0 position that has been vacant for over a year as of March 2011:	-1.00		-1.00	
60034774 Hydrogeologist $63,764				

	FY 11-12		FY 12-13	
(2.0) Water Quality				
116 Vacant Positions	($84,333)	R	($84,333)	R
Eliminates the salary and benefits of 1.59 positions vacant for over one year:	-1.59		-1.59	
60035518 Environmental Senior Specialist (0.59 FTE) $39,110				
60035240 Environmental Senior Technician (1.0 FTE) $45,223				
117 Operating Budget	($442,880)	R	($442,880)	R
Reduces General Fund support of the operating budget of the Division of Water Quality by 15%.				
118 Positions Eliminated and Shifted to Receipt Support	($1,217,921)	R	($1,217,921)	R
Eliminates the salary and benefits of 6.0 vacant and 2.0 filled positions:	-22.50		-22.50	
60035140 Processing Assistant IV (1.0 FTE) $40,481				
60035166 Chemist III (1.0 FTE) $74,824				
60035160 Chemistry Technician III (1.0 FTE) $47,705				
60035141 Chemistry Technician I (1.0 FTE) $46,684				
60035489 Environmental Senior Tech. (1.0 FTE) $48,425				
60035466 Environmental Specialist (1.0 FTE) $58,201				
60035229 Environmental Technician (1.0 FTE) $45,887				
60035347 Environmental Senior Tech. (1.0 FTE) $48,594				
and shifts 14.5 positions to receipt support:				
60035164 Chemistry Technician III (1.0 FTE) $46,684				
60035161 Chemistry Technician III (0.5 FTE) $24,752				
60035186 Processing Assistant IV (1.0 FTE) $40,400				
60035139 Enviro. Prog. Supv. IV (0.5 FTE) $50,193				
60035424 Environmental Engineer (1.0 FTE) $70,530				
60035104 Accounting Clerk IV (1.0 FTE) $38,672				
60035398 Environmental Specialist (1.0 FTE) $66,022				
60035170 Chemistry Technician III (1.0 FTE) $50,432				
60035099 Processing Assistant IV (1.0 FTE) $38,043				
60035414 Environmental Engineer (1.0 FTE) $66,250				
60035381 Environmental Senior Tech. (1.0 FTE) $45,181				
60035270 Enviro. Prog. Supv. III (0.5 FTE) $42,999				
60035490 Environmental Specialist (1.0 FTE) $58,350				
60035231 Environmental Specialist (1.0 FTE) $55,793				
60035467 Environmental Senior Tech. (1.0 FTE) $49,798				
60035472 Environmental Engineer (1.0 FTE) $63,021				
(2.0) Water Resources				
119 Funds for H.B. 609 "Promote Water Supply Development"	$83,000	R	$83,000	R
Provides $83,000 in recurring funding to the Department in order to fulfill the requirements of H.B. 609, contingent upon the passage of H.B. 609. If the bill is not enacted, then these funds shall revert to the General Fund.				
120 Public Water Supply Section from Environmental Health	$759,217	R	$759,217	R
Transfers the Public Water Supply Section from the Division of Environmental Health to the Division of Water Resources.	8.80		8.80	

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
121 **Transfer from Capital Improvement Funds** Transfers $564,227 from Division of Water Resources Capital Improvement funds to Division of Water Resources on a nonrecurring basis for FY 2011-12 and reduces the General Fund operating budget in a like amount.	($564,227)	NR		
Total Legislative Changes	**($36,366,265)**	**R**	**($34,824,296)**	**R**
	$13,178,751	**NR**	**($6,000,000)**	**NR**
Total Position Changes	-160.51		-161.51	
Revised Budget	**$165,784,887**		**$148,148,105**	

DENR-Clean Water Management Trust Fund

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	$100,000,000		$100,000,000	
Legislative Changes				
Department-wide				
122 **Operating Reduction** Provides $11.25 million to the Clean Water Management Trust Fund. In addition, the bill repeals G.S. 113A-253.1, which set the Trust Fund's annual appropriation at $100 million.	($88,750,000)	R	($88,750,000)	R
Total Legislative Changes	**($88,750,000)**	R	**($88,750,000)**	R
Total Position Changes				
Revised Budget	**$11,250,000**		**$11,250,000**	

Commerce

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	$38,907,381		$38,907,381	
Legislative Changes				
Department-wide				
123 **Employment Security Commission Merger** Reduces expenditures due to the merger of the Employment Security Commission with the Department of Commerce. This reduction is based on an effective date of November 1, 2011 for the transfer. This transfer shall be done in accordance with S.B. 532.	($251,376)	R	($377,064)	R
124 **Governor's Office Transfer** Eliminates funding from various account codes (1x-5x) across the Department which have been used to transfer funds to the Governor's Office to pay for salary and benefits for one position. The Department shall not transfer funds to the Governor's Office for this purpose.	($192,354)	R	($192,354)	R
125 **Salary and Operating Reductions to Align Budget** Reduces various accounts (1x-5x) across the Department such that the Department may properly budget contracts with the Attorney General's Office, rather than using lapsed salary and operating line items for this purpose.	($235,558)	R	($235,558)	
126 **Cell Phones** Reduces cell phones expenditures across the Department by 30%. The Department is to reduce the actual number of cell phones by this percentage as well.	($7,000)	R	($7,000)	R
127 **Motor Fleet Management** Reduces Motor Fleet Management expenses by 10%. The Department is to reduce the actual number of Motor Fleet Management vehicles by 10% as well.	($27,647)	R	($27,647)	R
Department-wide Reserves and Transfers				
128 **Rural Electrification Authority** Appropriates $150,000 to be transferred to the Rural Electrification Authority (budget code 54600 5241). In section 2.2(g) of S.L. 2009-451, $210,240 was transferred from this fund to General Fund availability.	$150,000	NR		
Administration				
129 **Administrative Assistant** Eliminates the salary and benefits for one filled administrative assistant position (60077162).	($54,640) -1.00	R	($54,640) -1.00	R

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
130 **Attorney General Contracts** Directs the Department to properly budget its Attorney General contracts as a separate 2x account line.	$235,558	R	$235,558	R
131 **Assistant Secretary for Community Development** Transfers the salary and benefits for the Assistant Secretary for Community Development position (60077156) from the Administration fund code (1111) to the Division of Community Assistance fund code (1620) so that the funding can be properly aligned in the correct division. The Department shall physically locate the Assistant Secretary in the same building as the majority of the division's employees.	($125,101) -1.00	R	($125,101) -1.00	R
132 **Assistant Secretary for Policy, Research, and Strategic Planning (PRSP)** Transfers the Assistant Secretary position (60077183) from the Administration fund code (1111) to the PRSP fund code (1130) so that the funding can be properly aligned in the correct division.	($125,720) -1.00	R	($125,720) -1.00	R
133 **Director of Rural Development Programs** Eliminates the salary and benefits for the position of Director of Rural Development Programs (60077188). This position oversees the 21st Centuries Communities Program, which is eliminated, and administers Community Development Block Grant (CDBG) programs which can be handled by existing CDBG staff. The Certified Retirement Communities Program shall be transferred to the Division of Tourism, Film, and Sports Development and administered by existing staff.	($99,308) -1.00	R	($99,308) -1.00	R
134 **Public Affairs Staff Reduction** Eliminates the salary and benefits for one filled position (60077186) in the Secretary's Office, Public Affairs section.	($42,289) -1.00	R	($42,289) -1.00	R
BLNC - Business Link North Carolina				
135 **Director Position** Eliminates the salary and benefits for the director position (60080987) for BLNC. Employees in this division will report to the Director of Business and Industry.	($131,110) -1.00	R	($131,110) -1.00	R
Business and Industry				
136 **Transfer to Biotechnology Center** Eliminates the transfer to the Biotechnology Center. The Department and the Biotechnology Center are encouraged to continue the Memorandum of Understanding but without the use of Commerce funds to pay for Biotechnology Center expenses.	($64,125)	R	($64,125)	R
137 **Trade Shows** Reduces funding for trade shows.	($50,000)	R	($50,000)	R

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
138 Vacant Positions	($141,727)	R	($141,727)	R
Eliminates the salaries and benefits for two positions which have been vacant for more than one year as of March 2011:	-2.00		-2.00	
60080967 Econ Development Rep $58,413 60080979 Client Development Manager $83,314				
Commerce Finance Center				
139 Industrial Development Fund	($320,107)	R	($320,107)	R
Eliminates the General Fund appropriation for the Industrial Development Fund. Funding will remain available from loan repayments and in the fund balance to fulfill existing obligations.				
140 Jobs Maintenance and Capital Development Fund (JMAC)				
Appropriates $6,000,000 for Bridgestone/Firestone and Goodyear agreements for the 2010 grant year.	$6,000,000	NR		
141 One North Carolina Fund				
Provides additional funding for the One North Carolina Fund.	$10,000,000	NR		
142 Broadband Mapping	$375,730	R	$375,730	R
Provides funding for the CDBG Economic Development section to contract out for the North Carolina mapping and planning project currently titled NC BRIM, Broadband-Rigor in Mapping.				
143 Broadband Connectivity				
Provides $1 million non-recurring for the CDBG-Economic Development section to incent private businesses to provide broadband connectivity. Priority shall be given to unserved areas in mixed urban-rural counties and then to unserved areas in mainly rural counties. The Department shall work with the Rural Economic Development Center in developing and implementing this grant program.	$1,000,000	NR		
Community Assistance				
144 Assistant Secretary Position	$125,101	R	$125,101	R
Transfers the salary and benefits for the Assistant Secretary for Community Development position (60077156) from the Administration fund code (1111) into the Division of Community Assistance fund code (1620) so that the funding can be properly aligned in the correct division. The Department shall physically locate the Assistant Secretary in the same building as the majority of the division's employees.	1.00		1.00	
145 Senior Advisor/Director Position	($117,624)	R	($117,624)	R
Eliminates the salary and benefits for the position of director (60081167). This division also has an Assistant Secretary, and thus the director position is eliminated to more properly align span of control.	-1.00		-1.00	

	FY 11-12		FY 12-13	
146 Vacant Position Eliminates the salary and benefits for one Planner position (60081202) vacant for more than one year as of March 2011.	($71,536) -1.00	R	($71,536) -1.00	R
147 21st Century Communities Eliminates operating funding for the 21st Century Communities program and the salaries and benefits for three filled positions. This program was designed to certify counties to be ready for the 21st Century and is no longer needed. 60081236 Planner $58,074 60081237 Planner $55,541 60081238 Planner $63,013	($244,699) -3.00	R	($244,699) -3.00	R
148 Filled Positions Eliminates the salaries and benefits for five filled positions and associated operating costs within the Division. Funding will still be sufficient to meet Community Development Block Grant (CDBG) match requirements. 60081178 Office Assistant IV $31,634 60081182 Comm Dev Planner I $57,511 60081198 Comm Dev Planner II $62,238 60081205 Office Assistant IV $34,305 60089504 Comm Dev Planner I $74,135 Operating Expenses $36,354	($296,177) -5.00	R	($296,177) -5.00	R
Energy				
149 Pass-through Funding to Universities Reduces pass-through funding to the Energy Centers at North Carolina A&T State University, North Carolina State University, and Appalachian State University. Provides $500,000 in FY 2011-12 and $617,603 in FY 2012-13 for the Solar Center at North Carolina State University to continue energy efficiency programs. $200,000 of this funding shall be used for the Energy Management Program within the Energy Efficiency and Environmental Research Program in the Department of Mechanical & Aerospace Engineering. No funds shall be used for advertising or promotion of the Solar Center. Provides $100,000 in FY 2011-12 and $261,215 in FY 2012-13 to the Appalachian Energy Center at Appalachian State University. Provides $100,000 in FY 2011-12 and $210,592 in FY 2012-13 to the Center for Energy Research and Technology at North Carolina A&T State University.	($1,855,500)	R	($1,466,090)	R
150 Operating Reduction Reduces operating expenses (2x-5x) in the division by $21,120, leaving $154,716 for these purposes.	($21,120)	R	($21,120)	R

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
151 Filled Position	($78,880)	R	($78,880)	R
Eliminates the salary and benefits for one filled Engineer position (60014891) who currently is assigned to the Utility Savings Initiative program.	-1.00		-1.00	
Industrial Commission				
152 Over-realized Receipts	($736,861)	R	($736,861)	R
Directs the Industrial Commission to budget over-realized receipts.				
International Trade				
153 Trade Shows	($50,000)	R	($50,000)	R
Reduces funding for trade shows.				
Management Information Systems				
154 Division Director	($153,218)	R	($153,218)	R
Eliminates the salary and benefits for the director position (60080825) for the Management Information Systems division.	-1.00		-1.00	
155 Operating Funds	($18,552)	R	($18,552)	R
Reduces operating expenses (2x-5x) in the division by $18,552, leaving $163,790 for these purposes.				
Office of Science and Technology				
156 Continuation Review	($215,599)	R	($215,599)	R
Eliminates recurring funding for the Office of Science and Technology and makes the funding nonrecurring for FY 2011-12. This program is subject to continuation review.	$215,599	NR	-2.00	
Policy, Research, and Strategic Planning				
157 Assistant Secretary Position	$125,720	R	$125,720	R
Transfers the Assistant Secretary position (60077183) from the Administration fund code (1111) into the Policy, Research, and Strategic Planning fund code (1130) so that the funding can be properly aligned in the correct division.	1.00		1.00	
158 Operating Expenses	($10,000)	R	($10,000)	R
Reduces operating expenses (2x-5x) in the division by $10,000, leaving $200,753 for these purposes.				
Tourism, Film, and Sports Development				
159 Welcome Centers Position	($39,102)	R	($39,102)	R
Eliminates the salary and benefits for an Office Assistant IV position (60080870) which has been vacant for more than a year as of March 2011.	-1.00		-1.00	

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
160 **Wine and Grape Grower's Council**	($732,380)	R	($732,380)	R
Eliminates funding for the Wine and Grape Grower's Council, including the salary and benefits for one filled position (60080945).	-1.00		-1.00	
161 **NC Wineries & Tourism**				
Provides $500,000 NR for North Carolina wineries and tourism. $250,000 shall be allocated to the Vinifera Group and $250,000 to the Muscadines Group for the purpose of promoting North Carolina wineries and tourism related to the wineries. The funds shall be used for advertising and State winery maps.	$500,000	NR		
Wanchese Seafood Industrial Park				
162 **Capital and Operating Funds**	($248,327)	R	($248,327)	R
Eliminates funding most recently used for capital projects and operating expenses.				
163 **Operating Reduction**	($25,112)	R	($25,112)	R
Reduces the budget for Wanchese by 15%.				
Workforce Development				
164 **Workforce Investment Act Funds**				
Transfers $350,000 in Workforce Investment Act funds from the Department of Commerce to the Department of Labor to be used for the recurring operating costs of the Apprenticeship Program.				
Total Legislative Changes	**($5,920,640)**	R	**($5,656,918)**	R
	$17,865,599	NR		
Total Position Changes	-20.00		-22.00	
Revised Budget	**$50,852,340**		**$33,250,463**	

Commerce - State Aid

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	$31,169,289		$31,169,289	
Legislative Changes				
165 **Ag in the Classroom** Transfers the appropriation for Ag in the Classroom from Agriculture to Commerce State-Aid. All nonprofits funded by the Natural and Economic Resources Subcommittee will now be funded out of Commerce State-Aid.	$22,077	R	$22,077	R
166 **Association of Community Development Corporations (CDCs)** Reduces the recurring pass-through appropriation for the Association of CDCs by 20% for FY 2011-12 and by 15% in FY 2012-13.	($196,137)	R	($147,103)	R
167 **Biofuels Center** Reduces the recurring pass-through appropriation for the Biofuels Center by 10%, leaving $4,500,000 recurring.	($500,000)	R	($500,000)	R
168 **Community Development Initiative** Reduces the recurring pass-through appropriation for the Community Development Initiative by 20% for FY 2011-12 and by 15% for FY 2012-13.	($936,548)	R	($702,411)	R
169 **Councils of Government (COGs)** Reduces the recurring pass-through appropriation for the COGs.	($60,563)	R	($60,563)	R
170 **Defense & Security Technology Accelerator** Provides funding to the Defense & Security Technology Accelerator for FY 2011-12 and FY 2012-13.	$700,000	NR	$700,000	NR
171 **e-NC Authority** Eliminates all funding to the e-NC Authority.	($442,035)	R	($442,035)	R
172 **FFA Foundation** Transfers the appropriation for the FFA Foundation from Agriculture to Commerce State-Aid. A 15% reduction is taken, leaving $37,531 recurring. All nonprofits funded by the Natural and Economic Resources Subcommittee will now be funded out of Commerce State-Aid.	$37,531	R	$37,531	R

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
173 **Grassroots Science Museums** Transfers the appropriation for the Grassroots Science Museums Collaborative from DENR to Commerce State-Aid. A 15% reduction is taken, leaving $2,899,885 recurring. All nonprofits funded by the Natural and Economic Resources Subcommittee will now be funded out of Commerce State-Aid.	$2,899,885	R	$2,899,885	R
174 **High Point Furniture Market** Reduces the recurring pass-through appropriation for the High Point Furniture Market by 15%, leaving $685,507 recurring.	($120,972)	R	($120,972)	R
175 **Indian Economic Development Initiative** Provides recurring funding to the Indian Economic Development Initiative.	$90,000	R	$90,000	R
176 **Institute for Regenerative Medicine** Reduces the recurring pass-through appropriation for the Institute for Regenerative Medicine.	($2,000,000)	R	($2,000,000)	R
177 **Institute of Minority Economic Development** Reduces the recurring pass-through appropriation for the Institute of Minority Economic Development by 15%, leaving $2,139,793 recurring.	($377,612)	R	($377,612)	R
178 **Johnson & Wales** Appropriates $500,000 to Johnson & Wales University for FY 2011-12.	$500,000	NR		
179 **Land Loss Prevention Project** Reduces the recurring pass-through appropriation for the Land Loss Prevention Project by 20% for FY 2011-12 and by 15% for FY 2012-13.	($139,492)	R	($106,119)	R
180 **Minority Support Center** Reduces the recurring pass-through appropriation for the Minority Support Center by 20% for FY 2011-12 and by 15% for FY 2012-13.	($625,746)	R	($469,309)	R
181 **Partnership for the Sounds** Transfers the appropriation for the Partnership for the Sounds from DENR to Commerce State-Aid. A 15% reduction is taken, leaving $409,326 recurring. All nonprofits funded by the Natural and Economic Resources Subcommittee will now be funded out of Commerce State-Aid.	$409,326	R	$409,326	R
182 **Regional Economic Development Commissions** Reduces the recurring pass-through appropriation for the Regional Economic Development Commissions by 10%, leaving $2,250,000 recurring and provides $2,172,022 in non-recurring funds for FY 2011-12.	($250,000) $2,172,022	R NR	($250,000)	R
183 **RTI International** Provides $500,000 NR for RTI to match US Department of Energy grant funds.	$500,000	NR		

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
Total Legislative Changes	**($2,190,286)**	**R**	**($1,717,305)**	**R**
	$3,872,022	**NR**	**$700,000**	**NR**
Total Position Changes				
Revised Budget	**$32,851,025**		**$30,151,984**	

N.C. Biotechnology Center

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	$19,501,900		$19,501,900	
Legislative Changes				
184 **Operating Funds** Reduces the recurring pass-through appropriation for the Biotechnology Center by 10%, leaving $17,551,710 recurring.	($1,950,190)	R	($1,950,190)	R
Total Legislative Changes	**($1,950,190)**	R	**($1,950,190)**	R
Total Position Changes				
Revised Budget	**$17,551,710**		**$17,551,710**	

Rural Economic Development Center

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	$22,640,814		$22,640,814	
Legislative Changes				
185 **Operating Reductions** Reduces the recurring pass-through appropriation for the Rural Center by 10%, leaving $20,376,729 in recurring funding.	($2,264,085)	R	($2,264,085)	R
186 **Emergency Rural Jobs Infrastructure Fund** Provides nonrecurring funding for FY 2011-12 and FY 2012-13 to establish the Emergency Rural Jobs Infrastructure Fund.	$5,000,000	NR	$5,000,000	NR
Total Legislative Changes	($2,264,085)	R	($2,264,085)	R
	$5,000,000	NR	$5,000,000	NR
Total Position Changes				
Revised Budget	$25,376,729		$25,376,729	

Wildlife Resources Commission

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	$0		$0	
Legislative Changes				
187 **Operating Funds** Transfers the Wildlife Resource Commission to General Fund support. The expected sales tax transfer of $22.97 million is changed to a $18 million General Fund appropriation. Of the $18 million appropriated to the Commission, $250,000 shall be used to supplement the Beaver Management Assistance Program. These funds shall be in addition to the $349,000 of Commission funds currently obligated for the program.	$18,000,000	R	$18,000,000	R
Conservation Education				
188 **Conservation Education** Eliminates recurring funding for the Conservation Education Division and makes the funding nonrecurring for FY 2011-12. This program is subject to Continuation Review.	($778,821) $778,821	R NR	($778,821)	R
Total Legislative Changes	**$17,221,179** **$778,821**	**R** **NR**	**$17,221,179**	**R**
Total Position Changes				
Revised Budget	**$18,000,000**		**$17,221,179**	

Commerce – Enterprise

Budget Code: 54600

	FY 2011-12		FY 2012-13	
Beginning Unreserved Fund Balance	**$9,069,749**		**$8,190,899**	
Recommended Budget				
Requirements	**$4,479,458**		**$4,479,458**	
Receipts	**$4,100,608**		**$4,100,608**	
Positions	**46.00**		**46.00**	
Legislative Changes				
Requirements:				
Transfer to General Fund	$0	R	$0	R
Directs the ABC Commission to transfer $500,000 in cash balance to the General Fund for general availability.	$500,000	NR	$0	NR
	0.00		0.00	
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$500,000	NR	**$0**	NR
	0.00		0.00	
Receipts:				
ABC Commission	$0	R	$0	R
	$0	NR	$0	NR
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$0	NR	**$0**	NR

	FY 2011-12	FY 2012-13
Revised Total Requirements	**$4,979,458**	**$4,479,458**
Revised Total Receipts	**$4,100,608**	**$4,100,608**
Change in Fund Balance	**($878,850)**	**($378,850)**
Total Positions	**46.00**	**46.00**
Unappropriated Balance Remaining	**$8,190,899**	**$7,812,049**

DENR - Special

Budget Code: 24300

	FY 2011-12	FY 2012-13
Beginning Unreserved Fund Balance	**$2,291,385**	**$1,841,385**
Recommended Budget		
Requirements	**$1,029,288**	**$1,029,288**
Receipts	**$1,029,288**	**$1,029,288**
Positions	**0.00**	**0.00**

Legislative Changes

Requirements:

Mercury Pollution Prevention Funds for H.B. 242 Provides $100,000 to the Department of Environment and Natural Resources, contingent upon the adoption of H.B. 242, "Nat'l Gas/ Bonds/ Fees/ Studies," in order to fulfill the requirements of the bill. These funds shall come from the Mercury Pollution Prevention Fund in the Department of Environment and Natural Resources.	$0 R $100,000 NR 0.00	$0 R $0 NR 0.00
Mercury Pollution Prevention Funds for S.B. 709 Provides $100,000 to the Department of Environment and Natural Resources, contingent upon the adoption of S.B. 709, "Energy Jobs Act," in order to fulfill the requirements of the bill. These funds shall come from the Mercury Pollution Prevention Fund in the Department of Environment and Natural Resources.	$0 R $100,000 NR 0.00	$0 R $0 NR 0.00
Mercury Pollution Prevention Fund Transfers $250,000 from the cash balance of the Mercury Pollution Prevention Fund to the General Fund for general availability.	$0 R $250,000 NR 0.00	$0 R $0 NR 0.00
Subtotal Legislative Changes	**$0** R **$450,000** NR 0.00	**$0** R **$0** NR 0.00

Subcommittee on Natural and Economic Resources

	FY 2011-12		FY 2012-13	
Receipts:				
Mercury Prevention Transfer to General Fund	$0	R	$0	R
	$0	NR	$0	NR
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$0	NR	**$0**	NR
Revised Total Requirements	**$1,479,288**		**$1,029,288**	
Revised Total Receipts	**$1,029,288**		**$1,029,288**	
Change in Fund Balance	**($450,000)**		**$0**	
Total Positions	**0.00**		**0.00**	
Unappropriated Balance Remaining	**$1,841,385**		**$1,841,385**	

DENR - PART F

Budget Code: 24309

	FY 2011-12	FY 2012-13
Beginning Unreserved Fund Balance	**$13,599,484**	**$4,419,353**
Recommended Budget		
Requirements	**$45,793,981**	**$45,793,981**
Receipts	**$36,613,850**	**$36,613,850**
Positions	**0.00**	**0.00**

Legislative Changes

Requirements:

Transfer to General Fund	$0	R	$0	R
Diverts $8.435 million in Deed Stamp tax revenue to the General Fund for general availability.	$8,435,000	NR	$0	NR
	0.00		0.00	
Parks and Recreation Trust Fund Expenditures	$0	R	$0	R
Reduces expenditures by the Parks and Recreation Trust Fund due to the diversion of tax revenue to the General Fund.	($8,435,000)	NR	$0	NR
	0.00		0.00	
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$0	NR	**$0**	NR
	0.00		0.00	

Receipts:

Transfer to General Fund	$0	R	$0	R
	$0	NR	$0	NR
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$0	NR	**$0**	NR

Subcommittee on Natural and Economic Resources

	FY 2011-12	FY 2012-13
Revised Total Requirements	**$45,793,981**	**$45,793,981**
Revised Total Receipts	**$36,613,850**	**$36,613,850**
Change in Fund Balance	**($9,180,131)**	**($9,180,131)**
Total Positions	**0.00**	**0.00**
Unappropriated Balance Remaining	**$4,419,353**	**($4,760,778)**

DENR - Recreational/ Natural Heritage Trust Fund

Budget Code: 64302

	FY 2011-12		FY 2012-13	
Beginning Unreserved Fund Balance	($4,355,915)		($15,956,577)	
Recommended Budget				
Requirements	$31,750,487		$31,750,487	
Receipts	$20,149,825		$20,149,825	
Positions	0.00		0.00	
Legislative Changes				
Requirements:				
Transfer to General Fund	$0	R	$0	R
Diverts $8 million in Deed Stamp tax revenue to the General Fund for general availability.	$8,000,000	NR	$0	NR
	0.00		0.00	
Natural Heritage Trust Fund Expenditures	$0	R	$0	R
Reduces expenditures by the Natural Heritage Trust Fund due to the diversion of tax revenue to the General Fund.	($8,000,000)	NR	$0	NR
	0.00		0.00	
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$0	NR	**$0**	NR
	0.00		0.00	
Receipts:				
Transfer to General Fund	$0	R	$0	R
	$0	NR	$0	NR
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$0	NR	**$0**	NR

Subcommittee on Natural and Economic Resources

	FY 2011-12	FY 2012-13
Revised Total Requirements	**$31,750,487**	**$31,750,487**
Revised Total Receipts	**$20,149,825**	**$20,149,825**
Change in Fund Balance	**($11,600,662)**	**($11,600,662)**
Total Positions	**0.00**	**0.00**
Unappropriated Balance Remaining	**($15,956,577)**	**($27,557,239)**

Solid Waste Management Trust Fund

Budget Code: 64303

	FY 2011-12	FY 2012-13
Beginning Unreserved Fund Balance	**$6,399,207**	**$6,377,207**
Recommended Budget		
Requirements	**$3,836,277**	**$3,836,277**
Receipts	**$3,814,277**	**$3,814,277**
Positions	**1.00**	**1.00**

Legislative Changes

Requirements:

Scrap Tire Expenditures	$0	R	$0	R
Reduces expenditures in the Scrap Tire fund to reflect the diversion of tax revenue to the the General Fund.	($2,268,989)	NR	$0	NR
	0.00		0.00	
Scrap Tire Transfer to General Fund	$0	R	$0	R
Diverts Scrap Tire tax revenue to the General Fund for general availability.	$2,268,989	NR	$0	NR
	0.00		0.00	
White Goods Expenditures	$0	R	$0	R
Reduces expenditures in the White Goods fund to reflect the diversion of tax revenue to the General Fund.	($1,951,465)	NR	$0	NR
	0.00		0.00	
White Goods Transfer to General Fund	$0	R	$0	R
Diverts White Goods tax revenue to the General Fund for general availability.	$1,951,465	NR	$0	NR
	0.00		0.00	
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$0	NR	**$0**	NR
	0.00		0.00	

Receipts:

Subcommittee on Natural and Economic Resources

	FY 2011-12		FY 2012-13	
White Goods Transfer to General Fund	$0	R	$0	R
	$0	NR	$0	NR
Scrap Tire Transfer to General Fund	$0	R	$0	R
	$0	NR	$0	NR
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$0	NR	**$0**	NR
Revised Total Requirements	**$3,836,277**		**$3,836,277**	
Revised Total Receipts	**$3,814,277**		**$3,814,277**	
Change in Fund Balance	**($22,000)**		**($22,000)**	
Total Positions	**1.00**		**1.00**	
Unappropriated Balance Remaining	**$6,377,207**		**$6,355,207**	

Wildlife Receipts - Non-Interest Earning

Budget Code: 24353

	FY 2011-12		FY 2012-13	
Beginning Unreserved Fund Balance	**$5,375,000**		**$26,875,000**	
Recommended Budget				
Requirements	**$21,500,000**		**$21,500,000**	
Receipts	**$21,500,000**		**$21,500,000**	
Positions	**0.00**		**0.00**	
Legislative Changes				
Requirements:				
Sales Tax Transfer	($21,500,000)	R	($21,500,000)	R
Eliminates the sales tax transfer to the Wildlife Resources Commission. The Commission will now be funded through the General Fund.	$0	NR	$0	NR
	0.00		0.00	
Subtotal Legislative Changes	**($21,500,000)**	R	**($21,500,000)**	R
	$0	NR	**$0**	NR
	0.00		0.00	
Receipts:				
Sales Tax Transfer	$0	R	$0	R
Eliminates the sales tax transfer to the Wildlife Resources Commission. The Commission will now be funded through the General Fund.	$0	NR	$0	NR
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$0	NR	**$0**	NR

	FY 2011-12	FY 2012-13
Revised Total Requirements	**$0**	**$0**
Revised Total Receipts	**$21,500,000**	**$21,500,000**
Change in Fund Balance	**$21,500,000**	**$21,500,000**
Total Positions	**0.00**	**0.00**
Unappropriated Balance Remaining	**$26,875,000**	**$48,375,000**

JUSTICE
&
PUBLIC SAFETY
Section I

Judicial

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$477,189,575**		**$477,189,575**	
Legislative Changes				
1 Eliminate VRIF Positions Eliminates 194.5 full-time equivalent positions within the Judicial Branch. These positions became vacant effective March 1, 2011, through a voluntary reduction in force implemented by the Administrative Office of the Courts.	($12,935,761) -194.50	R	($12,935,761) -194.50	R
2 Freeze Statutory Pay Plans Eliminates a recurring reserve in the continuation budget for statutory pay plans for Deputy Clerks and Magistrates. These pay increases will be frozen for the 2011-13 fiscal biennium.	($6,390,013)	R	($6,390,013)	R
3 Reduce Continuation Budget Increases Reduces restored funds in the Administrative Office of the Courts' continuation budget. The AOC budget included a non-recurring reduction in FY 2010-11; the AOC eliminated positions to comply with this reduction, so the restorations to Personal Services line items can be eliminated as the positions they were associated with no longer exist.	($5,282,000)	R	($5,282,000)	R
4 Freeze Field Vacancies for Two Years Implements a hiring freeze on 35 vacant positions for the 2011-13 fiscal biennium. The freeze includes the following positions: 18 Deputy Clerks 3 Assistant District Attorneys 7 Superior Court Judicial Assistants 4 District Court Judicial Assistants 3 Court Reporters	($1,681,000)	NR	($1,681,000)	NR
5 Discretionary Position Reduction Allows the Administrative Office of the Courts to identify positions, either vacant or filled, to eliminate to achieve required savings level of $256,122. The agency will report on the positions eliminated to the Chairs of the Justice and Public Safety Appropriations Subcommittee.	($256,122)	R	($256,122)	R

	FY 11-12		FY 12-13	
6 Eliminate Dispute Resolution Eliminates all State funding for the non-profit mediation centers. The State appropriation accounts for 19% of the combined budgets for mediation centers on average. Because these centers are not-for-profit, non-State entities, they are able to charge a fee for any service provided to cover their costs.	($1,139,513)	R	($1,139,513)	R
7 Eliminate Juvenile Court Coordinator Pilot Program Eliminates two Juvenile Court Coordinator positions associated with a court improvement pilot initiative that is ending.	($108,678) -2.00	R	($108,678) -2.00	R
8 Reduce Access to Civil Justice Pass-Through Reduces the direct appropriation to the State Bar for Access to Civil Justice by $112,500, leaving $600,000 in the pass-through.	($112,500)	R	($112,500)	R
Office-District Attorney				
9 Reduce District Attorney Support Staff Reduces the number of support staff in District Attorneys' offices. There are currently 599 Assistant District Attorney positions and 550 support staff positions - a ratio of 1:1.08. The Administrative Office of the Courts is directed to take reductions based on a blended ratio/workload approach, but in no case would any prosecutorial office have fewer than three legal assistants, nor would any office gain more support positions.	($2,576,145) -55.00	R	($2,576,145) -55.00	R
Technology Services				
10 Reduce AOC Technology Services Reduces the budget for technology within the Judicial Branch. It is the intent of the General Assembly that new application development projects should be funded on a case-by-case basis by the legislature with clear timetables and budget projections.	($4,918,000)	R	($4,918,000)	R
Trial Courts				
11 Eliminate Vacant Magistrate Positions Eliminates vacant magistrate positions based on workload. The Administrative Office of the Courts' workload formula for magistrates indicates that there are over 60 more magistrates than necessary for the workload. Eliminates 19 positions currently vacant and an additional 42 vacancies occurring on January 1, 2013.	($826,272) -19.00	R	($1,739,520) -61.00	R
12 Eliminate Drug Treatment Court Eliminates all State funding for the Drug Treatment Court program.	($2,043,523) -32.00	R	($2,043,523) -32.00	R
13 Continuation Review of Family Court Eliminates recurring funding for the Family Court Program pending the outcome of a Continuation Review.	($2,865,693) $2,865,693 	R NR	($2,865,693) -44.00	R

Senate Subcommittee on Justice and Public Safety	FY 11-12		FY 12-13	
Total Legislative Changes	**($39,454,220)**	**R**	**($40,367,468)**	**R**
	$1,184,693	**NR**	**($1,681,000)**	**NR**
Total Position Changes	-302.50		-388.50	
Revised Budget	**$438,920,048**		**$435,141,107**	

Judicial - Indigent Defense

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$122,770,246**		**$122,770,246**	
Legislative Changes				
14 Reduce Private Assigned Counsel Funds Reduces funding to the Private Assigned Counsel fund. The Office of Indigent Defense Services is directed to use its statutory authorization to set reimbursement rates based on projected utilization to minimize potential shortfalls in the fund, including setting differential rates for District and Superior Court work and setting fixed costs for high-volume, standard case types. The Office is also authorized to create regional public defender offices, which is expected to contain costs further.	($7,897,882) ($2,657,207)	R NR	($7,897,882)	R
15 Eliminate Sentencing Services Eliminates all State funding for the Sentencing Services Program. Pre-sentencing assessment and referral services may be provided by probation officers and by the Treatment Accountability for Safer Communities (TASC) program in the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services at the request of the court.	($2,123,631) -11.40	R	($2,123,631) -11.40	R
Total Legislative Changes	**($10,021,513)** **($2,657,207)**	R NR	**($10,021,513)**	R
Total Position Changes	-11.40		-11.40	
Revised Budget	**$110,091,526**		**$112,748,733**	

Justice

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$89,670,944**		**$89,670,944**	
Legislative Changes				
A. Department-wide				
16 Vacant Position Reduction	($2,527,438)	R	($2,527,438)	R
Eliminates vacant positions throughout the Department.	-40.31		-40.31	
17 Miscellaneous Operating Reductions	($1,325,000)	R	($1,325,000)	R
Makes recurring operating reductions that were taken on a non-recurring basis in FY 2010-11.				
B. Administration				
18 Executive Staff	($551,993)	R	($551,993)	R
Eliminates the following executive staff positions:	-5.00		-5.00	

Position Number	Title	Total Position Cost
60010114	Chief Deputy II	$136,803
60010136	Chief Deputy II	$138,294
60010135	Administrative Secretary	$ 55,436
60010111	Special Cnsl for Dev.	$117,057
60010141	Special Counsel	$104,403

19 Information Technology Administration	($250,347)	R	($250,347)	R
Reorganizes the information technology section administration by eliminating two IT director positions (60011101 and 60011154).	-2.00		-2.00	
20 Administrative Efficiencies	($654,404)	R	($654,404)	R
Reduces administrative positions based on the following ratios:	-10.00		-10.00	

Human Resources: 1 position for every 150 full-time equivalent (FTE) employees.
Fiscal/Budgeting: 1 position for every $8 million of total budget requirements.
Purchasing: 1 position for every $11 million of goods or services purchased.

21 Finance Staff Receipts	($100,681)	R	($100,681)	R
Shifts two finance staff positions to receipt support.	-2.00		-2.00	

	FY 11-12		FY 12-13	
22 Postage Budget Reduces the postage budget for the Department.	($93,000)	R	($93,000)	R
C. Legal Services				
23 Consumer Protection Receipts Shifts nine consumer protection staff to receipt support.	($482,105) -9.00	R	($482,105) -9.00	R
24 NC LEAF Eliminates the pass-through appropriation for the NC Legal Education Assistance Foundation.	($356,250)	R	($356,250)	R
25 Legal Services Division Transfers the following positions to the General Assembly:	($259,019) -3.00	R	($259,019) -3.00	R

Position Number	Title	Total Position Cost
60010185	Asst. Attorney General	$115,875
60010191	Asst. Attorney General	$ 94,904
60010189	Administrative Assistant	$ 48,240

D. State Bureau of Investigation				
26 Criminal Background Check Receipts Shifts eight Criminal Background staff to receipt support.	($396,189) -8.00	R	($396,189) -8.00	
27 SBI Personal Services Reduces the personal services line in the SBI budget to more accurately reflect actual expenditures.	($141,797) ($160,125)	R NR	($141,797)	R
28 SBI Workload Reduction Reduces State Bureau of Investigation staff based on actual workloads.	($1,123,812) -18.00	R	($1,123,812) -18.00	R
29 Sale of Aircraft Requires the SBI to sell one of its three aircraft in accordance with the Program Evaluation Division's recommendation in Report #2010-04, and reduces the SBI's operating budget to eliminate funding for insurance and maintenance costs for that aircraft.	($16,835)	R	($16,835)	R
E. Training and Standards				
30 Academy Bookstore Receipts Shifts three bookstore staff positions to receipt support.	($137,487) -3.00	R	($137,487) -3.00	R

	FY 11-12		FY 12-13	
31 Academy Staff Efficiencies	($390,449)	R	($390,449)	R
Consolidates administration of the two training academies and increases receipts for the use of facilities by non-law enforcement agencies. The following positions are eliminated:	-5.00		-5.00	

Position Number	Title	FTE	Total Position Cost
60011295	CJ Training Coord I	1.0	$62,010
60011353	CJ Training Coord I	0.5	$46,471
60011397	CJ Training Coord I	1.0	$71,173
60011369	Housekeeping Team Ldr	1.0	$37,204

The following positions are shifted to receipt support:

Position Number	Title	FTE	Total Position Cost
60011372	Housekeeper	0.5	$35,459
60011377	Security Guard	1.0	$38,132

Total Legislative Changes	**($8,806,806)**	R	**($8,806,806)**	R
	($160,125)	NR		
Total Position Changes	-105.31		-105.31	
Revised Budget	**$80,704,013**		**$80,864,138**	

Juvenile Justice & Delinquency Prevention

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$151,295,187**		**$151,295,187**	
Legislative Changes				
A. Department-wide				
32 Longevity Makes a reduction to the budgeted amount for longevity to more accurately reflect actual expenditures.	($138,777)	R	($138,777)	R
33 Equipment Makes a reduction to the budgeted amount for equipment to more accurately reflect actual expenditures.	($197,563)	R	($197,563)	R
34 Computer Services Reduces the budget for computer services throughout the Department.	($472,649)	R	($472,649)	R
35 Art, Artifacts, and Literature Reduces the budget for art, artifacts, and literature to more accurately reflect actual expenditures.	($100,000)	R	($100,000)	R
36 Utilities Reduces the budget for utilities to more accurately reflect actual expenditures.	($114,701)	R	($114,701)	R
37 Repair Services Reduces the budget for repair services to more accurately reflect actual expenditures.	($154,671)	R	($154,671)	R
38 Facility and Hardware Supplies Reduces the budget for facility and hardware supplies.	($25,367)	R	($25,367)	R
39 Vacant Positions Eliminates the following vacant positions:	($222,448)	R	($222,448)	R
	-3.00		-3.00	

Position Number	Title	Total Position Cost
60001018	Business Services Coord.	$ 52,194
60089025	Administrative Officer I	$ 65,489
60000894	Quality Assurance Specialist	$104,765

	FY 11-12		FY 12-13	
B. Administration				
40 Administrative Efficiencies	($1,281,235)	R	($1,281,235)	R
Reduces administrative positions based on the following ratios:	-20.00		-20.00	

Human Resources:	1 position for every 150 full-time equivalent (FTE) employees.
Fiscal/Budgeting:	1 position for every $8 million of total budget requirements.
Purchasing:	1 position for every $11 million of goods or services purchased.

41 Consolidation Reduction	($591,228)	R	($1,182,455)	R
Eliminates executive level positions as a result of consolidation of the Departments of Juvenile Justice and Delinquency Prevention, Crime Control and Public Safety, and Correction. Position eliminations are effective December 31, 2011. The following positions are eliminated in DJJDP:	-11.00		-11.00	

Position Number	Title	Total Position Cost
60000889	Secretary	$146,310
60000900	Chief Operating Officer	$141,425
60000890	Deputy Secretary	$131,110
60000968	Controller	$117,886
60000964	Dir. of Budget Operations	$ 96,241
60000893	Communications Director	$ 79,945
60000896	Human Resources Director	$125,296
60000916	Technical Services Manager	$125,651
60001485	Legislative Liaison	$ 97,686
60001049	Asst. to Human Resources Dir.	$ 50,325
60000892	Executive Assistant	$ 70,582

42 Staff Development	($300,338)	R	($300,338)	R
Eliminates five staff development positions. The Department can work with the Training Academies in the Department of Justice or the NC Community College System to provide this service.	-5.00		-5.00	
43 IT Help Desk	($172,390)	R	($172,390)	R
Eliminates two IT help desk positions. These positions are a duplication of services provided through the State's Office of Information Technology Services.	-1.60		-1.60	
C. Detention Center Services				
44 Detention Centers	($1,143,137)	R	($1,143,137)	R
Eliminates four Staff Psychologists at Wake, Richmond, New Hanover, and Cumberland Detention Centers. Eliminates 14 Youth Counselor Technicians from Perquimans, Pitt, Alexander, Cumberland, Richmond, Gaston, and Wake Detention Centers. Eliminates three Housing Unit Supervisors from Pitt, Alexander, and Cumberland.	-21.00		-21.00	

	FY 11-12		FY 12-13	
45 Detention Center Receipts Eliminates the continuation budget increase for Detention Center receipts. G.S. 143B-530 requires that any county placing a juvenile in a detention facility in another county shall pay fifty percent of the total cost of caring for the juvenile to the Department.	($2,000,000)	R	($2,000,000)	R
D. Youth Development Centers				
46 Swannanoa Youth Development Center Eliminates funding and positions at Swannanoa Youth Development Center. The Department closed Swannanoa effective March 1, 2011.	($5,000,703) -87.00	R	($5,000,703) -87.00	R
47 DHHS Security Contract Eliminates funding for a contract with the Department of Health and Human Services (DHHS) for security services at Swannanoa Youth Development Center.	($137,989)	R	($137,989)	R
48 Samarkand Youth Development Center Eliminates funding and positions at the Samarkand Youth Development Center (YDC). Bed capacity at the remaining seven YDCs is sufficient to house the juveniles currently committed to Samarkand. The Department is encouraged to increase the use of community-based alternatives to commitment to continue to reduce the need for YDCs across the State.	($3,164,764) -57.00	R	($3,164,764) -57.00	R
49 Repair and Renovation Funds Provides repair and renovation funds for Stonewall Jackson Youth Development Center ($2,330,900) and C.A. Dillon Youth Development Center ($1,531,000). Funds are to be used on repairs or renovations that increase the operational capacity of these youth development centers in order to provide more bed space at a lower cost.	$3,861,900	NR		
E. Education and Treatment Services				
50 School Superintendent Eliminates the Superintendent position in DJJDP (position number 60000978). Superintendent responsibilities can be handled by the Chief Deputy Secretary for Juvenile Justice or the head of Education and Treatment Services.	($113,637) -1.00	R	($113,637) -1.00	R
51 Education Directors Eliminates two education directors (position numbers 60001052, 60001058). The Director for Exceptional Children remains, along with one education director that is 50% receipt supported and one education director that is 100% receipt supported. In addition, the Department of Public Instruction is available to provide consultation and assistance to all public education entities in the State.	($155,550) -2.00	R	($155,550) -2.00	R

	FY 11-12		FY 12-13	
52 Youth Development Center Principals Reduces the number of youth development center principals and assistant principals by four. Two vacant principal positions are eliminated (position numbers 60001614 and 60001205). The Department has discretion to determine which two remaining principal positions to eliminate.	($336,275) -4.00	R	($336,275) -4.00	R
53 Camp Woodson Eliminates funding for Camp Woodson. This therapeutic wilderness program was closed by the Department on March 1, 2011.	($973,570) -19.00	R	($973,570) -19.00	R
F. Community Programs				
54 Juvenile Assessment Center Eliminates the pass-through appropriation to the Juvenile Assessment Center in Cumberland County. This program may continue to receive funding through Juvenile Crime Prevention Council (JCPC) grants.	($124,075)	R	($124,075)	R
55 Project Challenge Eliminates the direct pass-through appropriation for Project Challenge. Project Challenge receives funding through the Juvenile Crime Prevention Council (JCPC) allotment.	($121,600)	R	($121,600)	R
G. Court Services				
56 District Consolidation Reduces the number of districts for the Department from 39 to 30. Eliminates funding for eight chief court counselors (two districts currently share a chief), leaving one chief court counselor for each district.	($563,240) -8.00	R	($563,240) -8.00	R
57 Court Counselor Allotment Reduces the Court Counselor workload to one court counselor for every 32 complaints. This reduction is based on 2005 workload data. The Department is developing a new allotment formula that takes into account workloads and travel requirements. This new formula will be used to distribute court counselors among the 30 districts.	($1,957,488) -39.00	R	($1,957,488) -39.00	R
Total Legislative Changes	**($19,563,395)** **$3,861,900**	**R** **NR**	**($20,154,622)**	**R**
Total Position Changes	-278.60		-278.60	
Revised Budget	**$135,593,692**		**$131,140,565**	

Correction

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$1,421,644,768**		**$1,418,867,332**	

Legislative Changes

A. Department-wide

58 Administrative Efficiencies ($2,983,860) R ($2,983,860) R

Reduces administrative positions based on the following ratios: -60.00 -60.00

Human Resources:	1 position for every 150 full-time equivalent (FTE) employees.
Fiscal/Budgeting:	1 position for every $8 million of total budget requirements.
Purchasing:	1 position for every $11 million of goods or services purchased.

59 Consolidation Reduction ($707,238) R ($1,414,476) R

Eliminates executive level positions as a result of consolidation of the Departments of Juvenile Justice and Delinquency Prevention, Crime Control and Public Safety, and Correction. Position eliminations are effective December 31, 2011. The following positions are eliminated in DOC: -12.00 -12.00

Position Number	Title	Total Position Cost
60056032	Secretary	$146,309
60056034	Administrative Assistant III	$ 68,516
60058360	Deputy Secretary/Commissioner IV	$141,424
60056033	Chief Operating Officer	$151,109
60056056	Administrative Secretary III	$ 51,797
60056384	Accounting Director	$136,885
60056393	Accounting Manager	$117,836
60056146	Information Technology Executive	$156,996
60056264	Agency/University HR Director III	$136,464
60056255	DOC Special Assistant	$ 91,556
60056040	Director of Public Affairs	$ 87,770
60056051	Deputy Secretary/Commissioner II	$127,815

60 Reduce Temporary and Contractual Positions ($1,650,000) R ($1,650,000) R

Reduces the use of temporary and contractual staff department wide.

61 Reduce Longevity Pay ($2,009,625) R ($2,009,625) R

Reduces the longevity pay line item to more accurately reflect actual expenditures.

	FY 11-12		FY 12-13	
62 Reduce the Motor Vehicle Continuation Budget Reduces the Motor Vehicle Continuation Budget.	($950,000) ($1,500,000)	R NR	($950,000)	R
63 Reduce Clothing Budget Reduces the clothing budget for inmate clothing and officer uniforms.	($1,000,000)	R	($1,000,000)	R
64 Reduce PC Equipment Reduces the budget for personal computers replacement schedule.	($300,000)	R	($300,000)	R
65 Reduce Equipment Budget Reduces the equipment budget.	($1,600,000)	R	($1,600,000)	R
66 Reduce Data Processing Equipment Reduces the funding for data processing equipment.	($300,000)	R	($300,000)	R
67 Reduce Supplies Continuation Budget Reduces the Supplies Continuation Budget.	($1,422,052)	R	($1,422,052)	R
68 Reduce Salary Reserve Reduces funds budgeted for salaries in excess of actual salaries of employees.	($1,000,000)	R	($1,000,000)	R
69 Miscellaneous Contractual Services Reduces the Miscellaneous Contractual Services Continuation Budget.	($750,000)	R	($750,000)	R
70 Reduce Travel Budget Reduces the Department's travel budget.	($500,000)	R	($500,000)	R
71 Reduce Utility Budget Reduces the Department's utility budget.	($2,000,000)	R	($2,000,000)	R
72 Reduce the Fringe Benefit Continuation Budget Reduces the continuation budget increases for various fringe benefits accounts across the Department.	($5,429,410)	R	($5,429,410)	R
73 Eliminate Domestic Violence Rehabilitation Reserve Eliminates the Domestic Violence Rehabilitation Reserve, which was funded in 2008. The Department was able to establish the domestic violence programs without ever making use of the appropriation. The domestic violence programs will continue to serve inmates at the same level.	($100,000)	R	($100,000)	R
74 Eliminate Parole Commission Support Position Eliminates a Parole Commission administrative support position (position number 60076645). This reduction will have minimal impact on the Commission.	($87,369) -1.00	R	($87,369) -1.00	R

	FY 11-12		FY 12-13	
75 Eliminates Vacant Positions Eliminates vacant positions throughout the Department.	($14,132,696) -255.00	R	($14,132,696) -255.00	R
76 Eliminate Restoration Budget Reserve Eliminates a continuation budget increase that restores a non-recurring reduction to the Department's budget for a lower than expected inmate population.	($10,042,999) ($11,957,001)	R NR	($10,042,999) ($11,957,001)	R NR
B. Department Management				
77 Legal, License, and Permit Reduces the Legal, License, and Permit Continuation Budget.	($30,000)	R	($30,000)	R
78 Shift Accountants to Receipts Funds accounting positions that support Correction Enterprise with receipts, eliminates the reimbursement from Correction Enterprise, and transfers the positions to the Correction Enterprise fund.	($110,829) -8.00	R	($110,829) -8.00	R
C. Prisons				
79 Eliminate Maintenance Positions at Central Prison Eliminates five maintenance positions that manage the boiler operation at Central Prison. This reduction is possible due to facility improvements related to the Central Prison Hospital addition.	($221,696) -5.00	R	($221,696) -5.00	R
80 Reduce Inmate Costs Reduces inmate costs by enabling inmates with shorter sentences to be rewarded for positive conduct and good behavior. These inmates would otherwise not be able to benefit from sentence reduction credits for program completion. No inmate would serve less than their minimum sentence.	($2,500,000)	R	($2,500,000)	R
81 Establish Two Release Dates Per Month Establishes two release dates per month for inmates leaving prison. Inmates would still be required to serve their mandatory sentence, but would enable the Department of Correction to reduce the costs associated with transportation and processing inmates by improved coordination.	($571,000)	R	($571,000)	R
82 Shift Inmate Medical Costs to Medicaid Shifts medical costs for Medicaid eligible inmates. The Department of Correction and the Department of Health and Human Services have developed a Memorandum of Understanding related to establishing the Medicaid eligibility of qualified inmates who receive inpatient services at a hospital and are away from the prison housing unit for 24 hours or longer. The Department of Correction will pay the State share of Medicaid.	($3,000,000)	R	($3,000,000)	R

	FY 11-12		FY 12-13	
83 Transfer Inmate Welfare Funds Transfers a one-time payment of $1 million from the Inmate Welfare Fund to the General Fund.	($1,000,000)	NR		
84 Transfer Correction Enterprise Funds Transfers a one-time payment of $1 million from the Correction Enterprise Fund to the General Fund.	($1,000,000)	NR		
85 Correction Enterprise Buy Back Directs Correction Enterprise to buy back items currently held in the Department's Central Supply Warehouse. This reduction would shift the responsibility for storing excess supplies from the Department to the receipt-supported Correction Enterprise Fund.	($1,300,000)	R	($1,300,000)	R
86 Eliminate Community Work Crews Eliminates Community Work Crews, which were partially restored in 2010 after a complete elimination in 2009. The Department was authorized to charge local government entities a $150 per day fee to offset part of the cost of the eight-person crew plus one Correctional Officer. No local entity has ever paid the Work Crew fee.	($1,602,094) -39.00	R	($1,602,094) -39.00	R
87 Reduces Chaplains Reduces Chaplain positions at minimum and medium custody prisons, and maintains at least one Chaplain position at each of the 14 close custody prisons. Each prison facility has a designated staff member responsible for coordinating the involvement and supervision of the Community Volunteer Program. This designee will coordinate the community volunteers, including the religious volunteers, at the minimum and medium custody prisons.	($1,386,653) -25.00	R	($1,386,653) -25.00	R
88 Eliminate Double Celling at Pamlico CI Eliminates funding for double celling of inmates at Pamlico Correctional Institution. Implementation of double celling has been cancelled due to county waste water treatment capacity issues.	($2,395,452) -57.00	R	($2,395,452) -57.00	R
89 Eliminate Correctional Officer Positions Eliminates 39 Correctional Officer positions associated with the Inmate Litter Crews. This reduction will eliminate positions that are not supported by receipts received from the Department of Transportation.	($1,560,000) -39.00	R	($1,560,000) -39.00	R
90 Eliminate Funding For Our Children's Place Eliminates the pass-through appropriation for Our Children's Place, which has yet to become operational.	($104,025)	R	($104,025)	R
91 Justice Reinvestment Act: Prison Closures Closes four minimum custody prisons, effective January 1, 2012. These prisons are closing as part of the Justice Reinvestment Act reforms.	($5,379,669) -203.00	R	($10,759,336) -203.00	R

	FY 11-12		FY 12-13	
92 Justice Reinvestment Act: Diagnostic Center	($616,884)	R	($822,513)	R
Eliminates 18 diagnostic center positions at Neuse Correctional Institution and Fountain Correctional Center for Women. These positions are being eliminated as part of the Justice Reinvestment Act reforms.	-18.00		-18.00	
93 Justice Reinvestment Act: Remove Misdemeanants	($3,980,368)	R	($3,980,368)	R
Removes misdemeanants with sentences of six months or less from State prisons and houses them in county facilities. Structured Sentencing misdemeanants with sentences longer than six months and Driving While Impaired misdemeanants will remain in the custody of the State. This change is part of the Justice Reinvestment Act reforms. The fee section of the budget proposes increasing the following court costs to offset the costs of housing misdemeanants: the District Criminal Court Facility court cost, which will generate an estimated $19 million; and the Service of Civil Process court cost, which will generate an estimated $3.3 million. In addition, the fee section establishes a new court cost for Improper Equipment dispositions, which will generate an estimated $12 million, and increases the daily jail fee and jail inmate medical co-pay. It is unknown how much the daily jail fee and co-pay increase will generate. These court cost increases are contingent upon passage of legislation increasing the number of days misdemeanants are housed in county jails.				
94 Operating Reserves For New Hospital Facilities	($299,859)	R	($299,859)	R
Reduces the operating reserves for the new hospitals at Central Prison and NC Correctional Institution for Women Mental Health Facility.	($1,164,417) -3.00	NR	 -3.00	
95 Operating Reserves For New Facilities	$5,874,102	R	$24,196,611	R
Provides funding to operate and staff new add-on facilities at Swannanoa Correctional Center for Women, Lanesboro Correctional Institution, Maury Correctional Institution, and Tabor Correctional Institution. These facilities will become operational in 2011 and 2012.	$4,125,898 280.00	NR	$803,389 340.00	NR

	FY 11-12		FY 12-13	
D. DACDP				
96 Reduce DACDP Administration	($405,875)	R	($405,875)	R
Reduces the Division of Alcoholism and Chemical Dependency Programs (DACDP) administration and eliminates six positions.	-6.00		-6.00	

Position Number	Title	Total Position Cost
60056812	Dep. Dir. Substance Abuse Serv.	$127,095
60056814	Personnel Technician	$ 62,921
60056770	SA Counselor Clinician	$ 53,124
60056816	Administrative Secretary III	$ 46,780
60056769	Accounting Technician	$ 46,736
60056771	Processing Assistant	$ 36,594
	Reduces Lease Savings Projection	$26,355
	Reduces Rent/Lease Motor Vehicles	$6,270

97 Eliminate DACDP Private Treatment Beds	($5,233,354)	R	($5,233,354)	R
Eliminates funding for two private contractual providers of minimum custody level treatment beds.				
E. Community Corrections				
98 Eliminate Women at Risk	($249,375)	R	($249,375)	R
Eliminates all State funding for the Women at Risk program, a substance abuse treatment program for female probationers mainly serving Buncombe and Henderson counties.				
99 Eliminate Summit House	($1,052,756)	R	($1,052,756)	R
Eliminates all State funding for Summit House, a residential facility for female probationers at risk of revocation and their children. The program accepts women from any part of the State, but operates in Guilford and Mecklenburg counties.				
100 Eliminate Harriet's House	($195,937)	R	($195,937)	R
Eliminates all State funding for Harriet's House, a residential facility serving women upon release from prison and their children.				

	FY 11-12		FY 12-13	
101 Broaden Access to Community Treatment Captures funds currently directed through non-profit pass-throughs and contracts into a fund within the Division of Community Corrections to provide community treatment services through fee-for-service contracts with local providers. The Department shall use money from this fund to continue existing contracts with Mary Frances and Evergreen for one additional month to insure orderly transition of inmates back into the prison system. The Department shall further use money from this fund to continue pass-through funding for Harriet's House, Summit House, and Women at Risk for three additional months to complete services for existing populations and to shut down operations. The Department shall also use up to $300,000 of this fund to pay the NC Sheriff's Association, Inc. to manage the assignment of misdemeanants held in county jails.	$4,138,260	R	$4,138,260	R
102 Interstate Compact Receipts Funds the non-personnel operating costs of the Interstate Compact with receipts so the Division of Community Corrections can reduce the appropriations used to fund the Compact. This will have no impact on services. The fee is increasing from $150 to $250.	($125,000)	R	($125,000)	R
103 Reorganization of Victim Services Eliminates four victim service positions in the Community Corrections regional offices. The services provided by these positions can be managed within existing resources at the DOC Office of Victim Services.	($201,873) -4.00	R	($201,873) -4.00	R
104 DCC Reduction in Support Positions Eliminates 21 positions associated with middle management at the Division of Community Corrections that have become redundant due to district reorganization.	($880,727) -21.00	R	($880,727) -21.00	R
105 Eliminate DCC Personnel Tech Positions Eliminates the Personnel Technician position at each of the four Community Corrections division offices.	($156,215) -4.00	R	($156,215) -4.00	R
106 Outsource Electronic Monitoring Eliminates positions in the Community Corrections Technology Center overseeing offenders on house arrest with electronic monitoring. The service will be provided through a lower-cost contract with the provider of the monitoring equipment. The contract shall including monitoring services for the Department of Juvenile Justice and Delinquency Prevention to maximize cost savings.	($475,331) -11.00	R	($475,331) -11.00	R
107 Consolidate DCC Drug Lab Functions Closes three Community Corrections drug labs, leaving two open. Developments in the products for drug testing have reduced the need for labs.	($345,043) -8.00	R	($345,043) -8.00	R

Senate Subcommittee on Justice and Public Safety	FY 11-12		FY 12-13	
Total Legislative Changes	**($71,332,902)**	**R**	**($59,302,927)**	**R**
	($12,495,520)	**NR**	**($11,153,612)**	**NR**
Total Position Changes	-499.00		-439.00	
Revised Budget	**$1,337,816,346**		**$1,348,410,793**	

Crime Control and Public Safety

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$34,175,427**		**$34,175,427**	

Legislative Changes

A. Department-wide

108 Janitorial Services ($47,794) R ($47,794) R

Reduces the line item for janitorial services throughout the Department to more accurately reflect actual expenditures.

109 Waste Removal Services ($64,411) R ($64,411) R

Reduces the line item for waste removal services throughout the Department to more accurately reflect actual expenditures.

110 Utilities ($56,103) R

Reduces the line item for utilities throughout the Department in the second year of the biennium.

B. Administration

111 Criminal Justice Information Network (CJIN) ($154,423) R ($154,423)

Eliminates two positions assigned to provide support for CJIN. The following positions are eliminated: -2.00 -2.00

Position Number	Title	Total Position Cost
60084100	Admin. Assistant II	$ 50,559
60084125	CJIN Director	$103,864

112 Consolidation Reduction ($620,241) R ($1,240,482) R

Eliminates executive level positions as a result of consolidation of the Departments of Juvenile Justice and Delinquency Prevention, Crime Control and Public Safety, and Correction. Position eliminations are effective December 31, 2011. The following positions are eliminated in CCPS: -11.00 -11.00

Position Number	Title	Total Position Cost
60084098	Secretary	$146,310
60084129	Chief Operating Officer	$136,740
60084134	Assistant Secretary	$131,349
60084686	Deputy Secretary	$133,225
60084138	Controller	$122,290
60084158	Dir. of Human Resources	$119,565
60084127	Director of IT	$131,028
60084159	Leg. Affairs Program Mgr.	$ 87,747
60084130	Special Assistant to the Sec.	$103,608
60084132	Administrative Assistant	$ 68,473
60084133	Administrative Assistant	$ 60,147

	FY 11-12		FY 12-13	
C. National Guard				
113 Reorganization of National Guard Support Reduces staffing costs in the Adjutant General's Office.	($200,000)	R	($200,000)	R
D. Butner Public Safety				
114 Butner Public Safety (BPS) Increases the receipts for Butner Public Safety. The Department will contract with the Town of Butner to provide fire and police service to the Town and to the Butner Fire and Police District. Receipts that were previously directed through the General Fund will now go directly to the Department for the support of BPS. The appropriation for BPS is also reduced by 10% in the first year and 15% in the second year.	($1,422,700)	R	($1,527,432)	R
F. State Capitol Police				
115 Reorganize State Capitol Police Reorganizes State Capitol Police to focus on security in and around State-owned buildings in Wake County.	($2,267,303) -40.00	R	($2,267,303) -40.00	R
G. Alcohol Law Enforcement				
116 ALE Administration Eliminates five positions in Alcohol Law Enforcement administration. Increases Lottery receipts by $200,000 and makes other reductions to operating costs.	($1,064,210) -5.00	R	($1,064,210) -5.00	R
H. Division of Emergency Management				
117 Shift Positions to Receipt Support Makes 16 positions in the Division of Emergency Management 50% receipt supported.	($539,974) -8.00	R	($539,974) -8.00	R
J. Law Enforcement Support Services				
118 General Fund Appropriation for LESS Eliminates the General Fund appropriation for LESS and transfers the evidence and DNA storage warehouse to the NC Crime Lab. The Secretary of the Department shall appoint a designee to coordinate the surplus federal property and first-responder purchasing programs for local law enforcement agencies. The following positions are eliminated:	($203,257) -5.00	R	($203,257) -5.00	R

Position Number	Title	Total Position Cost
60084103	Director LESS	$95,410
65011786	Processing Assistant V	$37,553
65011787	Processing Assistant V	$37,553
65011788	Processing Assistant V	$37,553
65011789	Processing Assistant V	$37,553

	FY 11-12		FY 12-13	
K. Highway Patrol				
119 Highway Patrol	$196,849,542	R	$188,209,049	R
Appropriates funds for the Highway Patrol in a new fund code in Budget Code 14900. In previous years, the budget for the Highway Patrol has been budgeted directly from the Highway Fund. Beginning in FY 2011-12, funds will be transferred from the Highway Fund to the General Fund for the support of the Highway Patrol. Reductions to the Highway Patrol's budget for FY 2011-13 have been itemized in the Transportation section of the Committee Report. Non-Highway Fund receipts collected by the Highway Patrol will also be budgeted in the new fund code.	2,368.50		2,368.50	
L. Department of Public Safety				
120 Consolidation Reserve	$818,139	R	$1,563,124	R
Creates 13 new positions for the new Department of Public Safety. These positions are effective January 1, 2012, except for the secretary position, which is effective October 1, 2011. The following positions are created:	13.00		13.00	

Title	FTE	Total Position Cost
Secretary	1.0	$146,310
Administrative Assistant	2.0	$130,620
Controller	1.0	$136,947
Chief Financial Officer	1.0	$118,364
Dir. of Human Resources	1.0	$136,387
Director of IT	1.0	$157,100
Public Information Officer	1.0	$ 87,771
Legislative Liaison	1.0	$ 97,686
Chief Deputy Secretary	3.0	$416,071
Deputy Secretary	1.0	$135,870

121 Anticipated Consolidation Savings			($1,417,693)	R
Creates a reserve for savings that will be realized as a result of consolidation of the Departments of Juvenile Justice and Delinquency Prevention, Crime Control and Public Safety, and Correction. Savings are anticipated from bulk purchasing, the merger of regional offices in the Law Enforcement Division, and the elimination of duplicative administrative positions identified by the new Department. These savings will be taken from the consolidated budget for the Department of Public Safety, and are not limited to funds currently appropriated to the Department of Crime Control and Public Safety.				

Senate Subcommittee on Justice and Public Safety	FY 11-12		FY 12-13	
Total Legislative Changes	**$191,083,368**	**R**	**$180,989,091**	**R**
Total Position Changes	2,310.50		2,310.50	
Revised Budget	**$225,258,795**		**$215,164,518**	

Highway Patrol

Budget Code: 24960

	FY 2011-12	FY 2012-13
Beginning Unreserved Fund Balance	**$0**	**$0**
Recommended Budget		
Requirements	**$221,219,607**	**$221,219,607**
Receipts	**$221,190,127**	**$221,190,127**
Positions	**2,384.50**	**2,384.50**

Legislative Changes

Requirements:

Transfer SHP Funds to General Fund Support Transfers the budget for the Highway Patrol from Budget Code 24960 to a new fund code in Budget Code 14900 - Crime Control and Public Safety. A corresponding item in the Justice and Public Safety section of the Committee report appropriates funds from the General Fund to the Highway Patrol.	($221,219,607) R $0 NR -2,384.50	($221,219,607) R $0 NR -2,384.50
Subtotal Legislative Changes	**($221,219,607)** R **$0** NR -2,384.50	**($221,219,607)** R **$0** NR -2,384.50

Receipts:

Transfer Highway Fund Receipts Transfers Highway Fund receipts for the Highway Patrol to General Fund availability. The Transportation section of the Committee Report reduces the transfer for the Highway Patrol by $21 million. The total amount transferred to General Fund availability will be $196,849,542 in FY 2011-12 and $188,209,049 in FY 2012-13.	($217,567,328) R $0 NR	($217,567,328) R $0 NR
Transfer Highway Patrol Receipts Transfers non-Highway Fund Highway Patrol receipts to a new fund code in Budget Code 14900 - Crime Control and Public Safety.	($3,622,799) R $0 NR	($3,622,799) R $0 NR

Subcommittee on Justice and Public Safety

	FY 2011-12		FY 2012-13	
Subtotal Legislative Changes	**($221,190,127)**	R	**($221,190,127)**	R
	$0	NR	**$0**	NR
Revised Total Requirements	**$0**		**$0**	
Revised Total Receipts	**$0**		**$0**	
Change in Fund Balance	**$0**		**$0**	
Total Positions	**0.00**		**0.00**	
Unappropriated Balance Remaining	**$0**		**$0**	

GENERAL GOVERNMENT
Section J

Administration

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$69,700,026**		**$69,700,026**	
Legislative Changes				
1111 Office of the Secretary				
1 Consolidate Environmental Clearing House Function	($74,144)	R	($74,144)	R
Eliminates Environmental Clearing House Function and position (Community Development Specialist 660013846) and benefits.	-1.00		-1.00	
1121 Fiscal Management				
2 Increase Receipt Support for Positions	($188,907)	R	($188,907)	R
Increases receipt support for the following positions within Fiscal Management (60014119, 60014102, 60014118, 60014100, 60014112, 60014114, 60014107).	-2.44		-2.44	
1122 Human Resources				
3 Reduce Operating Costs	($116,612)	R	($116,612)	R
Reduces operating accounts within the Human Resources Office.				
1123 Historically Underutilized Businesses				
4 Program Reduction	($81,820)	R	($81,820)	R
Eliminates salary ($65,074) and benefits of one filled position: 60014897.	-1.00		-1.00	
1241 Management Information Systems				
5 Move Position to Receipts Support	($83,455)	R	($83,455)	R
Moves a State Construction Office related position (Business and Technology Applications Analyst 60014137) to receipts support.	-0.85		-0.85	

	FY 11-12		FY 12-13	
1264 Agency for Public Telecommunications				
6 Transfer Agency for Public Telecommunications to Receipt Support	($617,497)	R	($617,497)	R
Requires the APT division to become fully receipt supported. In addition to operating costs, the following positions will be receipt supported:	-7.71		-7.71	

Executive Director (60014546)
Administrative Assistant II (60014548)
Television Engineer III (60014554)
Television Producer/Director III (60014564)
Television Producer Director II (60014556)
Television Producer Director III (60014555)
Administrative Officer III (60014547)

1311 Office of State Personnel

7 Eliminate Positions and Reduce Operating Expenses ($1,159,596) R ($1,159,596) R

Eliminates salaries and benefits of 8.25 vacant and 6 filled positions, and transfers .27 position to receipts; and reduces operating expenses. -14.52 -14.52

Vacant Positions
60013785 HR Consultant ($65,000)
60013823 HR Consultant ($65,000)
60013793 HR Consultant ($65,124)
60013838 HR Associate ($46,335)
60013764 Adm. Support ($31,889)
60013777 Division Director ($91,500)
60013742 Division Director ($57,010) - .50 FTE
65012021 HR Partner ($40,250) - .75 FTE
60013784 HR Consultant ($50,932)

531211 SPA Reg Salary ($513,040)
531511 Soc Sec ($39,248)
531521 Retirement ($47,910)
531561 Medical ($39,440)
SUBTOTAL Vacant Positions ($639,638)

Filled Positions
60013804 HR Partner Per. Officer ($68,303)
60013744 HR Associate ($47,432)
60013790 HR Manager ($97,353)
60013782 Associate Position ($38,851)
60013798 Partner Position ($70,046)
60013836 Adm. Support Assoc ($26,208)
60013818 HR Manager ($28,300) - .27 FTE

531211 SPA Reg Salary ($376,493)
531511 Soc Sec ($ 28,802)
531521 Retirement ($ 36,780)
531561 Medical ($ 27,100)
SUBTOTAL Filled/Receipted Pos ($469,175)

Operating Expenses
532140 Data Processing ($3,404)
532150 Academic Services ($1,500)
532700 Travel($1,500)
532930 Registration Fees ($5,000)
535830 Member Dues&Subs ($5,000)
536905 OJT Incentive Program ($10,000)
5328XX IT Costs ($24,379)
SUBTOTAL Operating Expenses ($50,783)

8 Human Resources Development

Provides $1.5 million to support the Learning Management System, which is a component of a comprehensive Human Capital Management (HCM) System. Funds from the NCFlex FICA Fund will be used to support the program components. The Office of State Controller will transfer funds from the NCFlex FICA Fund to the Office of State Personnel.

	FY 11-12		FY 12-13	
1411 State Construction				
9 Move Positions to Receipt Support	($750,012)	R	($750,012)	R
Uses a portion of the 5% Contingency Reserve for all capital projects under the State Construction Office's control to fund nine positions. The positions are as follows: 60014589 Mechanical Engineer 60014582 Engineer 60014588 Engineer 60014614 Engineer 60014580 Engineer 60014608 Construction Contracts Administrator 60014700 Control System Technician 60014590 Engineer 60089475 Engineer	-9.00		-9.00	
1412 State Property				
10 Consolidate Position	($89,028)	R	($89,028)	R
Consolidates Plan Review position with Code Review. One Management Engineer III position (60014636) and benefits will be eliminated.	-1.00		-1.00	
11 Move Positions to Receipt Support	($66,047)	R	($66,047)	R
Increases support from the Land Fund for a portion of four positions: 60014639 Real Property Agent II 60014635 Real Property Manager 60014637 Real Property Agent III 60014640 Real Property Agent III	-1.07		-1.07	
1421 Building Reserves				
12 Fund Building Reserve for the Department of Health and Human Services	$1,473,580	R	$3,377,710	R
Funds the Public Health Lab and Office of the Medical Examiner Building that will come online during FY 2011-12.				

	FY 11-12		FY 12-13	
1421 Facilities Management				
13 Eliminate Positions in Facility Management	($544,533)	R	($544,533)	R
Eliminates the following positions in the Facilities Management division. The positions are as follows:	-10.75		-10.75	
60014761 Facilities Maintenance Tech. 60014822 Building and Environmental Tech. 60014824 Building and Environmental Tech. 60014737 Plasterer 65011759 Facilities Maintenance Tech. 65011754 Building and Environmental Tech. 65011755 Building and Environmental Supervisor 60014721 Housekeeping Contract Admin. 60014784 Housekeeping Procurement Asst. 60014708 Painter 60014781 Housekeeping Supervisor				
1421 Facility Management				
14 Consolidate Position	($41,232)	R	($41,232)	R
Consolidates a position within Pest Control and Greenhouse Management. One position (Facilities Maintenance Tech 60014763) and benefits will be eliminated.	-1.00		-1.00	
15 Move Position to Receipts	($51,644)	R	($51,644)	R
Moves a carpenter position (60014730) to receipts support.	-1.00		-1.00	
1511 Purchase and Contract				
16 Eliminate Purchase and Contract Positions	($480,268)	R	($480,268)	R
Eliminates seven vacant purchase and contract positions. Positions affected are as follows:	-7.00		-7.00	
State Procurement Specialist III 60013871 Administrative Assistant III 60013904 Engineer 60013872 Auditor 65011990 State Procurement Specialist 65011994 Auditor 65011991 State Procurement Specialist III 65011993				
1731 NC Council for Women				
17 Program Reduction	($101,839)	R	($101,839)	R
Eliminates regional office and redistributes oversight responsibilities for local grantees.	-2.00		-2.00	
1732 Displaced Homemakers Program				
18 Program Reduction	($15,247)	R	($15,247)	R
Reduces appropriation for Displaced Homemakers grant funding and administrative costs by 5%. The remaining appropriation for Displaced Homemakers is $289,700 each year.				

	FY 11-12		FY 12-13	
1734 Rape Crisis Program				
19 Program Reduction Reduces appropriation for Sexual Assault grant funding and administrative costs by 5%, which provides an appropriation of $2,871,270 each year.	($151,120)	R	($151,120)	R
1741 Human Relations Commission				
20 Human Relations Commission Transfer Authorizes a Type I transfer of the Human Relations Commission from the Department of Administration to the Office of Administrative Hearings. The Commission's Fair Housing responsibilities will continue in the Office of Administrative Hearings.	($841,613) -10.68	R	($841,613) -10.68	R
1742 Martin Luther King Commission				
21 Eliminate Grant Funding Eliminates funding for the grants managed by the Commission.	($42,465)	R	($42,465)	R
1761 Youth Advocacy & Involvement Office				
22 Personnel Adjustment and Operations Reduction Reduces the program with the elimination of salaries and benefits of three vacant and two filled positions ($277,750) and reduces funds for operations ($44,952). Vacant Positions: 60014505 Advocacy Specialist II/Assistant Director ($53,879) 60014504 Advocacy Specialist ($40,624) 60014063 Administrative Officer II ($39,078) Filled Positions 60014503 Advocacy Specialist ($39,190) 60014507 Advocacy Specialist ($41,429)	($322,702) -5.00	R	($322,702) -5.00	R
1771 Veterans Affairs - Administration				
23 Program Reduction Reduces the appropriation by realigning the budget to more closely reflect actual expenditures, and leaves $73,545 in the account. Eliminates salary and benefits of one filled position: #60014249 531211 SPA Reg Salary ($48,415) 531511 Soc Sec ($ 3,704) 531521 Retirement ($ 5,088) 531561 Medical ($ 4,930)	($562,135) -1.00	R	($562,135) -1.00	R
24 Reduces Program Funding Reduces funding for the Aid to Counties Program.	($50,000)	R	($50,000)	R

1810 State Ethics Commission

25 Adjust Personnel and Reduce Operating Budget	($219,519)	R	($219,519)	R
Eliminates salaries and benefits of a vacant Program Assistant V position at $33,582, and an Attorney II position at $85,241 that is filled. Additionally reduces IT Services.	-2.00		-2.00	

Vacant Position
60088569 Program Assistant V ($33,582)

531211 SPA Reg Salary ($33,582)
531511 Soc Sec ($2,569)
531521 Retirement ($3,529)
531561 Medical ($4,930)
Subtotal Vacant Position ($44,610)

Filled Position
65012031 Attorney II ($85,241)

531211 SPA Reg Salary ($ 85,241)
531511 Soc Sec ($ 6,521)
531521 Retirement ($ 8,959)
531561 Medical ($ 4,930)
Subtotal Vacant Position ($105,651)

Operating Budget Reductions
532140 IT Services ($64,408)
IT 5% Reduction ($ 4,850)
Subtotal Operating Budget ($72,479)

2401 E-Commerce Reserve

26 Reduce E-Commerce Reserve

Reduces the E-Commerce Reserve by eliminating SL. 2010-31, Sec. 6.19 for the purchase of $1,000,0000 in Smart Cards and $3,483,526 in funds to be used in FY 2012 for E-Procurement system upgrades for a total reduction of $4,483,526. Funds in the Reserve may be used for E-Procurement Contracts in effect on May 1, 2011. Funds are being transferred to General Fund availability.

Department-wide

27 Eliminate Vacant Positions	($793,948)	R	($793,948)	R
Eliminates up to 15.50 vacant positions and associated benefits at the Department of Administration that have been vacant for more than 100 days.	-15.50		-15.50	
28 Reduce Payments to ITS	($58,871)	R	($58,871)	R
Reduce payments to ITS by 5% (532800).				

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
Department-wide				
29 Reduce Longevity and Fringe Benefits to Actual Reduces Longevity and Fringe Benefits to actual.	($62,022)	R	($62,022)	R
Total Legislative Changes	**($6,092,696)**	R	**($4,188,566)**	R
Total Position Changes	-94.52		-94.52	
Revised Budget	**$63,607,330**		**$65,511,460**	

Auditor

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$13,063,656**		**$13,063,656**	
Legislative Changes				
1110 - Administration				
30 Reduce Payments to ITS	($41,992)	R	($41,992)	R
Reduces IT payments to reflect a reduction in Community College and UNC Audits (532800).				
1210 Field Audit Division				
31 Reduce Audits at Community Colleges and University of North Carolina	($329,461)	R	($1,511,000)	R
Reduces the number of audits at the North Carolina Community College System (NCCCS) campuses to the statutory minimum of once every five years. The University of North Carolina (UNC) will receive a fiscal control audit every three years. Both UNC and NCCCS campuses will be allowed to use State appropriated funds for private audits as necessary and may contract with the Office of State Auditor for such services. In FY 2011-12, four positions will be eliminated. In FY 2012-13, it is the intention for positions related to UNC and NCCCS audits to become receipt supported. The four positions with associated benefits for elimination are as follows:	-4.00		-17.00	
60008883 Adm. Support Spec. ($58,496) 60008950 Assistant State Auditor ($96,274) 60008961 Assistant State Auditor ($84,096) 60008811 Assistant State Auditor ($90,595)				
1210 Field Audit Division				
32 Reduce Performance Audit Division	($771,994)	R	($771,994)	R
Reduces half of the Performance Audit Division and transfers funding for up to 5 positions to the Program Evaluation Division at the North Carolina General Assembly.	-9.00		-9.00	
1210 Field Office Division				
33 Lease Reduction	($62,635)	R	($62,635)	R
Eliminates leases in Asheville, Charlotte, Fayetteville, Edenton, and Greensboro.				

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
Total Legislative Changes	($1,206,082)	R	($2,387,621)	R
Total Position Changes	-13.00		-26.00	
Revised Budget	**$11,857,574**		**$10,676,035**	

Cultural Resources

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$72,664,633**		**$72,664,633**	
Legislative Changes				
1110 Office of the Secretary				
34 Personnel Adjustment	($194,721)	R	($194,721)	R
Eliminates salaries and benefits of three vacant positions - 2 in the Cultural Heritage Tourism Program and a Personnel Analyst III.	-3.00		-3.00	
Vacant Positions 60083263 Deputy HR Director ($65,451) 65011686 Multi-Cultural and Development Officer ($38,174) 65011687 Community Development Director ($48,654)				
531211 SPA Reg Salary ($152,279) 531511 Soc Sec ($ 11,650) 531521 Retirement ($ 16,005) 531561 Medical ($ 14,787)				
1230 Archives & Records				
35 Personnel Adjustment	($59,541)	R	($59,541)	R
Eliminates salary and benefits of a vacant position: 60083352 (Local Records Supervisor).	-1.00		-1.00	
531211 SPA Reg Salary ($46,219) 531511 Soc Sec ($3,535) 531521 Retirement ($4,858) 531561 Medical ($4,929)				
36 Personnel Adjustment	($191,368)	R	($191,368)	R
Transfers four positions to Archives and Records Management (ARM) receipts.	-4.00		-4.00	
#60083376 - Processing Assistant IV #60083348 - Accounting Technician #60083346 - Archives and Records Professional #60083353 - Archives and Records Professional				
531211 SPA Reg Salary ($145,271) 531511 Soc Sec ($11,113) 531521 Retirement ($15,268) 531561 Medical ($19,716)				

	FY 11-12		FY 12-13	
1241 State Historic Sites				
37 Transfer Functions and Positions to Receipts	($576,258)	R	($1,152,515)	R
Transfers the Transportation Museum to 50% receipts-support in FY 2011-12 and total receipts-support in FY 2012-13.	-8.00		-20.50	

FY 2011-12
#60083524 Electrician II
#60083520 Museum Specialist
#60083528 Carpenter II
#60083521 Historic interpreter II
#60083530 Historic interpreter II
#60083533 Security Guard
#60083529 & #60083536 Building Environmental Technician

531211 SPA Reg Salary ($228,999)
531511 Soc Sec ($ 17,518)
531521 Retirement ($ 24,068)
531561 Medical ($ 39,432)
532188 Lawn & Garden Service Agreement ($40,262)
532199 Misc Contractual Service ($43,642)
532210 Enrg Ser - Electrical ($62,338)
532220 Enrg Ser - Nat Gas/ Propane ($26,742)
532230 Enrg Ser - Water & Sewer ($8,123)
532331 Repairs - Motor Vehicles($195)
532333 Repairs - Other Equip ($ 8,460)
532390 Repairs- Other ($40,262)
532430 Maint - Equip ($3,292)
532490 Maint Agreement - Other ($385)
532714 Transp - Grnd -In state ($6,825)
532811 Telephone Service ($5,708)
532840 Postage, Freight, Delivery ($3,241)
532911 Property - Insurance ($3,335)
532919 Other Insurance ($235)
532942 Other Emp Educ Expense ($40)
533320 Diesel Fuel ($860)
533900 Other Materials & Supplies ($2,060)
535830 Membership, Dues, & Subscrip ($236)
TOTAL FY 2011-12 ($576,258)

FY 2012-13
#60083531 NC Transportation History Museum Director
#60083522 Facility Maintenance Supervisor III
#60083527 Maintenance Mechanic V
#60083524 Electrician II
#60083523 and #60083525 Historic Sites Manager II
#60083520 Museum Specialist
#60083519 Information & Communication Specialist I
#60083528 Carpenter II
#60083535 Office Assistant IV
#60083526 and #60083534 Historic Interpreter III
#60083521 and #60083530 Historic interpreter II
#60083529 and #60083536 Building Environmental Technician
#60083532 and #60083533 Security Guard

1241 State Historic Sites

#60083404 Historic Sites Specialist I

531211 SPA Reg Salary ($662,320)
531511 Soc Sec ($50,667)
531521 Retirement ($69,610)
531561 Medical ($101,045)
532188 Lawn & Garden Service Agreement ($40,262)
532199 Misc Contractual Service ($43,642)
532210 Enrg Ser - Electrical ($62,338)
532220 Enrg Ser - Nat Gas/ Propane ($26,742)
532230 Enrg Ser - Water & Sewer ($8,123)
532331 Repairs - Motor Vehicles ($195)
532333 Repairs - Other Equip ($18,460)
532390 Repairs- Other ($40,262)
532430 Maint - Equip ($3,292)
532490 Maint Agreement - Other ($385)
532714 Transp - Grnd -In state ($6,825)
532811 Telephone Serv ($5,708)
532840 Postage, Freight, Delivery ($3,241)
532911 Property - Insurance ($3,335)
532919 Other Insurance ($235)
532942 Other Emp Educ Expense ($40)
533320 Diesel Fuel ($860)
533900 Other Materials & Supplies ($4,692)
535830 Membership, Dues, & Subscrip ($236)
Total FY 2012-13 ($1,152,515)

1242 Tryon Palace

38 Transfers Positions to Receipts-support	($375,075)	R	($375,075)	R
Transfers the historic site's maintenance program to receipts-support.	-10.00		-10.00	

#60083572 Painter
#60083563 Carpenter II
#65011462 and 60083559 Maintenance Mechanic IV
#60083568, 60083571, 65011458, 65011459, and 60083567 Building Environmental Technicians
#65011430 Assistant Special Events Coordinator

531211 SPA Reg Salary ($275,715)
531511 Soc Sec ($21,092)
531521 Retirement ($28,978)
531561 Medical ($49,290)

39 Changes to Historic Site's Funding	($846,951)	R	($1,693,902)	R
Reduces remaining operating budget each year.				

	FY 11-12		FY 12-13	
1245 NC Maritime Museum				
40 Transfer to Receipts-support	($59,265)	R	($59,265)	R
Transfers support for the Cape Lookout Studies Program and .75 FTE of position to receipts available from private partnership funds.	-0.75		-0.75	
#60083652 Natural Science Curator				
531211 SPA Reg Salary ($31,834)				
531511 Soc Sec ($2,435)				
531521 Retirement ($3,346)				
531561 Medical ($3,697)				
532199 Misc Contractual Serv ($7,500)				
532333 Repairs- Other Equip ($863)				
532714 Transp - Grnd, In State ($1,500)				
532715 Transp - Grnd, Out State, In U.S. ($225)				
532721 Lodging - In State ($1,275)				
532724 Meals- In State ($1,013)				
532930 Registration Fees ($750)				
533110 General Office Supplies ($375)				
533720 Educ Supplies ($137)				
534539 Other Equip ($4,315)				
1247 Office of State Archaeology				
41 Program Reductions	($171,242)	R	($171,242)	
Suspends the operations of the Archaeology Laboratory and Curation Facility and eliminates salaries and benefits of three filled positions:	-3.00		-3.00	
#60083679 Archaeological Technician ($27,544)				
#60090495 Archaeologist I ($41,100)				
#60083676 Archaeologist II ($54,341)				
531211 SPA Reg Salary ($122,985)				
531461 Longevity ($2,446)				
531511 Soc Sec ($9,595)				
531521 Retirement ($13,182)				
531561 Medical ($14,790)				
Operating Budget Reductions				
53XXXX ($8,243)				

	FY 11-12		FY 12-13	
1250 Historic Preservation Office				
42 Transfer to Receipts-support	($71,106)	R	($71,106)	R
Transfers 1.5 positions to federal grant receipts.				
	-1.50		-1.50	
#60083622 Office Assistant III #60083629 Historic Preservation/Restoration Specialist I (.5FTE)				
531211 SPA Reg Salary ($53,921) 531511 Soc Sec ($ 4,124) 531521 Retirement ($ 5,667) 531561 Medical ($ 7,394)				

	FY 11-12		FY 12-13	
1320 Museum of Art				
43 Operating Reductions	($471,601)	R	($673,925)	R
Reorganizes and consolidates Museum of Art operations by eliminating salaries and benefits of three vacant positions and 7.25 filled positions; and transfers .25 position to receipts-support.	-10.50		-10.50	

Vacant Positions
SPA
#65011450 Maintenance Mechanic II ($27,544)
#60083791 Office Assistant III ($34,319)

EPA
#65011451 Art Museum Curator ($50,400)
SUBTOTAL Vacant Positions ($112,263)

Filled Positions
#60083795 Security Guard ($24,861)
#65005187 Security Guard ($24,861)
#60083773 Processing Assistant III ($8,119) - (.25 FTE)
#60083774 Processing Assistant III ($34,319)
#60083772 Program Assistant IV ($29,783)
#60083754 Processing Assistant IV ($31,389)
#65005027 Art Handler ($32,411)
#60083769 Library Technician ($36,378)
SUBTOTAL Filled Positions ($222,121)

Receipts-support Position
#60090505 Associate Director ($15,412) - (.25 FTE)

531111 EPA- Reg Salaries- Approp ($ 50,400)
531211 SPA- Reg Salaries- Appropr ($299,396)
531511 Soc Sec ($26,759)
535121 Retirement ($36,764)
531561 Medical ($49,300)

Operating Budget Reduction
FY 11-12
53XXXX ($8,982)

FY 12-13
53XXXX ($211,306)

1330 NC Arts Council

44 Grant Program Reduction	($581,000)	R	($581,000)	R
Reduces funding for the Basic Grants Program, which provides $3,292,320 for each year of the 2011-2013 Biennium.				

	FY 11-12		FY 12-13	
1330 NC Arts Council				
45 Operating Reductions Eliminates 1.75 vacant positions and 1 filled position by reassigning duties and consolidating grant categories. -2.75 Vacant Positions #60083908 Arts Development Consultant ($40,856) #60083931 Information & Communication Specialist I (.75 FTE) ($27,734) Filled Position #60083927 Information & Communication Specialist II ($38,767) 531211 SPA- Reg Salaries- Appropr ($107,357) 531511 Soc Sec ($8,213) 535121 Retirement ($11,283) 531561 Medical ($13,555)	($140,408)	R	($140,408) -2.75	R
46 Grant Program Reduction Reduces funding for Grassroots Arts Program which provides $2,303,708 for each year of the 2011-2013 Biennium.	($406,537)	R	($406,537)	R
47 Eliminate Non-Competitive Funding Eliminates funding for the Vagabond School of Drama.	($40,957)	R	($40,957)	R
48 Reduce Non-Competitive Funding Reduces funding for the Lost Colony.	($50,000)	R	($50,000)	R
49 Eliminate Non-Competitive Funding Eliminates funding for the Shakespeare Festival.	($218,957)	R	($218,957)	R
1340 NC Symphony				
50 Reduce Grant Funding Reduces grant funding for statewide concerts by 10%.	($217,310)	R	($217,310)	R

	FY 11-12		FY 12-13	
1410 State Library Services				
51 Personnel Adjustment	($499,423)	R	($499,423)	R
Consolidates and eliminates two layers of management in the State Library of NC. Transfers a position to federal receipts.	-9.00		-9.00	
Filled Positions #60083815 Office Assistant V ($36,434) #60083867 Library Technician ($32,029) #60083850 Library Technician ($32,758) #60083853 Library Technician ($28,327) #60083861 Processing Assistant IV ($35,575)				
Vacant Positions 60083822 Assistant State Librarian ($58,701) #60083844 Library Supervisor ($54,692) #60083904 Office Assistant III ($26,646)				
Transferred to Federal Receipts Position #60083901 Library Professional ($79,963)				
531211 SPA Reg Salary ($385,125) 531511 Soc Sec ($ 29,460) 531521 Retirement ($ 40,477) 531561 Medical ($ 44,361)				
1480 Statewide Programs & Grants				
52 Program Reduction	($1,980,543)	R	($1,980,543)	R
Reduces State-Aid to local libraries by 13%.				

	FY 11-12		FY 12-13	
1500 Museum of History				
53 Program Reductions	($383,505)	R	($585,829)	R
Reorganizes and consolidates the museum and its regional branches in the areas of administration, program, and operating functions. Eliminates salaries and benefits of 5 vacant positions and 4 filled positions and reduces operating budget.	-9.00		-9.00	
Vacant Positions #60083949 Art Handler ($25,705) #60083990 Curator of Furnishings & Decorative Arts ($42,860) #60083981 Library Professional ($40,000) #60084030 Museum Specialist ($33,229) #60084043 Security Guard ($24,861)				
Filled Positions #60083942 Public Information Assistant IV ($27,615) #60083957 Public Information Assistant III ($32,258) #60084027 Museum Specialist ($32,796) #60084035 Process Assistant IV ($27,615)				
531211 SPA Reg Salary ($287,039) 531511 Soc Sec ($21,934) 531521 Retirement ($30,168) 531561 Medical ($44,361)				
Operating Budget Reduction FY 12-13 53XXXX (202,324)				
54 Reduce Operating Budget	($335,997)	R	($335,997)	R
Eliminates salaries and benefits of 1 vacant and 4 filled positions and reduces operating expenses of the Museum of the Cape Fear.	-5.00		-5.00	
Vacant Position #60084056 Security Guard ($26,220)				
Filled Positions #60084055 Museum Specialist ($32,796) #60084057 Historical Interpreter I ($24,861) #60084051 Assoc. Museum Curator ($40,105) #60084053 Bldg. Envir Tech. ($25,718)				
531211 SPA Reg Salary ($149,700) 531511 Soc Sec ($ 11,452) 531521 Retirement ($ 15,733) 531561 Medical ($ 24,650)				
Operating Expense Reduction 53XXXX ($134,461)				

	FY 11-12		FY 12-13	
Department-wide				
55 Personnel Reductions	($1,212,827)	R	($1,212,827)	R
Eliminates salaries and benefits of 8.51 additional positions vacant 6 months or more since January 1, 2011; and 18 positions vacant 100 or more days since March 31, 2011.	-26.51		-26.51	
Positions vacant for 6 months or more				
#60083367 Archives & Records Professional ($1)				
#60083486 Office Assistant IV ($30,417)				
#65010790 Transportation Coordinator ($29,502)				
#60083569 Horticulture/grounds Technician (.38 FTE) ($1,329)				
#65010906 Administrative Officer III ($41,173)				
#65010907 Media Technician I ($25,705)				
#60083505 Historic Interpreter I ($24,861)				
#60090511 Museum Curator ($38,174)				
#60090513 Museum Specialist ($32,796)				
#60090514 Museum Exhibit Designer (.13 FTE) ($6,626)				
531211 SPA Reg Salary ($230,584)				
531511 Soc Sec ($17,640)				
531521 Retirement ($24,234)				
531561 Medical ($41,954)				
Positions vacant for 100 or more days				
#60080925 Heritage Tourism Officer ($38,543)				
#65011681 Maritime Heritage Tourism Officer ($35,337)				
#65011682 Heritage Tourism Officer ($35,337)				
#65011683 Heritage Tourism Officer ($35,337)				
#65011684 Heritage Tourism Officer ($35,337)				
#65011685 Regional Development Officer ($38,174)				
#60083349 Office Assistant IV ($29,656)				
#60090501 Records Management Analyst ($37,000)				
#60083465 Historic Sites Specialist II ($50,000)				
#60083470 Historic Site Assistant ($25,355)				
#60083585 Museum Specialist ($39,162)				
#65011433 Assistant Conservator ($27,942)				
#60083562 Exhibit Designer ($35,498)				
#65010801 Utility Worker Supervisor ($27,380)				
#65011464 Section Gardener ($26,584)				
#65011455 Museum Exhibits Assistant ($29,502)				
#65011424 Processing Assistant III ($24,092)				
#60083256 Deputy Secretary ($115,000)				
531211 SPA Reg Salary ($685,236)				
531511 Soc Sec ($52,421)				
531521 Retirement ($72,018)				
531561 Medical ($88,740)				
56 IT Reduction	($55,184)	R	($55,184)	R
Reduces IT by 5%.				

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
Total Legislative Changes	($9,139,776)	R	($10,967,632)	R
Total Position Changes	-94.01		-106.51	
Revised Budget	**$63,524,857**		**$61,697,001**	

Cultural Resources - Roanoke Island Commission

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$2,406,982**		**$2,406,982**	
Legislative Changes				
1584 Roanoke Island Commission				
57 Changes to Commission Funding Reduces General Fund appropriation by 25% in FY 2011-12 and 50% in FY 2012-13 with an additional 25% reduction to the appropriation through FY 2014-15 and the Commission becoming self-supporting by FY 2015-16.	($601,746)	R	($1,203,491)	R
Total Legislative Changes	**($601,746)**	R	**($1,203,491)**	R
Total Position Changes				
Revised Budget	**$1,805,236**		**$1,203,491**	

General Assembly

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$54,593,047**		**$54,593,047**	
Legislative Changes				
1213 Research Division				
58 Transfer of General Statutes Commission	$270,341	R	$270,341	R
Provides funding for positions and operations of the General statutes Commission that is transferred from the Department of Justice.	3.00		3.00	
1215 Building & maintenance				
59 Reduce Division Budget and Personnel	($292,980)	R	($212,565)	R
Reduces appropriations by funding Building & Maintenance Repairs from Carryforward Reserve each year. Additionally, eliminates salaries and benefits of 3.4 positions in FY 2012-13.			-3.40	
60 Continuation Review of Building & Maintenance Division	($2,572,506)	R	($2,572,506)	R
Conducts a Continuation Review of facility services in the General Assembly during the 2011-12 Interim. The budget for the division, minus reductions authorized for FY 2012-13, is included as non-recurring, pending the findings and recommendations that will be reported to the 2012 Session.	$2,572,506	NR	-31.60	
1216 Food Service				
61 Reduce Operating Budget	($103,648)	R	($210,348)	R
Increases prices in the cafeteria and snack bars by 10%. Additionally, eliminates salaries and benefits of 3.75 positions in FY 2012-13.			-3.75	
1217 Information Systems Division				
62 Various Reductions to Operations	($2,653,145)	R	($2,114,555)	R
Reduces the operating accounts in ISD and uses Carryforward Reserve to support non-personnel costs and 2 Temporary Time-Limited positions to work with Redistricting.				
1219 Program Evaluation Division				
63 Expand Division Staff	$345,000	R	$345,000	R
Expands staff in the Program Evaluation Division with the transfer of funding from the Performance Audit Division in the State Auditor's Office to support up to 5 positions.	5.00		5.00	

	FY 11-12		FY 12-13	
1900 Committees & Other Reserves				
64 Reduction to Reserves Reduces funding in the Reserves of Committees, Studies, and Contingencies (537195).	($888,527)	R	($636,435)	R
Department-wide				
65 Various Reductions to Operating Budget Reduces the budget each year in the following areas: Reduces the number of interim days budgeted for Legislative Assistants from 3.5 days to 3 days during the first year of the biennium. Both years will be budgeted at 3.0 days during the interim with a reduction of $691,223. Eliminates funding budgeted for the purchase of furniture (desk, chairs, tables & bookshelves)with a reduction of $55,000 in FY 2011-12 and $40,000 in FY 2012-13. Reduces funding for staff travel which includes travel reimbursements, registration fees and education reimbursement. However, funding is maintained for staff in the Program Evaluation Division and Fiscal Research Division to pursue studies and conduct routine visits to state agencies and facilities. The budget is reduced $84,250 in FY 2011-12 and $94,250 in FY 2012-13. Reduces some discretionary contracts and budgeted supplies within the Building & Maintenance and Food Services Sections with a reduction of $57,773 in FY 2011-12 and $81,810 in FY 2012-13. Reduces NCSL annual dues by 20% with a reduction of $51,097 each year. Reduces appropriations by funding the Legislative Library Learning Resources and subscriptions from Carryforward Reserve with a reduction of $188,000 in FY 2011-12 and $175,800 in FY 2012-13.	($1,127,343)	R	($442,957)	R
66 Personnel Adjustments Eliminates salaries and benefits of 17 vacant permanent positions of which 2 are frozen from FY 2010-11 with a reduction of $1,033,504 each year. Also, eliminates salaries and benefits for 47 temporary positions of which 27 are frozen from FY 2010-11 at a reduction of $849,746 in FY 2011-12 and $881,310 in FY 2012-13.	($1,883,250) -17.00	R	($1,914,814) -17.00	R
67 Reserve Funds Appropriates funds for reserve to support security upgrades.	$3,000,000	NR		

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
Department-wide				
68 Reserve for Information Technology Study Provides funding for the General Assembly to conduct a comprehensive, two-year evaluation of information technology operations throughout State government.	$2,000,000	NR	$3,000,000	NR
Total Legislative Changes	**($8,906,058)**	**R**	**($7,488,839)**	**R**
	$7,572,506	**NR**	**$3,000,000**	**NR**
Total Position Changes	-9.00		-47.75	
Revised Budget	**$53,259,495**		**$50,104,208**	

Governor

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$6,189,478**		**$6,189,478**	
Legislative Changes				
1420 Center for 21st Century Skills				
69 Eliminates Program and Personnel Adjustment	($91,738)	R	($91,738)	R
Eliminates the remainder of budget for the Center for 21st Century Skills, including a vacant position 60008514 (Director of 21st Century Skills Center).	-1.00		-1.00	
531111 Reg Salary ($35,000) 531511 Social Security ($2,678) 531521 Retirement ($3,679) 531561 Medical Insurance ($4,930) 532199 Misc Contractual Svcs ($45,451)				
Department-wide				
70 Reduces Personnel	($318,825)	R	($318,825)	
Eliminates salaries and benefits of the Deputy Legal Counsel (#60008505) and Policy Analyst (#60071726) positions that are filled, and the Special Assistant to the Governor position (#60008479) that is vacant.	-3.00		-3.00	
531111 Reg Salaries ($258,000) 531511 Social Security ($ 18,919) 531521 Retirement ($ 27,116) 531561 Medical Insurance ($ 14,790)				

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
Department-wide				
71 Personnel and IT Reductions	($1,037,758)	R	($1,037,758)	R
Eliminates the salaries and benefits of 6 vacant positions:	-14.00		-14.00	
#60000881 Policy Analyst ($16,000) #60008496 Policy Analyst ($53,000) #60008480 W/A Administrative Assistant I ($39,000) #60008482 Operations Director ($82,200) #60008494 Deputy Director of Hispanic Affairs ($32,000) #60038174 Policy Analyst ($66,000)				
531111 Reg Salaries ($288,200) 531511 Social Security ($ 22,047) 531521 Retirement ($ 30,290) 531561 Medical Insurance ($ 29,580) SUBTOTAL Vacant Positions ($370,117)				
Eliminates the salaries and benefits of 8 filled positions:				
#65007128 Special Advisor - Education & Innovation ($109,509) #60008516 Deputy Communications Director ($81,000) #60008485 Teacher Advisor ($65,000) #60031506 Policy Analyst ($45,000) #60083951 Regional Director ($50,000) #60008474 Faith Outreach Coordinator ($20,000) #60008507 Governor's Communications Director ($115,200) #60008501 Asst. External Scheduler ($38,780)				
531111 Reg Salaries ($524,489) 531511 Social Security ($ 40,123) 531521 Retirement ($ 55,124) 531561 Medical Insurance ($ 39,440) SUBTOTAL Filled Positions ($660,176)				
Reduces IT each year by 5% ($7,465).				
Total Legislative Changes	**($1,448,321)**	R	**($1,448,321)**	R
Total Position Changes	-18.00		-18.00	
Revised Budget	**$4,741,157**		**$4,741,157**	

Housing Finance Agency

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$13,877,996**		**$13,877,996**	
Legislative Changes				
8102 Housing Finance Agency				
72 Program Reduction	($2,123,245)	R	($2,123,245)	R
Reduces funding for the Housing Trust Fund.				
8104 Home Protection Program				
73 Program Reduction	($2,081,700)	R	($2,081,700)	R
Reduces funding for the Home Protection Program.				
Total Legislative Changes	**($4,204,945)**	R	**($4,204,945)**	R
Total Position Changes				
Revised Budget	**$9,673,051**		**$9,673,051**	

Insurance

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	$33,458,756		$33,458,756	

Legislative Changes

1110 Administration

74 Reduce Expenditures ($25,221) R ($25,221) R

Reduces various expenditure accounts in the division to more closely match actual costs.

532199 Misc Contractual Svs	($15,957)
532814 Cellular Phone Svs	($ 4,346)
532942 Other Employees Ed Expense	($ 4,918)

1200 Company Services Group

75 Reduce Expenditures ($50,688) R ($50,688) R

Reduces various expenditure accounts in the division to more closely match actual costs.

532814 Cellular Phone Svs	($ 119)
532942 Other Employees Ed Expense	($50,569)

1300 Technical Services Group

76 Reduce Employee Education Expense ($11,589) R ($11,589) R

Reduces expenditures each fiscal year in 532942 - Employee Education Expense.

1400 Public Services

77 Reduce Cellular Phone Service ($2,200) R ($2,200) R

Reduces expenditures each fiscal year in 532814 - Cellular Phone Service.

1500 Office of State Fire Marshal

78 Adjust Expenditures ($356,265) R ($356,265) R

Reduces expenditures for cellular phone service and eliminates funding for the sale of Code Books as the sale of Code Books is transferred to the publisher.

532814 Cellular Phone Svs	($ 23,315)
532850 Print, Bind, & Duplication	($330,000)
532942 Other Employees Ed Expense	($ 2,950)

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
1500 Office State Fire Marshal				
79 Transfer of Fire Protection Grant Fund Transfers the Fire Protection Grant Fund from the Office of State Budget and Management to the Department of Insurance.	$3,677,513	R	$3,677,513	R
Department-wide				
80 Eliminate Vacant Positions and Reduce Expenditure Accounts Eliminates salaries and benefits of 3 vacant positions.	($139,612)	R	($139,612)	R
	-3.00		-3.00	
Vacant Positions 60013339 Processing Assistant III ($28,490) 60013607 Office Assistant IV ($25,705) 65004532 Insurance Company Examiner ($51,443) 531211 SPA Reg Salary ($105,638) 531511 Soc Sec ($8,081) 531521 Retirement ($11,103) 531561 Medical ($14,790)				
81 Reduction to Consumer Protection Services Fund Reduces transfer to Consumer Protection Services Fund to more closely match actual expenditures. 531111 Salaries ($38,473) 531511 Social Security ($2,943) 531521 Retirement ($4,044) 532110 Legal Services ($111,313)	($156,773)	R	($156,773)	R
Total Legislative Changes	**$2,935,165**	R	**$2,935,165**	R
Total Position Changes	-3.00		-3.00	
Revised Budget	**$36,393,921**		**$36,393,921**	

Insurance - Volunteer Safety Workers' Compensation Fund

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$4,500,000**		**$4,500,000**	
Legislative Changes				
1900 Reserves & transfers				
82 Reduce Volunteer Safety Workers' Compensation Fund	($706,000)	R	($1,876,346)	R
Reduces funding for the Volunteer Safety Workers' Compensation Fund.	($1,500,000)	NR		
Total Legislative Changes	**($706,000)**	**R**	**($1,876,346)**	**R**
	($1,500,000)	**NR**		
Total Position Changes				
Revised Budget	**$2,294,000**		**$2,623,654**	

Lieutenant Governor

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$954,868**		**$954,868**	
Legislative Changes				
1110 Administration				
83 Management Flexibility Reduction Requires the Lt. Governor's Office to reduce the operating budget of the office by $191,398 recurring.	($191,398)	R	($191,398)	R
84 Eliminate Vacant Position and Benefits Eliminates Assistant Policy Director Position and benefits (60008622).	($45,695) -1.00	R	($45,695) -1.00	R
85 Reduce Salary, Benefits, and Longevity to Actual Reduces the following accounts to actual: 531111 Salaries ($8,327) 531511 Social Security ($67) 531521 Retirement ($875) 531521 Longevity ($5,168)	($14,437)	R	($14,437)	R
86 Reduce Operating Expenses Reduces the following operating expense accounts: 532814 Cellular Phones ($6,750) 532870 Cable TV ($689) 532840 Postage ($575)	($8,014)	R	($8,014)	R
Total Legislative Changes	**($259,544)**	R	**($259,544)**	R
Total Position Changes	-1.00		-1.00	
Revised Budget	**$695,324**		**$695,324**	

Office of Administrative Hearings

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$4,328,822**		**$4,328,822**	
Legislative Changes				
1100 Administration and Operations				
87 Reduce Payments to ITS Reduces data and communications (532800) by 5%.	($7,612)	R	($7,612)	R
88 Type I Transfer of Human Relations Commission to OAH Transfers the Human Relations Commission to the Civil Rights Division at OAH. The transfer detail is in the Department of Administration's section of the report.	$841,613 10.68	R	$841,613 10.68	R
1100 Civil Rights Division				
89 Eliminate Vacant Position Eliminates vacant Civil Rights Investigator Position (60088595) and benefits.	($57,710) -1.00	R	($57,710) -1.00	R
1100 Hearings Division				
90 Eliminate Administrative Law Judge Position Eliminates one Administrative Law Judge position and benefits.	($121,242) -1.00	R	($121,242) -1.00	R
Administrative Hearings				
91 Funding from DHHS for Medicaid Mediation Transfers $1 million in General Funds for each year of the biennium from the Department of Health and Human Services (DHHS) to the Office of Administrative Hearings (OAH) for the purpose of providing Medicaid mediation services. OAH shall continue the Memorandum of Agreement with DHHS and provide invoices to DHHS for covered services in order for DHHS to transfer the federal share of funds drawn down for this purpose.				
Total Legislative Changes	**$655,049**	R	**$655,049**	R
Total Position Changes	8.68		8.68	
Revised Budget	**$4,983,871**		**$4,983,871**	

Revenue

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$88,370,399**		**$88,370,399**	
Legislative Changes				
1681 Administrative Services				
92 Close Three Offices	($124,054)	R	($124,054)	R
Closes Offices in Nags Head, Rocky Mount, and Winston-Salem				
1700 Motor Fuels Division				
93 Eliminate Vacant Positions				
Eliminates 15 vacant positions in the Motor Fuels Division funded by the Highway Fund.				
1900 Reserves and Transfers				
94 Remaining Resolution Initiative Funding	($760,075)	R	($760,075)	R
Reduces the remaining funds appropriated for the Resolution Initiative. The funds were originally appropriated in FY 2010-11.				
Department-wide				
95 Reduce General Fund Supported Operating Expenditures	($371,495)	R	($371,495)	R
Reduces additional eight positions and associated benefits that are vacant at the Department	-8.00		-8.00	
60082603 Processing Assistant IV ($37,560)				
60081507 Revenue Tax Technician ($55,395)				
60081800 Processing Assistant III ($34,306)				
60081505 Information Processing Technician ($54,583)				
60093429 Processing Assistant IV ($41,527)				
60082584 Processing Assistant V ($39,907)				
60081612 Revenue Tax Technician ($52,675)				
60082692 Information Processing Technician ($50,861)				

Department-wide

96 Eliminate Vacant Positions	($3,498,026)	R	($3,498,026)	R
Eliminates 61 vacant positions throughout the Department and related benefits. Positions are as follows:	-61.00		-61.00	

60081469 Program Assistant V
60081535 Information Processing Technician
60081540 Team Leader
60082951 Processing Assistant V
60082846 Administrative Officer II
60082953 Processing Assistant IV
60082759 Processing Assistant III
60081588 Processing Assistant III
60082668 Data Entry Specialist
60082564 Information Processing Technician
60081675 Information Processing Technician
60081494 Information Processing Technician
60081482 Information Processing Technician
60082949 Processing Assistant IV
60081660 Revenue Officer I
60081781 Law Enforcement Agent
60082835 Processing Assistant IV
60082685 Revenue Officer II
60081633 Processing Assistant IV
60081597 Processing Assistant III
60081637 Information Processing Technician
60082570 Processing Assistant III
60082756 Processing Assistant III
60081566 Auditor
60082502 Processing Assistant III
60082553 Processing Assistant IV
60082661 Data Entry Specialist
60082599 Administrative Officer II
60082966 Administrative Assistant III
60081512 Processing Assistant V
60082682 Data Entry Specialist
60082569 Processing Assistant IV
60082758 Processing Assistant IV
60081520 Processing Assistant III
60082537 Accounting Manager
60081779 Law Enforcement Agent
60081657 Manager
60081434 Audit Director
60081748 Revenue Officer I
60082594 Processing Assistant V
60083099 Office Assistant V
60081531 Revenue Officer I
60081635 Administrative Assistant II
60081548 Administrative Assistant III
60081579 Administrative Assistant II
60081311 ETM Administrator
60082396 Revenue Administrative Officer
60082169 Field Auditor SCCI
60083224 Special Agent
60082057 Revenue Officer I

	FY 11-12		FY 12-13	
Department-wide				
60081837 Interstate Field Officer 60081337 DTAX/Audit Workbench/Taxmaster Admin 60081405 ETM Developer 60081803 Interstate Field Auditor 60083098 Audit Manager 60082033 Field Auditor 60081817 Interstate Field Auditor 60081399 ETAX/Audit Workbench/Taxmaster Developer 60082444 Revenue Officer Trainee 60082440 Revenue Officer 60082059 Revenue Officer Trainee				
97 Convert Collections Positions to Receipt Supported Converts 30 collections positions to receipt support. The source of the receipt is the Collection Assistance Fee. Positions numbers are as follows: 60082149, 60082449, 60082041, 60082129, 60082154, 60082165, 60082243, 60082244, 60081863, 60081493, 60081550, 60081747, 60082435, 60082132, 60082136, 60082137, 60082451, 60082445, 60082455, 60082047, 60082053, 60082452, 60082148, 60082162, 60082163, 60082152, 60082176, 60082454, 60082077, 60082081.	($1,896,157) -30.00	R	($1,896,157) -30.00	R
98 Reduce Supplemental Wages to FY 2010 Actual Reduces supplemental wages to FY 2009-10 actual. 531411 - OT Pay ($39,766) 531421 - Holiday Perm Pay - ($2,121)	($41,887)	R	($41,887)	R
99 Reduce Temporary Wages Reduce Temporary Wages and benefits in the following areas: 1600 - Administration ($5,018) 1603 - Human Resources ($33,784) 1605 - IT ($39,922) 1621 - Corporate ($18,488) 1643 - TPA (316,547) 1660 - Collections ($286,799) 1670 - USUB ($14,328) 1681 - Administrative Services ($97,025) 1685 - DPPD ($966,912)	($1,778,823)	R	($1,778,823)	R
100 Reduce Budgeted Longevity Reduces budgeted longevity (521461).	($32,459)	R	($32,459)	R
101 Reduce Payments to ITS Reduces payments to Information Technology Services by 5% (532800).	($602,867)	R	($602,867)	R

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
Information Technology				
102 Imaging System License Corrects error, a non-recurring expenditure for an imaging system license was mistakenly coded as recurring in FY 2010-11. This reduction corrects the error.	($613,440)	R	($613,440)	R
Local Government Unit				
103 Local Government Unit to Receipts Moves positions to the Local Government Unit within the Department to receipt support to create a point of contact regarding tax distributions. Over $200 million per year is distributed to local governments each year.	($451,578) -7.00	R	($451,578) -7.00	R
Total Legislative Changes	**($10,170,861)**	R	**($10,170,861)**	R
Total Position Changes	-106.00		-106.00	
Revised Budget	**$78,199,538**		**$78,199,538**	

Secretary of State

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$11,076,972**		**$11,076,972**	
Legislative Changes				
1120 Publications				
104 Reduce Printing Budget Eliminates the printing of the NC Directory of County and State Officials, which is available electronically, and the free distribution of the NC Manual. Budget code affected is 532850.	($77,268)	R	($77,268)	R
1150 Lobbyist Registration				
105 Eliminate Four Positions in Lobbyist Registration Eliminates four positions and benefits in Lobbyist Registration Division. 60008804 Registrar/Examiner ($42,295) 60008805 Registrar/Examiner ($50,469) 65004907 Office Assistant ($36,176) 60008807 Attorney I ($71,851)	($200,791) -4.00	R	($200,791) -4.00	R
Department-wide				
106 Reduce Operating Expenditures and Eliminate Cell Phones Reduces operating expenditures in a variety of accounts and eliminates budget for cellular phones. 532700 Travel and Other Employee Expense ($25,423) 532814 Cellular Phone Service ($9,809) 532900 Other Services ($7,342) 533100 General And Administrative Supplies ($26,100 533900 Other Materials and Supplies 534500 Equipment ($42,966) 534700 Intangible Assets ($17,000)	($136,290)	R	($136,290)	R
107 Reduce Payments to ITS Reduces payments to ITS (532800) by 5%.	($8,060)	R	($8,060)	R
Total Legislative Changes	**($422,409)**	R	**($422,409)**	R
Total Position Changes	-4.00		-4.00	
Revised Budget	**$10,654,563**		**$10,654,563**	

State Board of Elections

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$6,189,011**		**$6,189,011**	
Legislative Changes				
1100 Administration				
108 Correct Error in Base Budget Corrects error, a non-recurring expenditure was miscoded as recurring (532700) related to a move into office space.			($60,000)	R
109 Administrative Services Reduces expenditures for workshops and conferences (532181) and administrative services (532170).	($23,000)	R	($23,000)	R
1200 Campaign Reporting				
110 Reduce Administrative Services Reduces Administrative Services (532170).	($45,110)	R	($45,110)	R
1300 Voter Registration and Systems				
111 Eliminate Positions in Voter Registration and Systems Eliminates all 8 District Elections Technicians ($510,610), Voting Systems Project Manager (60088251 - $65,191), Technology Support Analyst (65006606 - $64,010), and associated benefits.	($637,706) -10.00	R	($637,706) -10.00	R
112 Reduce Assigned Vehicles Reduces payments to Motor Fleet Management for vehicles from 8 District Elections Technicians (532700).	($32,634)	R	($32,634)	R
Department-wide				
113 ITS Reduction Reduces data and procurement purchases by 5% (532800).	($28,787)	R	($28,787)	R
114 Eliminate Vacant Positions Eliminates four vacant positions and benefits in the State Board of Elections 65012228 - Elections Investigator 65005662 - Business Officer 60088258 - Compliance Specialist 65012227 - Attorney II	($235,171) -4.00	R	($235,171) -4.00	R

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
Total Legislative Changes	($1,002,408)	R	($1,062,408)	R
Total Position Changes	-14.00		-14.00	
Revised Budget	**$5,186,603**		**$5,126,603**	

State Budget & Management

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$6,963,796**		**$6,963,796**	

Legislative Changes

1310 Office of State Budget & Management

115 Personnel Adjustment and IT Reduction ($546,454) R ($546,454) R

Eliminates 6 vacant positions and reduces salary reserves.

-6.00 -6.00

#60008592 State Budget Management Analyst ($62,463)
#60008553 State Budget Management Analyst ($64,383)
#60008582 State Budget Management Analyst ($102,163)
#60008577 Human Resources Director ($62,429)
#60008585 State Budget Management Analyst ($57,000)
#60008609 State Budget Management Analyst ($71,925)

531211 Salaries	($420,363)
531511 Social Security	($32,158)
531521 Retirement	($44,180)
531561 Medical Insurance	($29,580)
531211 Salary Reserves	($ 6,774)

Reduces funding for the Information Technology Services by 5% ($13,399).

116 Operating Reductions ($34,900) R ($34,900) R

Reduces operating expenses.

532145 Server Support Services	($29,100)
532840 Postage, Freight & Delivery	($ 3,800)
534530 Other DP Equipment	($ 1,500)
534534 PC/Printer Equipment	($ 500)

117 Longevity Reduction ($21,867) R ($21,867) R

Reduces longevity to actual.

118 Integrated Budget Information System (IBIS) Funding ($511,912) R ($511,912) R

Eliminates funding for the Integrated Budget Information System (IBIS) continuation request for software support, hardware, and databases.

532199 Miscellaneous Contractual Services	($250,000)
532800 Communication & Data Processing	($261,912)

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
Total Legislative Changes	($1,115,133)	R	($1,115,133)	R
Total Position Changes	-6.00		-6.00	
Revised Budget	**$5,848,663**		**$5,848,663**	

State Budget and Management - Special

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$5,934,311**		**$5,934,311**	
Legislative Changes				
1022 Special Appropriations				
119 Humanities Council Grant Reduces funding for NC Humanities Council(536G02).	($43,000)	R	($43,000)	R
1023 Fire Protection Grant Fund				
120 Transfer of Fire Protection Grant Fund Transfers management of the State Fire Protection Grant Fund to the Department of Insurance from the Office of State Budget and Management. The General Fund appropriation is reduced 10%.	($3,677,513)	R	($3,677,513)	R
1900 Reserves & Transfers				
121 NC Symphony Provides funding for the NC Symphony to leverage match to support the operation.	$1,500,000	NR		
122 Adjust Funds for Health Care Reform and Board of Elections Software Eliminates funding ($1,101,293) and positions each year for DOI Healthcare Reform Reserve (537122). Additionally, reduces budget for non-recurring ($671,893) expense that was classified as recurring in the 2010 Session for the State Board of Elections Software Purchase (to comply with HB 961).	($1,773,186) -13.00	R	($1,773,186) -13.00	R
Total Legislative Changes	**($5,493,699)** **$1,500,000**	R NR	**($5,493,699)**	R
Total Position Changes	-13.00		-13.00	
Revised Budget	**$1,940,612**		**$440,612**	

State Controller

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$32,517,077**		**$32,517,077**	
Legislative Changes				
1000 Department-wide				
123 Eliminate Vacant Positions	($1,172,321)	R	($1,172,321)	R
Eliminates salaries and benefits of 14 vacant positions and reduces IT costs by 5% or $197,689 each year in expenditure accounts 532800 - Communications/Data Processing.	-14.00		-14.00	

Vacant Positions

60015308 Information Processing Technician	($35,697)
60087149 State Controller Financial Specialist	($51,375)
60087175 Administrative Support Associate	($50,831)
60087196 Bus & Tech Applications Analyst	($80,145)
60090520 State Controller Risk Mitigation Spec	($61,274)
60091131 Information Processing Technician	($39,954)
60091133 Information Processing Technician	($29,502)
60091720 Information Processing Technician	($38,792)
60092194 Administrative Support Specialist	($39,400)
65009029 Business Systems Analyst III	($75,000)
65008979 Staff Development Specialist II	($47,791)
65008981 Staff Development Specialist II	($56,667)
65008996 Business & Technology Applications Spec.	($80,000)
65009030 Bus. Systems Analyst II	($80,000)

531211 SPA Reg Salary	($766,428)
531511 Soc Sec	($ 58,632)
531521 Retirement	($ 80,552)
531561 Medical	($ 69,020)
Subtotal Positions	($974,632)

124 Reduce BEACON Reserve				
Reduces funding in BEACON Reserve that leaves a balance of $2,427,928 that will support operations in Reporting Support, Production Support, Security, and BASIS support for the biennium.	($536,036)	NR	($536,036)	NR
125 Reduce Account Balance				
Reduces General Fund by transferring funding from the unclaimed property account.	($72,500)	NR	($72,500)	NR

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
1000 Department-wide				
126 Personnel And Operating Budget Reductions to CJLEADS	($2,367,263)	R	($2,367,263)	R
Eliminates salaries and benefits of 4.50 vacant positions and reduces operating budget.	-4.50		-4.50	
Vacant Positions 65011662 Business Systems Analyst III ($75,000) 65011663 Staff Development Specialist II ($47,791) 65011667 Staff Development Specialist II ($56,667) 65011705 Business & Technology Applications Spec. ($80,000) 65011706 Bus. Systems Analyst II ($80,000)				
531211 SPA Reg Salary ($275,000) 531511 Soc Sec ($21,038) 531521 Retirement ($28,903) 531561 Medical ($22,185) SUBTOTAL Positions ($347,126)				
Operating Budget Reductions Reduces SAS Customized Services ($625,000) Reduces State Agency Development ($1,200,000) Reduces Other Technology Services ($192,879) Reduces IT by 5% ($2,262) SUBTOTAL Operating Budget Reductions ($2,620,141)				
Total Legislative Changes	**($3,539,584)**	R	**($3,539,584)**	R
	($608,536)	NR	**($608,536)**	NR
Total Position Changes	-18.50		-18.50	
Revised Budget	**$28,368,957**		**$28,368,957**	

Treasurer

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$10,538,203**		**$10,538,203**	
Legislative Changes				
1300 Local Government Operations				
127 Integrated Document Management System Provides funding for the Integrated Document Management System, which is receipt supported. Requirements total $160,000 in FY 2011-12 of which $15,000 is recurring and $145,000 is non-recurring. The $15,000 is continued in FY 2012-13.				
1310 Local Government Operations				
128 Convert Division to Receipt Support Converts the State and Local Government Finance Division to receipt-support.	($3,324,834) -36.00	R	($3,324,834) -36.00	R
Department-wide				
129 Reduced Funding for Personnel and Operations Reduces funding for five positions that were converted to receipt support with a reduction each year of $526,910. Additionally, reduces Travel & Other Employee Expenses in FY 2011-12 ($23,624), Financial/Audit Services in FY 2012-13 ($58,905), and IT by 5% each year ($5,804).	($556,338)	R	($591,619)	R
Total Legislative Changes	**($3,881,172)**	R	**($3,916,453)**	R
Total Position Changes	-36.00		-36.00	
Revised Budget	**$6,657,031**		**$6,621,750**	

Treasurer - Retirement for Fire and Rescue

	GENERAL FUND	
	FY 11-12	FY 12-13
Recommended Continuation Budget	**$17,812,114**	**$17,812,114**
Legislative Changes		
130 NO LEGISLATIVE ACTION REPORTED		
Total Legislative Changes		
Total Position Changes		
Revised Budget	**$17,812,114**	**$17,812,114**

TRANSPORTATION
Section K

Highway Fund

	HIGHWAY FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$1,806,351,974**		**$1,812,408,831**	
Legislative Changes				
Administration				
1 General Administration - Cuts Decreases funds to the General Administration budget. This includes the elimination of seven (7) vacant positions funded through General Administration funds.	($4,507,486) -7.00	R	($4,507,486) -7.00	R
2 General Administration - Internal Consolidations Reduces budget through internal consolidations and eliminations to the General Administration budget.	($1,071,606) -41.00	R	($1,071,606) -41.00	R
3 Eliminate Aeronautics Council and Funding Eliminates funding for the Aeronautics Council. The Council is funded through General Administration fund code 84210-0041.	($14,435)	R	($14,435)	R
4 Eliminate Bicycle Committee and Funding Eliminates funding for the North Carolina Bicycle Committee. The Committee is funded through General Administration fund code 84210-0035.	($2,070)	R	($2,070)	R
5 Eliminate Vacant Ferry Division Position Eliminates funding for one vacant Administrative Secretary II position in the Ferry Division's Morehead City office. This position is funded through General Administration fund code 84210-7040.	($39,327) -1.00	R	($39,327) -1.00	R
6 Transfer One Public Transportation Employee to Receipt Support Transfers funding for one position (position number 60029757) in the Public Transportation Division to receipt support. This position is funded through General Administration fund code 84210-0036.	($63,528) -1.00	R	($63,528) -1.00	R
7 Highway Administration - Eliminate Keep America Beautiful Transfer Eliminates funding for the Keep America Beautiful grant (non-profit operating grant) in the Highway Administration budget.	($40,000)	R	($40,000)	R
Construction				
8 Access and Public Service Roads Reduces funding to the Access and Public Service Roads. The total budget is $1,758,885 in both years of the biennium.	($101,115)	R	($101,115)	R

	FY 11-12		FY 12-13	
9 Secondary Roads				
Reduces funding for secondary road construction in order to have greater flexibility to use funds across the State-maintained road network by shifting funds to the maintenance categories of contract resurfacing, system preservation, and to the general maintenance reserve. The total budget is $54,373,921 in FY 2011-12 and $53,480,182 in FY 2012-13.	($35,000,000)	NR	($35,000,000)	NR
10 Spot Safety Program	$3,000,000	R	$3,000,000	R
Increases funding to the Spot Safety program to improve safety on State maintained roads. The total budget is $12,100,000 in both years of the biennium.				
Department-wide				
11 Consolidate Call Center Functions			$556,074	R
Transfers funds to the new consolidated call center in FY 2012-13 to support the cost of the ferry reservations line. It is anticipated that the call center will be staffed by contracted employees, not State employees.				
Division of Motor Vehicles				
12 Driver License Continuation Review	($47,065,069)	R	($47,713,947)	R
Eliminates recurring funds for the Driver License program within the Division of Motor Vehicles and supplants with non-recurring funds for FY 2011-12. Program funding will be re-examined for FY 2012-13, per a Continuation Review.	$47,065,069	NR		
13 Reduce Driver & Vehicle Services Operating Funds	($4,224,000)	R	($4,224,000)	R
Reduces operating funds per projected driver (license issuance) and vehicle services (contractor commission) transactions. Reductions are net of the expected increase in license production costs upon implementation of the New Generation Driver License System in FY 2011-12.				
14 Shift Positions to Receipt-Support	($800,319)	R	($800,319)	R
Increases budgeted emission inspection (electronic authorization) receipts to support half of the personnel costs for License & Theft Bureau law enforcement positions.				
15 Consolidate Inspection Audits	($2,188,668)	R	($2,188,668)	R
Eliminates 39 non-sworn, Emission Specialist positions per a restructuring of the Division of Motor Vehicles Inspection Program. Presently, when an Emission Specialist audits an inspection station and detects a violation, a sworn law enforcement agent is notified for enforcement. Adjustments to Inspector's duties and technological upgrades permit this workflow to be streamlined.	-39.00		-39.00	
Receipts budgeted for these positions are reallocated to offset License & Theft Bureau personnel and operating expenses.				

	FY 11-12		FY 12-13	
16 Establish Per Record Fee for Bulk Data Establishes a fee of three cents ($.03) per partial license, registration, and accident report data record downloaded by third parties, principally for resale. Revenues are projected to increase by $5,049,796 recurring. Highway Fund appropriations are reduced per projected revenues.	($5,049,796)	R	($5,049,796)	R
17 Eliminate Vacant Positions Eliminates vacant positions within the Division of Motor Vehicles.	($343,990) -5.00	R	($417,117) -7.00	R
18 Implement Credit/Debit Payments at Driver License Offices Provides funds to offset transactional costs upon implementation of merchant card (credit/debit) point-of-sale processing at driver license offices. Pilot implementation is proposed for January 2012. Second year transactional costs are annualized. Point-of-sale terminal and other installation costs will be supported with existing funds.	$648,879	R	$1,297,757	R
Governor's Highway Safety Program				
19 GHSP - Cuts Eliminates a Public Relations Officer position supported by 50 percent highway funds and 50 percent federal funds, and shifts the employee into a vacant position fully supported by federal funds.	($28,233) -0.50	R	($28,233) -0.50	R
20 GHSP - Cuts Eliminates costs to Board in fund code 84210-0042.	($3,700)	R	($3,700)	R
Intermodal Divisions				
21 Division-wide Appropriates $24,000,000 of accumulated unencumbered fund balance from the five intermodal divisions. This balance resulted primarily from funds encumbered as the state matching component for grant applications for federal funds that were not awarded.				
22 Aviation Division - Cuts Reduces grant funds for commercial air carrier airports by $1,200,000, miscellaneous aviation programs by $1,100,000, and general aviation airports by $750,000.	($3,050,000)	R	($3,050,000)	R
23 Ferry Division - Cuts Reduces non-essential seasonal temporary employees; reduces fuel costs through engine RPM adjustments and from increasing hull cleanings from every two years to annually; eliminates non-essential overtime; and, reduces consumables used by operations and vessels.	($2,097,950)	R	($2,097,950)	R
24 Ferry Division - Tolling Raises tolling on existing routes and adds tolls to two untolled routes. Revenues will increase by $2,000,000 in FY 2011-12 and by $2,500,000 recurring in FY 2012-13.	($2,000,000)	R	($2,500,000)	R

	FY 11-12		FY 12-13	
25 Ferry Division - Efficiencies Reduces funds through division-wide efficiencies. In order to meet the reduction, the Department is authorized to reduce ferry schedules if reductions cannot be met through efficiencies.	($2,000,000)	R	($2,000,000)	R
26 Ferry Division - Eliminate Vacant Positions Eliminates 23 vacant positions that are determined to be non-critical positions. This includes one position associated with the closure of the Morehead City Office.	($1,115,490) -23.00	R	($1,115,490) -23.00	R
27 Ferry Division - Close Morehead City Field Office Closes the Morehead City Office on Feb. 1, 2012, eliminating four (4) permanent employees and six (6) temporary employees that are responsible for the ferry reservations line. The recurring reduction includes rent for the office. The ferry reservation line will be transferred outside of the Ferry Division so that call center functions may be merged across the Department in a manner selected by the Department to better coordinate communications. Funds transferred to the new call center to support ferry operations will come from existing funds within the ferry system budget for FY 2011-12.	($186,189) -4.00	R	($446,855) -4.00	R
28 Ferry Division - Call Center Transfers funds to the new consolidated call center in FY 2012-13 to support the cost of the ferry reservations line. It is anticipated the call center will be staffed by contracted employees, not State employees. Reservation line costs are anticipated to grow once the additional ferry routes become tolled.			$109,209	R
29 Ferry Division - Replace Dredge Carolina Replaces Dredge Carolina. The current dredge is over 40 years old and in need of replacement. The dredge is used to maintain channels and basins in order for the ferries to operate and keep navigable channels operational.			$10,000,000	NR
30 Public Transportation Division - Cuts Reduces all public transportation grant programs by six (6) percent.	($5,792,654)	R	($5,792,654)	R
31 Public Transportation Division - Cuts Reduces the Highpoint Furniture Market grants from $1,200,000 to $1,000,000.	($200,000)	R	($200,000)	R
32 Rail Division - Transparency Repeals G.S. 136-44.20(d) in order to bring transparency to the Rail Division budget. The funds associated are transferred from the Highway Trust Fund to the Highway Fund fund code 84210-7829 to pay for the Piedmont and Carolinian passenger rail operations. These funds are used to pay Amtrak for the cost to fully operate these trains, less fare receipts.	$5,000,000	R	$5,000,000	R

	FY 11-12		FY 12-13	
33 Rail Division - Cuts Reduces funds to the Rail Division's operating budget.	($800,000)	R	($800,000)	R
34 Rail Division - Grants to Short-Line Railroads Provides recurring funds to short-line railroads to fund rehabilitation projects that strengthen North Carolina's short-line infrastructure.	$400,000	R	$400,000	R
Maintenance				
35 Internal Consolidations Decreases funds to Maintenance through internal consolidations and eliminations in the pre-construction and administrative areas, and through the elimination of management layers. Within the Highway Fund, of the 75 positions identified for elimination, 29 positions are vacant and can be eliminated on July 1, 2011. Of the 46 filled positions, 24 positions will be eliminated December 31, 2011. The remaining 22 positions will be eliminated July 1, 2012. Within the Highway Trust Fund, of the 15 positions identified for elimination, nine (9) positions are eliminated immediately, and the remaining six (6) filled positions are eliminated December 31, 2011. Receipts for the Trust Fund positions are reduced $1,339,149 in FY 2011-12 and $1,394,531 in FY 2012-13.	($4,127,167) -53.00	R	($5,913,401) -75.00	R
36 Privatize and Outsource Functions Transfers funds within the Maintenance budget to outsource and further privatize existing functions. These functions include the pre-construction work to increase the amount of work privatized in preliminary engineering and project designs. Some general services functions, such as janitorial work, will be outsourced. Within the Highway Fund, of the positions to be eliminated, 57 positions are vacant and will be eliminated on July 1, 2011. Of the remaining 137 filled positions, 110 will be eliminated on December 31, 2011 and the remaining 27 positions will be eliminated on July 1, 2012. No funds are associated with these position reductions because the funds will be shifted to the costs of outsourcing and privatizing these functions. Within the Highway Trust Fund, of the 16 positions to be eliminated, three (3) positions are vacant and will be eliminated on July 1, 2011. The remaining 13 filled positions will be eliminated on July 1, 2012. No funds are associated with these position reductions because the funds will be shifted to the costs of outsourcing and privatizing these functions.	-167.00		-194.00	
37 Primary System Reduces funding to the primary system in order to have greater flexibility to use funds across the State-maintained road network by shifting funds to contract resurfacing, system preservation, and to the general maintenance reserve. The total budget is $184,459,157 in both years of the biennium.	($20,000,000)	NR	($20,000,000)	NR

	FY 11-12		FY 12-13	
38 Secondary System Reduces funding to the secondary system in order to have greater flexibility to use funds across the State-maintained road network by shifting funds to contract resurfacing, system preservation, and to the general maintenance reserve. The total budget is $267,356,761 in both years of the biennium.	($30,000,000)	NR	($30,000,000)	NR
39 Contract Resurfacing Increases funds for Contract Resurfacing. The contract resurfacing program provides funding for resurfacing the paved road system to improve ride quality. Contract resurfacing avoids costly patching and frequent maintenance. The total budget is $406,919,741 in FY 2011-12 and $427,682,126 in FY 2012-13.	$132,394,078	NR	$153,156,463	NR
40 System Preservation Increases funds for System Preservation in order to make improvements on structurally deficient bridges. 81.1 percent of structurally deficient bridges are located on the secondary road system. The total budget is $214,441,480 in FY 2011-12 and $235,293,865 in FY 2012-13..	$135,852,409	NR	$156,704,794	NR
41 General Maintenance Reserve Increases funds for the General Maintenance Reserve in order for the Department to have greater flexibility in programming funds to target the most critical maintenance needs. The total budget is $116,030,243 in FY 2011-12 and $140,636,243 in FY 2012-13.	$78,229,931	NR	$102,835,931	NR
Repairs and Renovations				
42 Funds for Facility Improvements and Repairs Provides funds for the Department to address critical life safety repairs, renovations, and replacement of its field facilities. Projects to be funded are critical to the success of the Department to effectively deliver its statutorily mandated programs and services. $250,000 non-recurring in receipts are used in FY 2011-12.	$15,250,000	NR	$15,000,000	NR
Reserves				
43 Reserve for Continuation Review Establishes a reserve for Highway Fund support of the Driver License Program within the Division of Motor Vehicles.			$47,713,947	R
44 Reserve for Global TransPark Authority Reduces funding for the Global TransPark Authority (fund code 84210-0869) by ten (10) percent. Highway Fund appropriations for the Authority total $1,152,000 recurring.	($128,000)	R	($128,000)	R
45 State Retirement System Contributions Increases the State's contribution to the Teachers' and State Employees' Retirement System for the 2011-2013 biennium to fund the Annual Required Contribution.	$11,200,000	R	$15,100,000	R

	FY 11-12		FY 12-13	
46 Compensation Adjustment and Performance Pay Reserve Provides funding for labor market and equity salary increases and funding for performance based pay plans to effectuate recommendations made in connection with the comprehensive review and reform of public employee compensation plans.			$4,906,715	R
47 State Health Plan Provides additional funding to continue health benefit coverage for enrolled active and retired employees supported by the Highway Fund for the 2011-2013 biennium.	$332,245	R	$4,767,052	R
48 Severance Expenditure Reserve Provides funding for severance salary continuation payments and health benefit coverage under the State Health Plan for employees reduced-in-force. Additional receipts for positions funded from the Highway Trust Fund total $149,083 in FY 2011-12 and $323,012 in FY 2012-13.	$2,552,553	NR	$626,316	NR
49 Reserve for Visitor Centers Eliminates Highway Fund appropriations to the Reserve for Visitor Centers (fund code 84210-0882). Budgets $400,000 of additional title fee receipts, per transfer from the Highway Trust Fund, to offset reductions for visitor center operating grants. Total grant funding remains $400,000 for the 2011-2013 biennium.	($400,000)	R	($400,000)	R
Statutory Adjustments				
50 Aid to Municipalities Adjusts funding for Aid to Municipalities based on revised projections for motor fuels tax consumption in accordance with G.S. 136-41.1. The total budget is $89,373,921 in FY 2011-12 and $90,187,224 in FY 2012-13.			$1,707,042	NR
Transfers				
51 Department of Agriculture - Standards Division Eliminates funds for three (3) vacant positions for a total position cost of $146,561, one (1) filled position (Chemical Tech II) for a total position cost of $58,101, and shifts funds for another position from Highway Fund receipts to other receipts within the Department of Agriculture budget (total $57,039). Reduces operating budget for equipment and supplies by $187.	($261,888)	R	($261,888)	R
52 Department of Revenue - Motor Fuels Division Eliminates funds for 15 vacant positions for a total personnel cost savings of $785,704, reduces the "other information technology services" budget by $207,346, and reduces the travel budget by $31,494.	($1,024,544)	R	($1,024,544)	R
53 DENR Lust Trust Fund Eliminates funding for the Leaking Underground Storage Tank (LUST) program through G.S. 119-18(b). The larger transfer to LUST from motor fuels taxes through G.S. 105-449.125, which totaled $17.7 million in FY 2009-10, is not impacted.	($2,171,898)	R	($2,261,898)	R

	FY 11-12		FY 12-13	
54 Department of Health and Human Services - Chemical Testing Unit Shifts a portion of funds for position number 60039654 from Highway Fund receipts to other receipts within the Department of Health and Human Services budget, and reduces funding for purchased services by $6,280.	($28,867)	R	($28,867)	R
55 Department of Public Instruction - Driver Education Program Authorizes local education agencies (LEAs) to assess fees of up to forty-five dollars ($45.00) to program participants. Highway Fund appropriations are reduced per projected revenues of $5,211,990 in FY 2011-12 and $5,265,585 in FY 2012-13. Estimates are based on projected ninth-grade average daily membership and reported enrollment from fiscal years 2007-08 through 2009-10. Highway Fund appropriations total $26,809,974 for FY 2011-12 and $26,756,379 for FY 2012-13.	($5,211,990)	R	($5,265,585)	R
56 State Highway Patrol - Freeze Step Increases Continues the freeze on salary step increases (five percent) for sworn members of the State Highway Patrol for the 2011-2013 biennium.	($3,373,932)	NR	($3,373,932)	NR
57 State Highway Patrol - Management Flexibility Reserve Establishes a management flexibility reserve for the State Highway Patrol.	($2,325,484)	R	($10,373,350)	R
58 State Highway Patrol - Administrative Consolidations Eliminates the Administrative Services Section and other administrative units within the State Highway Patrol, and reduces human resources staffing as follows: - Crime Control & Public Safety Deputy Director: $108,676 (1 FTE) - General Counsel Office: $176,752 (2 FTE) - Public Information/Recruiting: $267,796 (3 FTE) - Administrative Services Section Management: $119,372 (1 FTE) - Assessment Office: $205,123 (3 FTE) - Benefits/Personnel and Performance/Promotion: $502,651 (6 FTE) $592,627 is budgeted on a non-recurring basis in FY 2011-12 for projected severance payments.	($1,380,370) $592,627	R NR	($1,380,370)	
59 State Highway Patrol - Reduce Operating Funds Reduces funding for purchased services, equipment, and supplies.	($1,450,000)	R	($1,450,000)	R
60 State Highway Patrol - Eliminate Highway Fund Transfer Eliminates Highway Fund appropriations (fund codes 84210-0866 and 84210-1010) for transfer to the Department of Crime Control and Public Safety (budget code 24960) for State Highway Patrol operations. Equivalent transfers to the General Fund offset this reduction. The Department of Transportation shall continue to administer and transfer matching funds for Motor Carrier Safety Assistance Program grants budgeted within fund code 84210-7834 for the State Highway Patrol.	($196,849,542)	R	($188,209,049)	R

Senate Subcommittee on Transportation	FY 11-12		FY 12-13	
61 Transfer to General Fund Transfers funds to the General Fund per the directed certification of the State Highway Patrol budget under a Department of Crime Control and Public Safety fund code within the General Fund. Including matching funds for Motor Carrier Safety Assistance Program grants budgeted within fund code 84210-7834, total budgeted transfers for the State Highway Patrol are $198,500,000 in FY 2011-12 and $189,859,507 in FY 2012-13.	$196,849,542	R	$188,209,049	R
Total Legislative Changes	**($80,714,709)**	R	**($29,905,445)**	R
	$323,562,735	NR	**$351,656,614**	NR
Total Position Changes	-341.50		-392.50	
Revised Budget	**$2,049,200,000**		**$2,134,160,000**	

Highway Trust Fund

	HIGHWAY TRUST FUND	
	FY 11-12	FY 12-13
Recommended Continuation Budget	**$933,800,000**	**$982,400,000**

Legislative Changes

Administration

62 Administration

Appropriates $25,000,000 of the accumulated unencumbered fund balance within the Highway Trust Fund Administration budget to Urban Loops.

Aid to Municipalities

63 Statutory Adjustment to Aid to Municipalities Allocation

Increases funds for State Aid to Municipalities for FY 2011-12 and FY 2012-13, consistent with new revenue estimates and G.S. 136-176(b)(3). The total budget is $51,216,036 in FY 2011-12 and $54,043,432 in FY 2012-13.

	$6,365,050	NR	$6,371,287	NR

Construction

64 Intrastate System

Increases funds for the Intrastate System for FY 2011-12 and FY 2012-13, consistent with new revenue estimates and G.S. 136-176(b)(1). The total budget is $460,823,529 in FY 2011-12 and $487,503,034 in FY 2012-13.

	$60,663,823	NR	$60,723,266	NR

65 Secondary Roads

Notwithstands G.S. 136-176(b)(4) and reduces funding to Secondary Roads. The total budget is $43,655,667 in FY 2011-12 and $49,320,944 in FY 2012-13.

	($17,500,000)	NR	($17,500,000)	NR

	FY 11-12		FY 12-13	
66 Urban Loops	$550,000	R	$550,000	R
Increases funds for Urban Loops for FY 2011-12 and FY 2012-13, consistent with new revenue estimates and G.S. 136-176(b)(2). Also budgets $72,500,000 of non-recurring funds that are reallocated from the Garden Parkway project. Non-recurring increases in FY 2011-12 also include $25,000,000 of unencumbered administrative funds from prior years and $17,500,000 in funds reallocated from secondary road construction.	$130,907,485	NR	$71,350,039	NR
Budgets title fee revenues per a reduction in the amount statutorily transferred to the Mercury Switch Removal Account (budget code 24300-2119) in the Department of Environment and Natural Resources, per G.S. 20-85(a1). $550,000 of projected title fee revenues are budgeted for both years of the biennium.				
Transfers $5,223,642 in non-recurring funds to the General Fund to purchase replacement school buses for local school systems.				
The total Urban Loops budget is $263,587,722 in FY 2011-12 and $212,957,986 in FY 2012-13.				
67 Mobility Fund			($45,000,000)	R
Eliminates the transfer to the Mobility Fund beginning in FY 2012-13 and transfers the funds to a reserve.				
The total Mobility Fund budget is $31,000,000 in FY 2011-12.				
Reserves				
68 DOT Prioritization Reserve			$45,000,000	R
Pending finalization of the Mobility Fund project selection criteria and review of final outcomes, recurring funds to the Mobility Fund beginning in FY 2012-13 are placed in this reserve account.				
Transfers				
69 Transfer to General Fund			$115,408	R
Increases transfer to the General Fund by $35,223,642 in FY 2011-12 to purchase replacement school buses for local school systems, and by $115,408 in FY 2012-13 in accordance with G.S. 105-187.9(b)2. The total transfer is $76,720,918 in FY 2011-12 and $27,595,861 in FY 2012-13.	$35,223,642	NR		

	FY 11-12		FY 12-13	
70 Transfer to Highway Fund - Reserve for Visitor Centers Appropriates $400,000 for transfer to the Highway Fund Reserve for Visitor Centers for operating grants to nine visitor centers. Highway Trust Fund revenues are projected to increase by $950,000 recurring per a reduction in the amount of title fee receipts transferred to the Mercury Switch Removal Account (budget code 24300-2119) in the Department of Environment and Natural Resources. Of these revenues, $400,000 is appropriated to the Highway Fund Reserve for Visitor Centers and the remaining balance is appropriated to Urban Loops.	$400,000	R	$400,000	R
Turnpike Authority				
71 Mid-Currituck Bridge Project Reallocates $30,000,000 of unencumbered gap funds appropriated in FY 2009-10 and FY 2010-11 to the Mid-Currituck Bridge project for transfer to the General Fund to purchase replacement school buses for local school systems.				
72 Garden Parkway Project Reduces gap funding for debt service and related financing costs for the Garden Parkway project on a non-recurring basis and reallocates $20,000,000 of unencumbered gap funds appropriated in FY 2010-11 to Urban Loops.	($35,000,000)	NR	($17,500,000)	NR
Total Legislative Changes	**$950,000**	**R**	**$1,065,408**	**R**
	$180,660,000	**NR**	**$103,444,592**	**NR**
Total Position Changes				
Revised Budget	**$1,115,410,000**		**$1,086,910,000**	

Turnpike Authority

TURNPIKE AUTHORITY

	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$4,442,571**		**$4,442,571**	
Legislative Changes				
North Carolina Turnpike Authority Administration				
73 Reduce Operating Funds Reduces operating funds for administration of the North Carolina Turnpike Authority by 18 percent. The total budget for Turnpike Authority administration is $3,642,571 for the 2011-2013 biennium.	($800,000)	R	($800,000)	R
Total Legislative Changes	**($800,000)**	R	**($800,000)**	R
Total Position Changes				
Revised Budget	**$3,642,571**		**$3,642,571**	

RESERVES/ DEBT SERVICE/ ADJUSTMENTS
Section L

Statewide Reserves

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$747,761,563**		**$747,761,563**	
Legislative Changes				
A. Employee Benefits				
1 Severance Expenditure Reserve Provides funding for severance salary continuation payments and health benefit coverage under the State Health Plan for employees reduced-in-force.	$69,000,000	NR		
2 Comprehensive Review of Public Employee Compensation Plans Provides funding for a comprehensive review of public employee compensation plans as directed by this Act.	$2,000,000	NR		
3 Compensation Adjustment and Performance Pay Reserve Provides funding for labor market and equity salary increases and funding for performance based pay plans to effectuate recommendations made in connection with the comprehensive review and reform of public employee compensation plans.			$121,105,840	R
4 State Retirement System Contributions Increases the State's contribution to the Teachers' and State Employees' Retirement System for the 2011-2013 biennium to fund the Annual Required Contribution.	$248,100,000	R	$336,000,000	R
5 Judicial Retirement System Contributions Increases the State's contribution to the Consolidated Judicial Retirement System for the 2011-2013 biennium to fund the Annual Required Contribution.	$6,800,000	R	$7,800,000	R
6 Firemen's and Rescue Squad Workers' Pension Fund Contributions Increases contributions to the Firemen's and Rescue Squad Workers' Pension Fund for the 2011-2013 biennium to fund the Annual Required Contribution.	$4,318,042	R	$5,366,928	R
7 State Health Plan Provides additional funding to continue health benefit coverage for enrolled active and retired employees supported by the General Fund for the FY 2011-13 biennium.	$7,119,541	R	$102,151,104	R
B. Other Reserves				
8 Job Development Incentive Grants Reserve Reduces the funding for Job Development Investment Grants to amount needed to meet projected needs for FY 2011-12 grant payments.	($12,000,000)	NR		

	FY 11-12		FY 12-13	
9 Reserve for Controller Support for Automated Fraud Detection Provides funding to support the planning, development, and implementation of an automated fraud detection system by the Office of the State Controller.	$500,000	NR	$500,000	NR
10 Reserve for Automated Fraud Detection Development Provides funding to the Office of the State Controller to engage the services of a qualified vendor to plan, develop, and implement an enterprise-level, automated fraud detection system.	$1,000,000	NR	$7,000,000	NR
11 Information Technology Fund	($1,537,574)	R	$162,426	R
Eliminates funds for five positions from the IT Fund and adds two positions for the Criminal Justice Information Network. Provides funding for enterprise-level information technology operation and projects. Shifts enterprise identity management, plus email consolidation, information technology procurement, and archiving to agency fees. Begins process of shifting responsibility for enterprise agreements to participating agencies.	($1,844,284) -3.00	NR	($1,844,284) -3.00	NR
12 Continuation/Justification Review Reserve Creates a reserve to reinstate budgets of programs being reviewed by the General Assembly's Fiscal Research Division (Justification Reviews) or state agencies (Continuation Reviews). The FY 2012-13 budgets for programs under review have been eliminated. The General Assembly in the 2012 Session will determine whether to restore funding based on the results of these reviews.			$35,576,758	NR
C. Debt Service				
13 Adjust Debt Service Payments Adjusts debt service appropriations based on updated cash flow requirements.	($9,567,995)	R	$76,853,698	R
14 Adjust Debt Service - Canceled Projects Adjusts debt service appropriations due to the cancellation of projects in SB 464 (Debt Reduction Act of 2011).	($7,380,000)	R	($22,773,907)	R
Total Legislative Changes	**$247,852,014**	R	**$626,666,089**	R
	$58,655,716	NR	**$41,232,474**	NR
Total Position Changes	-3.00		-3.00	
Revised Budget	**$1,054,269,293**		**$1,415,660,126**	

State Health Plan (Administration)

Budget Code: 28410

	FY 2011-12	FY 2012-13
Beginning Unreserved Fund Balance	$0	$0
Recommended Budget		
Requirements	$191,734,088	$191,734,088
Receipts	$191,734,088	$191,734,088
Positions	42.00	42.00

Legislative Changes

Requirements:

Medical Benefits/Claims Processing Contract	($1,311,263)	R	$3,622,105	R
Adjust budgeted amounts for the PPO Administrative Services Agreement based on anticipated contractual costs, changes in plan membership and on-going administrative services.	$0	NR	$0	NR
	0.00		0.00	
Pharmacy Benefits Management Contract	($146,568)	R	($3,335,958)	R
Reduce budgeted amount for PPO PBM Contract based on anticipated contractual costs, changes in plan membership and on-going pharmacy benefit and utilization management programs.	$0	NR	$0	NR
	0.00		0.00	
Disease & Case Management Contracts	($6,037,580)	R	($5,284,198)	R
Reduce budgeted amount for Population Health Management Services contracts based on anticipated contractual costs, changes in plan membership and on-going disease and case management services.	$0	NR	$0	NR
	0.00		0.00	
Wellness Initiatives and Programs	($3,130,234)	R	($3,119,350)	R
Reduce budgeted amount for Wellness Initiatives contracts based on anticipated contractual costs, changes in plan membership and on-going wellness programs.	$0	NR	$0	NR
	0.00		0.00	
Other Administrative Cost	($644,294)	R	($12,544)	R
Reduce budgeted amounts for the Plan's other administrative costs to more accurately reflect anticipated expenditures.	$0	NR	$0	NR
	0.00		0.00	

	FY 2011-12		FY 2012-13	
Subtotal Legislative Changes	**($11,269,939)**	R	**($8,129,945)**	R
	$0	NR	**$0**	NR
	0.00		0.00	
Receipts:				
Reduce Transfers from Trust Funds	($11,269,939)	R	($8,129,945)	R
Reduces the amount of transfer from the Plan's health benefit trust fund budget codes to support administrative costs authorized for the FY 2011-13 biennium.	$0	NR	$0	NR
Subtotal Legislative Changes	**($11,269,939)**	R	**($8,129,945)**	R
	$0	NR	**$0**	NR
Revised Total Requirements	**$180,464,149**		**$183,604,143**	
Revised Total Receipts	**$180,464,149**		**$183,604,143**	
Change in Fund Balance	**$0**		**$0**	
Total Positions	**42.00**		**42.00**	
Unappropriated Balance Remaining	**$0**		**$0**	

CAPITAL
Section M

Capital

	GENERAL FUND	
	FY 11-12	FY 12-13
Department of Environment and Natural Resources		
1 Water Resources Development Projects		
Provides funds for the State's share of Water Resources Development Projects. Funds will provide a State match for $23,449,000 in federal funds. Projects are specified in a special provision.	$4,535,000 NR	
Total Appropriation to Capital	**$4,535,000 NR**	

INFORMATION TECHNOLOGY SERVICES
Section N

Information Technology Fund

Budget Code: 24467

	FY 2011-12	FY 2012-13
Beginning Unreserved Fund Balance	**$792,000**	**$0**
Recommended Budget		
Requirements	**$5,685,609**	**$7,485,609**
Receipts	**$4,458,142**	**$6,158,142**
Positions	**35.00**	**35.00**

Legislative Changes

Requirements:

Center for Geographic Information and Analysis Provides funding to support the operations of the Center for Geographic Information and Analysis (CGIA), located in the Office of the State Chief Information Officer. The CGIA is the lead agency for geographic information systems (GIS) services and GIS coordination for the State of North Carolina. CGIA provides GIS services to state and local governments as well as the private sector. Two positions are eliminated, 60036161 and 60036176, for a total savings of $140,653.	$599,347	R	$599,347	R
	$0	NR	$0	NR
	-2.00		-2.00	
Enterprise Security and Risk Management Office Provides funding to support the operation of the Enterprise Security and Risk Management Office (ESRMO) in the Office of the State Chief Information Officer. The ESRMO supports the development, delivery, and maintenance of an information security and risk management program that safeguards the state's information assets and the supporting infrastructure against unauthorized use, disclosure, modification, damage or loss. Reduces position cost with retirement and replacement, resulting in savings of $37,148.	$864,148	R	$864,148	R
	$0	NR	$0	NR
	0.00		0.00	

	FY 2011-12		FY 2012-13	
Enterprise Project Management Office	$1,473,285	R	$1,473,285	R
Provides funding to support the operation of the Enterprise Project Management Office (EPMO). The EPMO is responsible for coordinating and standardizing the management of IT projects over their life cycle, to include providing oversight during the design, development, and implementation process. Eliminates one position, 60087262, for a reduction of $121,715.	$0	NR	$0	NR
	-1.00		-1.00	
Architecture and Engineering	$581,986	R	$581,986	R
Provides funding to support the State Chief Information Officer's efforts to establish and maintain statewide information technology standards, and to design technical solutions for executive branch agencies, as well as local governments, public libraries, and K-20 organizations.	$0	NR	$0	NR
	0.00		0.00	
Statewide Information Technology Procurement	($550,000)	R	($550,000)	R
Allows the Statewide Information Technology Procurement Office to charge a fee to make up a $550,000 shortfall resulting from a reduction in supplemental staffing contracts. In the past, a 4.5% fee on information technology contracts has funded the Office. Reductions in supplemental staffing contracts have reduced the amount received from this fee.	$0	NR	$0	NR
	0.00		0.00	
State Portal	($500,000)	R	($500,000)	R
Eliminates appropriation for the State Portal. The State Portal was funded at $500,000 last year, but the Department of Administration is converting it to a fee-supported function.	$0	NR	$0	NR
	0.00		0.00	
State Web Site	$0	R	$0	R
Provides funding support to be used only for the State's current nc.gov website.	$100,000	NR	$0	NR
	0.00		0.00	

	FY 2011-12		FY 2012-13	
Information Technology Consolidation Provides funding for IT Consolidation to continue the State's efforts to consolidate information technology infrastructure within State agencies, coordinating the use of information technology infrastructure by focusing on the consolidation of local area network, voice, data center (servers), security, desktop, and service desk operations and services. Also begins the process of consolidating applications within the State. Eliminates two positions, 60087232 and 65000717, for a total savings of $218,201.	$776,440	R	$784,440	R
	$0	NR	$0	NR
	-2.00		-2.00	
Data Integration License Transfer to Agencies Transfers, as required by S.L. 2010-31, funding for data integration licenses from the Office of the State Chief Information Officer to State agencies using the licenses. The State Chief Information Officer is required to complete this transfer by September 1 of each State fiscal year and to report to the General Assembly upon completion of the transfer.	$0	R	$0	R
	$200,000	NR	$1,200,000	NR
	0.00		0.00	
Criminal Justice Information Network Provides funding to move two positions, 60084125 and 60084100, to the Office of the State Chief Information Officer from the Department of Crime Control and Public Safety. The Criminal Justice Information Network is responsible for providing the governmental and technical information systems necessary for accomplishing State and local governmental public safety and justice functions in the most efficient manner by appropriately and efficiently sharing criminal justice and juvenile justice information among law enforcement, judicial, and corrections agencies.	$166,422	R	$166,422	R
	$0	NR	$0	NR
	2.00		2.00	
Transfer to OSC for E Forms Initiative Transfers $500,000 from the Office of the State Chief Information Officer to the Office of the State Controller to support the planning and development of an enterprise e forms and digital signatures initiative.	$500,000	R	$500,000	R
	$0	NR	$0	NR
	0.00		0.00	

	FY 2011-12		FY 2012-13	
Transfer IT Analyst Funding to OSBM	$105,000	R	$105,000	R
Transfers funding from the Office of the State Chief Information Officer to the Office of State Budget and Management to be used only for the salary and benefits of an Information Technology Analyst for the Office of State Budget and Management.	$0	NR	$0	NR
	0.00		0.00	
Information Technology Fund Adjustment	$0	R	$0	R
Reduces appropriations to reflect adjustments in General Fund expenditures and receipts, and the use of the Unreserved Fund Balance.	($4,635,609)	NR	($6,435,609)	NR
	0.00		0.00	
Subtotal Legislative Changes	**$4,016,628**	R	**$4,024,628**	R
	($4,335,609)	NR	**($5,235,609)**	NR
	-3.00		-3.00	
Receipts:				
Information Technology Fund Interest	$25,000	R	$25,000	R
Accounts for the interest generated by the balance in the Information Technology Fund.	$0	NR	$0	NR
ITS Overhead	$91,486	R	$91,486	R
Reduces overhead billed to support the Office of Information Technology Services, based on rate reductions projected for the next State fiscal year.	$0	NR	$0	NR
Subtotal Legislative Changes	**$116,486**	R	**$116,486**	R
	$0	NR	**$0**	NR
Revised Total Requirements	**$5,366,628**		**$6,274,628**	
Revised Total Receipts	**$4,574,628**		**$6,274,628**	
Change in Fund Balance	**($792,000)**		**$0**	
Total Positions	**32.00**		**32.00**	
Ending Unreserved Fund Balance	**$0**		**$0**	

Information Technology Internal Service Fund

Budget Code: 74660

	FY 2011-12	FY 2012-13
Beginning Unreserved Fund Balance	**$32,445,864**	**$32,445,864**
Recommended Budget		
Requirements	**$196,263,192**	**$196,263,192**
Receipts	**$196,263,192**	**$196,263,192**
Positions	**592.00**	**592.00**

Legislative Changes

Requirements:

Reduction to IT Internal Service Fund	$0 R	$0 R
Requires the Office of the State Chief Information Officer and the Office of Information Technology Services to limit requirements for the Information Technology Internal Service Fund to $190,000,000 each State fiscal year, and eliminates 61 positions, to include position numbers 60087678, 60087377, 60087386, 60087436, 60089620, 60090531, 60087478, 60093461, 60087389, 60087453, 65010101, 60087464, 60087472, 60087488, 60087490, 60090526, 60087530, 60087624, 60087512, 60087606, 60087532, 60093453, 65000536, 60087605, 60089810, 60087652, 60087648, 60087520, 60087674, 65010102, 60087727, 60087553, 65005226, 65000702, 65010802, 65010803, 60089805, 60087580, 60087726, 60089804, 60087413, 60087440, 60087414, 60087322, 60093458, 60087227, 60087230, 60087234, 60087246, 60087314, 60087299, 60087286, 60087239, 60087710, 60089801, 60087445, 60089785, 65000706, 60087586, 60087533, 60087544.	($6,263,192) NR -61.00	($6,263,192) NR -61.00
Subtotal Legislative Changes	**$0** R **($6,263,192)** NR -61.00	**$0** R **($6,263,192)** NR -61.00

Receipts:

Senate Report on Information Technology

	FY 2011-12		FY 2012-13	
Receipts for Internal Service Fund	$0	R	$0	R
Reduces receipts to Information Technology Internal Service Fund to reflect requirements.	($6,263,192)	NR	($6,263,192)	NR
Subtotal Legislative Changes	**$0**	R	**$0**	R
	($6,263,192)	NR	**($6,263,192)**	NR
Revised Total Requirements	**$190,000,000**		**$190,000,000**	
Revised Total Receipts	**$190,000,000**		**$190,000,000**	
Change in Fund Balance	**$0**		**$0**	
Total Positions	**531.00**		**531.00**	
Ending Unreserved Fund Balance	**$32,445,864**		**$32,445,864**	

Major Subcommittee Items in Senate Budget Bill

Education: See Attachment

Health and Human Services:

Smart Start Changes:

- 20% reduction ($37.6M) to Smart Start's budget, leaving $150.7M to be budgeted for early childhood initiatives.

Major Differences between original Senate Budget and Senate PCS:

Smart Start

- NCPC was dissolved in original Senate Budget
- Administrative cap of 4%, reduced from 8% in original Senate Budget
- $72M to be spent on child care subsidies (increase of 3.8% for subsidies) in original Senate Budget

Medicaid

Original Senate Budget funded Medicaid @ $196M and Senate PCS funds it @ $109M

Original Senate Budget reduced optional Medicaid services by $51M; Senate PCS removes that item

Original Senate Budget reduced Medicaid Provider Rates by 3%; Senate PCS reduces the Rate cut to 2%

NER:

Major Items

- $10 million nonrecurring for the One North Carolina Fund
- $6 million nonrecurring for JMAC

Major Differences

- Tobacco Trust Fund– Keeps the Tobacco Trust Fund and provides $2m NR in both years
- Grade "A" Milk programs – transferred to Ag not Public Health
- Wine Marketing funds – distributed through Commerce to two new wine councils
- Justification Review of all Regional Offices in DENR

- Biotech, Biofuels, and Rural Center now cut 10%
- No cuts to Tourism marketing
- No brochure fees at Welcome Centers
- Regional Commissions have a 10% R cut but receive an additional $2.17NR
- Rural Center – Express Loans and Capital Access programs are no longer funded
- Rural Center – Emergency Rural Infrastructure program receives $5m NR in both years

JPS:

The Senate bill consolidates the Departments of Crime Control and Public Safety, Juvenile Justice and Delinquency Prevention, and Correction into one agency called the Department of Public Safety (DPS). Net savings from consolidation will be $1.1 million in FY 2011-12 with an effective date of January 1, 2012, and $3.6 million in FY 2012-13.

The primary differences between this Budget and the one passed last week are:

- SBI, the Crime Lab, and the Training Academies are not being transferred to the new DPS; and
- Only 55 DA administrative assistants are eliminated (the House position).

General Government:

Sec. 20.6: Study Consolidation of Elections, Ethics, and Lobbying Administration:

Instead of consolidating the State Board of Elections, State Ethics Commission, and the Lobbyist Registration Division at the Department of the Secretary of State, the new Senate PCS recommends a study of the consolidation by a Legislative Study Committee to study a proposed consolidation and report to the 2013 General Assembly.

Major Differences between original Senate Budget and Senate PCS:

- Takes 5% instead of 15% reductions in Displaced Homemakers and Rape Crisis Programs, and restores 15% reduction to the Domestic Violence Program.
- The 15% reduction to Veterans Scholarship Program was restored.
- A reduction of $335,997 to Museum of the Cape Fear is taken each year instead of closing the museum.
- There is no closure of Museum of the Albemarle.
- Adjusts the reduction to the Roanoke Island Commission by reducing the budget by 25% each year through FY 2014-15, as the Commission becomes self-supporting.
- Reduction to the Housing Trust Fund was increased by $1 million.

Transportation:

Maintenance (Highway Fund):

Spends $2.4 billion on maintenance over the course of the biennium, addressing the two greatest needs: contract resurfacing and system preservation. The Senate budget enables DOT to resurface over 8,000 miles of road and repair over 900 of the 2,557 structurally deficient bridges.

Construction (Highway Trust Fund):

Spends $2.0 billion on construction over the course of the biennium, including $494 million to advance urban loop projects, $948.3 million for the intrastate system, and $105.3 million for aid to municipalities.

Also transfers $35.2 million from unexpended gap funds ($30M) and other non-recurring construction funds ($5.2M) to assist local school systems in replacing school buses.

Major Differences:

Money Items:

- Highway Patrol: Management flexibility cut decreased to $2.3M for FY12 (FY13 cut increased to 10.4M).
- Ferry: Reduces budgeted toll receipts to $2.0M/$2.5M (was $2.5M/$5M)
- Public Transportation: No cut to Blue Line/Red Line funds (was $20.7M) and removes provision.
- Visitor Centers: Appropriates $400K recurring from the Highway Trust Fund and allocates $100K for operating assistance to the Randolph Co. visitor center.
- Mid-Currituck Bridge funded in biennium.
- Garden Parkway: reduces funds by $35M in FY12 and $17.5M in FY13

Provisions:

- Removes provision for competitive bidding of License Plate Agency contracts

Salaries and Benefits:

Compensation Adjustment and Performance Pay Reserve:

Establishes a compensation adjustment and performance pay reserve to provide funding for a performance-based compensation plan for teachers and State employees.

Retirement Contributions:

Provides funds to the Teachers' and State Employees' Retirement System, Judicial Retirement System, and Firemen's and Rescue Squad Workers' Pension Fund to fund the annual required contributions.

Major Differences between Senate PCS and Senate Sixth Edition:

Compensation Adjustment and Performance Pay Reserve:

The Senate PCS reduces the appropriation to this reserve from $328,000,000 to $121,105,840.

Retirement Contributions:

The Senate PCS directs the 9-year liquidation period for unfunded pension liability be changed to a 12-year period and adjusts the appropriations accordingly.

Highlights of Senate Education Budget – FY 2011-12 and FY 2012-13

- **Overall, the Senate Budget reduces the General Fund appropriation for education by 7.8% versus the continuation budget.**

FY 2011-12									
	Continuation	House	House vs Cont.	Senate Committee Sub.	Senate vs. Cont.	Revised Senate PCS	Rev. Sen. - House	Rev. Sen. - Continuation	Rev. Sen. vs. Cont.
Public Schools	$7,923,543,951	7,164,492,057	-9.6%	7,226,755,942	-8.8%	7,464,492,057	300,000,000	(459,051,894)	-5.8%
Community Colleges	$1,102,475,214	991,518,860	-10.1%	982,305,416	-10.9%	985,000,000	(6,518,860)	(117,475,214)	-10.7%
UNC	$2,887,492,464	2,440,375,132	-15.5%	2,528,492,464	-12.4%	2,540,375,132	100,000,000	(347,117,332)	-12.0%
Total	$11,913,511,629	10,596,386,049	-11.1%	10,737,553,822	-9.9%	10,989,867,189	393,481,140	(923,644,440)	-7.8%

FY 2012-13									
	Continuation	House	House vs Cont.	Senate Committee Sub.	Senate vs. Cont.	Revised Senate PCS	Rev. Sen. - House	Rev. Sen. - Continuation	Rev. Sen. vs. Cont.
Public Schools	$7,923,543,951	7,188,174,120	-9.3%	7,191,532,300	-9.2%	7,450,000,000	261,825,880	(473,543,951)	-6.0%
Community Colleges	$1,102,475,214	991,518,860	-10.1%	982,305,416	-10.9%	985,000,000	(6,518,860)	(117,475,214)	-10.7%
UNC	$2,886,730,386	2,439,731,176	-15.5%	2,526,730,386	-12.5%	2,551,672,698	111,941,522	(335,057,688)	-11.6%
Total	$11,912,749,551	10,619,424,156	-10.9%	10,700,568,102	-10.2%	10,986,672,698	367,248,542	(926,076,853)	-7.8%

- **Fully funds student enrollment growth.** Funding for student enrollment growth is usually included in the continuation budget. In her 2011 Recommended Budget, the Governor excluded enrollment growth from the continuation budget, and only funded a portion of enrollment growth in her recommended adjustments. The Senate budget fully funds both years of enrollment growth for K-12 and Community Colleges and fully funds FY 2011-12 enrollment growth for the University System.

- **Adds funding for 1,144 additional teaching positions in grades 1-3.** Additional teachers will bring allotment ratio from 1:18 to 1:17. The General Assembly's intent is to bring allotment ratio down to 1 teacher to every 15 students as funds become available.

- **Limits funding reductions that could impact teachers.** Reductions to specific public schools allotments were made with a priority on protecting classroom teaching positions. The major source of State-funded teachers, the Classroom Teachers allotment, is increased.

- **Adds five instructional days to the school calendar.** Replaces 5 mandatory teacher workdays with instructional days in order to expand instructional time in North Carolina's schools.

- **Reduces teacher and school district paperwork,** eliminating the requirements for the following plans or reports: School Technology, Local Safe Schools, At-Risk Expenditures, School Improvement Plans, and Personal Education Plans for at-risk students. Further, Senate budget cuts in half continuing education requirements for teacher licensure renewal.

- **Gives the University flexibility to determine where to make budget reductions.** The budget uses a management flexibility reduction, allowing the UNC Board of Governors to decide where to reduce budgets.

- **Stabilizes funding for the State's student financial aid programs.** Replaces unsustainable financial aid funding from the Escheats Fund with a combination of General Fund reductions and Lottery funding. Funds the Education Lottery Scholarship for UNC and Community College students. Begins the process of funding UNC Need-based Financial Aid Program scholarships with current appropriations, increasing the program's stability.

- **Reforms scholarship funding for private college students.** Consolidates 3 existing programs into one need-based, student-focused scholarship and reduces available funding by 22%.

Major Changes from the Senate Committee Substitute to Revised Senate PCS

- **Eliminates the cut to teacher assistants.** The Senate Committee Substitute had reduced funding for teacher assistants by $390.5 million, or approximately 74%. The Revised Senate PCS does not make any cut to the teacher assistants allotment.

- **Restores funding for other public schools items**, including Fund One LEA per County, Learn & Earn Virtual Schools, Small County Supplemental Funding, Decouple Masters and NBPTS Salary Supplements, NCCAT (partial restoration) and the Geographically Isolated Schools Allotment. None of these allotments or programs are reduced in the Revised Senate PCS.

- **Keeps school bus replacement a state responsibility.** Follows House policy for the State to continue bus replacement and reduces funding by $20 million in FY 2012-13.

- **Makes additional reductions to other public schools items**, including Transportation ($10 million) and Instructional Supplies ($42 million).

- **Eliminates certain tuition waivers for UNC nonresident students** and takes a $1.9 million recurring cut.

- **Increases the amount available for aid to private college students** by $208,976 in FY 2011-12 (net reduction from FY 2010-11 of 12.3%) and $19.6 million in FY 2012-13 (net reduction from FY 2010-11 of 22%).

GENERAL FUND B[illegible] COMPARISON
FY[illegible]

	Availability and Budget Items	Governor FY 2011-12	House FY 2011-12	Senate FY 2011-12	Revised Senate FY 2011-12	Governor FY 2012-13	House FY 2012-13	Senate FY 2012-13	Revised Senate FY 2012-13
	Unappropriated Balance Remaining						123,284,701	72,311,073	13,980,015
1	Ending Unreserved Fund Balance for FY 2009-10	111,000,000	236,902,394	236,902,394	236,902,394	-	-	-	-
2	Anticipated Reversions - Senate Bill 109	406,018,097	537,740,799	537,740,799	537,740,799	-	-	-	-
3	Preliminary Overcollections from FY 2010-11	156,300,000	156,300,000	180,800,000	180,800,000	-	-	-	-
4	Repayment of DSH Receipts in FY 2010-11	-	(125,000,000)	(125,000,000)	(125,000,000)	-	-	-	-
5	**Beginning Unreserved Fund Balance**	673,318,097	805,943,193	830,443,193	830,443,193		123,284,701	72,311,073	13,980,015
6	**Less Statutory Earmarkings:**								
7	Credit to Savings Reserve Account	(150,000,000)	(201,485,798)	(202,994,340)	(185,000,000)	-	-	-	-
8	Credit to Repairs & Renovation Reserve Account	(75,000,000)	(201,485,798)	(202,994,339)	(125,000,000)	-	-	-	-
9	Subtotal Earmarkings	(225,000,000)	(402,971,596)	(405,988,679)	(310,000,000)		-	-	-
10	**Less Other Earmarkings:**								
11	Rebuild Mental Health Trust Fund	(75,000,000)	-	-	-	-	-	-	-
12	Establish Consolidation and Efficiency Incentive Fund	(25,000,000)	-	-	-	-	-	-	-
13	Invest in Community Colleges Equipment for Worker Training Efforts	(25,000,000)	-	-	-	-	-	-	-
14		(125,000,000)	-	-	-	-	-	-	-
15	**Unreserved Fund Balance**	**323,318,097**	**402,971,597**	**424,454,514**	**520,443,193**		**123,284,701**	**72,311,073**	**13,980,015**
16	**Subtotal Tax Revenue**	**18,129,800,000**	**18,129,800,000**	**18,129,800,000**	**18,129,800,000**	**19,181,900,000**	**19,181,900,000**	**19,181,900,000**	**19,181,900,000**
17	**Subtotal Non-Tax Revenue**	**692,830,000**	**692,830,000**	**692,830,000**	**692,830,000**	**702,180,000**	**702,180,000**	**702,180,000**	**702,180,000**
18	**Changes in Availability: 2011 Session**								
19	Estate Tax Revenue Loss (FY 2011-13)		(57,100,000)	(57,100,000)	(57,100,000)		(72,200,000)	(72,200,000)	(72,200,000)
20	Reserve for Finance Committee		(230,000,000)				(405,000,000)		
21	Small Business Job Creation and Tax Relief			(186,400,000)	(131,600,000)			(485,300,000)	(335,600,000)
22	Repeal Deduction for Sale of a Manufactured Home Community to Manufactured Home Owners			100,000	-			100,000	-
23	Repeal Deduction for Severance Wages			16,000,000	-			16,400,000	-
24	Repeal Credit for Recycling Oyster Shells			100,000	-			100,000	-
25	Repeal Energy Star Tax Holiday			1,900,000	-			2,000,000	-
26	Repeal Sales Tax Exemption for Nutritional Supplements Sold by Chiropractors			300,000	-			400,000	-
27	Lower Corporate Tax Rate from 6.9% to 4.9%	(115,000,000)	-	-		(303,000,000)	-	-	-
28	Enact .75% Sales Tax	826,600,000	-	-		863,800,000	-	-	-
29	Small Business Tax Relief (eff. 1-1-11)	(65,000,000)	-	-		0	-	-	-
30	Raise Cap on Qualified Business Venture Credit	(2,000,000)	-	-		(2,000,000)	-	-	-
31	Energy Efficiency Building Home Tax Credit ($1500 per home credit)	-	-	-		(3,300,000)	-	-	-
32	Repeal Wildlife Resources Commission Sales Tax Earmark		22,970,000	22,970,000	22,970,000		23,920,000	23,920,000	23,920,000
33	Suspend Corporate Income Tax Earmark (Public School Construction)	72,000,000	72,110,000	-	72,110,000	75,000,000	74,750,000	74,750,000	74,750,000
34	Increase in Judicial Fees		57,319,466	60,986,955	61,765,715		57,319,466	60,986,955	61,765,715
35	Loss of Revenues from Butner Public Safety			(1,213,235)	(1,213,235)			(1,213,235)	(1,213,235)
36	Increase Parking Fees for Visitors			550,000	550,000			550,000	550,000
37	Investment Company Notice Filing Fee			1,600,000	1,600,000			1,600,000	1,600,000

ATTACHMENT 6

GENERAL FUND B[illegible] COMPARISON
FY[illegible]

	Availability and Budget Items	Governor FY 2011-12	House FY 2011-12	Senate FY 2011-12	Revised Senate FY 2011-12	Governor FY 2012-13	House FY 2012-13	Senate FY 2012-13	Revised Senate FY 2012-13
38	Redirect Dispute Resolution Fee		(205,535)	-	-		(205,535)	-	-
39	Transfer from E-Commerce Reserve Fund		4,483,526	4,483,526	4,483,526		-	-	-
40	Transfer from Parks & Recreation Trust Fund		8,435,000	4,217,500	8,435,000		-	-	-
41	Transfer from Recreational/ Natural Heritage Trust Fund		8,000,000	4,500,000	8,000,000		-	-	-
42	Transfer from Commerce - Enterprise Fund		500,000	250,000	500,000		-	-	-
43	Transfer from Highway Fund for State Highway Patrol		193,527,300	193,585,434	196,849,542		190,394,000	189,859,507	188,209,049
44	Transfer from Highway Trust Fund for School Bus Replacement			35,223,642	35,223,642				-
45	Transfer from Mercury Prevention Pollution Fund		250,000	125,000	250,000		-	-	-
46	Divert Funds from Scrap Tire Disposal Account		2,268,989	1,134,495	2,268,989		-	-	-
47	Divert Funds from White Goods Management Account		1,951,465	1,131,342	1,951,465		-	-	-
48	Department of Revenue - Accounts Receivable Program	25,000,000	15,000,000	15,000,000	25,000,000	25,000,000	15,000,000	15,000,000	25,000,000
49	Disproportionate Share Receipts (DSH)	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
50	Golden LEAF		67,563,760	67,563,760	17,563,760		67,563,760	67,563,760	17,563,760
51	Tobacco Trust Fund		4,292,733	8,334,360	8,334,360		4,348,909	8,790,386	8,790,386
52	Adjust Transfer from Insurance Regulatory Fund			(742,348)	(742,348)			(742,348)	(742,348)
53	Adjust Transfer from Treasurer's Office			(3,881,172)	(3,881,172)			(3,916,453)	(3,916,453)
54	Transfer Health and Wellness Trust Fund to Public Health			32,904,411	32,904,411				
55	Health and Wellness Trust Fund		12,292,733	16,334,360	16,334,360		12,348,909	16,790,386	16,790,386
56	Transfer from North Carolina Flex FICA Funds				1,000,000				
57	Sale of State Assets				15,000,000				25,000,000
58	**Subtotal Adjustments to Availability**	**756,600,000**	**198,659,437**	**254,958,030**	**353,558,015**	**670,500,000**	**(16,760,491)**	**(69,561,042)**	**45,267,260**
59	**Total General Fund Availability**	**19,902,548,097**	**19,424,261,034**	**19,502,042,544**	**19,696,631,208**	**20,554,580,000**	**19,990,604,210**	**19,886,830,031**	**19,943,327,275**
60									
61	**Subcommittee Budgets:**								
62	**Education**								
63	Public Schools	7,572,712,912	7,164,492,057	7,226,755,942	7,464,492,057	7,598,568,534	7,188,174,120	7,191,532,300	7,450,000,000
64	Community Colleges	1,016,629,522	991,518,860	982,305,416	985,000,000	1,022,312,530	991,518,860	982,305,416	985,000,000
65	Universities	2,657,835,835	2,440,375,132	2,528,492,464	2,540,375,132	2,670,455,384	2,439,731,176	2,522,047,909	2,551,672,698
66	**Subtotal for Education**	**11,247,178,269**	**10,596,386,049**	**10,737,553,822**	**10,989,867,189**	**11,291,336,448**	**10,619,424,156**	**10,695,885,625**	**10,986,672,698**
67	Health & Human Services	4,715,218,097	4,462,222,541	4,434,326,952	4,495,126,952	4,937,497,520	4,455,162,933	4,401,762,323	4,455,162,933
68	Justice & Public Safety	2,206,925,331	2,329,618,298	2,321,643,921	2,328,384,420	2,208,699,973	2,326,484,998	2,318,472,781	2,323,469,854
69	General Government	430,543,973	399,302,789	404,223,216	407,503,897	433,320,080	395,624,497	396,583,634	401,375,973
70	Natural & Economic Resources	357,146,517	378,391,359	402,534,309	391,714,442	335,913,537	331,594,174	376,081,998	349,735,691
71	Clean Water Management Trust Fund	50,000,000	10,000,000	12,500,000	11,250,000	50,000,000	10,000,000	12,500,000	11,250,000
72	**Subtotal Subcommittees**	**19,007,012,187**	**18,175,921,036**	**18,312,782,220**	**18,623,846,900**	**19,256,767,558**	**18,138,290,758**	**18,201,286,361**	**18,527,667,149**
73	**Debt Service & Other Reserves**	**747,761,563**	**747,761,563**	**747,761,563**	**747,761,563**	**747,761,563**	**747,761,563**	**747,761,563**	**747,761,563**
74	**Subtotal Expenditures**	**19,754,773,750**	**18,923,682,599**	**19,060,543,783**	**19,371,608,463**	**20,004,529,121**	**18,886,052,321**	**18,949,047,924**	**19,275,428,712**

GENERAL FUND B[illegible]T COMPARISON
FY[illegible]

	Availability and Budget Items	Governor FY 2011-12	House FY 2011-12	Senate FY 2011-12	Revised Senate FY 2011-12	Governor FY 2012-13	House FY 2012-13	Senate FY 2012-13	Revised Senate FY 2012-13
75	**Adjustments to Reserves and Other Items**								
76	Performance Pay	-	2,000,000	2,000,000	2,000,000	-	-	328,000,000	121,105,840
77	State Health Plan	28,000,000	11,725,587	7,119,541	7,119,541	113,000,000	109,480,158	102,151,104	102,151,104
78	TSERS Retirement System Contribution	115,000,000	297,400,000	297,400,000	248,100,000	230,000,000	404,200,000	404,200,000	336,000,000
79	Consolidated Judicial Retirement System Contribution		7,900,000	7,900,000	6,800,000		9,000,000	9,000,000	7,800,000
80	Firemen and Rescue Squad Workers Pension Fund		5,800,000	5,800,000	4,318,042		6,900,000	6,900,000	5,366,928
81	National Guard Pension Fund		263,000	263,000	-		523,000	523,000	-
82	Severance Reserve	30,000,000	75,000,000	75,000,000	69,000,000	-	-	-	-
83	Transfer ESC to Commerce	(251,400)				(377,100)			
84	Management Flex Reserve - Department of Management and Admin.	(1,087,300)				(1,598,600)			
85	Management Flex Reserve - Department of Public Safety	(2,705,100)				(4,057,600)			
86	Centralized Grant System					(700,000)			
87	Continuation Review Reserve		-				36,738,931	22,982,380	35,576,758
88	Centralize Human Resource Function	(2,767,000)	-	-	-	(4,150,400)	-	-	-
89	Procurement Reform		-	-	-	(30,000,000)	-	-	-
90	Capital - DENR Water Resource Projects	4,535,000	4,535,000	4,535,000	4,535,000	-	-	-	-
91	Adjustment to Debt Service	(9,567,995)	(16,947,995)	(16,947,995)	(16,947,995)	76,853,698	54,079,791	54,079,791	54,079,791
92	Adjustment to JDIG Reserve	(7,000,000)	(7,000,000)	(12,000,000)	(12,000,000)		-	-	-
93	Adjustment to IT Reserve	(3,381,858)	(3,381,858)	(3,381,858)	(3,381,858)	(1,681,858)	(1,681,858)	(1,681,858)	(1,681,858)
94	Reserve for Reduction of Department of Public Safety	(3,000,000)				(3,000,000)			
95	Reserve for Automated Fraud Detection Development			1,000,000	1,000,000			7,000,000	7,000,000
96	Reserve for Controller Support for Automated Fraud Detection			500,000	500,000			500,000	500,000
97	**Subtotal Adjustments**	**147,774,347**	**377,293,734**	**369,187,688**	**311,042,730**	**374,288,140**	**619,240,022**	**933,654,417**	**667,898,563**
98	**Total Preliminary FY 2011-13 Budget**	**19,902,548,097**	**19,300,976,333**	**19,429,731,471**	**19,682,651,193**	**20,378,817,261**	**19,505,292,343**	**19,882,702,341**	**19,943,327,275**
99									
100	**Unappropriated Balance (Shortfall)**	**-**	**123,284,701**	**72,311,073**	**13,980,015**	**175,762,739**	**485,311,867**	**4,127,690**	**-**

Education

Summary of Money Differences

	Item Description	House Bill 200				Senate CS to House Bill 200				Revised Senate PCS to House Bill 200				Comments
		FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR	
Public Schools														
1	Children With Disabilities Headcount	$ (7,000,000)	R	$ (7,000,000)	R	$ -		$ -		$ -		$ -		
2	LEA Adjustment	$ (42,123,478)	R	$ (105,696,322)	R	$ (4,365,359)	R	$ (65,292,506)	R	$ (124,217,542)	R	$ (198,293,574)	R	
3	Class Size Reduction in Grades 1-3	$ -		$ -		$ 61,697,942	R	$ 62,767,803	R	$ 61,697,942	R	$ 62,767,803	R	Senate CS and PCS changes allotment ratio for grades 1-3 from 1:18 to 1:17; 1,124 positions added in FY 11-12 and 1,144 positions added in FY 12-13.
4	Teacher Assistants	$ (255,197,482)	R	$ (250,743,602)	R	$ (390,519,448)	R	$ (395,946,237)	R	$ -		$ -		Senate PCS has no TA cut. Senate CS funds TAs on kindergarten headcount only. House funds on K-1 headcount.
5	Decouple Master's & NBPTS Salary Supplements	$ -		$ -		$ (4,776,560)	R	$ (4,776,560)	R	$ -		$ -		
6	Fund One LEA per County	$ -		$ -		$ (2,214,251)	R	$ (11,071,255)	R	$ -		$ -		
7	Education Reform Studies	$ 1,000,000	NR	$ -		$ 200,000	NR	$ -		$ 200,000	NR	$ -		Provides funding to hire outside consultants to examine various education topics. Senate CS & PCS study is narrower in scope.
8	Learn and Earn Virtual Schools	$ (1,000,000)	R	$ (1,000,000)	R	$ (1,000,000)	R	$ (1,000,000)	R	$ -		$ -		
9	At-Risk Student Services	$ (30,215,891)	R	$ (30,374,711)	R	$ -		$ -		$ -		$ -		House reduces allotment by 12%.
10	Small County Supplemental Funding	$ -		$ -		$ (5,146,985)	R	$ (8,818,208)	R	$ -		$ -		
11	Textbooks	$ (13,000,000) $ (79,621,968)	R NR	$ (13,000,000) $ (79,000,000)	R NR	$ (13,000,000) $ (79,166,861)	R NR	$ (13,000,000) $ (76,500,000)	R NR	$ (13,000,000) $ (79,166,861)	R NR	$ (13,000,000) $ (76,500,000)	R NR	
12	Instructional Supplies	$ (3,450,000) $ (38,520,358)	R NR	$ (3,450,000) $ (38,417,147)	R NR	$ -		$ -		$ (3,450,000) $ (38,520,358)	R NR	$ (3,450,000) $ (38,417,147)	R NR	Senate PCS and House reduce funding by approx. 46%, leaving about $50 million each year for supplies and materials.
13	Academically or Intellectually Gifted	$ (6,480,111)	R	$ (6,559,558)	R	$ -		$ -		$ -		$ -		House reduces allotment by 9%.
14	Central Office Administration	$ (10,757,059)	R	$ (10,784,059)	R	$ (17,211,294)	R	$ (17,254,494)	R	$ (17,211,294)	R	$ (17,254,494)	R	Senate PCS and CS cut 16%. House cut is 10%.
15	School Building Administration	$ (19,580,256)	R	$ (19,813,016)	R	$ (24,612,054)	R	$ (25,023,016)	R	$ (22,193,080)	R	$ 22,403,290	R	Senate CS reduces funding for assistant principals 21% while House reduction is 17%. Principal positions are not reduced. Senate PCS reduces funding 18.8%.
16	School Building Administration Position Conversion	$ -		$ -		$ (7,700,000)	R	$ (7,700,000)	R	$ (7,700,000)	R	$ (7,700,000)	R	Changes policy regarding how LEAs are allowed to cash-out principal and asst. principal positions. Cash out at first step of salary schedule, rather than average salary.

ATTACHMENT 7

Education

Summary of Money Differences

	Item Description	House Bill 200				Senate CS to House Bill 200				Revised Senate PCS to House Bill 200				Comments
		FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR	
17	Instructional Support	$ (18,126,313)	R	$ (18,591,725)	R	$ (22,934,278)	R	$ (23,149,479)	R	$ (22,934,278)	R	$ (23,149,479)	R	Senate PCS and CS reduces allotment by 5%. House reduces allotment by 4%.
18	Limited English Proficiency	$ (7,505,512)	R	$ (8,114,226)	R	$ -		$ -		$ -		$ -		House reduces funding by 10%.
19	Transportation	$ (20,680,229)	R	$ (20,884,532)	R	$ -		$ -		$ (10,340,115)	R	$ (10,442,266)	R	House reduces funding by 5%. Senate PCS reduces funding by 2.5%
20	School Bus Replacement	$ - $ (20,000,000)	NR	$ - $ (20,000,000)	NR			$ (56,851,619) $ 21,627,977	R NR	$ -		$ - $ (20,000,000)	NR	Senate PCS maintains State responsibility for bus purchases, similar to House budget.
21	Uniform Education Reporting Systems (UERS)	$ (2,336,859)	R	$ (2,336,859)	R	$ (2,101,213)	R	$ (2,101,213)	R	$ (2,101,213)	R	$ (2,101,213)	R	Senate PCS and CS level reduces available fund balance while House reduces the balance and some DPI IT project operational funding.
22	Geographically Isolated Schools Allotment	$ -		$ -		$ (411,503)	R	$ (411,503)	R	$ -		$ -		
23	Teacher Cadet	$ (34,000)	R	$ (34,000)	R	$ (340,000)	R	$ (340,000)	R	$ (340,000)	R	$ (340,000)	R	
24	Science Olympiad	$ (127,500) $ 127,500	R NR	$ (127,500)	R	$ (127,500)	R	$ (127,500)	R	$ (127,500)	R	$ (127,500)	R	
25	Tarheel ChalleNGe Academy	$ (76,772)	R	$ (76,772)	R	$ -		$ -		$ -		$ -		
26	PTA Parental Involvement	$ 300,000	NR	$ -		$ -		$ -		$ -		$ -		
27	Teaching Fellows Fund	$ (210,000)	R	$ (210,000)	R	$ (210,000)	R	$ (3,475,000)	R	$ (210,000)	R	$ (3,475,000)	R	Both House and Senate reduces administrative set-aside from $810,000 to $600,000. Senate PCS and CS begins program phase-out in FY 12-13.
28	DPI Management Flexibility Reduction	$ (6,403,751)	R	$ (6,403,751)	R	$ -		$ -		$ -		$ -		House DPI administrative funding cuts are mostly contained in this flexible reduction. Senate CS and PCS makes series of targeted cuts to specific DPI offices.
29	DPI Curriculum Division	$ -		$ -		$ (457,690)	R	$ (457,690)	R	$ (457,690)	R	$ (457,690)	R	Senate PCS and CS eliminates 5.5 FTE.
30	DPI Technology Services	$ -		$ -		$ (2,712,988)	R	$ (2,712,988)	R	$ (2,712,988)	R	$ (2,712,988)	R	Senate PCS and CS eliminates 30.0 FTE.
31	DPI Communications	$ -		$ -		$ (246,586)	R	$ (246,586)	R	$ (246,586)	R	$ (246,586)	R	Senate PCS and CS eliminates 4.0 FTE.
32	NC Professional Teaching Standards	$ -		$ -		$ (235,646)	R	$ (235,646)	R	$ (235,646)	R	$ (235,646)	R	Senate PCS and CS eliminates 2.0 FTE.
33	North Carolina Center for the Advancement of Teaching (NCCAT)	$ (5,102,495)	R	$ (5,102,495)	R	$ (6,102,495) $ 500,000	R NR	$ (6,102,495)	R	$ (3,000,000)	R	$ (3,000,000)	R	Senate PCS cuts funding by slightly less than 50% and does not explicitly close a facility.
34	Connectivity	$ (794,675)	R	$ (794,675)	R	$ (650,000)	R	$ (650,000)	R	$ (650,000)	R	$ (650,000)	R	
35	Residential Schools	$ (1,554,181)	R	$ (1,554,181)	R	$ (2,500,000)	R	$ (8,000,000)	R	$ (1,691,445)	R	$ (7,191,445)	R	Senate PCS cuts the residential schools by 5% in FY 11-12 and directs the closure of one school in FY 12-13. It does not cut Beginnings contract as the Senate CS does.

Education
Summary of Money Differences

	Item Description	House Bill 200				Senate CS to House Bill 200				Revised Senate PCS to House Bill 200				Comments
		FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR	
36	Residential Schools Superintendent	$ (137,264)	R	$ (137,264)	R	$ -		$ -		$ -		$ -		House eliminates Superintendent position. This elimination is included in the Senate CS and PCS Residential Schools cut rather than as a stand-alone item.
	Community Colleges													
37	Management Flexibility Reduction	$ (44,095,124)	R	$ (51,761,305)	R	$ (53,208,568)	R	$ (60,974,749)	R	$ (50,777,984)	R	$ (58,544,165)	R	
38	Botanical Laboratory (Fayetteville Technical CC)	$ (264,000) $ 100,000	R NR	$ (264,000)	R	$ -		$ -		$ -		$ -		
	University System													
39	Management Flexibility Reduction	$ (478,083,473)	R	$ (479,609,147)	R	$ (434,553,824)	R	$ (436,441,873)	R	$ (413,987,494)	R	$ (423,172,261)	R	
40	UNC Hospitals Subsidy	$ (44,011,882)	NR	$ (44,011,882)	NR	$ (19,011,884)	NR	$ (19,011,884)	NR	$ (26,011,884)	NR	$ (26,011,884)	NR	House eliminates the subsidy; Senate CS leaves $25 million. Senate PCS leaves $18 million.
41	Coastal Wave Energy Research	$ (2,000,000)	R	$ (2,000,000)	R	$ -		$ -		$ -		$ -		
42	NC A&T/UNC-G Joint School of Nanoscience and Nanoengineering	$ -		$ -		$ 1,000,000	NR	$ -		$ 1,000,000	NR	$ 1,000,000	NR	
	Financial Aid													
43	UNC Need-based Financial Aid	$ 35,279,237	R	$ 36,856,237	R	$ 37,891,429	R	$ 68,608,867	R	$ 37,891,429	R	$ 68,608,867	R	Total funding for scholarships in each year is the same, although the proportion of Lottery, Escheats, and General Fund is different. Forward funding in Senate is $30 million
44	Academic Common Market	$ -		$ (1,215,000)	R	$ -		$ (970,747)	R	$ -		$ (970,747)	R	Technical change; revised based on updated budget information.
45	Nonresident Graduate Student Tuition	$ (8,640,045)	R	$ (8,640,045)	R	$ -		$ -		$ -		$ -		
46	Nonresident Tuition Waivers	$ (7,947,640)	R	$ (7,947,640)	R	$ -		$ -		$ (1,892,640)	R	$ (1,892,640)	R	House and Senate Revised PCS both eliminate: -Special Talent Undergraduate tuition waivers -Nonresident teachers waivers, and -Nonresident prospective teacher scholarships. House also eliminates waiver for nonresident students with academic scholarships.

Education

Summary of Money Differences

	Item Description	House Bill 200				Senate CS to House Bill 200				Revised Senate PCS to House Bill 200				Comments
		FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR	
47	Legislative Tuition Grant	$ (5,826,968)	R	$ (5,826,968)	R	$ (7,283,710)	R	$ (58,269,681)	R	$ (7,167,171)	R	$ (58,269,681)	R	Revised Senate PCS reduces aid by 12.3% in FY 2011-12, while Senate CS reduces existing aid by 12.5%. Both create a new, need-based program for private college students in FY 2012-13, funded at different amounts.
48	State Contractual Scholarship Fund	$ (4,589,696)	R	$ (4,589,696)	R	$ (5,737,121)	R	$ (45,896,963)	R	$ (5,645,326)	R	$ (45,896,963)	R	
49	Other Private School Aid	$ (32,100)	R	$ (32,100)	R	$ (40,125)	R	$ (321,000)	R	$ (39,483)	R	$ (321,000)	R	
50	Student Financial Aid for Students of Private Higher Education Institutions	$ -		$ -		$ -		$ 62,286,250	R	$ -		$ 81,851,588	R	

Education
Summary of Provision Differences

	Section Number	Special Provision Title	Major Differences Between Senate CS to House Bill 200 and House Bill 200	Version Included in Revised Senate PCS
Education-related General Provisions				
1	5.2	Other Receipts From Pending Grant Awards	– Senate only. – Allows DPI to expend certain federal and privately awarded grant funds. – Appropriated funds do not place any additional obligations on the State.	Senate CS.
2	5.4	Education Lottery	– Senate funds UNC and CC students in the Education Lottery Scholarship (scholarships for needy students). House provision does not fund this program. – UNC Need-based Financial Aid receives less funding from Lottery Fund in Senate version. – House allows use of capital funds for classroom teachers. Senate does not.	Senate CS.
Public Schools				
3	7.1	Education Reform in North Carolina	– House studies a number of education topics across all levels of education. – Senate study focuses only on 3rd grade literacy and ways to minimize remedial education at institutes of higher education.	Senate CS.
4	7.1A	Career and College Promise	– Senate only. – Modified Governor's language, streamlining 3 pathways for high school students to access courses in higher education.	Modified Senate CS - includes changes requested by the NCCCS to: - Limit Career Tech and College Transfer pathways to high school juniors and seniors. - Change College Transfer requirements to 30 semester hours.
5	7.1B	Class Size Reduction for Grades 1-3	– Senate only. – States General Assembly intent to reduce allotment ratio in grades 1-3 to 1 teacher for every 15 students as funds become available.	Senate CS.
6	7.2	Funds for Children With Disabilities	– Boilerplate. – Money changed in Senate provision to reflect updated headcount numbers that weren't available during House budget process.	Senate CS.
7	7.3	Funds for Academically Gifted Children	– Boilerplate. – Money changed to reflect House 9% cut; Senate had no cut.	Senate CS.
8	7.11	Textbooks	– House only. – Prevents SBE from new textbook adoptions.	Senate CS (no provision).
9	7.12	Small School System Supplemental Funding	– House uses boilerplate language. – Senate introduces new formula recommended by 2010 School Funding Formula Study.	House.

Education
Summary of Provision Differences

	Section Number	Special Provision Title	Major Differences Between Senate CS to House Bill 200 and House Bill 200	Version Included in Revised Senate PCS
10	7.13	Elimination of Reporting Requirements	– House eliminates School Technology, Local Safe Schools, and At-Risk Expenditures reports. – Senate eliminates School Technology, Local Safe Schools, At-Risk Expenditures, School Improvement Plans, Personal Education Plans, and cuts in half continuing education requirements for teacher licensure renewal.	Modified Senate CS - moves the modification to continuing education requirements for teacher licensure renewal as a separate provision (Section 7.13A, described below).
11	7.13A	Renewal of Professional Educator's License	n/a	See description above - Senate CS version included this provision as a part of Section 7.13.
12	7.14	Allotment of Principals	– Both House & Senate change policy for guaranteed principal positions, requiring newly-established schools to have at least 100 students. Current policy is 100 students or 7 teachers. – Senate provision also changes policy on cashing-out of principal and assistant principal positions to follow money.	Senate CS.
13	7.16	Geographically Isolated Schools	– House maintains allotment of extra 7.5 classroom teacher positions to Ocracoke School. – Senate eliminates allotment.	House (no provision).
14	7.17	School Calendar Pilot Program	– House allows Wilkes and Stanly school districts to operate shortened calendar that still meets hours of instruction requirements. – Senate language adds Montgomery County to the pilot program.	Modified Senate CS - removes language that would have allowed pilot LEAs to begin school before August 25.
15	7.18	Performance Pay Model Program	– House only. – Senate moves language to Salaries & Benefits section of bill.	In Salaries & Benefits, Section 29.20.
16	7.21	LEA Budgetary Flexibility	– Two technical changes. – Senate does not mention teacher assistants as an example of a direct classroom service to protect. – Senate removes House language stating that allotment ratios in grades K-3 would be unchanged since the Senate money changes the allotment ratio in grades 1-3.	Modified House - Classroom Tachers money can only be transferred into Teacher Assistants allotment. Teacher Assistants allotment can only be transferred into Classroom Teachers allotment.
17	7.22	North Carolina Virtual Public Schools	– Technical change: Senate language clarifies which LEA allotments will be reduced to fund NCVPS administration costs and the NCVPS enrollment reserve. – Senate provides exemption to Umstead Act so that NCVPS can sell courses to other states and reduce cost for NC LEAs.	Senate CS.
18	7.23	Performance-Based Reductions in Force	–House directs the State Board to develop uniform rules requiring LEAs to consider performance when RIF-ing employees. – Senate directs LEAs to develop their own RIF policies incorporating performance.	Senate CS.

Education
Summary of Provision Differences

	Section Number	Special Provision Title	Major Differences Between Senate CS to House Bill 200 and House Bill 200	Version Included in Revised Senate PCS
19	7.25	Residential Schools	– House prevents campus consolidation without GA authority. – Senate directs consolidation of one of the three schools, to be chosen by DPI. – Senate adds language so that teachers at residential schools will maintain career status upon transfer of schools to DPI. – Both House and Senate have language regarding instructional schedule, flexibility to create principal positions, and designating one of the school directors to serve as superintendent.	Modified Senate CS - adds (1) minimization of required travel for students and (2) the historical and cultural significance of the school to the list of considerations on which DPI shall base its choice of schools to close.
20	7.26	Sixty-Five Percent of School Funding Must Be Used for Classroom Instruction	– House only. – Requires 65% of LEA expenditures to be on classroom instruction.	Senate CS (no provision).
21	7.27	Department of Public Instruction Receipts	– Senate only. – Allows OSBM to modify certain budget lines for federal receipts that were budgeted in the wrong code.	Senate CS.
22	7.28	School Bus Purchases	– Senate only. – Funds available in 2011-12 can be used to purchase replacement buses and pay existing finance payments for past purchases, but cannot be used to enter into new financing agreements. – Makes General Statute changes to place responsibility for school bus purchases on LEAs effective July 1, 2012.	House (no provision).
23	7.29	Increase Number of Instructional Days	– Senate only. – Increases number of instructional days by 5. – Increases mandatory instructional hours from 1,000 to 1,025. – Eliminates 5 protected teacher workdays. – Total calendar still has 215 days.	Modified Senate CS - includes language permitting the State Board of Education to grant a local board of education a waiver to use the 5 additional days as teacher work days.
24	7.30	Testing Program	– Senate only. – S479 language, expresses intent to establish certain national tests when funds become available.	Senate CS.
25	7.31	Fund One LEA per County	– Senate only. – Follows money to phase-in policy to fund one LEA per county. – Base allotments to city LEAs would be reduced 20% in 2011-12, eliminated in 2012-13. – Remaining allotments would be shared between the city and county LEA based on ADM.	House (no provision).

Education
Summary of Provision Differences

	Section Number	Special Provision Title	Major Differences Between Senate CS to House Bill 200 and House Bill 200	Version Included in Revised Senate PCS
Community Colleges				
26	8.8	Equipment Funding	Senate version deletes subsection 8.8(b), which sets aside $250,000 of equipment funding for the Stokes multi-campus site of Forsyth Technical Community College.	House.
27	8.11	Management Flexibility Reduction/Community Colleges	House only.	Senate CS (no provision).
28	8.12	Community College Tuition Waivers	Senate version makes clarifying changes suggested by the NCCCS.	Modified Senate CS - keeps waiver for REACT teams under contract with a county as an emergency response agency.
29	8.17	Limitation on Community College Tuition	House only.	Senate CS (no provision).
30	8.18	Exempt Community Colleges From APA	Senate only.	Senate CS.
31	8.19	Capital Improvements at Community Colleges	Senate only.	Senate CS.
32	8.20	Additional Flexibility With Regard to Community College Investments	Senate only.	Modified Senate CS - includes technical corrections.
University System				
33	9.6	UNC Management Flexibility Reduction	– House version prohibits any reduction to the following, while Senate version allows up to a 15% reduction: 1) Hickory Metro Higher Education Center; 2) Joint Graduate School of Nanoscience and Nanoengineering at North Carolina A&T and UNC-G; and 3) the North Carolina Research Campus. – House version has no restrictions for the following, while Senate version allows reductions of up to 15%: 1) Agricultural Extension; and 2) North Carolina Judicial College of the UNC School of Government. – House version limits reduction to 10% for Ag Research Stations; Senate version allows up to 15% reduction for any Agricultural Research. – House has no restriction on the following, while the Senate version prohibits any reductions: 1) Center for Turfgrass Environmental Research and Education; 2) Special-focus institutions (i.e., UNC School of the Arts); and 3) Baccalaureate Type Arts and Sciences Colleges (i.e., UNC-Asheville).	Modified version, including the following: - Cuts capped at 12.3% for Ag Extension, Ag Research (except Ag Research Stations, which are capped at 10%), and Judicial College at UNC School of Government; - No reduction allowed for 1) Hickory Metro Higher Education Center; 2) Joint Graduate School of Nanoscience and Nanoengineering at North Carolina A&T and UNC-G; 3) the North Carolina Research Campus; 4) Center for Turfgrass Environmental Research and Education; 5) Need-Based Financial Aid; 6) Aid to Private Colleges; 7) Special-focus institutions (i.e., UNC School of the Arts); 8) Baccalaureate Type Arts and Sciences Colleges (i.e., UNC-Asheville); 9) Coastal Wave Energy Research Project.
34	9.6A	Advisory Commission On Military Affairs/Modify Membership	– Senate only. – Adds UNC president and NCCCS president to the Advisory Commission on Military Affairs.	Senate CS.

	Section Number	Special Provision Title	Major Differences Between Senate CS to House Bill 200 and House Bill 200	Version Included in Revised Senate PCS
35	9.6B	Clarification/General Fund Appropriations Carried Forward By UNC Shall Not Be Used For Capital Improvements	– Senate only. – Statutes allow UNC to carry forward up to 2.5% of budget for one-time purposes in the next year; this provision stipulates that those funds may not be used for capital.	House (no provision).
36	9.6C	Allow Chancellors of Constituent Institutions to Approve Certain Repair and Maintenance Projects and Fund Those With Available Operating Funds	– Senate only. – Allows campuses to spend up to $1 million per project of operating dollars on capital projects (i.e., repairs, renovations, maintenance, and equipment purchases).	Senate CS.
37	9.6D	Authorize Board of Governors to Permit North Carolina State University to Self Perform Energy Conservation Measures and to Authorize Energy Savings Realized by North Carolina State University to Be Used As a Source of Repayment For Certain Debts	– Senate only. – Removes NCSU from requirement that energy-saving projects be conducted by private companies who guarantee a set dollar amount of savings.	Senate CS.
38	9.6E	Amend Regulation of UNC Institutional Trust Funds and Funds of UNC Health Care System	– Senate only. – Removes The University of North Carolina and the University of North Carolina Health Care System from requirement that funds must be invested with the State Treasurer.	Senate CS.
39	9.6F	UNC/Institutional Expenditure Benchmarks	Senate only.	Senate CS.
40	9.6G	UNC Assume Responsibility For Quality Acceptance Inspection Process	– Senate only. – Exempts UNC from Dept. of Administration policies designed to ensure the quality of goods purchased – specifically applies to chemicals, supplies, materials, and equipment.	Senate CS.
41	9.6H	NCSU May Sell Timber	Senate only.	Senate CS.
42	9.19	Constituent Institutions May Purchase Motor Vehicles Independent of Motor Fleet Management	Senate only.	Senate CS.

Financial Aid

43	9.9	UNC Need-Based Financial Aid Program Funding Schedule	Modified to match Senate money.	Senate CS.
44	9.10	Consolidate Assets of Millennium Teaching Scholarship Loan Program and Prospective Teachers Scholarship Loan Fund / Give Priority for Scholarship Loans for Prospective Teachers to Certain Former Teacher Assistants	Senate version includes a subsection (c) granting priority in applying to the Prospective Teachers Scholarship Loan program to former teacher assistants who lost their position as a result of a reduction in force.	Senate CS.

Education
Summary of Provision Differences

	Section Number	Special Provision Title	Major Differences Between Senate CS to House Bill 200 and House Bill 200	Version Included in Revised Senate PCS
45	9.11	Limit Certain Financial Aid Grants to the Traditional Time Period Required to Earn a Baccalaureate Degree	Modified to match Senate money.	Senate CS.
46	9.13	Eliminate Certain UNC Tuition Waivers for Nonresident Students	House only.	Modified House - follows the money.
47	9.18	Need-Based Scholarships For Students Attending Private Institutions of Higher Education	– Senate only. – Creates new need-based financial aid program for private college students, beginning with 2012-13 academic year.	Modified Senate CS - includes the following changes, recommended by the State Education Assistance Authority: - Allowing SEAA to set the definition of needy students and the amount of the scholarship - Setting the time limits to match the UNC time limits set in Section 9.11 - Increasing the minimum award to $500 (from $100) to ease administrative burdens at the colleges. Additionally, in conforming changes sections, removes exemption for seminaries, Bible schools, Bible Colleges, or similar religious institutions.

Transportation

Summary of Money Differences

	Item Description	House FY 2011-12	House R/NR	House FY 2012-13	House R/NR	Senate FY 2011-12	Senate R/NR	Senate FY 2012-13	Senate R/NR	Revised Senate FY 2011-12	Revised Senate R/NR	Revised Senate FY 2012-13	Revised Senate R/NR	Status:
2														
3	**Highway Fund**													
4	Highway Administration	$ (4,127,167)	R	$ (5,913,401)	R	$ (4,127,167)	R	$ (5,913,401)	R	$ (4,127,167)	R	$ (5,913,401)	R	Senate position. (Snappy change)
5	Contingency Funds	$ (6,830,980)	R	$ (6,830,980)	R	$ -		$ -		$ -		$ -		Senate position.
6	Spot Safety Program	$ 3,000,000	R	$ 3,000,000	R	$ 3,000,000	R	$ 3,000,000	R	$ 3,000,000	R	$ 3,000,000	R	Senate position. (Snappy change)
7	Consolidate Inspection Audits	$ (2,188,668)	R	$ (2,188,668)	R	$ (2,188,668)	R	$ (2,188,668)	R	$ (2,188,668)	R	$ (2,188,668)	R	Senate position. (Snappy change)
8	Eliminate Vacant Positions	$ (662,708)	R	$ (662,708)	R	$ (343,990)	R	$ (417,117)	R	$ (343,990)	R	$ (417,117)	R	Senate position.
9	Ferry Division - Tolling	$ (5,000,000)	R	$ (7,500,000)	R	$ (2,500,000)	R	$ (5,000,000)	R	$ (2,000,000)	R	$ (2,500,000)	R	Revised - 5 of 7 routes tolled.
10	Public Transportation Division - Cuts	$ (2,549,534)	R	$ (2,549,534)	R	$ (5,792,654)	R	$ (5,792,654)	R	$ (5,792,654)	R	$ (5,792,654)	R	Senate position - 6% cut, no exemption
11	Public Transportation Division - Cuts	$ -		$ -		$ (20,750,267)	R	$ (20,750,267)	R	$ -		$ -		House position.
12	Rail Division - Cuts	$ (800,000)	R	$ (800,000)	R	$ (800,000)	R	$ (800,000)	R	$ (800,000)	R	$ (800,000)	R	Senate position. (Snappy change)
13	Rail Division - Grants to Short-Line Railroads	$ 800,000	R	$ 800,000	R	$ 400,000	NR	$ 400,000	NR	$ 400,000	R	$ 400,000	R	Revised - changes funding to recurring.
14	Contract Resurfacing	$ 76,854,210	NR	$ 100,864,798	NR	$ 141,062,005	NR	$ 155,279,725	NR	$ 132,394,078	NR	$ 153,156,463	NR	Revised.
15	System Preservation	$ 76,854,209	NR	$ 100,864,797	NR	$ 144,520,335	NR	$ 158,828,056	NR	$ 135,852,409	NR	$ 156,704,794	NR	Revised.
16	General Maintenance Reserve	$ 76,854,209	NR	$ 100,864,797	NR	$ 78,229,931	NR	$ 102,835,931	NR	$ 78,229,931	NR	$ 102,835,931	NR	Senate position.
17	Reserve for Global TransPark Authority	$ -		$ -		$ (128,000)	R	$ (128,000)	R	$ (128,000)	R	$ (128,000)	R	Senate position.
18	Reserve for Continuation Reviews	$ -		$ -		$ -		$ 48,113,947	R	$ -		$ 47,713,947	R	Revised - No Visitor Center CR
19	State Retirement System Contributions	$ 13,300,000	R	$ 18,200,000	R	$ 13,300,000	R	$ 18,200,000	R	$ 11,200,000	R	$ 15,100,000	R	Revised.
20	Compensation Adjustment and Performance Pay Reserve	$ -		$ -		$ -		$ 13,300,000	R	$ -		$ 4,906,715	R	Revised.
21	State Health Plan	$ 376,217	R	$ 4,749,858	R	$ 332,245	R	$ 4,767,052	R	$ 332,245	R	$ 4,767,052	R	Senate position.
22	Severance Expenditure Reserve	$ -		$ -		$ 2,552,553	NR	$ 626,316	NR	$ 2,552,553	NR	$ 626,316	NR	Senate position.
23	Reserve for Visitor Centers	$ (400,000)	R	$ (400,000)	R	$ (400,000)	R	$ (400,000)	R	$ (400,000)	R	$ (400,000)	R	House position - recurring funding swap.
24	DENR Lust Trust Fund	$ 2,116,432	R	$ 2,226,432	R	$ (2,171,898)	R	$ (2,261,898)	R	$ (2,171,898)	R	$ (2,261,898)	R	Senate position.
25	Department of Public Instruction - Driver Education Program	$ (8,686,671)	R	$ (8,775,989)	R	$ (133,468)	NR	$ 194,415	NR	$ (5,211,990)	R	$ (5,265,585)	R	Revised - up to $45.00 fee for participation
26	State Highway Patrol - Eliminate Vacant Positions	$ (965,003)	R	$ (965,003)	R	$ -		$ -		$ -		$ -		Senate position. (Out)
27	State Highway Patrol - Eliminate Positions Per Attrition	$ (2,068,375)	R	$ (5,201,675)	R	$ -		$ -		$ -		$ -		Senate position. (Out)

Transportation

Summary of Money Differences

		House				Senate				Revised Senate				
1	Item Description	FY 2011-12	R/ NR	FY 2012-13	R/ NR	FY 2011-12	R/ NR	FY 2012-13	R/ NR	FY 2011-12	R/ NR	FY 2012-13	R/ NR	Status:
28	State Highway Patrol - Management Flexibility	$ (1,380,370)	R	$ (1,380,370)	R	$ (5,589,592)	R	$ (8,722,892)	R	$ (2,325,484)	R	$ (10,373,350)	R	Revised - reduced in FY12; increased in FY13.
29	State Highway Patrol - Administrative Consolidations	$ -		$ -		$ (787,743)	R/NR	$ (1,380,370)	R	$ (787,743)	R/NR	$ (1,380,370)	R	Senate position.
30	State Highway Patrol - Reduce Operating Funds	$ (5,122,179)	R	$ (5,122,179)	R	$ (1,450,000)	R	$ (1,450,000)	R	$ (1,450,000)	R	$ (1,450,000)	R	Senate position.
31	State Highway Patrol - Eliminate Highway Fund Transfer	$ (193,527,300)	R	$ (190,394,000)	R	$ (193,585,434)	R	$ (189,859,507)	R	$ (196,849,542)	R	$ (188,209,049)	R	Revised.
32	State Highway Patrol - Transfer to General Fund	$ 193,527,300	R	$ 190,394,000	R	$ 193,585,434	R	$ 189,859,507	R	$ 196,849,542	R	$ 188,209,049	R	Revised.
33														
34	Highway Trust Fund													
35	Administration	$ -		$ -		$ -		$ -		$ -		$ -		Revised - reallocates $25M unexpended balance to Urban Loops.
36	Aid to Municipalities	$ 3,754,484	NR	$ 2,930,802	NR	$ 6,365,050	NR	$ 6,371,287	NR	$ 6,365,050	NR	$ 6,371,287	NR	Senate position.
37	Intrastate System	$ 35,783,118	NR	$ 27,932,798	NR	$ 60,663,823	NR	$ 60,723,266	NR	$ 60,663,823	NR	$ 60,723,266	NR	Senate position.
38	Secondary Roads	$ (10,000,000)	NR	$ (10,000,000)	NR	$ (25,000,000)	NR	$ (25,000,000)	NR	$ (17,500,000)	NR	$ (17,500,000)	NR	Revised - shifts savings to Urban Loops.
39	Urban Loops	$ (132,130,237)	R	$ (141,057,947)	R	$ 143,631,127	R/ NR	$ 96,350,039	R/ NR	$ 131,457,485	R/ NR	$ 71,900,039	R/NR	Revised.
40	Mobility Fund	$ 241,602,635	R/NR	$ 168,568,939	R/NR	$ 10,326,358	R	$ 15,950,000	R	$ -		$ (45,000,000)	R	Revised - certificate of title receipts shifted to Urban Loops, removes full funding in FY13 and holds funds in reserve.
41	Transfer to Highway Fund - Reserve for Visitor Centers	$ 400,000	R	$ 400,000	R	$ 400,000	NR	$ -		$ 400,000	R	$ 400,000	R	House position.
42	Transfer to General Fund	$ -		$ 115,408	R	$ 35,223,642	NR	$ 115,408	R	$ 35,223,642	NR	$ 115,408	R	Revised - $5.2M reallocated from Urban Loops.
43	Mid-Currituck Bridge Project	$ -		$ -		$ (15,000,000)	R	$ (15,000,000)	R	$ -		$ -		Revised - reallocates FY 2009-11 funds for replacement school buses.
44	Garden Parkway Project	$ -		$ -		$ (35,000,000)	R	$ (35,000,000)	R	$ (35,000,000)	NR	$ (17,500,000)	NR	Revised - non-recurring reductions (partial in FY13)
45														
46	Special Registration Plate Account													
47	Visitor Center Funding	$ -		$ -		$ -		$ -		$ -		$ -		House position.

Transportation

Summary of Provision Differences

1	HB Section Number	Special Provision Title	Major Differences Between Senate and House Bill 200	Revised Senate Decision
2	6.7	Continuation Review of Certain Funds/Programs/Divisions	Adds a review of visitor center funding.	House Position.
3	6.10	Global TransPark Debt/Report	Directs Program Evaluation to study the feasibility of transferring the Global TransPark to another agency, or consolidating functions with other agencies. Changes the PED reporting date to January 2012.	Senate Position.
4	28.1	Cash Flow Highway Fund and Highway Trust Fund Appropriation	Cash updated per new revenue estimate.	Senate Position.
5	28.5	Study Sponsorship Opportunities	Allows flexibility for DOT to pursue limited sponsorships.	Revised - study with direction for DOT to seek a request for information and report to JLTOC
6	28.6	Small Construction and Contingency Funds	Follows money - Contingency Funds at $12 million.	Follows money.
7	28.10	State Street-Aid to Municipalities (Powell Bill) Adjustments	DOT directed to develop exemption process for small municipalities to keep Powell Bill funds for 10 years.	Senate Position.
8	28.13	State Aid to Short-Line Railroads	Out. Senate funds as non-recurring.	House Position.
9	28.15	Report, Consultation, and Approval of Rail Projects	• Report moved from Gov. Ops to Transportation Oversight. • Time frame shortened to 90 days. • Approval amount changed from $5 million to $20 million.	House Position on $5 million; Senate Position on 90 days and reporting body.
10	28.24	Study Exempting the Three Newest Model Years from Emissions Inspections of Motor Vehicles	Out.	Modified House Provision. Expanded to include study of elimination of emissions program.
11	28.28	State Highway Patrol Positions	Follows money. Creates Management Flexibility Reserve.	Senate Position.
12	28.30	Highway Trust Fund Money for Visitor Centers; Special Registration Plates Money for Visitor Centers	• Non-recurring funding swap for FY12; transfers Special Registration Plate Account funds to the Highway Fund in FY13. • Removes Randolph County Visitor Center allocation.	House Position.
13	28.32	Transfer Unencumbered Turnpike Projects Gap Funds to Mobility Fund	Out. See Senate Only Provision.	Out.
14	28.33	Mobility Fund Project Selection Criteria Adjustment	Removed stakeholders.	Senate Position on provision. Removes FY12-13 Mobility Fund funds and moves to reserve.
15	28.34	Transfer Urban Loops to the Mobility Fund	Out. See Senate Only Provision.	Out.
16	28.37	Education/Driver Education Reform	Removes fee authorization. Establishes multiple pilots for electronic-based instruction.	Authorizes a fee of up to $45.00 and multiple pilots for electronic-based instruction.

Transportation

Summary of Provision Differences

1	HB Section Number	Special Provision Title	Major Differences Between Senate and House Bill 200	Revised Senate Decision
17	31.30	Transportation/Ferry Division Tolling on All Routes	Tolls all Routes.	Revised - excludes Currituck and Hatteras routes.
18	Senate Only	Transfer Mid-Currituck Bridge Funding to General Fund to Purchase School Buses in FY 2011-2012 and to the Mobility Fund; and Transfer Garden Parkway Funding to Urban Loops Program	• Eliminates gap funds to Garden Parkway and Mid-Currituck Bridge. • Authorizes Southeast Extension of Raleigh Outer Loop. • Transfers $35 million of Mid-Currituck funds to General Fund to purchase school buses.	Revised - Current Mid-Currituck funds are reallocated; however, the project is funded over the biennium. Transfers unencumbered funds to the General Fund for replacement school buses. Reduces funding for the Garden Parkway project on a non-recurring basis ($35M in FY12 and $17.5M in FY13), and reallocates funds to Urban Loops. Changes the number of projects that can be studied to eight.
19	Senate Only	Remove Urban Loop Projects from Statute and Allow Department of Transportation to Define and Prioritize Urban Loop Projects	• Maintains separate Urban Loops fund. • Maintains March 2011 acceleration of Charlotte, Greensboro, and Wilmington loops.	Senate Position.
20	Senate Only	Competitive Bidding of License Plate Agency Contracts	Authorizes DMV to negotiate compensation of License Plate Agencies through bidding process.	Out.
21	Senate Only	Conforming Changes Related to DMV Auditors and Changes Related to DMV Hearings	Removes statutory references to auditors, per elimination of the positions. Authorizes notice of charges via mail. Extends the timeframe (from 10 business days to 30 calendar days) in which DMV must hold a hearing upon request from a licensed inspection station or mechanic charged with a violation.	Senate Position.
22	Senate Only	Reduce Administrative Transfers and Redirect LUST Funding to Highway Fund for System Preservation	Eliminates transfer of Gasoline Inspection Tax to LUST.	Senate Position.
23	Senate Only	Program Evaluation Division to Study North Carolina Railroad	New PED Study.	Senate Position.
24	Senate Only	Blue Line Extension and Red Line Commuter Rail Projects	State may not enter into contract requiring commitment of State funds.	Out.
25	Senate Only	Cost-Efficient Tire Retreads on State Vehicles and School Buses	Adds S.B. 416.	Senate Position.

Transportation

Summary of Provision Differences

	HB Section Number	Special Provision Title	Major Differences Between Senate and House Bill 200	Revised Senate Decision
26	Senate Only	Study Privatizing Manns Harbor Maintenance Facility	Directs Joint Legislative Transportation Oversight to study the privatization of the ferry repair and paint shop facilities at Manns Harbor.	Out.
27	Senate Only	Road Improvements for Lawyers Road in Mecklenburg and Union Counties	DOT may expend up to $2 million to improve Lawyers Road.	Added.

NER Differences between Senate and House Budget

		House Amount				Senate Amount				Revised Senate Amount				
	Item Description	FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR	Comments
1	**DACS**													
2	Ag Dept-wide - Reduce Cell Phones	($16,722)	R	($16,722)	R	($41,805)	R	($41,805)	R	($41,805)	R	($41,805)	R	Senate
3	Ag Dept-wide - Transfer in Soil & Water Division	$0				$0				Senate				Senate
4	Ag Dept-wide - Transfer in Sleep Products	$0				$0				Senate				Senate
5	Ag Dept-wide - Restore S.B. 109 funds	$1,700,000	NR			$2,400,000	NR			$2,400,000	NR			Senate
6	Tobacco Trust Fund (TTF)/ Tobacco	$1,000,000	R	$1,000,000	R	$8,334,360	NR	$8,790,386	NR	$2,000,000	NR	$2,000,000	NR	Revised Senate - TTF remains but receives General Fund appropriation of $2M.
7	Transfer in from DENR - Grade A Milk	$811,175	R	$811,175	R	$0		$0		$811,175	R	$811,175	R	House - Transfer to Ag
8	Markets - International Marketing Funds	$0				$500,000	NR			$500,000	NR			Senate
9	Tourism - Wineries/ Marketing Commodities	$0	NR			$500,000	NR			$0	NR			House - funds go to Commerce for two operating committees
10	Research Stations - Continuation Review 4 Stations	($1,621,953)	R	($1,621,953)	R	$0		$0		$0		$0		Senate
11	Research Stations - Continuation Review 4 Stations	$1,621,953	NR							$0				Senate
12	Research Stations - Operating Reduction	($100,000)	R	($100,000)	R	$0		$0		$0		$0		Senate
13	Lime Tonnage Fee	($250,000)	R	($250,000)	R	($250,000)	R	($250,000)	R	($250,000)	R	($250,000)	R	Senate - to Agronomics
14	Animal Welfare Services	$120,000	R	$120,000	R	$120,000	R	$120,000	R	$120,000	R	$120,000	R	Senate
15	**LABOR**													
16	Labor Dept-wide Cell Phones	($4,030)	R	($4,030)	R	($10,074)	R	($10,074)	R	($10,074)	R	($10,074)	R	Senate
17	Apprenticeship Bureau - WIA funds	$0				$0				$0				Senate
18	**DENR**													
19	DENR Dept-wide Filled & Vacant Positions	$0				($1,099,424)	R	($1,099,424)	R	($1,099,424)	R	($1,099,424)	R	Senate
20	DENR Dept-wide - Reduce Cell Phones	($67,350)	R	($67,350)	R	($112,250)	R	($112,250)	R	($112,250)	R	($112,250)	R	Senate
21	DENR Dept-wide Funds for SB 709	$0				Contingent - $100k from Mercury Pollution				$100k each from Mercury Pollution Prevention for SB 709 and HB 242				Revised Senate
22	DENR Dept-wide Funds for HB 242	Contingent - $100k from Inst. For Regen. Med.				$0				$100k each from Mercury Pollution Prevention for SB 709 and HB 242				Revised Senate

ATTACHMENT 9

NER Differences between Senate and House Budget

		House Amount				Senate Amount				Revised Senate Amount				
	Item Description	FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR	Comments
23	DENR Reserves - Green Square Office Bldg	$956,408	R	$1,056,408	R	$748,173	R	$1,056,408	R	$956,408	R	$1,056,408	R	House
24	DENR Reserves - Zoo Operating Reserve	$128,409	R	$128,409	R	$0		$0		$128,409	R	$128,409	R	House
25	DENR Reserves - Parks Operating Reserve	$143,030	R	$364,812	R	$0		$13,547		$143,030	R	$364,812	R	House
26	Office of Enviro Education	($221,134)	R	($221,134)	R	($246,134)	R	($246,134)	R	($246,134)	R	($246,134)	R	Senate
27	Forestry - Reduce operating budget	($2,648,094)	R	($2,748,094)	R	($2,448,094)	R	($2,548,094)	R	($2,448,094)	R	($2,548,094)	R	Senate
28	Forestry - Fund Shift operations to DuPont receipts	($50,000)	R	($50,000)	R	$0	R	$0	R	$0	R	$0	R	Senate
29	Marine Fish. - Fishery Resource Grants	($200,000)	R	($200,000)	R	($300,000)	R	($300,000)	R	($200,000)	R	($200,000)	R	House
30	Marine Fish.- Shellfish Mapping Program	($562,335)	R	($562,335)	R	($281,168)	R	($281,168)	R	($281,168)	R	($281,168)	R	Senate
31	Marine Fish - Shellfish San. & Rec. Water Quality	$1,772,789	R	$1,772,789	R	$1,772,789	R	$1,772,789	R	$1,772,789	R	$1,772,789	R	Senate
32	Museum - Eliminate Filled & Vacant Positions	($504,469)	R	($504,469)	R	($245,180)	R	($245,180)	R	($245,180)	R	($245,180)	R	Senate
33	Museum - Prairie Ridge Cont. Review	($286,918)	R	($286,918)	R	$0		$0		$0		$0		Senate
34	Museum - Prairie Ridge Cont. Review	$286,918	NR			$0		$0		$0		$0		Senate
35	Museum - Reduce Temp Wages	($289,732)	R	($189,732)	R	($189,732)	R	($189,732)	R	($189,732)	R	($189,732)	R	Senate
36	Parks - 18 Positions Vacant > 1 Year	$0	R	$0	R	($856,447)	R	($856,447)	R	($856,447)	R	($856,447)	R	Senate
37	Soil & Water - Reduce Ag Cost Share	($1,197,834)	R	($1,197,834)	R	$0		$0		$0		$0		Senate
38	Enviro. Assistance - Customer Service Liaisons	$0				info item				info item				Senate
39	Env. Health - Private Well Program	($278,129)	R	($278,129)	R	($278,129)	R	($348,372)	R	($278,129)	R	($348,372)	R	Senate
40	Env. Health - Vector Control Program	($391,311)	R	($391,311)	R	($391,311)	R	($391,311)	R	($391,311)	R	($391,311)	R	Senate - adds new language to snappy r.e. mosquito grant funds
41	Env. Health - Food & Lodging Program					$0				$0				Senate
42	Land Resources - Eliminate Positions Vacant > 1 Year	($37,488)	R	($37,488)	R	$0		$0		$0		$0		Senate
43	Land Resources - Eliminate Filled Position	$0		$0		($62,878)	R	($62,878)	R	$0		$0	R	House
44	Reg. Offices - Eliminate 21 Positions across offices	$0		$0		($1,238,874)	R	($1,238,874)	R	($1,238,874)	R	($1,238,874)	R	Senate
45	Reg. Offices - Eliminate Vacant Positions	$0	R	($310,079)	R	$0		$0		$0		$0		Senate
46	Reg. Offices - Justification Review	($9,914,897)	R	($9,914,897)	R	$0		$0		($12,624,378)		($12,624,378)		House - revised dollar amount
47	Reg. Offices - Justification Review	$9,914,897	NR	$0		$0		$0		$12,624,378	NR	$0		House - revised dollar amount
48	Reg. Offices - Eliminate 3.0 Filled Positions	($111,424)	R	($111,424)	R	$0		$0		($111,424)	R	($111,424)	R	House
49	Reg. Offices - Reduce Mooresville Office	($535,029)	R	($535,029)	R	$0		$0		$0		$0		Senate
50	Reg. Offices - Reduce Asheville Office	($1,286,874)	R	($1,286,874)	R	$0		$0		($479,674)	R	($479,674)	R	Revised Senate
51	Reg. Offices - Reduce Fayetteville Office	($271,343)	R	($271,343)	R	$0		$0		$0		$0		Senate
52	Reg. Offices - Reduce Raleigh Office	($257,480)	R	($257,480)	R	$0		$0		$0		$0		Senate

NER Differences between Senate and House Budget

		House Amount				Senate Amount				Revised Senate Amount				
	Item Description	FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR	Comments
53	Reg. Offices - Reduce Winston-Salem Office	($588,391)	R	($588,391)	R	$0		$0		$0		$0		Senate
54	Reg. Offices - Reduce Wilmington Office	($512,393)	R	($512,393)	R	$0		$0		$0		$0		Senate
55	Reg. Offices - Reduce Washington Office	($428,039)	R	($428,039)	R	$0		$0		$0		$0		Senate
56	Water Resources - Funds for HB 609	$0				$0		$0		$83,000	R	$83,000	R	Revised Senate - Contingent on passage of HB 609
57	**CLEAN WATER MGMT TRUST FUND**													
58	Clean Water Mgmt Trust Fund	$10,000,000	R	$10,000,000	R	$12,500,000	R	$12,500,000	R	$11,250,000	R	$11,250,000	R	Revised Senate
59	**COMMERCE**													
60	Comm. Dept-wide - ESC transfer	($251,376)	R	($377,064)	R	($251,376)	R	($377,064)	R	($251,376)	R	($377,064)	R	Senate - transfer will be done in accordance with SB 532
61	Rural Elec. Authority - Return GA taking	$100,000	NR			$150,000	NR			$150,000	NR			Senate
62	Broadband Connectivity Grants	$0				$1,000,000	NR			$1,000,000	NR			Senate
63	Comm. Assistance - Filled Positions	($296,177)	R	($296,177)	R	($296,177)	R	($296,177)	R	($296,177)	R	($296,177)	R	Senate - less impact to western Main Streets
64	University Energy Centers Pass-through	($2,555,500)	R	($2,555,500)	R	($1,855,500)	R	($1,466,090)	R	($1,855,500)	R	($1,466,090)	R	Revised Senate - Restores funding to NCSU, A&T & ASU
65	Tourism - Wineries/ Marketing Commodities	$500,000	NR			$0	NR			$500,000	NR			House - funds go to Commerce for two operating committees
66	Tourism Advertising	$0		$0		($1,000,000)	R	($1,000,000)	R	$0		$0		House
67	Welcome Centers Brochure Fees	$0		$0		($500,000)	R	($500,000)	R	$0		$0		House
68	Wanchese	($25,112)	R	($25,112)	R	($75,000)	R	($167,416)	R	($25,112)	R	($25,112)	R	House
69	**STATE AID**													
70	Association of CDCs	($196,137)	R	($147,103)	R	($147,103)	R	($147,103)	R	($196,137)	R	($147,103)	R	House
71	Biofuels	($500,000)	R	($500,000)	R	($1,000,000)	R	($1,000,000)	R	($500,000)	R	($500,000)	R	House
72	Community Development Initiative	($936,548)	R	($702,411)	R	($702,411)	R	($702,411)	R	($936,548)	R	($702,411)	R	House
73	COGs	($60,563)	R	($160,563)	R	($60,563)	R	($60,563)	R	($60,563)	R	($60,563)	R	Senate
74	Defense & Security Technology Accelerator	$700,000	NR			$900,000	R	$900,000	R	$700,000	NR	$700,000	NR	Revised Senate
75	e-NC Authority	($66,305)	R	($66,305)	R	($442,035)	R	($442,035)	R	($442,035)	R	($442,035)	R	Revised Senate - $375k to Commerce to contract out grant
76	Institute for Regenerative Medicine	($10,000,000)	R	($10,000,000)	R	($2,000,000)	R	($1,660,589)	R	($2,000,000)	R	($2,000,000)	R	Revised Senate
77	Institute for Regenerative Medicine	$7,039,798	NR											Senate

NER Differences between Senate and House Budget

		House Amount				Senate Amount				Revised Senate Amount				
	Item Description	FY 2011-12	R/NR	FY 2012-13	R/ NR	FY 2011-12	R/ NR	FY 2012-13	R/NR	FY 2011-12	R/N R	FY 2012-13	R/ NR	Comments
78	Land Loss Prevention Project	($139,492)	R	($106,119)	R	($106,119)	R	($106,119)	R	($139,492)	R	($106,119)	R	House
79	Johnson & Wales	$500,000	NR			$0				$500,000	NR			House
80	Minority Support Center	($625,746)	R	($469,309)	R	($469,309)	R	($469,309)	R	($625,746)	R	($469,309)	R	House
81	Regional Econ. Dev. Comms	($250,000)	R	($250,000)	R	($2,500,000)	R	($2,500,000)	R	($250,000)	R	($250,000)	R	House
82	Regional Econ. Dev. Comms	$2,172,022	NR							$2,172,022	NR			House
83	RTI International	$0				$500,000	NR			$500,000	NR			Senate
84	Biotechnology Center	($1,950,190)	R	($1,950,190)	R	($2,925,285)	R	($2,925,285)	R	($1,950,190)	R	($1,950,190)	R	House
85	Rural Center	($2,264,085)	R	($2,264,085)	R	($2,994,370)	R	($2,994,370)	R	($2,264,085)	R	($2,264,085)	R	House
86	Rural Center - Emergency Rural Jobs Infra. Fund									$5,000,000	NR	$5,000,000	NR	Revised Senate
87	Rural Center - Small Business Express Loan Fund	$0		$0		$7,500,000	NR	$7,500,000	NR	$0				House
88	Rural Center - Capital Access Program	$0		$0		$12,500,000	NR	$12,500,000	NR	$0				House
89	WRC													
90	Wildlife Resources Commission	$18,500,000	R	$18,500,000	R	$16,000,000	R	$16,000,000	R	$18,000,000	R	$18,000,000	R	Revised Senate

NER Differences between Senate and House Budget

	House Section Number	Senate Section Number	Which Version for Revised Senate	Special Provision Title	Comments
1	Section 6.11	Section 6.11	Revised Senate	Health and Wellness Trust Fund and Tobacco Trust Fund/Future MSA Payments	- Makes technical changes
2	Section 11.7	Section 11.7	Senate	Reclassify Vacant Positions	- Reclassifies one vacant position, not three
3	None	Section 13.11A	Revised Senate	DWSRF Loans and Grants to Investor-Owned Drinking Water Corporations	
4	None	Section 13.11B	Senate	Regulatory Reporting and Reform	
5	Section 13.14	Section 13.14	House	Parks and Recreation Trust Fund; Allocation of Deed Stamp Tax Proceeds Credited to Fund	
6	None	Section 13.22A	Senate	Transfer Division of Soil and Water Conservation and Soil and Water Conservation Commission to DACS	
7	Section 13.25	Section 13.25	Senate	Transfer of Forest Resources	
8	Section 13.26	Section 13.26	Revised Senate	Clean Water Management Trust Fund	- Allocates $11.25 million not $12.5 million; makes slight wording changes to allow land acquisition for military buffers but not for other purposes.
9	None	Section 13.25A	Revised Senate	Other Matters regarding the Transfer of 2 DENR Divisions to DACS	- Allocates four vacant positions to Ag not 4 central office positions
10	Section 13.27	Section 13.27	Revised Senate	New Funding Source for Wildlife Resources Commission Budget	- Dollar amount of $18m and allows funds to be transfer to a special fund
11	Section 14.1	Section 14.1	Senate	NER Block Grants	
12	Section 14.2	Section 14.2	Senate	One North Carolina Fund	
13	None	Section 14.3B	Senate	Extend Deadline for 20% Reduction of Petroleum	
14	Section 14.3A	None	House	North Carolina Wineries & Tourism Operating Committees	
15	None	Section 14.5A	Senate	ESC Extended Benefits	
16	None	Section 14.5B	Senate	Agricultural Employees/Unemployment Insurance	
17	None	Section 14.5C	Senate	Dept of Commerce/Contracts related to Employment Security	
18	Section 14.6	Section 14.6	Senate	Transfer State Ports Authority from Commerce to Transportation	
19	None	Section 14.8A	Revised Senate	Utilities Commission/Terms of Commissioners	- Six year terms effective January 1, 2012
20	Section 14.10	Section 14.10	Revised Senate	State-Aid Reporting Requirements	- Salary cap $120k in second year
21	Section 14.11	Section 14.11	Revised Senate	Grassroots Science Program	- Salary cap $120k in second year
22	Section 14.12	Section 14.12	Revised Senate	Wake Forest Institute for Regenerative Medicine/ Profit Sharing with State	- Salary cap $120k in second year
23	Section 14.12A	Section 14.12A	Senate	Councils of Government	
24	None	Section 14.12B	Revised Senate	RTI International Reporting Requirements	- Salary cap $120k in second year
25	None	Section 14.12C	Revised Senate	e-NC Authority to Transfer Federal Grant for Broadband Mapping to Department of Commerce	- e-NC to transfer grant to Commerce, not CGIA
26	Section 14.13	None	House	Regional Economic Development Commissions Allocations	
27	Section 14.14	Section 14.14	Revised Senate	Biofuels Center of North Carolina	- 10% cut, salary cap to $120k in second year, and added flexibility

NER Differences between Senate and House Budget

	House Section Number	Senate Section Number	Which Version for Revised Senate	Special Provision Title	Comments
28	Section 14.15	Section 14.15	Revised Senate	Biotechnology Center	- 10% cut, salary cap to $120k in second year
29	Section 14.16	Section 14.16	Revised Senate	Rural Economic Development Center	- 10% cut, salary cap to $120k in second year
30	Section 14.17	Section 14.17	House	Rural Economic Development Center/Infrastructure Program	
31	Section 14.18	Section 14.18	House	Opportunities Industrialization Centers Funds	
32	None	Section 14.19	House	Small Business Lending Enhancements	
33	None	Section 14.20	Revised Senate	Rural Center/Rural Jobs Fund	- New; follows money
34	None	Section 31.4A	House	Welcome Centers Brochure Fees	
35	None	Section 31.11A	Senate	Locals to Receive Larger Portion of Food and Lodging	
36	Section 31.14	None	Senate	the State Program and the Local Programs	

Senate Appropriations Subcommittee for Health and Human Services
Differences Between Proposed Senate Budget and HB 200 Money Report

		HB 200 Amount				Senate Amount				Revised Senate			
#	Item Description	FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR
12	Community Service Funds	($20,000,000)	NR			($30,000,000)	R	($30,000,000)	R	($20,000,000)	NR		
n/a	Local Management Entities	-		-		($7,234,005)	R	($7,234,005)	R	-		-	
n/a	NC High School Athletic Association	($369,435)	R	($360,435)	R					-		-	
21	Department Wide Efficiencies	($1,000,000)	R	($1,000,000)	R	($1,869,435)	R	($1,869,435)	R	($1,869,435)	R	($1,869,435)	R
22	Nonprofit Reduction	($5,000,000)	R	($5,000,000)	R	($10,000,000)	R	($10,000,000)	R	($5,000,000)	R	($5,000,000)	R
26	Position Eliminations	($6,500,000)	R	($6,500,000)	R	($7,771,997)	R	($7,771,997)	R	($7,606,000)	R	($7,606,000)	R
n/a	Reduce Unallocated Funds for School Nurse Initiative	-		-		($566,433)	R	($566,433)	R	-		-	
n/a	Oral Health Section	-		-		($3,000,000)	R	($3,000,000)	R	-		-	
34	HWTF Transfer to DHHS					$32,904,411	NR			$32,904,411	NR		
45	Strengthen and Restructure Program Integrity	($16,000,000)	R	($23,000,000)	R	($19,200,000)	R	($28,000,000)	R	($19,200,000)	R	($28,000,000)	
48	Modify Generic Prescription Dispensing Rates	($18,200,000)	R	($29,000,000)	R	($15,000,000)	R	($24,000,000)	R	($15,000,000)	R	($24,000,000)	
50	DHHS Savings through CCNC	($90,000,000)	R	($90,000,000)	R	($83,071,581)	R	($90,000,000)	R	($90,000,000)	R	($90,000,000)	R
51	Modify Optional and Mandatory Services	($16,508,903)	R	($22,072,343)	R	($16,732,335)	R	($22,295,678)	R	($16,508,903)	R	($22,072,343)	R
n/a	Modify and Eliminate Optional Services	-		-		-		($51,474,609)	R	-		-	

Senate Appropriations Subcommittee for Health and Human Services
Differences Between Proposed Senate Budget and HB 200 Money Report

		HB 200 Amount				Senate Amount				Revised Senate			
#	Item Description	FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR
52	# 53 Eliminate Inflationary Increase	$ (62,853,775)	R	$ (130,874,505)	R	$ (62,853,775)	R	$ (130,874,505)	R	$ (62,853,775)	R	$ (130,874,505)	R
53	Adjust Provider Rates	($46,420,718)	R	($46,458,260)	R	($71,420,718)	R	($71,420,718)	R	($46,420,718)	R	($46,458,260)	R
n/a	Targeted Rate Adjustments	-		-		($8,453,125)	R	($9,000,000)	R	-		-	
54	Medicaid Rebase	-		$ 109,693,468	R	-	R	$ 196,005,122	R	-		$ 109,693,468	R
n/a	Eliminate Optional Service Home Infusion Therapy	-		-		$ (1,361,984)	R	$ (1,361,984)	R	-		-	
n/a	Eliminate Optional Service for Over the Counter Drugs	-		-		$ (1,976,066)	R	$ (1,976,066)	R	-		-	
n/a	Vendor Payments - Special Needs Adoptions	-		-		$ (550,963)	R	$ (550,963)	R	-		-	
n/a	Reduce Child Welfare Collaborative Funds	-		-		$ (239,453)	R	$ (239,453)	R	-		-	
n/a	Prioritize Adult Daycare Funding	$ (1,106,000)	R	$ (1,106,000)	R	$ (1,106,000)	R	$ (1,106,000)	R	-		-	
n/a	Prioritize Senior Center Funding	-		-		$ (660,000)	R	$ (660,000)	R	-		-	
n/a	Reduce Home and Community Care Block Grant	-		-		$ (1,000,000)	R	$ (1,000,000)	R	-		-	
n/a	Division Consolidation	$ (500,000)	R	$ (500,000)	R	-		-					

Senate Appropriations Subcommittee for Health and Human Services
Differences Between Proposed Senate Budget and HB 200 Money Report

		HB 200 Amount				Senate Amount				Revised Senate			
#	Item Description	FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR
n/a	Reduce Medical Eye Care Program	-		-		$ (190,961)	R	$ (190,961)	R	-		-	
n/a	Independent Living Funds	-		-		$ (1,000,000)	NR	$ (1,000,000)	NR	-		-	

Senate Appropriations Subcommittee for Health and Human Services
Differences Between Proposed Senate Budget and HB 200 Provisions

	HB Section Number	Special Provision Title	House	Senate	Revised Senate
1	10.1	Child Care Subsidy Rates	Boilerplate	Technical changes following money	Senate Version
2	10.4A	Expiration of Early Education Certification Requirement	Not included	Sunsets this law for day teachers to be certified through Institute.	Sunsets law (same as Senate)
3	10.5	Early Childhood Education and Development Initiatives Enhancement	Caps salaries at $80k for state level Smart Start, and $60k at local level; requires local funds match @ 15% of all funds.	Dissolves state level Smart Start.	House Verson (leaves NCPC operational)
4	10.7	Consolidate More At Four into Division of Child Development	Moves M@4 into Department of Health and Human Services. Requires reading focus on newly approved circula. Raises quality of all child care centers, subsidy only paid for 3,4,& 5 Star Centers.	Same as House, w/ allowance of funds to continue Teacher Mentoring Program, paying for Environmental Rating Scales Assessment, and continuing child find @ local level, and allowing subsidies to be paid in those counties w/ inadquate number of 3,4,5 Star Centers to religious organizations (operating under GS exemptions).	Senate Version
5	10.8A	Johnston County LME	House Only Item - Exempts Johnston County from losing administrative funds due to not meeting GS population requirements for operations of a single county LME	Not included	Johnston County Exemption
6	10.11	MHDDSA Community Service Funds	Follows Money Changes	Spreads out fund balance cut among single county LME's.	Senate Version
7	10.16	Position Eliminations	Flexbility Special Provision	Allows Secretary to cut "up to" 250 positions	Senate Version
8	10.17	Regulatory Functions	House Only Item - Develop a plan to consolidate	Not included	House Verson.
9	10.18	Reduce Funding for Nonprofit Organizations	Holds harmless reductions to organizations providing direct services, and services for individuals with developmental disabilities.	Limits the reduction amount for NC Highschool Athletics to 10%	Both House and Senate Versions

Senate Appropriations Subcommittee for Health and Human Services
Differences Between Proposed Senate Budget and HB 200 Provisions

10	10.21	Changes to Community Focused Eliminating Health Disparities Initiatives	House Language continues current program	Senate establishes a "medical model" to ensure attention to health disparities. Focuses on CCNC networks, local health departments, Community-based organizations and Hospitals to be grantees	Senate Version
11	10.29	MMIS	House Language provided by DHHS to ensure funding and reporting.	Expanded language underscores transparency and accounting of Design, Development and Implementation and funds--both past, present, and future.	Senate Version
12	10.31	Medicaid	Mental Health and HIV drugs are exempted from Prior Authorization	Medicaid to be Secondary Payer of Claims, Providers required to do electronic transmission of Prior Authorization, Removes the Exemption of MH/HIV Drugs from prior authorization.	House Version to Exempt MH Drugs. Senate Version on Secondary Payer & Electronic PA
13	10.31A	Medicaid Provider Assessments	Omitted by DHHS in sending forth Bill Language	Senate language permits DHHS to assess willing providers. Follows SS	Senate Version
14	10.35	Accounting for Medicaid Receivables as Nontax Revenue	Language facilitates the accounting of Non-tax Revenue and drawing down Disproportionate Share funds.	Phrase deleted	House Version

Senate Appropriations Subcommittee for Health and Human Services
Differences Between Proposed Senate Budget and HB 200 Provisions

15	10.37	Steps to Effect Budget Reductions in Medicaid	Inserted text of HB 377 on Mental Health Residential Treatment with a limit of 180 days. Reduce Medicaid Provider Rates by 2%; hold Physicians Harmless with Hospitals accepting a greater rate cut; Exempt Local Health Departments, CABHAs, and Adult Care Homes from rate cut. Modifications to Mandatory and Optional Services as in Governor's Budget.	Inserted text of HB 377 on Mental Health Residential Treatment with a limit of 120 days. Reduce Medicaid Provider Rates by 3%; hold Physicians Harmless with Hospitals accepting a greater rate cut; Do Not Exempt Local Health Departments, CABHAs, and Adult Care Homes from rate cut. Proposes additional Modifications to Mandatory and Optional Services to Contain the size and resources of the Medicaid Program.	House Version
16	10.41	NC Health Choice	No similar language	Insert dates for affecting the benchmarking HC to Medicaid	Senate Version
17	10.43	No Inflationary Provider Increases	No inflationary increase in Medicaid	Integrated into Section 10.37 in Senate Package	Senate Version
18	10.44	Medicaid Recipient Appeals	DHHS to review Appeals process to determine whether it conforms or exceeds requirements of Federal law.	Senate language revises the program so as to comply with Federal guidelines and removes over regulatory language.	House Version
19	10.46	Medicaid Provider Rate Adjustment	Provider Rate Cut at 2%	Integrated into Section 10.37 in Senate Package	Senate Version
20	10.47	DHHS Savings through CCNC	DHHS to work with CCNC to save $90M each year. If savings can't be achieved DHHS is to reduce provider rates by 2% and eliminate or modify Medicaid Services to effect savings.	DHHS to work with CCNC to save $83M in 2011/12 and $90M in 2012/13. If savings can't be achieved DHHS is to reduce provider rates by 2% and eliminate or modify Medicaid Services to effect savings.	House Version with no provider receiving more than an additional 2% reduction.

Senate Appropriations Subcommittee for Health and Human Services
Differences Between Proposed Senate Budget and HB 200 Provisions

21	10.48	Generic Drug Dispensing Rate	DHHS is to establish a new generic drug dispensing formula so as to gain substantial savings through pharmacists filling increased generic drug prescriptions. Savings of $18.2M in 2011/12	DHHS is to establish a new generic drug dispensing formula so as to gain substantial savings through pharmacists filling increased generic drug prescriptions. Savings of $15.0M in 2011/12	Senate Version
22	10.49A	CCNC	House did not have a similar provision	Collaboration among LME's and CCNC's to ensure savings by CCNC	Senate Version
23	10.56	Payments for LIEAP/CIP Capped		Clarifies max household benefit is $600/year	Senate Version
24	10.51A	HHS Vendor Assistance Adoption Payments		Follows Money Changes	House
25	10.60	Block Grants		Decrease WorkFirst Family Assistance by $1M, increase Services/Blind by $1M (IL), decrease Crisis Intervention by 110,638. fund new item NC Commission on Indian Affairs 110,638.	Department's revision; No increase to Blind Services
26	10.57	Division Consolidation	Consolidate Divisions of Services for the Blind, Deaf, and Vocational Rehabilitation Services		Senate Version
27	6.11	Health and Wellness Trust Fund	House eliminated the HWTF as of December 31, 2011. Designates funds for CheeKmeds and Medication Assistance Program. Sets aside $10M for DPH to develop a plan that focuses on Teen Tobacco Use, Obesity Prevention, etc.	Senate eliminates the HWTF. The HWTF grants associated with the Teen Tobacco Prevention, CheeKmeds, Medication Assistance Program, Obesity Prevention are transferred to DHHS. The HWTF Cash Balance ($32.9M) is to be used to fund the above grant programs ($22M). In addition, $10 million will be used to reduce the savings needed by CCNC and reduce the Provider Rate cut	Senate Version

Justice and Public Safety Differences Between Senate PCS and H.B. 200

	Senate Item	Senate Page	Item Description	H.B. 200 Amount				Senate Amount				REVISED Senate			
				FY 2011-12	R/ NR	FY 2012-13	R/ NR	FY 2011-12	R/ NR	FY 2012-13	R/ NR	FY 2011-12	R/ NR	FY 2012-13	R/ NR
1			Court Cost Increases	$57,478,816	R	$57,478,816	R	$60,986,955	R	$60,986,955	R	$61,765,715	R	$61,765,715	R
2	1	I-1	Eliminate Voluntary RIF Positions	($13,044,011)	R	($13,044,011)	R	($12,935,761)	R	($12,935,761)	R	($12,935,761)	R	($12,935,761)	R
3	5	I-1	AOC Administrative Efficiencies	($483,786)	R	($483,786)	R	($256,122)	R	($256,122)	R	($256,122)	R	($256,122)	R
4	7	I-2	Trial Court Administrators/Juvenile Court Coordinator Pilot	($983,572)	R	($983,572)	R	($108,678)	R	($108,678)	R	($108,678)	R	($108,678)	R
5	9	I-2	District Attorney Support Staff	($2,576,145)	R	($2,576,145)	R	($5,253,111)	R	($5,253,111)	R	($2,576,145)	R	($2,576,145)	R
6	12	I-2	Drug Treatment Court	-		($2,043,523)	R	($2,043,523)	R	($2,043,523)	R	($2,043,523)	R	($2,043,523)	R
7	14	I-4	Private Assigned Counsel Funds	($11,293,041)	R	($11,804,039)	R	($8,913,738)	R	($9,486,150)	R	($10,555,089)	R	($7,897,882)	R
8	18	I-5	Reduce DOJ Executive Staff					($551,993)	R	($551,993)	R	($551,993)	R	($551,993)	R
9	28	I-6	SBI Workload Reduction	($561,906)		($561,906)		($1,704,338)	R	($1,704,338)	R	($1,123,812)	R	($1,123,812)	R
10	30	I-6	SBI Transfer					($24,442,880)	R	($49,045,885)	R	SBI and Training Academies stay in DOJ			
11	33	I-7	Training Academies Transfer					($3,350,310)	R	($6,700,619)	R				
12	46	I-9	Detention Centers	($1,143,137)	R	($1,143,137)	R	($1,143,137)	R	($1,143,137)	R	($1,143,137)	R	($1,143,137)	R
13	52	I-10	DJJDP Superintendent					($113,637)	R	($113,637)	R	($113,637)	R	($113,637)	R
14	53	I-10	DJJDP Education Directors					($155,550)	R	($155,550)	R	($155,550)	R	($155,550)	R
15	60	I-12	DOC Administrative Efficiencies	($5,285,912)	R	($5,285,912)	R	($2,983,860)	R	($2,983,860)	R	($2,983,860)	R	($2,983,860)	R
16	61	I-12	DOC Consolidation Reduction	($880,544)	R	($1,761,088)	R	($707,238)	R	($1,414,476)	R	($707,238)	R	($1,414,476)	R
17	62	I-12	Reduce Temporary and Contractual Positions	($1,000,000)	R	($1,000,000)	R	($1,650,000)	R	($1,650,000)	R	($1,650,000)	R	($1,650,000)	R
18	63	I-12	DOC Longevity	($1,450,506)	R	($1,450,506)	R	($2,009,625)	R	($2,009,625)	R	($2,009,625)	R	($2,009,625)	R
19	64	I-12	DOC Motor Vehicles	($500,000)	R	($500,000)	R	($950,000)	R	($950,000)	R	($950,000)	R	($950,000)	R
20	69	I-13	DOC Supplies Line Item					($1,422,052)	R	($1,422,052)	R	($1,422,052)	R	($1,422,052)	R
21	71	I-13	DOC Miscellaneous Contractual Services					($750,000)	R	($750,000)	R	($750,000)	R	($750,000)	R
22	73	I-13	DOC Utility Line Item	($1,000,000)	R	($1,000,000)	R	($2,000,000)	R	($2,000,000)	R	($2,000,000)	R	($2,000,000)	R
23	79	I-14	Legal, License, and Permit					($30,000)	R	($30,000)	R	($30,000)	R	($30,000)	R

ATTACHMENT 11

Justice and Public Safety Differences Between Senate PCS and H.B. 200

	Senate Item	Senate Page	Item Description	H.B. 200 Amount				Senate Amount				REVISED Senate			
				FY 2011-12	R/ NR	FY 2012-13	R/ NR	FY 2011-12	R/ NR	FY 2012-13	R/ NR	FY 2011-12	R/ NR	FY 2012-13	R/ NR
24	93	I-15	Justice Reinvestment Prison Closures	($5,379,669)	R	($10,759,336)	R	($5,379,669)	R	($10,759,336)	R	($5,379,669)	R	($10,759,336)	R
25	114	I-19	CCPS Consolidation Reduction	($542,660)	R	($1,085,320)	R	($620,241)	R	($1,240,482)	R	($620,241)	R	($1,240,482)	R
26	116	I-20	Butner Public Safety	($209,465)	R	($314,197)	R	($2,615,663)	R	($3,216,703)	R	($1,422,700)	R *	($1,527,432)	R
27	120	I-20	NC Victims Assistance Network					($112,500)	R	($112,500)	R	No Reduction			
28	122	I-21	Highway Patrol	$193,527,300	R	$190,394,000	R	$193,585,434	R	$189,859,507	R	$196,849,542	R	$188,209,049	R
29	123	I-21	Consolidation Reserve	$908,817	R	$1,817,635	R	$818,139	R	$1,563,124	R	$818,139	R	$1,563,124	R
30	124	I-22	Anticipated Consolidation Savings							($1,417,693)				($1,417,693)	
31	125	I-22	SBI Transfer					$24,442,880	R	$49,045,885	R	SBI and Training Academies stay in DOJ			
32	126	I-22	Training Academies Transfer					$3,350,310	R	$6,700,619	R				
33			Civil Air Patrol	($151,084)	R	($151,084)	R					No Reduction			
34			Civil Air Patrol Rent	$16,835	R	$16,835	R								
35	113	I-21	Reorganization of National Guard Support	($754,787)	R	($754,787)	R	($754,787)	R	($754,787)	R	($200,000)	R	($200,000)	R

* Butner Public Safety eliminates transfer of funds to GF; Town will send funds directly to BPS (H.B. 864). Net reduction to Butner is 10% in first year and 15% in second year (same as House).

Justice and Public Safety Differences Between Senate PCS and H.B. 200				
	Section	**Page**	**Special Provision Title**	**Revised Senate**
1	15.16	248	Indigent Defense Services Expansion	Senate version
2	15.19	-	Eliminate Sentencing Services	Out
3	15.21	252	Trial Court Administrator Positions	Senate version
4	16.6	253	Criminal Information Database Study	Senate version
5	17.10	256	Use of Inmate Labor for R&R at YDCs	Senate version
6	18.10	260	Inmate Medical	House subsection (a); Senate subsection (c)
7	18.12	261	DOC Rules for Inmate Labor	Senate version
8	18.13	261	Probation Caseload	Senate version
9	18.14	262	Remove Sunset on Correction Enterprises State and Local	Senate version
10	19.1	262	Consolidation of DOC, CCPS, and DJJDP	No SBI, crime lab, or training academy transfer; no NCGA confirmation of secretary; Butner under Law Enforcement
11	19.2	278	Consolidate Budget Codes for Department of Public Safety	Senate version
12	19.3	279	Abolish Butner Public Safety Division	Incorporates HB 864
13	19.4	280	Reports on Law Enforcement Accreditation Services	Senate version
14	19.5	280	Study Feasibility of Fee for Highway Patrol Special Events	Senate version
15	31.23	342	Increase Certain Court Costs	Senate, except Access to Civil Justice transfer is reduced by 25%
16	31.26A	360	Laboratory Facilities Fee Expansion	Senate version

General Government

Differences Between Senate PCS and H.B. 200

		House				Senate				Senate Revised			
	Item Description	FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR
1	**Administration**												
2	Consolidate Environmental Clearing House Functions - Title Change												
3	Consolidate Position - Title Change												
4	Consolidate Position - Title Change												
5	OSP - Human Resources Development - Modified to allow OSP to use $1.5 million for the Learning Management System. The $1 million for Performance Management will be used to fund the General Assembly's study.												
6	Displaced Homemakers Program	$ (15,247)	R	$ (15,247)	R	$ (45,742)	R	$ (45,742)	R	$ (15,247)	R	$ (15,247)	R
7	Rape Crisis Program	$ (151,120)	R	$ (151,120)	R	$ (453,359)	R	$ (453,359)	R	$ (151,120)	R	$ (151,120)	R
8	Youth Advocacy & Involvement Office	$ (381,996)	R	$ (381,996)	R	$ (326,209)	R	$ (326,209)	R	$ (322,702)	R	$ (322,702)	R
9	Domestic Violence Program	$ -		$ -		$ (729,345)	R	$ (729,345)	R	$ -		$ -	
10	VA Scholarship reduction was restored.	$ 308,927	R	$ 308,927	R	$ 308,927	R	$ 308,927	R				
11	Board of Elections and Ethics Commission	$ 1,347,454	R	$ 1,347,454	R					Consolidation Provision Removed			
12	E-Commerce Reserve Reduction - Change in description.												
13	Eliminate Vacant Positions - Gives some additional flexibility to DOA regarding positions.	$ (811,817)	R	$ (811,817)	R	$ (793,848)	R	$ (793,848)	R	$ (793,848)	R	$ (793,848)	R
14													
15	**Auditor**												
16	Reduce Performance Audit Division	$ (1,543,988)	R	$ (1,543,988)	R	$ (771,994)	R	$ (771,994)	R	$ (771,994)	R	$ (771,994)	R

ATTACHMENT 12

General Government

	Differences Between Senate PCS and H.B. 200													
		House				Senate				Senate Revised				
	Item Description	FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR
17													
18	**Cultural Resources**												
19	Reduction to State Historic Sites.	$ -		$ -		$ (1,151,073)	R	$ (1,064,635)	R	$ -		$ -	
17	Tryon Palace - Transfers Positions to Receipts-support. Substituted a new position number												
18	Changes to Tryon Palace Funding were modified in Senate reductions in FY 2012-13 to restore $1.3 million of the reduction.	$ -		$ -		$ (846,951)	R	$ (3,027,879)	R	$ (846,951)	R	$ (1,693,902)	R

General Government

Differences Between Senate PCS and H.B. 200

		House				Senate				Senate Revised			
	Item Description	FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR
19	NC Maritime Museum - Transfer to Receipts-support. Substituted a new position number and title.												
20	Office of State Archaeology - Program Reductions. Substituted a position with a lower salary and made up the difference in operating expenses.												
21	Museum of Art - Operating Reductions. Substituted two positions and made up the difference in reduced operating expenses.												
22	Museum of Art - Additional operating reduction in FY 2012-13.	$ -		$ -		$ -		$ -		$ -		$ (202,324)	R
23	Lost Colony - $168,957 of reduction was restored.	$ (218,957)	R	$ (218,957)	R	$ (218,957)	R	$ (218,957)	R	$ (50,000)	R	$ (50,000)	R
24	State-Aid to Libraries	$ (2,330,374)	R	$ (2,330,374)	R	$ (1,980,543)	R	$ (1,980,543)	R	$ (1,980,543)	R	$ (1,980,543)	R
25	Museum of History - Program Reductions. Substituted a new position number.												
26	Museum Closure - Museum of the Cape Fear. Revised Senate allows continued operation of the museum.	$ (240,876)	R	$ (307,897)	R	$ (519,876)	R	$ (586,897)	R	$ (335,997)	R	$ (335,997)	R
27	Close Museum of the Albemarle	$ -		$ -		$ (958,903)	R	$ (958,903)	R	$ -		$ -	
28	Additional Operating Reduction - Museum of History	$ -		$ -		$ -		$ -		$ -		$ (202,324)	R
29	Personnel Reductions	$ (1,378,440)	R	$ (1,378,440)	R	$ (1,280,263)	R	$ (1,280,263)	R	$ (1,212,827)	R	$ (1,212,827)	R
30	**Cultural Resources - RIC.**												

General Government

Differences Between Senate PCS and H.B. 200

	Item Description	House FY 2011-12	House R/NR	House FY 2012-13	House R/NR	Senate FY 2011-12	Senate R/NR	Senate FY 2012-13	Senate R/NR	Senate Revised FY 2011-12	Senate Revised R/NR	Senate Revised FY 2012-13	Senate Revised R/NR
31	Modified to reduce budget by 25% each year through FY 2014-15, when Commission will become self-supporting.	$ (1,203,491)	R	$ (2,406,982)	R	$ (1,203,491)	R	$ (2,406,982)	R	$ (601,746)	R	$ (1,203,491)	R
32	**General Assembly**												
33	Transfer General Statutes Commission	$ -		$ -		$ 270,341	R	$ 270,341	R	$ 270,341	R	$ 270,341	R
34	Expand PED Staff	$ 207,000	R	$ 207,000	R	$ 345,000	R	$ 345,000	R	$ 345,000	R	$ 345,000	R
35	Various Reductions	$ (1,127,343)	R	$ (576,157)	R	$ (1,127,343)	R	$ (442,957)	R	$ (1,127,343)	R	$ (442,957)	R
36	Reserve Funds	$ -		$ -		$ 3,000,000	NR	$ -		$ 3,000,000	NR	$ -	
37	Reserve for Information Technology Study	$ -		$ -		$ 2,000,000	NR	$ 3,000,000	NR	$ 2,000,000	NR	$ 3,000,000	NR
38													
39	**Governor's Office**												
40	Personnel and IT Reductions	$ (854,408)	R	$ (854,408)	R	$ (1,037,758)	R	$ (1,037,758)	R	$ (1,037,758)	R	$ (1,037,758)	R
41	Reduces Personnel - Revised Senate includes $172,921 reduction plus $145,904 that eliminates another vacant position.	$ -		$ -		$ (172,921)	R	$ (172,921)	R	$ (318,825)	R	$ (318,825)	R
42													
43	**Housing Finance Agency (HFA)**												
44	Housing Trust Fund Reduction	$ (2,123,245)	R	$ (2,123,245)	R	$ (1,123,245)	R	$ (1,123,245)	R	$ (2,123,245)	R	$ (2,123,245)	R
45													
46	**Lt Governor**												
47	Management Flexibility Reserve	$ (318,989)	R	$ (318,989)	R	$ (284,398)	R	$ (284,398)	R	$ (191,393)		$ (191,393)	
48	Transfer of Positions from the Governor					$ 172,921	R	$ 172,921	R	$ -		$ -	
49													

General Government

Differences Between Senate PCS and H.B. 200

		House				Senate				Senate Revised			
	Item Description	**FY 2011-12**	**R/NR**	**FY 2012-13**	**R/NR**	**FY 2011-12**	**R/NR**	**FY 2012-13**	**R/NR**	**FY 2011-12**	**R/NR**	**FY 2012-13**	**R/NR**
50	**Office of Administrative Hearings**												
51	Funding from DHHS for Medicaid Mediation									Change in item explanation to match HHS provision and to require OAH and DHHS to seek federal matching funds.			
52													
53	**Revenue**												
54	Close Three Offices	$ (2,321)	R	$ (2,321)	R	$ (124,054)	R	$ (124,054)	R	$ (124,054)	R	$ (124,054)	R
55													
56	Secretary of State									$ -		$ -	
57	Eliminate Five Positions from Administration	$ (311,182)	R	$ (311,182)	R	$ -		$ -		$ -		$ -	
58	Eliminate Four Positions in Lobbyist Registration	$ (306,990)	R	$ (306,990)	R	$ (200,791)	R	$ (200,791)	R	$ (200,791)	R	$ (200,791)	R
59	Transfer Five Positions from Lobbyist Registration and Compliance	$ (248,041)	R	$ (248,041)	R	$ -		$ -		Consolidation Provision Removed.			
60	Eliminate Eleven Positions from Certification and Filing	$ (474,946)	R	$ (474,946)	R	$ -		$ -		$ -		$ -	
61	Eliminate Four Positions from Securities	$ (236,969)	R	$ (236,969)	R	$ -		$ -		$ -		$ -	
62	Eliminate Vacant Positions	$ (57,630)	R	$ (57,630)	R	$ -		$ -		$ -		$ -	
63													
64	**State Board of Elections**												
65	State Board of Elections and Ethics	$ (1,099,413)	R	$ (1,099,413.00)	R					Consolidation Provision Removed.			
66													

General Government

Differences Between Senate PCS and H.B. 200														
		House				Senate				Senate Revised				
	Item Description	FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR	FY 2011-12	R/NR	FY 2012-13	R/NR
67	Fees												
68	Department of Administration	$ -		$ -		$550,000	R	$550,000	R	$ 550,000	R	$ 550,000	R
69	Secretary of State	$ -		$ -		$1,600,000	R	$1,600,000	R	$ 160,000	R	$ 160,000	R

General Government

	Differences Between Senate PCS and H.B. 200			
	HB Section Number	**Special Provision Title**	**Major Differences Between Senate and House Bill 200**	Status
1	Sec. 20.1	State Entities to Use Mail Service Center and Agency for Public Telecommunications	Senate Removes UNC and Community Colleges from Requirement.	Senate
2	Sec. 20.5A - NEW	Human Resources Development	Clarifies that OSP may use $1.5 million of FICA savings to support Learning Management System that is a component of the Human Capital Management System.	
3	Sec. 20.6	State Board of Elections and Ethics	Provision removed.	
4	Sec. 21.1	Transportation Museum Special Fund	Subsection c was amended in Senate version to allow up to $300,000 to be placed in an emergency reserve.	Senate
5	Sec. 22.1.	PED Studying Administration of State Attractions	Subsection (a) also directs study to review of all sources of revenue, including admission fees, donations, and concession sales, and to review daily visitation trends to determine optimal operating schedules.	Senate
6	Sec. 22.3 - NEW	Accommodating Federal Law Flexibility	Amends GS 120-30.9B(b) to allow the Legislative Services Commission to appoint someone other than the Attorney General to handle redistricting submissions, and someone other than the Executive Director of the State Board of Elections to handle other election law submissions.	Senate
7	Sec. 22.4 - NEW	Client Decisions	Amends GS 147-17 to set forth the duty of the Special Counsel.	Senate
8	Sec. 22.5 - NEW	Conforming Change	Amends GS 120-32.6 to indicate that GS 147-17(a) through (c) shall not apply to the General Assembly.	Senate
9	Sec. 24.1	Access to Register and Code	Senate canceled the free copy of the Administrative Code in addition to other free copies. Other technical corrections made.	Senate
10	Sec. 26.3	Allowing County Boards of Elections to Employ Personnel to Maintain Voting Systems	Gives county boards of elections the option of either having personnel on hand to maintain voting systems or utilizing a maintenance agreement in order to maintain systems previously funded with Help America Vote Act funds.	Senate
11	Sec. 31.27	Set Insurance Regulatory Charge	Set 6% as the rate to calculate the insurance regulatory charge.	N/A
12	Sec. 31.27A	Investment Company Filing Fee	Senate took a Secretary of State fee recommendation and lowered the investment company filing fee from $2,000 to $1,725. A new fee of $275 was created for each fund under the company. Generates an expected $1.6 million	Senate
13	Sec. 31.27B	Raise Parking Rates	Senate raises parking rates for visitors by $1 per hour.	Senate

INFORMATION TECHNOLOGY

	Requirement	House Budget 2011-2012	R/NR	Positions	Senate Budget 2011-2012	R/NR	Positions	Revised Senate 2011-2012	R/NR	Positions	Notes
	Information Technology Fund										
1	Center for Geographic Information and Analysis	$599,347	R	-2.00	$599,347	R	-2.00	$599,347	R	-2.00	
2	Enterprise Security and Risk Management Office	$1,064,148	R		$864,148	R		$864,148	R		
3	Enterprise Project Management Office	$1,673,285	R	-1.00	$1,473,285	R	-1.00	$1,473,285	R	-1.00	
4	Architecture and Engineering	$648,000	R		$581,986	R		$581,986	R		
5	State Portal	$0			$0			$0			Governor's initiative, to be covered by fees
6	State Website	$0			$100,000	NR		$100,000	NR		Short term solution until portal decision made
7	IT Consolidation	$1,320,893	R	-2.00	$776,440	R	-2.00	$776,440	R	-2.00	
8	Electronic Forms/Digital Signatures	$0			$500,000	R		$500,000	R		Transferred to OSC
9	Data Integration Licenses	$200,000	NR		$200,000	NR		$200,000	NR		
10	Statewide IT Procurement	$0	R		$0	R		$0	R		
11	Criminal Justice Information Network Positions	$166,422	R	2.00	$166,422	R	2.00	$166,422	R	2.00	
12	Transfer OSBM Analyst Cost to OSBM	$105,000	R		$105,000	R		$105,000	R		
13	Transfer to OSC for Automated Fraud Detection	$100,000	R		$0			$0			Separate appropriation in Senate
14	ITS Overhead	($91,486)	R		($91,486)	R		($91,486)	R		
15	TOTAL	$5,785,609		-3.00	$5,275,142		-3.00	$5,275,142		-3.00	
16	**IT Internal Service Fund**	$190,000,000	R		$190,000,000	R	-61.00	$190,000,000	R	-61.00	

	Requirement	House Budget 2012-2013	R/NR	Positions	Senate Budget 2012-2013	R/NR	Positions	Revised Senate 2012-2013	R/NR	Positions	Notes
	Information Technology Fund										
17	Center for Geographic Information and Analysis	$599,347	R	-2.00	$599,347	R	-2.00	$599,347	R	-2.00	
18	Enterprise Security and Risk Management Office	$1,064,148	R		$864,148	R		$864,148	R		
19	Enterprise Project Management Office	$1,673,285	R	-1.00	$1,473,285	R	-1.00	$1,473,285	R	-1.00	
20	Architecture and Engineering	$648,000	R		$581,986	R		$581,986	R		
21	State Portal	$0			$0			$0			Governor's initiative, to be covered by fees
22	State Website	$0			$0			$0			
23	IT Consolidation	$820,893	R	-2.00	$784,440	R	-2.00	$784,440	R	-2.00	
24	Electronic Forms/Digital Signatures	$0			$500,000	R		$500,000	R		Transferred to OSC
25	Data Integration Licenses	$2,400,000	NR		$1,200,000	NR		$1,200,000	NR		Reduced IT Fund required agency cost sharing
26	Statewide IT Procurement	$0			$0			$0			
27	Criminal Justice Information Network Positions	$166,422	R	2.00	$166,422	R	2.00	$166,422	R	2.00	
28	Transfer OSBM Cost Analyst to OSBM	$105,000	R		$105,000	R		$105,000	R		
29	Transfer to OSC for Data Integration	$100,000	R		$0			$0			Separate appropriation in Senate
30	ITS Overhead	($91,486)	R		($91,486)	R		($91,486)	R		
31	TOTAL	$7,485,609		-3.00	$6,183,142		-3.00	$6,183,142		-3.00	
32	**IT Internal Service Fund**	$190,000,000	R		$190,000,000	R	-61.00	$190,000,000	R	-61.00	

	Information Technology Differences Between Senate Package and House Bill 200 (Includes Non-technical Items Only)				
1	HB Section Number	Special Provision Title	House	Senate	Revised Senate
2	6A.1	INFORMATION TECHNOLOGY FUND/AVAILABILITY	•Establishes availability and appropriations for Information Technology Fund •Requires data integration license funding after biennium to be agencies' responsibility	•Changed to reflect changes in money report. •Agencies pay an additional $1.2 million for data integration licenses in second year to cover loss of funding. •State CIO to required to report any changes in uses of funding.	•No change
3	6A.2	INFORMATION TECHNOLOGY OPERATIONS	•Requires development of IT Internal Service Fund budget in time to allow agencies to incorporate rate changes in budgets •Requires written agency agreement before State CIO enters Statewide contracts •Requires General Assembly approval for projects in excess of $100,000 •Allows ITS to enter three-year contracts when more cost-effective for State •Requires agencies to host applications on State infrastructure unless technology and cost make outsourcing more feasible •Requires ITS to report when it does not meet service level agreements with agencies •Requires least expensive and best value determination for contracts •Allows OSBM to move funds when agencies do not pay IT Internal Service Fund bills	•Threshold for General Assembly project approval raised from from $100,000 to $250,000 •Requires inclusion of new projects in agency IT plan	•No change

6	6A.10	STATE PORTAL	•Allows the Department of Administration to establish a Statewide portal •Requires detailed plan •Requires funding model that will not increase costs to citizens •Requires plan to return operations to the State •Requires participation be voluntary •Requires fees be collected by DOA and deposited in the General Fund •Requires the portal to meet State project management requirements	•Requires outside counsel to review and negotiate portal contracts •Requires free, convenient alternative for portal applications •Does not permit the addition of fees for services already offered on line or through an automated means •Establishes governance structure •Requires General Assembly approval for any portal service with a cost •Requires open hearings for proposed portal services	•No change
7	6A.13	COMPREHENSIVE ENTERPRISE-LEVEL DATA INTEGRATION CAPABILITY	•Requires the Office of the State Controller to continue development of a Statewide data integration capability •Requires upgrade of State's data integration plan •Requires OSC to develop an automated fraud detection capability and use competitive bidding •Provides $100,000 from IT Fund to support initiative •Establishes Data Integration Steering Committee with the Director of OSBM, the Secretary of DHHS, and the State Treasurer as advisory members.	Uses current data integration contract for automated fraud detection project. •Includes funding for vendor ($1 million first year, $7 million second year) and for the Office of the State Controller ($500,000 each year). •State Auditor added as advisory committee member.	•Ties vendor payments to benefit realization •Requires State participation in intellectual property ownership and residuals resulting from any innovations associated with contract
8	Senate only	USE OF MOBILE ELECTRONIC COMMUNICATIONS DEVICES		•Requires agency policies and reporting on the use of cell phones and other mobile electronic devices.	•No change
9	Senate only	USE OF DMV INSPECTION PROGRAM ACCOUNT FUND		•Expands use of fund to include replacement of the State Titling and Registration System and the State Automated Driver License System.	•No change
10	Senate only	STATEWIDE INFORMATION TECHNOLOGY PROCUREMENT		•Allows the Statewide Information Technology Procurement Office to charge a fee for their services.	•No change

11	Senate only	REPLACEMENT OF THE STATE TITLING AND REGISTRATION SYSTEM (STARS) AND THE STATE AUTOMATED DRIVER LICENSE SYSTEM		•Directs the Division of Motor Vehicles to begin the replacement of the State Titling and Registration System and the State Automated Driver License System.	•Requires ITS and State CIO to expedite project, instead of setting a time limit
12	Senate only	ENTERPRISE ELECTRONIC FORMS AND DIGITAL SIGNATURES		•Directs the Office of the State Controller to plan, develop, and implement an electronic forms capability.	•No change
12	Senate only	EVALUATION OF STATE INFORMATION TECHNOLOGY OPERATIONS		•Directs legislative study of all information technology operations within the State. •Includes funding for study ($2 million in first year and $3 million in second year).	•No change

Salaries and Benefits

Comparison HB 200 Fourth Edition, Sixth Edition, and Senate PCS

		HB 200 Fourth Edition				Senate, Sixth Edition				Senate Revised, (PCS)				
2	Item Description	FY 2011-12	R/ NR	FY 2012-13	R/ NR	FY 2011-12	R/ NR	FY 2012-13	R/ NR	FY 2011-12	R/ NR	FY 2012-13	R/ NR	Comments:
3	Severance Expenditure Reserve	$75,000,000	NR			$75,000,000	NR			$69,000,000	NR			Senate Revised - reduces Severance Reserve by $6 million to account for the positions restored in the Senate revised budget.
4	Compensation Adjustment and Performance Pay Reserve	$ -						$ 328,000,000	R	$ -		$ 121,105,840		Senate Only - provides funding for labor market and equity salary increases and funding for a performance-based pay plan. Senate revised reduces appropriation to $121,105,840.
5	Retirement System Contributions	$ 297,400,000	R	$ 404,200,000	R	$ 297,400,000	R	$ 404,200,000	R	$ 248,100,000	R	$ 336,000,000	R	Senate Revised - directs the adoption of a 12 year liquidation period and adjusts appropriations accordingly.
6	Judicial Retirement System Contributions	$ 7,900,000	R	$ 9,000,000	R	$ 7,900,000	R	$ 9,000,000	R	$ 6,800,000	R	$ 7,800,000	R	Senate Revised - directs the adoption of a 12 year liquidation period and adjusts appropriations accordingly.
7	Firemen's and Rescue Workers' Pension Fund	$ 5,800,000	R	$ 6,900,000	R	$ 5,800,000	R	$ 6,900,000	R	$ 4,318,042	R	$ 5,366,928	R	Senate Revised - directs the adoption of a 12 year liquidation period and adjusts appropriations accordingly.
8	National Guard Pension Fund Contributions	$ 263,000	R	$ 523,000	R	$ 263,000	R	$ 523,000	R					Senate Revised - directs the adoption of a 12 year liquidation period and adjusts appropriations accordingly.
9	State Health Plan	$ 11,725,587	R	$ 109,480,158	R	$ 7,119,541	R	$ 102,151,104	R	$ 7,119,541	R	$ 102,151,104	R	Senate - reflects SB 323 as signed into law. Also, certifies Plan's administrative budget. Senate revised is same as Senate.

Salaries and Benefits

Comparison HB200 Fourth Edition, Sixth Edition, and Senate PCS

	Section Number	Special Provision Title	Major Differences Between HB 200 Fourth Edition and Senate Sixth Edition	Senate Revised (PCS)
2	Section 29.8	Limited Salary Adjustments for Special Circumstances Only/No Automatic Increases	Senate version eliminates exception from the salary freeze for local supplementation of certain Judicial employee salaries as provided under G.S. 7A-300.1 and restores current exceptions for the University of North Carolina.	Senate revised adds back local supplementation for certain Judicial employee salaries and makes clear retention increases are permitted for all UNC employees provided the increase is funded with non-State funds.
3				
4	Section 29.11	State Agency Teachers' Compensation	Senate version modifies House version to conform with the consolidation of the Department of Corrections, Department of Crime Control and Public Safety, and Department of Juvenile Justice and Delinquency Prevention into the Department of Public Safety effective January 1, 2012. (Technical)	Same as Senate version. Only technical change from House version.
5				
6	Section 29.12	Teacher Salary Schedules	Senate version modifies the teacher salary schedule by reducing the combined salary supplement for educational personnel qualifying for both a master's degree and National Board for Professional Teaching Standards (NBPTS) supplement from 23.2% to 22.0%.	Senate revised goes back to House version.
7				
8	Section 29.16	Furloughs Authorized/Public Schools	OUT	
9				OUT
10	Section 29.17	Furloughs Authorized/UNC	OUT	
11				OUT
12	Section 29.17A	Furloughs Authorized/North Carolina Community College System	OUT	
13				OUT
14	Section 29.18	All Furloughs Prohibited Except as Ordered by the Governor to Balance the Budget/Benefits Protection for Furloughed Personnel	Senate version modifies the House's Benefit Protection provision to prohibit furloughs of public employees, other than employees in the legislative and judicial branches, except when ordered by the Governor to balance the budget and to provide benefit protections to all employees who are furloughed.	Senate revised adds language to Senate version to permit the Board of Governors of the University of North Carolina, the State Board of Community Colleges, and local public schools boards of education to petition the Governor to furlough its employees in order to balance their respective budgets.
15				
16	Section 29.20	Comprehensive Review and Reform of Public Employee Compensation Plans	Senate version combines the two phases of the review into one phase with final reporting of all results by May 1, 2012. Senate version also eliminated Houses' (2)a which read 'Assessment of the validity of performance-based compensation plans.' Also #4. is modified by the addition of 'For public school teachers, the evaluation of tenure shall include its relationship with student performance, if any.' and added #5. 'An evaluation of salary supplements for public school employees paid on account of master's degrees, attainment of other advanced degrees, and national board certification, including the relationship to student performance, if any. This evaluation should also include recommendations as to whether these salary adjustments should be continued or modified based upon the effect on student performance, if any, and human resource best practices.'	Senate revised version changes the title to the Section to read 'Comprehensive Review for Reform of Public Employee Compensation Plans/Recommendations for Legislation by May 1, 2010' and adds language to the Senate version to require the vendor to provide progress reports every 90 days to the Fiscal Research and Program Evaluation Divisions.
17				
18	Section 29.20A	Establish Salary Adjustment and Performance Pay Reserve	Senate Only - Establishes General Fund and Highway Fund reserves to provide funding for labor market and equity salary increases and funding for performance-based compensation plans.	Senate revised version modifies Senate provision title to read 'Establish Compensation Adjustment and Performance Pay Reserve in Anticipation of Compensation Recommendations'.
19				

Salaries and Benefits

Comparison HB200 Fourth Edition, Sixth Edition, and Senate PCS

	Section Number	Special Provision Title	Major Differences Between HB 200 Fourth Edition and Senate Sixth Edition	Senate Revised (PCS)
20	Section 29.21	Establish Severance Expenditure Reserve	Senate version also establishes a Highway Fund reserve, clarifies funds maybe allocated to local community colleges as opposed to just the System's Office, and clarifies that funding for severance expenditures may be allocated only to the extent of the proportionate part of salaries funded from the General Fund or the Highway Fund.	Same as Senate version.
21				
22	Section 29.21A	Repeal Reduction-In-Force Priority Consideration Under the State Personnel Act.	Senate Only - Repeals re-employment priority under the State Personnel Act for employees who are reduced-in-force.	Same as Senate version.
23				
24	Section 29.21B	Judicial Department Expense Amendments	Senate Only - Repeals G.S. 7A-300.1 as enacted last session which authorizes local supplementation of certain judicial branch salaries and makes other conforming/clarifying changes.	OUT.
25				
26	Sections 29.21C	State Personnel Information Amendment	Senate Only - Permits the Program Evaluation Division to have direct access to the BEACON HR/payroll system and correcis/updates the name of the system.	Senate revised modifies Senate version to permit access to the Program Evaluation Division only to the Division Director and two designated employees.
27				
28	Section 29.22	Salary-Related Contributions	Senate version updates the State's contribution for employee and retiree hospital/medical benefits under the State Health Plan to conform with Senate Bill 323.	Senate revised version directs the adoption of a 12-year amortization period and adjusts retirement contribution rates accordingly.
29				
30	Section 29.22A	Reporting of Position Eliminations	Senate Only - requires the Office of State Personnel, the Administrative Office of the Courts, the Legislative Services Officer, the Department of Public Instruction, the North Carolina Community Colleges System Officer and the University of North Carolina to report to the Fiscal Research Division no later than May 1, 2012 the total position eliminations attributable to funding reductions imposed by this Act during FY 2011-2012 including the annual salary savings, total savings including benefits, severance wages paid, discontinued service retirement allowance costs paid, and employer paid health benefit coverage premiums projected to be paid during FY 2011-2012.	OUT.
31				
32	Section 29.23	Limit State Abortion Funding/Health Plan/Insurance	Senate version modifies the House's provision to clarify that services to treat complications arising from an abortion are covered under the State Health Plan. This language lowers the risk of losing the State Health Plan's grandfathered status under federal law.	Senate revised version codifies the provision.
33				
34	Section 29.24	Permanently Exempt Participants in the University of North Carolina Phased Retirement Program from the Restrictions on Returning to Work	Senate Only- Exempts participants of the University Phased Retirement Program from the return-to-work restrictions that would normally apply under the laws governing the Retirement System. Temporary exemptions have been granted in the past. This action makes the exemption permanent.	Senate revised version modifies Senate version to exempt the Phased Retirement Program as it existed on May 25, 2011. In other words, if the Phased Retirement Program is expanded, the University would have to seek legislative action to expand the exemption to persons not currently eligible to participate in the Phased Retirement Program.
35				

Salaries and Benefits

Comparison HB200 Fourth Edition, Sixth Edition, and Senate PCS

	Section Number	Special Provision Title	Major Differences Between HB 200 Fourth Edition and Senate Sixth Edition	Senate Revised (PCS)
36	Section 29.25	Reduce the Required Break in Service for Retirees of the Teachers' and State Employees' Retirement System to Return to Work without Losing Retirement Benefits.	Senate Only - Reduces the required break in service from 6 months to 3 months only for retirees who retired from the University and who return to work with the University.	OUT.
37				
38	Section 29.26	Provide for Vesting Reciprocity between the State and Local Employees' Retirement Systems and the Optional Retirement Program for State Institutions of Higher Learning	Senate Only - Permits participants of the Optional Retirement Program to count service currently creditable in the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, and the Consolidated Judicial Retirement System in addition to their service in the Optional Retirement Program to meet the five year requirement to be vested in the University's employer contributions.	Same as Senate version.
39				
40	Section 29.27	Enable the UNC Health Care System to Offer the Optional Retirement Program (ORP) as a Retirement Option	Senate Only - amends G.S. 135-5.1(a) to permit the UNC Health Care System to offer the Optional Retirement Program to employees subject to rules adopted by the UNC Board of Governors.	Same as Senate version.
41				

ATTACHMENT 15

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget
Name of Committee

May 31st, 2011
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Michael Jorgen	Dept of Correction/Budget
Pam Melton	CTL
Preston Hall	
Donald Bogen	
Angel Banks	DPI
[illegible]	DPI
Mike Tennant	UNCG
[illegible]	Corrections
Andrew Meehan	Capstrat
Chip Killian	Nelson Mullins
David Worsley	Capitol Group

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — May 31st, 2011

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jennifer Willis	NCCS
Katherine Ross	PPAB
Joy Hicks	NCDA
MA Rasberry	Union Co.
Jim Stegall	North Carolina Alliance for Public Charter Schools
Becki Gray	John Locke Foundation
Mary Freeman	NCHE
Linda Dunlap	NCAE
Kari Barsness	DENR
Cathy Hardy	DENR
Daniel Raimi	DENR

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget
Name of Committee

May 31st, 2011
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jonathan Martin	John Locke Foundation
Landon Nobles	JLF
Erin McBrayer	JLF
Kristin Szafranski	JLF
Wellington Scott	NCSAP
John C. Costopoulos	Am. Heart Assoc
Pat A. Jones	APPCNC / LLPP
Chris Kiricopoles	Beaufort County Developmental Center / NCARF
Danielle Mearis	APPCNC / LLPP
Jennifer Heissel	DPI
Barbara Baker	NCDOC

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — May 31st, 2011

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Sammy Roberson	TWC
Steve Brewer	CTC
Chuck Stone	SEANC
Mitch Leonard	SEANC
Paula A. Wolf	March of Dimes Foundation
Christopher Hill	NC Justice Center
Job Lanier	Nelson Mullins
Jimmy Broughton	Womble Carlyle
John Merritt	MWC LLC
R Rogers	CWMTP
Kevin Fitzgerald	UNC
Allison Walker	Nelson Mullins

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget
Name of Committee

May 31st, 2011
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
[signature]	
Michelle Frazier	MF+S
DWIGHT EISENHOWER	MILITARY INDUSTRIAL COMPLEX
Eric Schwalbach	UNC-CH
Anita N-Tfins	UNC GA
Lesley Capps	UNC GA
TRACY COLVARD	AHHC
ALAN BRIGGS	NC Food Banks
Evelyn Hawthorne	EFGR
Carl Dunn	DST
Thomas C. Caves, Jr.	NC Dept. of Crime Control & Public Safety

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Senate Appropriations/Base Budget
Name of Committee

May 31st, 2011
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
[illegible]	[illegible]
Lauren Phillips	Wakemed
Christine Craig	Wake Med
Daniel Baum	Troutman Sanders
Kristi Huff	NCHCFA
Amy McConkey	& NC Bev Assn
[illegible]	Smith Anderson
Jane S. Patterson	JANE S. PATTERSON
Angie Bailey	C-NC Authority
Peter Kuo	CINC
[illegible]	[illegible]

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — May 31st, 2011

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Annaliese Dolph	DRNC
Cogg Dunn	DRNC
Brent Troxell	NCACC
Alissa Willett	NCACC
Rebecca Trathman	NCACC
Pam Dowdy	Wake Smart Start
Kathy Johnson	Sentencing Services
Ed Lunsford	Brooks Pierce
[illegible]	NCS
Meredith Swinson	The Policy Group
John Metcalf	" "

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — May 31st, 2011

Name of Committee — **Date**

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NAME	FIRM OR AGENCY AND ADDRESS
Matthew Gilmore	PST
Erica Nelson	NCCCP
John Hardin	MFJS
Tom Cors	TNC
Rob Lamme	RLA
Lonnie Revelle	NCSBA
Matt Farrell	NCSBA
David Wilkerson	NC Realtors
Lee Russell	CJPC
Steve Saucier	NC Grassroots
Wendy Haynes	SOS

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — May 31st, 2011

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Paul Stock	NCBA
Brandon Wright	NCBA
Ken McLeod	Benchmarks
Craig Bass	Alexander Youth Network
Tara Fields	Benchmarks
Katherine Joyce	NCAJA
Emily Doyle	NCPAPA
[illegible]	NCICU
Larry Pressell, Jr.	N.C. Retired School Personnel
Gene Causby	NCSCA
Barbara Host	NCRC

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget
Name of Committee

May 31st, 2011
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
N. Sherrill	NC Med Soc.
Joyce Peters	JP Assoc
Lee Nelson	NCAHTCF
W. Gardner Pulpress	NLC + Assoc
Will Culpepper	NVA
Debbie Parkinson	Parkinson Law Firm
Patrick Buffkin	NCAEC
Elizabeth Robinson	NCRMA
Jake Cashion	NC Chamber
Amy Whited	NCMS
Lee-Ann Chaffin	CSS

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget
Name of Committee

May 31st, 2011
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Matthew McConnell	CarolinasHealthCare Sys.
Catherine Fleming	Carolinas HealthCare System
BJ Miller	Cone Health
Becky Cearlas	RAFI - USA
Whitney Christensen	Jordan Price
Will Pauy Hiers	NCHFA
Jaime King	NCEL
Paula Hopper	Childrens Klein

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget
Name of Committee

May 31st, 2011
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Elizabeth Biser	Brooks Pierce
Mildred Spearman	AOC
Thomas Maher	IDS
SUSAN BROOKS	IDS/OSS
Betsy McCorkle	NCSC

ATTACHMENT 16

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

Tuesday, May 31, 2011

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

UNFAVORABLE AS TO SENATE COMMITTEE SUBSTITUTE BILL NO. 2, BUT FAVORABLE AS TO SENATE COMMITTEE SUBSTITUTE BILL NO. 3

H.B.(SCS #2) **200** Appropriations Act of 2011.

Draft Number:	30000
Sequential Referral:	Finance
Recommended Referral:	None
Long Title Amended:	No

TOTAL REPORTED: 1

Committee Clerk Comments:

Senator Stevens

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
Wednesday, June 8, 2011 at 8:30 AM
Room 643, Legislative Office Building

MINUTES

The Senate Appropriations/Base Budget Committee met at 8:40 AM on June 8, 2011, in Room 643 of the Legislative Office Building. 17 members of the committee were present. Senator Stevens presided. Senator Stevens called the meeting to order and recognized the Pages. He then recognized Senator Clary, sponsor of S409:

An act to reform the governance of the North Carolina Global TransPark and to repay the loan from the Escheats Fund to the Global TransPark to explain the bill

Senator East moved for a favorable report. The motion carried.

Attachments:

1. Committee Notice
2. Agenda
3. SB 409
4. Summary of SB 409
5. Program Evaluation Division Report Summary
6. Visitor's Log
7. Committee Report

The meeting adjourned at 8:59.

Senator Stevens, Presiding

Kathy Davis, Committee Clerk

Principal Clerk ____
Reading Clerk ____

Corrected: SB383 Removed, SB409 Added

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	June 8, 2011	8:30 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
SB 409	Global TransPark PED Study.	Senator Clodfelter Senator Clary Senator Hartsell

Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

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	June 8, 2011	8:30 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
SB 383	TANF Block Grant Funds/Boys & Girls Club.	Senator Apodaca

Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

Senate Appropriations/Base Budget Committee
Wednesday, June 8, 2011, 8:30 AM
643 LOB

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

SB 409	Global TransPark PED Study.	Senator Clodfelter Senator Clary Senator Hartsell

Presentations

Other Business

Adjournment

SENATE BILL 409
Program Evaluation Committee Substitute Adopted 6/7/11

Short Title: Global TransPark Gov. Reform & Loan Repayment. (Public)

Sponsors:

Referred to:

March 24, 2011

A BILL TO BE ENTITLED

AN ACT TO REFORM THE GOVERNANCE OF THE NORTH CAROLINA GLOBAL TRANSPARK AND TO REPAY THE LOAN FROM THE ESCHEATS FUND TO THE GLOBAL TRANSPARK.

The General Assembly of North Carolina enacts:

SECTION 1.(a) G.S. 63A-3(a) reads as rewritten:

"(a) Creation. The North Carolina Global TransPark Authority is created as a body corporate and politic having the powers and jurisdiction as provided under this Chapter or any other law. The Authority is a State agency created to perform essential governmental and public functions. The Authority shall be located within the Department of ~~Transportation, but shall exercise all of its powers, including the power to employ, direct, and supervise all personnel, independently of the Secretary of Transportation and, notwithstanding any other provision of law,~~ Transportation and shall be subject to the direction and supervision of the ~~Secretary only with respect to the management functions of coordinating and reporting.~~ Secretary."

SECTION 1.(b) G.S. 63A-3(b) reads as rewritten:

"(b) Board of Directors. The Authority shall be governed by a Board of Directors. The Board shall consist of at least the following 20 members:

(1) ~~Seven~~ Six members appointed by the Governor. One member shall be representative of the economic development industry, two members shall be representative of commercial real estate development industry, two members shall be representative of the banking and finance industry, and one member shall be representative of environmental interests. Of the Governor's six appointments, at least one member shall come from each of the State's three regions: Western, Piedmont, and Eastern.

(2) Three members appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121. One member shall be representative of the aerospace and aviation industry, one member shall be representative of advanced manufacturing industries, and one member shall be representative of the logistics and supply chain management industry.

(3) Three members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121. One member shall be representative of the aerospace and aviation industry, one member shall be representative of the emergency

response and disaster relief industries, and one member shall be representative of the defense and security industry.

(4) The State Treasurer, who shall serve as an ex officio nonvoting member.

(5) The President of the North Carolina System of Community Colleges, provided that the President of the North Carolina Community Colleges may instead appoint to the Board of Directors one member of the board of trustees of a community college or one president of a community college. If such an appointment is made, the appointee shall serve at the pleasure of the President.

(6) The President of The University of North Carolina, provided that the President of the University of North Carolina may instead appoint to the Board of Directors one member of the board of trustees of a constituent institution of The University of North Carolina, or one chancellor of a constituent institution of The University of North Carolina. If such an appointment is made, the appointee shall serve at the pleasure of the President.

(7) The Chairman of the State Ports Authority.

(8) One member appointed by the board of county commissioners of any county in which the cargo airport complex site is located.

(9) One member appointed by the city council of the city which is a county seat of any county in which the cargo airport complex site is located.

(10) The Commissioner of Agriculture.

(11) The Secretary of the Department of Commerce.

Within 90 days after the Authority acquires land, either by purchase or condemnation, for development as part of a cargo airport complex site, the board of county commissioners in any county in which a portion of the land is located and the city council of the city which is the county seat of the county shall, by resolution, each appoint a person to serve as a member of the Board. If the board of commissioners or the city council appoints one of its own members to the Board, the county commissioner or the member of the city council who is appointed is considered to be serving on the Board as an ex officio voting member as part of the duties of the office of county commissioner or the office of city council member, in accordance with G.S. 128-1.2, and is not considered to be serving in a separate office. Notwithstanding G.S. 116-31(h), a member of the board of trustees of a constituent institution of The University of North Carolina appointed to the Board of Directors under subdivision (6) of this subsection may concurrently serve on the board of trustees and the Board of Directors. Notwithstanding any other provision of law, the Governor may serve on the Board of Directors by his own appointment on or after July 16, 1991, under subdivision (1) of this subsection.

As the holder of an office, each member of the Board shall take the oath required by Article VI, § 7 of the North Carolina Constitution before assuming the duties of a Board member."

SECTION 1.(c) G.S. 63A-3(c) is repealed.

SECTION 1.(d) G.S. 63A-3 is amended by adding a new subsection to read as follows:

"(d1) Notwithstanding the terms of board members appointed by the General Assembly as specified in subsection (d) of this section, terms of board members appointed by the General Assembly shall end June 30, 2011. After June 30, 2011, the six members appointed by the General Assembly shall be divided into two classes. The first class shall consist of three persons, two of whom shall be appointed upon recommendation of the Speaker of the House of Representatives and one of whom shall be appointed upon recommendation of the President Pro Tempore of the Senate, to serve an initial term expiring June 30, 2013, with subsequent terms expiring each fourth June 30th thereafter. The second class shall consist of three persons, two of whom shall be appointed upon recommendation of the President Pro Tempore of the

Senate and one of whom shall be appointed upon recommendation of the Speaker of the House of Representatives, to serve an initial term expiring June 30, 2015, with subsequent terms expiring each fourth June 30th thereafter."

SECTION 1.(e) G.S. 63A-24(3) reads as rewritten:

"(3) Except for G.S. 146-29.1, 146-79, and 146-80, Chapter 146 of the General Statutes does not apply to the Authority. Notwithstanding this exemption from Chapter 146 of the General Statutes, the Secretary of Transportation may designate employees of the Authority as subject to Chapter 146 of the General Statutes."

SECTION 2.(a) There is hereby transferred from the General Fund to the Escheats Fund the sum of seventeen million five hundred dollars ($17,500,000) as a payment on the outstanding loan from the Escheats Fund to the Global TransPark Authority authorized under G.S. 63A-4(a)(22) and G.S. 147-69.2(b)(11).

SECTION 2.(b) If House Bill 200 of the 2011 Regular Session becomes law, then Section 9.8(a) of that act reads as rewritten:

"**SECTION 9.8.(a)** There is appropriated from the Escheat Fund income to the Board of Governors of The University of North Carolina the sum of ~~thirty-two million one hundred twenty-two thousand two hundred forty-two dollars ($32,122,242)~~ forty-nine million six hundred twenty-two thousand two hundred forty-two dollars ($49,622,242) for the 2011-2012 fiscal year and the sum of thirty-two million one hundred twenty-two thousand two hundred forty-two dollars ($32,122,242) for the 2012-2013 fiscal year to be used for The University of North Carolina Need-Based Financial Aid Program. Notwithstanding the provisions of the N.C. Senate Appropriations Committee Report on the Continuation, Expansion, and Capital Budgets dated May 31, 2011, the appropriation from the General Fund for the UNC Need-Based Financial Aid Program shall be reduced by the sum of seventeen million five hundred thousand dollars ($17,500,000), nonrecurring, in fiscal year 2011-2012."

SECTION 3. Chapter 63A of the General Statutes is amended by adding a new section to read as follows:

"**§ 63A-9.5. Repayment of loan from Escheat Fund.**

Starting on July 1, 2013, the State Treasurer shall transfer on a quarterly basis from the General Fund to the Escheat Fund the sum of one million two hundred fifty thousand dollars ($1,250,000) and shall credit the payment toward the outstanding loan from the Escheat Fund to the Global TransPark Authority authorized under G.S. 63A-4(a)(22) and G.S. 147-69.2(b)(11). The State Treasurer shall continue to transfer the amount specified in this section until the balance of the loan is less than the transfer amount specified, at which point the State Treasurer shall make a final quarterly transfer from the General Fund to the Escheat Fund in an amount to satisfy the obligation."

SECTION 4.(a) If House Bill 200 of the 2011 Regular Session becomes law, then Section 6.10 of that act is repealed.

SECTION 4.(b) 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, Section 27.7 of S.L. 2007-323, and Section 25.2 of S.L. 2009-451, 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, ~~2011.~~ 2018. 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."

SECTION 5. This act becomes effective July 1, 2011.

SENATE BILL 409: Global TransPark Gov. Reform & Loan Repayment

2011-2012 General Assembly

Committee:	Senate Appropriations/Base Budget	**Date:**	June 8, 2011
Introduced by:	Sens. Hartsell, Clary, Clodfelter	**Prepared by:**	Ryan Blackledge Staff Attorney
Analysis of:	Second Edition		

SUMMARY: ***The Second Edition of S409 (i) modifies the governance structure of the North Carolina Global TransPark Authority (GTP), placing the GTP under the supervision of the Secretary of Transportation and amending the appointments process for the GTP board, and (ii) provides a plan for paying off the Escheats Fund loan, including a one-time payment on July 1, 2011, and a five year repayment schedule beginning on July 1, 2013.***

[As introduced, this bill was identical to H841, as introduced by Rep. Howard, which is currently in House Finance.]

CURRENT LAW: The North Carolina Global TransPark Authority (GTP) is administratively located within the Department of Transportation, but exercises most of its powers independently from the Secretary of Transportation. In making appointments to the GTP board, the Governor and General Assembly are directed to consider the geographical representation of the State. Four of the Governor's seven appointees are to be representative of certain industries and interests. Additionally, the GTP has an outstanding loan from the Escheat Fund in excess of $40 million, which includes $22.5 million in principal and which the GTP cannot repay based on current operations.

BILL ANALYSIS:

Section 1 of the bill deals with governance issues. **Section 1(a)** changes the relationship between the GTP and the Department of Transportation by deleting the GTP's authority to exercise its powers independently of the Secretary of Transportation, leaving the GTP "subject to the direction and supervision of the Secretary." **Section 1(b)** would require all of the GTP board appointments of the Governor and General Assembly to come from specific categories of representation. Categories include the economic development industry, the real estate development industry, environmental interests, the logistics industry, the aviation industry, defense and security industry, and others. **Section 1(c)** deletes the current appointment categories and guidelines, which are less prescriptive. **Section 1(d)** removes the current General Assembly appointees and establishes new staggered four year terms. **Section 1(e)** allows the Secretary of Transportation to designate GTP employees as subject to State Personnel Act.

Section 2 makes a one-time transfer on July 1, 2011, from the General Fund to the Escheats Fund in the amount of $17.5 million as a payment on the loan to the GTP from the Escheats Fund. This payment is paid for by reducing funding from the General Fund to the UNC Need-Based Financial Aid Program for fiscal year 2011-2012 (as provided in H200, as ratified). To maintain the same level of funding for the UNC Need-Based Financial Aid Program, however, funding for that program is increased in that same year from the Escheats Fund.

Section 3 establishes a repayment schedule for the remainder of the loan and would begin quarterly payments in the amount of $1.25 million on July 1, 2013. Based on the payment made in Section 2 and assuming an interest rate of 4%, the loan would be paid off in just over five years.

Section 4 moves the maturity date of the loan back to October 1, 2018, the expected date by which the last payment will be made and repeals Section 6.10 of H200.

EFFECTIVE DATE: **Section 5** provides an effective date of July 1, 2011.

PROGRAM EVALUATION DIVISION
NORTH CAROLINA GENERAL ASSEMBLY

April 2011 Report No. 2011-02

North Carolina Should Weigh Continued Investment in the Global TransPark Authority and Consider How to Repay the Escheat Fund Loan

Summary

In 1991, the General Assembly created the North Carolina Global TransPark Authority (hereafter referred to as the Authority) to develop an industrial park facility built around a multi-modal transportation network that included an airport capable of handling international cargo flights. Absent a statutory mission, the Authority adopted a mission of creating skilled, well-paying jobs in eastern North Carolina, supporting education, research, and development efforts, and attracting economic investment from targeted industries. The Authority's enabling legislation authorized it to borrow up to $25 million from the North Carolina Escheat Fund for the development of the park; the balance on the loan as of February 2011 was $39.9 million, and the current maturity date is October 1, 2011.

The Global TransPark today is different from what was originally envisioned. Lagging transportation infrastructure development has yet to allow the Global TransPark to become the multi-modal manufacturing and distribution hub originally proposed. Furthermore, overly optimistic, initial job projections make it appear as if the Authority has fallen short of its adopted mission. The General Assembly directed the Program Evaluation Division to conduct a comprehensive program and financial review of the Authority. This evaluation found

- the Authority has made progress towards meeting its mission and goals;
- current administrative practices and operations limit the Authority's ability to achieve and demonstrate results;
- the estimated benefit to the General Fund of direct private sector employment at the Global TransPark will exceed the state's investment in the Authority by 2025;
- the Authority cannot be self-sustaining, but some options exist to reduce the Authority's reliance on state appropriations;
- the Authority cannot repay the Escheat Fund loan, and thus the responsibility falls to the state; and
- immediate divestiture in the Global TransPark for purposes of offsetting the Escheat Fund debt is not possible.

Based on these findings, the General Assembly should

- establish a repayment schedule for the Escheat Fund debt; and
- choose between two options for the future of the Global TransPark—continue supporting the Authority based on demonstrated results or incrementally divest from the park.

Proceedings
Legislation Proposal Workgroup for the Global TransPark
May 23, 2011

Members Present

or Fletcher Hartsell
or Rick Gunn
Representative Julia Howard
Representative Stephen LaRoque
Representative Shirley Randleman

Legislative & Agency Staff Present

John Turcotte, Program Evaluation Division
Larry Yates, Program Evaluation Division
Hal Pell, Research Division
Ryan Blackledge, Bill Drafting
Denise Harb, Fiscal Research Division
Dale Carroll, Department of Commerce
Sean Hamel, Program Evaluation Division
Kiernan McGorty, Program Evaluation Division
Kory Goldsmith, Research Division
Bryce Ball, Fiscal Research Division
Roberto Canales, Department of Transportation
Rita Harris, Department of Commerce

Workgroup Discussion

Representative Julia Howard, Chair, called the workgroup to order. Facilitation of the discussion was then turned over to John Turcotte, Director of the Program Evaluation Division. John presented an outline to guide the afternoon's discussion. A copy of the outline is provided as an attachment.

The outline began with a presentation of the meeting objectives and background information gleaned from the Program Evaluation Division s report *North Carolina Should Weigh Continued Investment in the Global TransPark Authority and Consider How to Repay the Escheat Fund Loan.* There were no points in the background information requiring clarification nor was there any additional background information needed to aid the discussion. A summary of the report recommendations were presented; then discussion moved to a presentation of the decision points requiring consideration by the workgroup. The primary points for discussion related to developing a proposed solution for the Escheat Fund debt and determining the future of the Global TransPark Authority. Facilitation of the discussion of the working group decision points was turned over to Ryan Blackledge, Bill Drafting.

Ryan spoke to each of the proposed options as potential solutions to address the Escheat Fund Loan. The options and their discussion are listed below:

I. Establish repayment schedule from General Fund to Escheat Fund
   a. Rep. Howard spoke and reminded the group this was the recommendation from the report and the assumption was this was to be paid as an appropriation from the General Fund, she also reminded the group that during the last JPELOC meeting Sen. Hise endorsed an option for a lump sum payment.

II. Sell Global TransPark property
   a. Ryan Blackledge reminded the working group that by statute proceeds from the implementation of this option were to be directly applied to the Escheat Fund debt balance. Ryan explained this option had two large limitations; immediate divestiture is not possible and the value of the assets is unknown. There was little discussion of this option after the limitations became clear.

III. Bring in new revenue to help repay loan by examining current tax expenditures to find amount needed, increasing vehicle registration costs in the development area, increasing sales tax in the development area, or acquiring funds from Golden LEAF
   a. Ryan explained the tax expenditure option was viable; however the exact amounts derived from this option were unclear and are accompanied by a time lag
   b. Rep. LaRoque and Rep. Howard sought clarification on introducing an additional tax; is the proposal to have a statewide or region-specific tax? They also commented further that a statewide tax would be met with severe opposition. Ryan suggested that tax be a regional consideration. Further clarification was needed about past regional tag taxes levied on behalf of the Global TransPark region. Sean Hamel commented that past tag tax had been applied to the region and this tax had since been retired. Sean commented further, it was important to note the

past vehicle registration tag tax statutorily was not allow to go to the development of the Global TranksPark's infrastructure or commercial real estate. Rep. LaRoque verified these facts.

c. The option to acquire funds from the Golden leaf foundation was talked about. Sen. Hartsell commented this might be difficult as the option to intercept the tobacco settlement money is already being explored as an option to address other budgetary shortfalls.
d. Hal Pell, Research Division mentioned that the state could consider authorizing legalized gaming down east. This authorization would have to extend to the Cherokee Tribe as the Lumbee Tribe does not have federal recognition. This idea drew some interest until Rep. LaRoque mentioned that past discussion with the tribe's chief demonstrated opposition to extend gaming if the authorization was based on the stipulation the state receive tax revenue from the gaming proceeds.

IV. Deem debt as paid by redirecting existing appropriation for need-based scholarships to the Escheats Fund to repay the GTP loan. Then increase the amount paid to need-based scholarships out of the Escheats Fund.
   a. A detailed description of how this option would work is provided as a second attachment.
   b. This option drew immediate discussion that focused on whether the need based scholarships had a direct appropriation from the General Fund that was intended to fund scholarships for needy in-state students attending a public university. Senator Hartsell then commented that he believed the three primary streams for these scholarships were from a direct appropriation form the General Fund, state education lottery, and the Escheats Fund.
   c. Denise Harb, Fiscal Research Division, confirmed there was an appropriation from the General Fund that went to scholarships to serve needy students attending public state universities. Denise said this appropriation is about $46 million.
   d. Question then arose if this could be executed in lump sum payment or if this would be split by making a lump payment in the amount of the accrued interest and then making payment of the principal over time.
   e. This option for repayment garnered the most support from the members present in the room. Rep. Howard asked for a detailed description of the repayment proposal and estimates for the fiscal impact of repayment on the Escheats Fund.

Discussion then shifted to the Future of the Global TransPark. The outline specified 4 broad options for moving forward with the Global TransPark:

I. Focus on the single role of the Global TransPark as a logistics hub
II. Focus on the single role as a business development center
III. Reaffirm dual role as a business development center and logistics hub, then augment that dual role
IV. Divest State's interest in the Global TransPark

Rep. LaRoque commented he believed given the report's finding about economic development capacity, the Global TransPark would be a better fit under the Department of Commerce. He went on to add his support for reconfiguring the board and making additional administrative changes to the composition of the Authority's staff.

Roberto Canales, Department of Transportation, was given an opportunity to speak on the findings of the Logistics Task Force and proposal to integrate the GTP, ports, and NC rail under one logistics division within the Department of Transportation. Mr. Canales suggested the Global TransPark couldn't be viewed as only a logistics hub or business development center. The two are not mutually exclusive, rather the Global TransPark has and is continuing to develop transportation infrastructure assets that are appealing to businesses wishing to develop or relocate in NC. He continued by talking about how the site of the Global TransPark was identified as one of the proposed logistic villages envisioned in the findings of the Logistics Task Force.

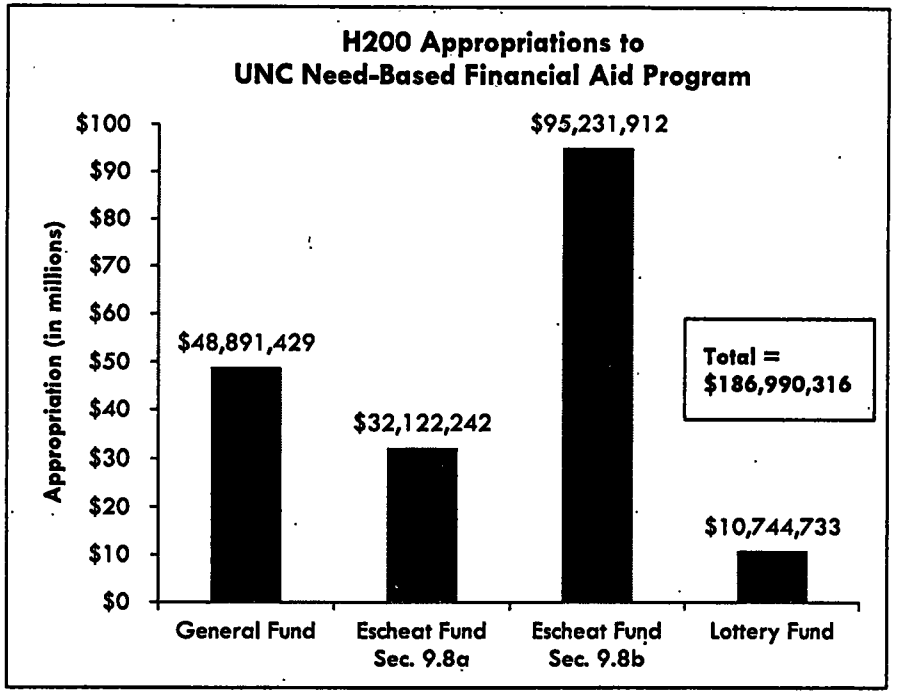
Dale Carroll, Deputy Secretary for the Department of Commerce, then commented on Rep. LaRoque's suggestion of moving the Global TransPark under the Department of Commerce. He suggested having the Authority under the Department of Transportation was the correct fit. Placing it under Commerce might have some equity issues; he went on to comment from an economic development perspective, Commerce already works quite closely with the Global TransPark and the Authority.

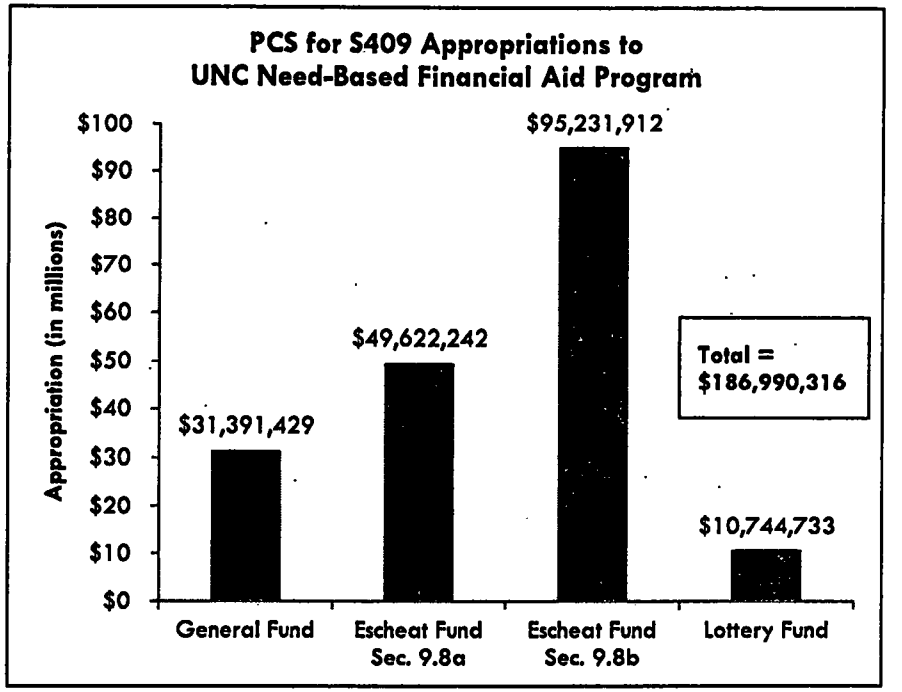
Rep. Howard brought the meeting to a close and asked that a detailed description of the repayment option that would deem the debt as paid by redirecting existing appropriation for need-based scholarships to the Escheats Fund to repay the GTP loan be drafted. She also requested that we work with the Fiscal Research Division to determine the effect the repayment would have on the Escheat Fund for purposes future financial scholarships.

Total GTP Escheat Fund
Debt as of 6/30/11

Principal	$	21,741,952
Interest		18,801,787
Total	$	40,543,739

1. Lump Payment in FY 2011-2012 Totaling $17,500,000





2. Five Year Repayment Plan of Remaining Loan Balance

Beginning July 1, 2013, the State Treasurer shall transfer on a quarterly basis from the General Fund to the Escheat Fund the sum of one million two hundred fifty thousand dollars ($1,250,000) and shall credit the payment toward the outstanding loan from the Escheat Fund to the Global TransPark Authority.

Quarterly payments from the General Fund @ $1.25 million x 5 yrs = $25 million by 2018

Treasurer shall continue to transfer the amount specified in this section until the balance of the loan is less than the transfer amount specified, at which point the State Treasurer shall make a final quarterly transfer from the General Fund to the Escheat Fund in an amount to satisfy the remaining balance.

Potential Federal Funding of Global TransPark within DOT through a Type II Transfer

Concept

Global TransPark and the Authority could be eligible for additional federal funds (ex: statewide planning funds, USDOT discretionary funds, and USDOT research funds) if the Global TransPark and the Authority were more formally placed in the Department of Transportation under the administration and oversight of the Secretary of Transportation. This would be achieved through a Type II transfer as defined in **§ 143A-6 (b)**. This organizational restructuring would also remedy a number of issues identified in the Program Evaluation Division (PED) report.[1]

Advantages of Formal Organization Integration of Transpark into DOT

Putting Global Transpark more formally under the administration and oversight of the Department of Transportation would:

- Remedy the deficiencies identified with the Authority's strategic planning as the Authority would become part of the Department of Transportation's larger strategic vision.
- The activities of the Authority would be subject to the oversight and authority through the monitoring of the Department of Transportation's formalized performance management system.
- Lastly, because the Authority would be more formally placed under the Department of Transportation, the funding for annual operations from the Highway Fund would no longer come as a direct appropriation from the General Assembly, but rather would fall under the larger administrative and operating budget of the Department of Transportation. This means the Department would make level of funding determinations based on the performance and results of the Authority.

Necessary Steps

To achieve the more formal placement the Global TransPark and the Authority in the Department of Transportation **§ 63A-3 (a)** would need to be modified to read:

§ 63A-3

(a) Creation. The North Carolina Global TransPark Authority is created as a body corporate and politic having the powers and jurisdiction as provided under this Chapter or any other law. The Authority is a State agency created to perform essential governmental and public functions. The Authority shall be located within the Department of Transportation~~, but shall exercise all of its powers, including the power to employ, direct, and supervise all personnel, independently of the Secretary of Transportation and, notwithstanding any other provision of law,~~ and shall be subject to the direction and supervision of the Secretary~~, only with respect to the management functions of coordinating and reporting.~~

[1] *North Carolina Should Weigh Continued Investment in the Global TransPark Authority and Consider How to Repay the Escheat Fund Loan (April 2011)*

Improving Governance of TransPark

Augmenting the administrative oversight of Global TransPark Authority does not address the governance issues identified in the PED report. The report found there to be very little representation on the Authority's governing board from proposed targeted industries and the three regions of the State.

The underlined changes specify appointment requirements for the Governor, Speaker, and Pro Tempore. The changes assign specific appointment for the Authority's primary operating concern and each the targeted industries (also listed below in this email). Also provided below is an extract of the section from the report that provides the rationale for this recommendation and the list of the targeted industries. PED suggests that the proposed changes to board appointment accurately reflect the Authority's need to address their primary operating concern; economic development, commercial real estate development, and finance and banking while gaining needed exposure and representation within the industries and sectors the Authority targets for prospective tenants.

Note that **§ 63A-3 (c)** has been struck through. This new language requires the Governor to make appointments that represent each of the three regions of the state (Mountain, Piedmont, Eastern). Similarly the suggested representative interests mentioned in the section are either satisfied by the newly proposed appointment structure or are no longer needed (agribusiness) as there has been a refocusing of the Authority's target industries. For this reason the entire section (c) has been struck.

§ 63A-3. Creation of Authority and Board.

(b) Board of Directors. The Authority shall be governed by a Board of Directors. The Board shall consist of at least the following 20 members:

(1) Seven members appointed by the Governor. Two members must be representative of the economic development industry, two members must be representative of commercial real estate development industry, and two members must be representative of the banking and finance industry, and one member representative of environmental interests. Of the Governor's seven appointments three must represent each of the states three regions; western, piedmont, and eastern.

(2) Three members appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121. One member must be representative of the aerospace and aviation industry, one member must representative advanced manufacturing industries, and one member must be representative of the logistics and supply chain management industry.

(3) Three members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121. One member must be representative of the aerospace and aviation industry, one member must represent the emergency response and disaster relief industries and one member must be representative from the defense and security industry.

(4) The State Treasurer, who shall serve as an ex officio nonvoting member.

(5) The President of the North Carolina System of Community Colleges, provided that the President of the North Carolina Community Colleges may instead appoint to the Board of Directors one member of the board of trustees of a community college or one president of a community college. If such an appointment is made, the appointee shall serve at the pleasure of the President.

(6) The President of The University of North Carolina, provided that the President of the University of North Carolina may instead appoint to the Board of Directors one member of the board of trustees of a constituent institution of The University of North Carolina, or one chancellor of a

constituent institution of The University of North Carolina. If such an appointment is made, the appointee shall serve at the pleasure of the President.
(7) The Chairman of the State Ports Authority.
(8) One member appointed by the board of county commissioners of any county in which the cargo airport complex site is located.
(9) One member appointed by the city council of the city which is a county seat of any county in which the cargo airport complex site is located.
(10) The Commissioner of Agriculture.

Within 90 days after the Authority acquires land, either by purchase or condemnation, for development as part of a cargo airport complex site, the board of county commissioners in any county in which a portion of the land is located and the city council of the city which is the county seat of the county shall, by resolution, each appoint a person to serve as a member of the Board. If the board of commissioners or the city council appoints one of its own members to the Board, the county commissioner or the member of the city council who is appointed is considered to be serving on the Board as an ex officio voting member as part of the duties of the office of county commissioner or the office of city council member, in accordance with G.S. 128-1.2, and is not considered to be serving in a separate office. Notwithstanding G.S. 116-31(h), a member of the board of trustees of a constituent institution of The University of North Carolina appointed to the Board of Directors under subdivision (6) of this subsection may concurrently serve on the board of trustees and the Board of Directors. Notwithstanding any other provision of law, the Governor may serve on the Board of Directors by his own appointment on or after July 16, 1991, under subdivision (1) of this subsection. As the holder of an office, each member of the Board shall take the oath required by Article VI, § 7 of the North Carolina Constitution before assuming the duties of a Board member.

~~(c) Selection Criteria. In making appointments to the Board, the Governor and the General Assembly shall give consideration to the geographical representation of the Western region, the Piedmont region, and the Eastern region of the State. In addition, at least one member appointed by the Governor shall be representative of business, at least one shall be representative of agribusiness, at least one shall be representative of environmental interests, and at least one shall be representative of industrial interests.~~

(d) Terms. The terms of the initial members appointed by the Governor or the General Assembly end June 30, 1993. The initial term of a member appointed by a board of county commissioners or by a city council ends on the second June 30 after the appointment. Subsequent appointments by a board of county commissioners or by a city council shall be for terms of four years. The seven members appointed by the Governor for subsequent terms shall be appointed for terms of two years ending on June 30 of each odd-numbered year. The six members appointed by the General Assembly for subsequent terms shall be divided into two classes. The first class shall consist of three persons, two of whom shall be appointed upon recommendation of the Speaker of the House of Representatives and one of whom shall be appointed upon recommendation of the President Pro Tempore of the Senate, to serve an initial term expiring June 30, 1995, with subsequent terms expiring each fourth June 30th thereafter. The second class shall consist of three persons, two of whom shall be appointed upon recommendation of the President Pro Tempore of the Senate and one of whom shall be appointed upon recommendation of the Speaker of the House of Representatives, to serve an initial term expiring June 30, 1997, with subsequent terms expiring each fourth June 30th thereafter.

(e) Chair and Vice-chair of the Board. The Governor shall designate one of the members appointed by the Governor as the Chair of the Board. The Governor shall convene the first meeting of the Board, at which time the members of the Board shall elect from their membership a Vice-chair of the Board.

(f) Vacancies. All members of the Board shall remain in office until their successors are appointed and qualify. A vacancy in an appointment made by the Governor or a board of county commissioners shall be filled by the Governor or the board of county commissioners for the remainder of the unexpired term. A vacancy in an appointment made by the General Assembly shall be filled in accordance with G.S. 120-122. A person appointed to fill a vacancy shall qualify in the same manner as a person appointed for a full term.

(g) Removal of Board Members. The Governor may remove any member of the Board for misfeasance, malfeasance, or nonfeasance in accordance with G.S. 143B-13(d). The person who appointed a member of the Board may remove the member for using improper influence in accordance with G.S. 143B-13(c).

(h) Organization of the Board. The Board shall adopt bylaws with respect to the calling of meetings, quorums, voting procedures, the keeping of records, and other organizational and administrative matters as the Board may determine. A quorum shall consist of a majority of the members of the Board. No vacancy in the membership of the Board shall impair the right of a quorum to exercise all rights and to perform all the duties of the Board and the Authority.

(i) Compensation of the Board. No part of the revenues or assets of the Authority shall inure to the benefit of or be distributable to the members of the Board or officers or other
private persons. The members of the Board shall receive no salary for their services but shall be entitled to receive per diem and allowances in accordance with the provisions of G.S. 138-5.

NC General Statutes - Chapter 63A 6
(j) Treasurer. The Board shall select the Authority's treasurer. The Board shall require a surety bond of the appointee in the amount as the Board may fix, and the premium shall be
paid by the Authority as a necessary expense of the Authority.
(k) Executive Director and other Employees. The Board shall appoint an executive director, whose salary shall be fixed by the Board, to serve at its pleasure. The executive director or a person designated by the executive director shall appoint, employ, dismiss, and, within the limits of available funding, fix the compensation of other employees as considered necessary.
(l) Office. The Board shall establish an office for the transaction of the Authority's business at the place the Board finds advisable or necessary to implement the provisions of this
Chapter. (1991, c. 749, s. 1; 1991 (Reg. Sess., 1992), c. 900, s. 108(b)-(e); 1993 (Reg. Sess., 1994), c. 777, s. 4(d), (d1).)

Rationale for recommendation as stated on page 12 of the PED report:

"A board of directors more closely aligned with targeted industries and with statewide representation could strengthen the organization and increase its ability to attract new businesses. In interviews conducted for this evaluation, Authority board members and economic development experts suggested the Authority would benefit from a board of directors more closely aligned with its economic development mission. Currently, only one board member owns or operates a business within one of the Global TransPark's targeted industries (logistics). None of the board members represent the aerospace industry—one of the key industries for the Global TransPark—or the other targeted industries (advanced manufacturing, emergency response and disaster relief, and defense and security). Except for the Secretary of Commerce, no board members are from the economic development community. Furthermore, eight members are state administrators, and there is no representation from the western part of the state despite legislation stipulating consideration should be given to having representation from the three regions of the state."

The targeted industries include:

- Aerospace and aviation
- Advanced manufacturing
- Logistics and supply chain management
- Emergency response and disaster relief
- And defense and security

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — June 8th, 2011

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Amy Bowman	DST
John Metcalf	Policy Group.
Anne Bender	DOA.
Sam Byassee	DOA
Kelly Chambers	AG's Office
Al King	NL J CTR
Meredith Swindell	The Policy Group
John Metcalf	
Allison Waller	Nelson Mullins
Bo Heath	MWC
Chuck Stone	SEANC

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — June 8th, 2011

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
D. Hall	GF

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

Wednesday, June 08, 2011

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

FAVORABLE

S.B.(CS #1) **409** Global TransPark PED Study.
Sequential Referral: None
Recommended Referral: None

TOTAL REPORTED: 1

Committee Clerk Comments:

Senator Clary

Box #	Year	Chamber	Committee
10	2011-2012	Senate	Appropriations Base Budget (cont.)
10	2011	Senate	Appropriations - General Government
10	2011-2012	Senate	Appropriations - Health & Human Services
10	2011	Senate	Appropriations - Higher Education
10	2011	Senate	Appropriations - Justice & Public Safety
10	2011-2012	Senate	Appropriations - Transportation
10	2011-2012	Senate	Commerce

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
Tuesday, June 14, 2011 at 2:00 PM
Room 643
MINUTES

The Senate Appropriations/Base Budget Committee met at 2:10 PM on June 14, 2011 in room 643 of the Legislative Office Building. Eighteen members of the Committee were present. Senator Pete Brunstetter presided. Senator Brunstetter called the meeting to order and recognized the Pages.

Senator Brunstetter called on Representative David Guice to present **HB642: AN ACT TO IMPLEMENT CERTAIN RECOMMENDATIONS OF THE JUSTICE REINVESTMENT PROJECT AND TO PROVIDE THAT THE ACT SHALL BE 3 ENTITLED "THE JUSTICE REINVESTMENT ACT OF 2011.** Senator Harry Brown, was recognized and offered his first amendment to HB 642, Amendment ALH-90. The amendment passed. Senator Brown was recognized and offered his second amendment to HB 642, Amendment ALH-91. The amendment passed. Representative Guice presented his bill which was followed by questions and answers from the Committee. Senator Tillman moved for an unfavorable report as to Committee Substitute Bill Number 2 but favorable as to the Senate Committee Substitute Bill. The motion carried.

Senator Brunstetter recognized Representative Paul Stam to present **HB344:AN ACT TO ALLOW AN INDIVIDUAL INCOME TAX CREDIT FOR CHILDREN WITH DISABILITIES WHO REQUIRE SPECIAL EDUCATION AND TO CREATE A FUND FOR SPECIAL EDUCATION AND RELATED SERVICES.** A technical amendment, Amendment ALH-91 was offered and explained by Senator Richard Stevens. The amendment passed. Senator Nesbitt was recognized to offer an amendment, ARQ-99. The amendment failed. After questions and answers by the Committee, Senator Tommy Tucker moved for an unfavorable report as to Senate Committee Substitute Bill Number 1, but favorable as to Senate Committee Substitute Bill number 2. The motion carried.

Attachments:

1. Committee Notice
2. Agenda
3. HB 642
4. Fiscal Note for 642
5. Bill Summary for 642
6. Amendment ALH-90
7. Amendment ALH-91
8. HB 344
9. Fiscal Note for 344
10. Bill Summary for 344
11. Amendment ALH-100
12. Amendment ARQ-99

13. Visitor's Log
14. Committee Report
15. PCS70257/HB344
16. PCS70259/HB642

The meeting adjourned at 2:35 PM.

Senator Pete Brunstetter, Presiding

Mary Marchman, Committee Clerk

ATTACHMENT 1

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	June 14, 2011	2:00 PM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
HB 344	Tax Credits for Children with Disabilities.	Representative Jones, Jr. Representative Jordan Representative Stam Representative Randleman
HB 642	Justice Reinvestment Act.	Representative Bordsen Representative Parmon Representative Faircloth, Jr. Representative Guice

Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

ATTACHMENT 2

Senate Appropriations/Base Budget Committee
Tuesday, June 14, 2011, 2:00 PM
643 LOB

AGENDA

Welcome and Opening Remarks

Introduction of Pages and Sergeant-at-Arms

Bills

HB 642	Justice Reinvestment Act.	Representative Bordsen Representative Parmon Representative Faircloth, Jr. Representative Guice
HB 344	Tax Credits for Children with Disabilities.	Representative Jones, Jr. Representative Jordan Representative Stam Representative Randleman

Presentations

HB642: Representative David Guice

HB344: Representative Paul Stam

Other Business

Adjournment

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

H 6

HOUSE BILL 642

Committee Substitute Favorable 4/14/11
Committee Substitute #2 Favorable 5/31/11
Fourth Edition Engrossed 6/2/11
Senate Judiciary I Committee Substitute Adopted 6/9/11
Corrected Copy 6/13/11

Short Title: Justice Reinvestment Act. (Public)

Sponsors:

Referred to:

April 6, 2011

A BILL TO BE ENTITLED

AN ACT TO IMPLEMENT CERTAIN RECOMMENDATIONS OF THE JUSTICE REINVESTMENT PROJECT AND TO PROVIDE THAT THE ACT SHALL BE ENTITLED "THE JUSTICE REINVESTMENT ACT OF 2011."

The General Assembly of North Carolina enacts:

PART I. STRENGTHEN PROBATION SUPERVISION

SECTION 1.(a) G.S. 15A-1340.11(2) reads as rewritten:

"(2) Community punishment. – A sentence in a criminal case that does not include an active punishment or assignment to a drug treatment court. ~~punishment, an intermediate punishment, or any of the conditions of probation listed in subdivision (6) of this section.~~It may include any one or more of the conditions set forth in G.S. 15A-1343(a1)."

SECTION 1.(b) G.S. 15A-1340.11(6) reads as rewritten:

"(6) Intermediate punishment. – A sentence in a criminal case that places an offender on supervised probation. ~~probation and includes at least one~~ It may include drug treatment court, in addition to one or more of the ~~following conditions:~~conditions set forth in G.S. 15A-1343(a1).

~~a. Special probation as defined in G.S. 15A-1351(a).~~
~~b. Assignment to a residential program.~~
~~c. House arrest with electronic monitoring.~~
~~d. Intensive supervision.~~
~~e. Assignment to a day reporting center.~~
~~f. Assignment to a drug treatment court program.~~"

SECTION 1.(c) G.S. 15A-1343 is amended by adding a new subsection to read:

"(a1) Community and Intermediate Probation Conditions. – In addition to any conditions a court may be authorized to impose pursuant to G.S. 15A-1343(b1), the court may include any one or more of the following conditions as part of a community or intermediate punishment:

(1) House arrest with electronic monitoring.
(2) Special probation as defined in G.S. 15A-1351(a).
(3) Perform community service.

(4) Submission to a period or periods of confinement in a local confinement facility for a total of no more than six days per month during any three separate months during the period of probation. The six days per month confinement provided for in this subdivision may only be imposed as two-day or three-day consecutive periods.
(5) Substance abuse assessment, monitoring, or treatment.
(6) Participation in an educational or vocational skills development program, including an evidence-based program.
(7) Submission to satellite-based monitoring, pursuant to Part 5 of Article 27A of Chapter 14 of the General Statutes, if the defendant is described by G.S. 14-208.40(a)(2)."

SECTION 1.(d) G.S. 15A-1343.2(e) reads as rewritten:

"(e) Delegation to Probation Officer in Community Punishment. – Unless the presiding judge specifically finds in the judgment of the court that delegation is not appropriate, the Division of Community Corrections in the Department of Correction may require an offender sentenced to community punishment ~~to:~~to do any of the following:

(1) Perform up to 20 hours of community service, and pay the fee prescribed by law for this ~~supervision;~~supervision.
(2) Report to the offender's probation officer on a frequency to be determined by the ~~officer; or~~officer.
(3) Submit to substance abuse assessment, monitoring or treatment.
(4) Submit to house arrest with electronic monitoring.
(5) Submit to a period or periods of confinement in a local confinement facility for a total of no more than six days per month during any three separate months during the period of probation. The six days per month confinement provided for in this subdivision may only be imposed as two-day or three-day consecutive periods.
(6) Submit to a curfew which requires the offender to remain in a specified place for a specified period each day and wear a device that permits the offender's compliance with the condition to be monitored electronically.
(7) Participate in an educational or vocational skills development program, including an evidence-based program.

If the Division imposes any of the above requirements, then it may subsequently reduce or remove those same requirements.

The probation officer may exercise authority delegated to him or her by the court pursuant to subsection (e) of this section after administrative review and approval by a Chief Probation Officer. The offender may file a motion with the court to review the action taken by the probation officer. The offender shall be given notice of the right to seek such a court review. However, the offender shall have no right of review if he or she has signed a written waiver of rights as required by this subsection. The Division may exercise any authority delegated to it under this subsection only if it first determines that the offender has failed to comply with one or more of the conditions of probation imposed by the court or the offender is determined to be high risk based on the results of the risk assessment in G.S. 15A-1343.2, except that the condition at subdivision (5) of this subsection may not be imposed unless the Division determines that the offender failed to comply with one or more of the conditions imposed by the court. Nothing in this section shall be construed to limit the availability of the procedures authorized under G.S. 15A-1345.

~~If the probation officer exercises authority delegated to him or her by the court pursuant to this subsection, the offender may file a motion with the court to review the action taken by the probation officer. The offender shall be given notice of the right to seek such a court review. The Division may exercise any authority delegated to it under this subsection only if it first~~

~~determines that the offender has failed to comply with one or more of the conditions of probation imposed by the court.~~

The Department shall adopt guidelines and procedures to implement the requirements of this section, which shall include a supervisor's approval prior to exercise of the delegation of authority authorized by this section. Prior to imposing confinement pursuant to subdivision (5) of this subsection, the probationer must first be presented with a violation report, with the alleged violations noted and advised of the right (i) to a hearing before the court on the alleged violation, with the right to present relevant oral and written evidence; (ii) to have counsel at the hearing, and that one will be appointed if the probationer is indigent; (iii) to request witnesses who have relevant information concerning the alleged violations; and (iv) to examine any witnesses or evidence. Upon the signing of a waiver of rights by the probationer, with both the probation officer and a supervisor signing as witnesses, the probationer may be confined for the period designated on the violation report."

SECTION 1.(e) G.S. 15A-1343.2(f) reads as rewritten:

"(f) Delegation to Probation Officer in Intermediate Punishments. – Unless the presiding judge specifically finds in the judgment of the court that delegation is not appropriate, the Division of Community Corrections in the Department of Correction may require an offender sentenced to intermediate punishment ~~to:~~to do any of the following:

(1) Perform up to 50 hours of community service, and pay the fee prescribed by law for this ~~supervision;~~supervision.

(2) Submit to a curfew which requires the offender to remain in a specified place for a specified period each day and wear a device that permits the offender's compliance with the condition to be monitored ~~electronically;~~ electronically.

(3) Submit to substance abuse assessment, monitoring or ~~treatment;~~ treatment.

(4) Participate in an educational or vocational skills development ~~program.~~program, including an evidence-based program.

(5) Submit to satellite-based monitoring pursuant to Part 5 of Article 27A of Chapter 14 of the General Statutes, if the defendant is described by G.S. 14-208.40(a)(2).

(6) Submit to a period or periods of confinement in a local confinement facility for a total of no more than six days per month during any three separate months during the period of probation. The six days per month confinement provided for in this subdivision may only be imposed as two-day or three-day consecutive periods.

(7) Submit to house arrest with electronic monitoring.

(8) Report to the offender's probation officer on a frequency to be determined by the officer.

If the Division imposes any of the above requirements, then it may subsequently reduce or remove those same requirements.

The probation officer may exercise authority delegated to him or her by the court pursuant to subsection (f) of this section after administrative review and approval by a Chief Probation Officer. The offender may file a motion with the court to review the action taken by the probation officer. The offender shall be given notice of the right to seek such a court review. However, the offender shall have no right of review if he or she has signed a written waiver of rights as required by this subsection. The Division may exercise any authority delegated to it under this subsection only if it first determines that the offender has failed to comply with one or more of the conditions of probation imposed by the court or the offender is determined to be high risk based on the results of the risk assessment in G.S. 15A-1343.2, except that the condition at subdivision (6) of this subsection may not be imposed unless the Division determines that the offender failed to comply with one or more of the conditions imposed by

the court. Nothing in this section shall be construed to limit the availability of the procedures authorized under G.S. 15A-1345.

~~If the probation officer exercises authority delegated to him or her by the court pursuant to this subsection, the offender may file a motion with the court to review the action taken by the probation officer. The offender shall be given notice of the right to seek such a court review. The Division may exercise any authority delegated to it under this subsection only if it first determines that the offender has failed to comply with one or more of the conditions of probation imposed by the court.~~

The Department shall adopt guidelines and procedures to implement the requirements of this section, which shall include a supervisor's approval prior to exercise of the delegation of authority authorized by this section. Prior to imposing confinement pursuant to subdivision (6) of this subsection, the probationer must first be presented with a violation report, with the alleged violations noted and advised of the right (i) to a hearing before the court on the alleged violation, with the right to present relevant oral and written evidence; (ii) to have counsel at the hearing, and that one will be appointed if the probationer is indigent; (iii) to request witnesses who have relevant information concerning the alleged violations; and (iv) to examine any witnesses or evidence. Upon the signing of a waiver of rights by the probationer, with both the probation officer and a supervisor signing as witnesses, the probationer may be confined for the period designated on the violation report."

SECTION 1.(f) G.S. 15A-1343.2 is amended by adding a new subsection to read:

"(b1) Departmental Risk Assessment by Validated Instrument Required. – As part of the probation program developed by the Department of Correction pursuant to subsection (b) of this section, the Department of Correction shall use a validated instrument to assess each probationer for risk of reoffending and shall place a probationer in a supervision level based on the probationer's risk of reoffending and criminogenic needs."

SECTION 1.(g) G.S. 15A-1343(b1)(3b) is repealed.

SECTION 1.(h) G.S. 15A-1340.11(3) is repealed.

SECTION 1.(i) G.S. 15A-1340.11(5) is repealed.

SECTION 1.(j) G.S. 15A-1340.11(8) is repealed.

SECTION 1.(k) G.S. 15A-1343.2(c) reads as rewritten:

"(c) Probation Caseload Goals. – It is the goal of the General Assembly that, subject to the availability of funds, caseloads for probation officers supervising persons who are determined to be high or moderate risk of rearrest as determined by the Department's validated risk assessment should not exceed an average of 60 offenders per officer.~~sentenced to community punishment should not exceed an average of 90 offenders per officer, and caseloads for offenders sentenced to intermediate punishments should not exceed an average of 60 offenders per officer by July 1, 1998.~~"

SECTION 1.(l) This section becomes effective December 1, 2011, and applies to persons placed on probation based on offenses which occur on or after December 1, 2011; however, this section and the provisions of this act requiring the Department of Correction to adopt guidelines and procedures are effective when this act becomes law.

PART II. POST-RELEASE SUPERVISION CHANGES

SECTION 2.(a) G.S. 15A-1368.1 reads as rewritten:

"**§ 15A-1368.1. Applicability of Article 84A.**

This Article applies to all felons ~~in Class B1 through Class E~~ sentenced to an active punishment under Article 81B of this Chapter, but does not apply to felons in Class A and Class B1 sentenced to life imprisonment without parole. Prisoners subject to Articles 85 and 85A of this Chapter are excluded from this Article's coverage."

SECTION 2.(b) G.S. 15A-1368.2 reads as rewritten:

"**§ 15A-1368.2. Post-release supervision eligibility and procedure.**

(a) A prisoner to whom this Article applies shall be released from prison for post-release supervision on the date equivalent to his maximum imposed prison term less ~~nine months,~~ 12 months in the case of Class B1 through E felons and less nine months in the case of Class F through I felons, less any earned time awarded by the Department of Correction or the custodian of a local confinement facility under G.S. 15A-1340.13(d). If a prisoner has not been awarded any earned time, the prisoner shall be released for post-release supervision on the date equivalent to his maximum prison term less nine months.

(b) A prisoner shall not refuse post-release supervision.

(c) A supervisee's period of post-release supervision shall be for a period of ~~nine months,~~ 12 months in the case of Class B1 through E felons and nine months in the case of Class F through I felons, unless the offense is an offense for which registration is required pursuant to Article 27A of Chapter 14 of the General Statutes. For offenses subject to the registration requirement of Article 27A of Chapter 14 of the General Statutes, the period of post-release supervision is five years. The conditions of post-release supervision are as authorized in G.S. 15A-1368.5.

...."

SECTION 2.(c) G.S. 15A-1368.4(e) is amended by adding a new subdivision to read:

"(7a) Not to abscond, by willfully avoiding supervision or by willfully making the supervisee's whereabouts unknown to the supervising probation officer."

SECTION 2.(d) G.S. 15A-1368.3(c) reads as rewritten:

"(c) Effect of Violation. – If the supervisee violates a condition, described in G.S. 15A-1368.4, at any time before the termination of the supervision period, the Commission may continue the supervisee on the existing supervision, with or without modifying the conditions, or if continuation or modification is not appropriate, may revoke post-release supervision as provided in G.S. 15A-1368.6 and reimprison the supervisee for a term consistent with the following requirements:

(1) ~~The supervisee~~Supervisees who were convicted of an offense for which registration is required under Article 27A of Chapter 14 of the General Statutes and supervisees whose supervision is revoked for a violation of the required controlling condition under G.S. 15A-1368.4(b) or for absconding in violation of G.S. 15A-1368.4(e)(7a) will be returned to prison up to the time remaining on ~~his~~their maximum imposed ~~term.~~terms. All other supervisees will be returned to prison for three months and may be returned for three months on each of two subsequent violations, after which supervisees who were Class B1 through E felons may be returned to prison up to the time remaining on their maximum imposed terms.

(2) The supervisee shall not receive any credit for days on post-release supervision against the maximum term of imprisonment imposed by the court under G.S. 15A-1340.13.

(3) Pursuant to Article 19A of Chapter 15, the Department of Correction shall award a prisoner credit against any term of reimprisonment for all time spent in custody as a result of revocation proceedings under G.S. 15A-1368.6.

(4) The prisoner is eligible to receive earned time credit against the maximum prison term as provided in G.S. 15A-1340.13(d) for time served in prison after the revocation."

SECTION 2.(e) G.S. 15A-1340.17(d) reads as rewritten:

"(d) Maximum Sentences Specified for Class F through Class I Felonies. – Unless provided otherwise in a statute establishing a punishment for a specific crime, for each minimum term of imprisonment in the chart in subsection (c) of this section, expressed in months, the corresponding maximum term of imprisonment, also expressed in months, is as

specified in the table below for Class F through Class I felonies. The first figure in each cell in the table is the minimum term and the second is the maximum term.

~~3-4~~	~~4-5~~	~~5-6~~	~~6-8~~	~~7-9~~	~~8-10~~	~~9-11~~	~~10-12~~
~~11-14~~	~~12-15~~	~~13-16~~	~~14-17~~	~~15-18~~	~~16-20~~	~~17-21~~	~~18-22~~
~~19-23~~	~~20-24~~	~~21-26~~	~~22-27~~	~~23-28~~	~~24-29~~	~~25-30~~	~~26-32~~
~~27-33~~	~~28-34~~	~~29-35~~	~~30-36~~	~~31-38~~	~~32-39~~	~~33-40~~	~~34-41~~
~~35-42~~	~~36-44~~	~~37-45~~	~~38-46~~	~~39-47~~	~~40-48~~	~~41-50~~	~~42-51~~
~~43-52~~	~~44-53~~	~~45-54~~	~~46-56~~	~~47-57~~	~~48-58~~	~~49-59~~	
3-13	4-14	5-15	6-17	7-18	8-19	9-20	10-21
11-23	12-24	13-25	14-26	15-27	16-29	17-30	18-31
19-32	20-33	21-35	22-36	23-37	24-38	25-39	26-41
27-42	28-43	29-44	30-45	31-47	32-48	33-49	34-50
35-51	36-53	37-54	38-55	39-56	40-57	41-59	42-60
43-61	44-62	45-63	46-65	47-66	48-67	49-68".	

SECTION 2.(f) G.S. 15A-1340.17(e) reads as rewritten:

"(e) Maximum Sentences Specified for Class B1 through Class E Felonies for Minimum Terms up to 339 Months. – Unless provided otherwise in a statute establishing a punishment for a specific crime, for each minimum term of imprisonment in the chart in subsection (c) of this section, expressed in months, the corresponding maximum term of imprisonment, also expressed in months, is as specified in the table below for Class B1 through Class E felonies. The first figure in each cell of the table is the minimum term and the second is the maximum term.

~~15-27~~	~~16-29~~	~~17-30~~	~~18-31~~	~~19-32~~	~~20-33~~	~~21-35~~	~~22-36~~
~~23-37~~	~~24-38~~	~~25-39~~	~~26-41~~	~~27-42~~	~~28-43~~	~~29-44~~	~~30-45~~
~~31-47~~	~~32-48~~	~~33-49~~	~~34-50~~	~~35-51~~	~~36-53~~	~~37-54~~	~~38-55~~
~~39-56~~	~~40-57~~	~~41-59~~	~~42-60~~	~~43-61~~	~~44-62~~	~~45-63~~	~~46-65~~
~~47-66~~	~~48-67~~	~~49-68~~	~~50-69~~	~~51-71~~	~~52-72~~	~~53-73~~	~~54-74~~
~~55-75~~	~~56-77~~	~~57-78~~	~~58-79~~	~~59-80~~	~~60-81~~	~~61-83~~	~~62-84~~
~~63-85~~	~~64-86~~	~~65-87~~	~~66-89~~	~~67-90~~	~~68-91~~	~~69-92~~	~~70-93~~
~~71-95~~	~~72-96~~	~~73-97~~	~~74-98~~	~~75-99~~	~~76-101~~	~~77-102~~	~~78-103~~
~~79-104~~	~~80-105~~	~~81-107~~	~~82-108~~	~~83-109~~	~~84-110~~	~~85-111~~	~~86-113~~
~~87-114~~	~~88-115~~	~~89-116~~	~~90-117~~	~~91-119~~	~~92-120~~	~~93-121~~	~~94-122~~
~~95-123~~	~~96-125~~	~~97-126~~	~~98-127~~	~~99-128~~	~~100-129~~	~~101-131~~	~~102-132~~
~~103-133~~	~~104-134~~	~~105-135~~	~~106-137~~	~~107-138~~	~~108-139~~	~~109-140~~	~~110-141~~
~~111-143~~	~~112-144~~	~~113-145~~	~~114-146~~	~~115-147~~	~~116-149~~	~~117-150~~	~~118-151~~
~~119-152~~	~~120-153~~	~~121-155~~	~~122-156~~	~~123-157~~	~~124-158~~	~~125-159~~	~~126-161~~
~~127-162~~	~~128-163~~	~~129-164~~	~~130-165~~	~~131-167~~	~~132-168~~	~~133-169~~	~~134-170~~
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~~167-210~~	~~168-211~~	~~169-212~~	~~170-213~~	~~171-215~~	~~172-216~~	~~173-217~~	~~174-218~~
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~~215-267~~	~~216-269~~	~~217-270~~	~~218-271~~	~~219-272~~	~~220-273~~	~~221-275~~	~~222-276~~
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~~231-287~~	~~232-288~~	~~233-289~~	~~234-290~~	~~235-291~~	~~236-293~~	~~237-294~~	~~238-295~~
~~239-296~~	~~240-297~~	~~241-299~~	~~242-300~~	~~243-301~~	~~244-302~~	~~245-303~~	~~246-305~~

1	~~247-306~~	~~248-307~~	~~249-308~~	~~250-309~~	~~251-311~~	~~252-312~~	~~253-313~~	~~254-314~~
2	~~255-315~~	~~256-317~~	~~257-318~~	~~258-319~~	~~259-320~~	~~260-321~~	~~261-323~~	~~262-324~~
3	~~263-325~~	~~264-326~~	~~265-327~~	~~266-329~~	~~267-330~~	~~268-331~~	~~269-332~~	~~270-333~~
4	~~271-335~~	~~272-336~~	~~273-337~~	~~274-338~~	~~275-339~~	~~276-341~~	~~277-342~~	~~278-343~~
5	~~279-344~~	~~280-345~~	~~281-347~~	~~282-348~~	~~283-349~~	~~284-350~~	~~285-351~~	~~286-353~~
6	~~287-354~~	~~288-355~~	~~289-356~~	~~290-357~~	~~291-359~~	~~292-360~~	~~293-361~~	~~294-362~~
7	~~295-363~~	~~296-365~~	~~297-366~~	~~298-367~~	~~299-368~~	~~300-369~~	~~301-371~~	~~302-372~~
8	~~303-373~~	~~304-374~~	~~305-375~~	~~306-377~~	~~307-378~~	~~308-379~~	~~309-380~~	~~310-381~~
9	~~311-383~~	~~312-384~~	~~313-385~~	~~314-386~~	~~315-387~~	~~316-389~~	~~317-390~~	~~318-391~~
10	~~319-392~~	~~320-393~~	~~321-395~~	~~322-396~~	~~323-397~~	~~324-398~~	~~325-399~~	~~326-401~~
11	~~327-402~~	~~328-403~~	~~329-404~~	~~330-405~~	~~331-407~~	~~332-408~~	~~333-409~~	~~334-410~~
12	~~335-411~~	~~336-413~~	~~337-414~~	~~338-415~~	~~339-416~~			
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14	23-40	24-41	25-42	26-44	27-45	28-46	29-47	30-48
15	31-50	32-51	33-52	34-53	35-54	36-56	37-57	38-58
16	39-59	40-60	41-62	42-63	43-64	44-65	45-66	46-68
17	47-69	48-70	49-71	50-72	51-74	52-75	53-76	54-77
18	55-78	56-80	57-81	58-82	59-83	60-84	61-86	62-87
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20	71-98	72-99	73-100	74-101	75-102	76-104	77-105	78-106
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27	127-165	128-166	129-167	130-168	131-170	132-171	133-172	134-173
28	135-174	136-176	137-177	138-178	139-179	140-180	141-182	142-183
29	143-184	144-185	145-186	146-188	147-189	148-190	149-191	150-192
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32	167-213	168-214	169-215	170-216	171-218	172-219	173-220	174-221
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35	191-242	192-243	193-244	194-245	195-246	196-248	197-249	198-250
36	199-251	200-252	201-254	202-255	203-256	204-257	205-258	206-260
37	207-261	208-262	209-263	210-264	211-266	212-267	213-268	214-269
38	215-270	216-271	217-273	218-274	219-275	220-276	221-278	222-279
39	223-280	224-281	225-282	226-284	227-285	228-286	229-287	230-288
40	231-290	232-291	233-292	234-293	235-294	236-296	237-297	238-298
41	239-299	240-300	241-302	242-303	243-304	244-305	245-306	246-308
42	247-309	248-310	249-311	250-312	251-314	252-315	253-316	254-317
43	255-318	256-320	257-321	258-322	259-323	260-324	261-326	262-327
44	263-328	264-329	265-330	266-332	267-333	268-334	269-335	270-336
45	271-338	272-339	273-340	274-341	275-342	276-344	277-345	278-346
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49	303-376	304-377	305-378	306-380	307-381	308-382	309-383	310-384
50	311-386	312-387	313-388	314-389	315-390	316-392	317-393	318-394
51	319-395	320-396	321-398	322-399	323-400	324-401	325-402	326-404

327-405 328-408 329-407 330-408 331-410 332-411 333-412 334-413 335-414 336-416 337-417 338-418 339-419".

SECTION 2.(g) G.S. 15A-1340.17(e1) reads as rewritten:

"(e1) Maximum Sentences Specified for Class B1 through Class E Felonies for Minimum Terms of 340 Months or More. – Unless provided otherwise in a statute establishing a punishment for a specific crime, when the minimum sentence is 340 months or more, the corresponding maximum term of imprisonment shall be equal to the sum of the minimum term of imprisonment and twenty percent (20%) of the minimum term of imprisonment, rounded to the next highest month, plus ~~nine~~ 12 additional months."

SECTION 2.(h) This section becomes effective December 1, 2011, and applies to offenses committed on or after that date.

PART III. STATUS OFFENSE OF HABITUAL BREAKING AND ENTERING

SECTION 3.(a) Chapter 14 of the General Statutes is amended by adding a new Article to read:

"Article 2D.

"Habitual Breaking and Entering Status Offense.

"**§ 14-7.25. Definitions.**

The following definitions apply in this Article:

(1) "Breaking and entering." – The term means any of the following felony offenses:

a. First degree burglary (G.S. 14-51).

b. Second degree burglary (G.S. 14-51).

c. Breaking out of dwelling house burglary (G.S. 14-53).

d. Breaking or entering buildings generally (G.S. 14-54(a)).

e. Breaking or entering a building that is a place of religious worship (G.S. 14-54.1).

f. Any repealed or superseded offense substantially equivalent to any of the offenses in sub-subdivision a., b., c., d., or e. of this subdivision.

g. Any offense committed in another jurisdiction substantially similar to any of the offenses in sub-subdivision a., b., c., d., or e. of this subdivision.

(2) "Convicted." – The person has been adjudged guilty of or has entered a plea of guilty or no contest to the offense of breaking and entering.

(3) "Status offender." – A person who is a habitual breaking and entering status offender as described in G.S. 14-7.26.

"**§ 14-7.26. Habitual breaking and entering status offender.**

Any person who has been convicted of or pled guilty to one or more prior felony offenses of breaking and entering in any federal court or state court in the United States, or combination thereof, is guilty of the status offense of habitual breaking and entering and may be charged with that status offense pursuant to this Article.

This Article does not apply to a second felony offense of breaking and entering unless it is committed after the conviction of the first felony offense of breaking and entering. For purposes of this Article, felony offenses of breaking and entering committed before the person is 18 years of age shall not constitute more than one felony of breaking and entering. Any felony to which a pardon has been extended shall not, for the purposes of this Article, constitute a felony offense of breaking and entering.

"**§ 14-7.27. Punishment.**

When any person is charged with a felony offense of breaking and entering and is also charged with being a status offender as defined in G.S. 14-7.26, the person must, upon conviction, be sentenced and punished as a status offender as provided by this Article.

"**§ 14-7.28. Charge of habitual breaking and entering status offender.**

(a) The district attorney, in his or her discretion, may charge a person with the status offense of habitual breaking and entering pursuant to this Article. To sustain a conviction of a person as a status offender, the person must be charged separately for the felony offense of breaking and entering and for the habitual breaking and entering status offense. The indictment charging the defendant as a status offender shall be separate from the indictment charging the person with the principal felony offense of breaking and entering.

(b) An indictment that charges a person with being a status offender must set forth the date that the prior felony offense of breaking and entering was committed, the name of the state or other sovereign against whom the felony offense of breaking and entering was committed, the dates that the plea of guilty was entered into or conviction returned in the felony offense of breaking and entering, and the identity of the court in which the plea or conviction took place. No defendant charged with being a status offender in a bill of indictment shall be required to go to trial on the charge within 20 days of the finding of a true bill by the grand jury; provided, the defendant may waive this 20-day period.

"**§ 14-7.29. Evidence of prior convictions of breaking and entering.**

In all cases in which a person is charged under the provisions of this Article with being a status offender, the record of prior conviction of the felony offense of breaking and entering shall be admissible in evidence, but only for the purpose of proving that the person has been convicted of a former felony offense of breaking and entering. A prior conviction may be proved by stipulation of the parties or by the original or a certified copy of the court record of the prior conviction. The original or certified copy of the court record, bearing the same name as that by which the defendant is charged, shall be prima facie evidence that the defendant named therein is the same as the defendant before the court and shall be prima facie evidence of the facts set out therein.

"**§ 14-7.30. Verdict and judgment.**

(a) When an indictment charges a person with a felony offense of breaking and entering as provided by this Article and an indictment also charges that the person is a status offender, the defendant shall be tried for the principal offense of breaking and entering as provided by law. The indictment that the person is a status offender shall not be revealed to the jury unless the jury shall find that the defendant is guilty of the principal felony offense of breaking and entering with which the defendant is charged.

(b) If the jury finds the defendant guilty of the felony offense of breaking and entering, the bill of indictment charging the defendant as a status offender may be presented to the same jury. Except that the same jury may be used, the proceedings shall be as if the issue of status offender were a principal charge.

(c) If the jury finds that the defendant is a status offender, the trial judge shall enter judgment according to the provisions of this Article. If the jury finds that the defendant is not a status offender, the trial judge shall pronounce judgment on the principal felony offense of breaking and entering as provided by law.

"**§ 14-7.31. Sentencing of status offenders.**

(a) When a status offender as defined in this Article commits a felony offense of breaking and entering under the laws of the State of North Carolina, the status offender must, upon conviction or plea of guilty under indictment as provided in this Article, be sentenced as a Class E felon.

(b) In determining the prior record level, any conviction used to establish a person's status as a status offender shall not be used. Sentences imposed under this Article shall run consecutively with and shall commence at the expiration of any sentence being served by the person sentenced under this section.

(c) A conviction as a status offender under this Article shall not constitute commission of a felony for the purpose of either Article 2A or Article 2B of Chapter 14 of the General Statutes."

SECTION 3.(b) G.S. 14-7.1 reads as rewritten:

"**§ 14-7.1. Persons defined as habitual felons.**

Any person who has been convicted of or pled guilty to three felony offenses in any federal court or state court in the United States or combination thereof is declared to be an habitual ~~felon.~~ felon and may be charged as a status offender pursuant to this Article. For the purpose of this Article, a felony offense is defined as an offense which is a felony under the laws of the State or other sovereign wherein a plea of guilty was entered or a conviction was returned regardless of the sentence actually imposed. Provided, however, that federal offenses relating to the manufacture, possession, sale and kindred offenses involving intoxicating liquors shall not be considered felonies for the purposes of this Article. For the purposes of this Article, felonies committed before a person attains the age of 18 years shall not constitute more than one felony. The commission of a second felony shall not fall within the purview of this Article unless it is committed after the conviction of or plea of guilty to the first felony. The commission of a third felony shall not fall within the purview of this Article unless it is committed after the conviction of or plea of guilty to the second felony. Pleas of guilty to or convictions of felony offenses prior to July 6, 1967, shall not be felony offenses within the meaning of this Article. Any felony offense to which a pardon has been extended shall not for the purpose of this Article constitute a felony. The burden of proving such pardon shall rest with the defendant and the State shall not be required to disprove a pardon."

SECTION 3.(c) G.S. 14-7.3 reads as rewritten:

"**§ 14-7.3. Charge of habitual felon.**

The district attorney, in his or her discretion, may charge a person as an habitual felon pursuant to this Article. An indictment which charges a person who is an habitual felon within the meaning of G.S. 14-7.1 with the commission of any felony under the laws of the State of North Carolina must, in order to sustain a conviction of habitual felon, also charge that said person is an habitual felon. The indictment charging the defendant as an habitual felon shall be separate from the indictment charging him with the principal felony. An indictment which charges a person with being an habitual felon must set forth the date that prior felony offenses were committed, the name of the state or other sovereign against whom said felony offenses were committed, the dates that pleas of guilty were entered to or convictions returned in said felony offenses, and the identity of the court wherein said pleas or convictions took place. No defendant charged with being an habitual felon in a bill of indictment shall be required to go to trial on said charge within 20 days of the finding of a true bill by the grand jury; provided, the defendant may waive this 20-day period."

SECTION 3.(d) G.S. 14-7.6 reads as rewritten:

"**§ 14-7.6. Sentencing of habitual felons.**

When an habitual felon as defined in this Article commits any felony under the laws of the State of North Carolina, the felon must, upon conviction or plea of guilty under indictment as provided in this Article (except where the felon has been sentenced as a Class A, B1, or B2 felon) be sentenced ~~as a Class C felon.~~ at a felony class level that is four classes higher than the principal felony for which the person was convicted; but under no circumstances shall an habitual felon be sentenced at a level higher than a Class C felony. In determining the prior record level, convictions used to establish a person's status as an habitual felon shall not be used. Sentences imposed under this Article shall run consecutively with and shall commence at the expiration of any sentence being served by the person sentenced under this section."

SECTION 3.(e) This section becomes effective December 1, 2011, and applies to any offense that occurs on or after that date and that is the principal felony offense for a charge of either the status offenses of habitual breaking and entering or habitual felon. Prosecutions

for offenses committed before the effective date of this act are not abated or affected by this act, and the statutes that would be applicable but for this act remain applicable to those prosecutions.

PART IV. LIMIT TIME/CERTAIN VIOLATIONS OF PROBATION

SECTION 4.(a) G.S. 15A-1343(b) is amended by adding a new subdivision to read:

"(3a) Not to abscond, by willfully avoiding supervision or by willfully making the defendant's whereabouts unknown to the supervising probation officer."

SECTION 4.(b) G.S. 15A-1344(a) reads as rewritten:

"(a) Authority to Alter or Revoke. – Except as provided in subsection (a1) or (b), probation may be reduced, terminated, continued, extended, modified, or revoked by any judge entitled to sit in the court which imposed probation and who is resident or presiding in the district court district as defined in G.S. 7A-133 or superior court district or set of districts as defined in G.S. 7A-41.1, as the case may be, where the sentence of probation was imposed, where the probationer violates probation, or where the probationer resides. Upon a finding that an offender sentenced to community punishment under Article 81B has violated one or more conditions of probation, the court's authority to modify the probation judgment includes the authority to require the offender to comply with conditions of probation that would otherwise make the sentence an intermediate punishment. The court may only revoke probation for a violation of a condition of probation under G.S. 15A-1343(b)(1) or G.S. 15A-1343(b)(3a), except as provided in G.S. 15A-1344(d2). Imprisonment may be imposed pursuant to G.S. 15A-1344(d2) for a violation of a requirement other than G.S. 15A-1343(b)(1) or G.S. 15A-1343(b)(3a). The district attorney of the prosecutorial district as defined in G.S. 7A-60 in which probation was imposed must be given reasonable notice of any hearing to affect probation substantially."

SECTION 4.(c) G.S. 15A-1344 is amended by adding a new subsection to read:

"(d2) Confinement in Response to Violation. – When a defendant has violated a condition of probation other than G.S. 15A-1343(b)(1) or G.S. 15A-1343(b)(3a), the court may impose a 90-day period of confinement, but may not revoke probation unless the defendant has previously received a total of two 90-day periods of confinement under this subsection. A defendant may receive only two 90-day periods of confinement under this subsection. If the time remaining on the defendant's maximum imposed sentence is less than 90 days, then the term of confinement is for the remaining period of the sentence. Confinement under this section shall be credited pursuant to G.S. 15-196.1."

SECTION 4.(d) This section is effective December 1, 2011, and applies to probation violations occurring on or after that date.

PART V. DIVERSION PROGRAM/FELONY DRUG POSSESSION

SECTION 5.(a) G.S. 90-96 reads as rewritten:

"**§ 90-96. Conditional discharge for first offense.**

(a) Whenever any person who has not previously been convicted of (i) any felony offense under any state or federal laws; (ii) any offense under this ~~Article~~ Article; or (iii) an offense under any statute of the United States or any state relating to those substances included in Article 5 or 5A of Chapter 90 or to that paraphernalia included in Article 5B of Chapter ~~90~~90 of the General Statutes pleads guilty to or is found guilty of (i) a misdemeanor under this Article by possessing a controlled substance included within Schedules ~~II~~ I through VI of this Article or by possessing drug paraphernalia as prohibited by G.S. 90 113.22, or (ii) a felony under G.S. 90-95(a)(3), ~~G.S. 90-95(a)(3) by possessing less than one gram of cocaine,~~ the court ~~may,~~ shall, without entering a judgment of guilt and with the consent of such person, defer further proceedings and place him on probation upon such reasonable terms and conditions as it

may require. Notwithstanding the provisions of G.S. 15A 1342(c) or any other statute or law, probation may be imposed under this section for an offense under this Article for which the prescribed punishment includes only a fine. To fulfill the terms and conditions of probation the court may allow the defendant to participate in a drug education program approved for this purpose by the Department of Health and Human ~~Services.~~ Services or in the Treatment for Effective Community Supervision Program under Article 6B of Chapter 143B of the General Statutes. Upon violation of a term or condition, the court may enter an adjudication of guilt and proceed as otherwise provided. Upon fulfillment of the terms and conditions, the court shall discharge such person and dismiss the proceedings against him. Discharge and dismissal under this section shall be without court adjudication of guilt and shall not be deemed a conviction for purposes of this section or for purposes of disqualifications or disabilities imposed by law upon conviction of a crime including the additional penalties imposed for second or subsequent convictions under this Article. Discharge and dismissal under this section or G.S. 90 113.14 may occur only once with respect to any person. Disposition of a case to determine discharge and dismissal under this section at the district court division of the General Court of Justice shall be final for the purpose of appeal. Prior to taking any action to discharge and dismiss under this section the court shall make a finding that the defendant has no record of previous convictions ~~under the "North Carolina Controlled Substances Act", Article 5, Chapter 90, the "North Carolina Toxic Vapors Act", Article 5A, Chapter 90, or the "Drug Paraphernalia Act", Article 5B, Chapter 90.~~as provided in this subsection.

(a1) Upon the first conviction only of any offense ~~included in G.S. 90-95(a)(3) or G.S. 90-113.22 and subject to the provisions of this subsection (a1),~~ which qualifies under the provisions of subsection (a) of this section, and the provisions of this subsection, the court may place defendant on probation under this section for an offense under this Article including an offense for which the prescribed punishment includes only a fine. The probation, if imposed, shall be for not less than one year and shall contain a minimum condition that the defendant who was found guilty or pleads guilty enroll in and successfully complete, within 150 days of the date of the imposition of said probation, the program of instruction at the drug education school approved by the Department of Health and Human Services pursuant to G.S. 90 96.01. The court may impose probation that does not contain a condition that defendant successfully complete the program of instruction at a drug education school if:

(1) There is no drug education school within a reasonable distance of the defendant's residence; or

(2) There are specific, extenuating circumstances which make it likely that defendant will not benefit from the program of instruction.

The court shall enter such specific findings in the record; provided that in the case of subdivision (2) above, such findings shall include the specific, extenuating circumstances which make it likely that the defendant will not benefit from the program of instruction.

Upon fulfillment of the terms and conditions of the probation, the court shall discharge such person and dismiss the proceedings against the person.

For the purposes of determining whether the conviction is a first conviction or whether a person has already had discharge and dismissal, no prior offense occurring more than seven years before the date of the current offense shall be considered. In addition, convictions for violations of a provision of G.S. 90-95(a)(1) or 90-95(a)(2) or 90-95(a)(3), or 90-113.10, or 90-113.11, or 90-113.12, or 90-113.22 shall be considered previous convictions.

Failure to complete successfully an approved program of instruction at a drug education school shall constitute grounds to revoke probation pursuant to this subsection and deny application for expunction of all recordation of defendant's arrest, indictment, or information, trial, finding of guilty, and dismissal and discharge pursuant to G.S. 15A-145.2. For purposes of this subsection, the phrase "failure to complete successfully the prescribed program of instruction at a drug education school" includes failure to attend scheduled classes without a

valid excuse, failure to complete the course within 150 days of imposition of probation, willful failure to pay the required fee for the course as provided in G.S. 90-96.01(b), or any other manner in which the person fails to complete the course successfully. The instructor of the course to which a person is assigned shall report any failure of a person to complete successfully the program of instruction to the court which imposed probation. Upon receipt of the instructor's report that the person failed to complete the program successfully, the court shall revoke probation, shall not discharge such person, shall not dismiss the proceedings against the person, and shall deny application for expunction of all recordation of defendant's arrest, indictment, or information, trial, finding of guilty, and dismissal and discharge pursuant to G.S. 15A-145.2. A person may obtain a hearing before the court of original jurisdiction prior to revocation of probation or denial of application for expunction.

This subsection is supplemental and in addition to existing law and shall not be construed so as to repeal any existing provision contained in the General Statutes of North Carolina.

(b) Upon the discharge of such person, and dismissal of the proceedings against the person under subsection (a) or (a1) of this section, such person, if he or she was not over 21 years of age at the time of the offense, may be eligible to apply for expunction of certain records relating to the offense pursuant to G.S. 15A-145.2(a).

(c) Repealed by Session Laws 2009-510, s. 8(b), effective October 1, 2010.

(d) Whenever any person is charged with a misdemeanor under this Article by possessing a controlled substance included within Schedules ~~II~~ I through VI of this Article or a felony under ~~G.S. 90-95(a)(3) by possessing less than one gram of cocaine,~~ G.S. 90-95(a)(3), upon dismissal by the State of the charges against such person, upon entry of a nolle prosequi, or upon a finding of not guilty or other adjudication of innocence, the person may be eligible to apply for expunction of certain records relating to the offense pursuant to G.S. 15A-145.2(b).

(e) Whenever any person who has not previously been convicted of (i) any felony offense under any state or federal laws; (ii) any offense under this Article; or (iii) an offense under any statute of the United States or any state relating to ~~Whenever any person who has not previously been convicted of an offense under this Article or under any statute of the United States or any state relating to~~ controlled substances included in any schedule of this Article or to that paraphernalia included in Article 5B of Chapter 90 of the General Statutes pleads guilty to or has been found guilty of (i) a misdemeanor under this Article by possessing a controlled substance included within Schedules ~~II~~ I through VI of this Article, or by possessing drug paraphernalia as prohibited by G.S. 90-113.22 or (ii) a felony under ~~G.S. 90-95(a)(3) by possessing less than one gram of cocaine,~~ G.S. 90-95(a)(3), the person may be eligible to apply for cancellation of the judgment and expunction of certain records related to the offense pursuant to G.S. 15A-145.2(c).

...."

SECTION 5.(b) G.S. 15A-145.2 reads as rewritten:

"**§ 15A-145.2. Expunction of records for first offenders not over 21 years of age at the time of the offense of certain drug offenses.**

...

(b) Whenever any person is charged with a misdemeanor under Article 5 of Chapter 90 of the General Statutes by possessing a controlled substance included within Schedules ~~II~~ I through VI of Article 5 of Chapter 90 of the General Statutes or a felony under ~~G.S. 90-95(a)(3) by possessing less than one gram of cocaine,~~ G.S. 90-95(a)(3), upon dismissal by the State of the charges against the person, upon entry of a nolle prosequi, or upon a finding of not guilty or other adjudication of innocence, such person may apply to the court for an order to expunge from all official records all recordation relating to his or her arrest, indictment or information, or trial. If the court determines, after hearing, that such person was not over 21 years of age at the time the offense for which the person was charged occurred, it shall enter such order. The clerk shall notify State and local agencies of the court's order as provided in

G.S. 15A-150. No person as to whom such order has been entered shall be held thereafter under any provision of any law to be guilty of perjury or otherwise giving a false statement by reason of the person's failures to recite or acknowledge such arrest, or indictment or information, or trial in response to any inquiry made of him or her for any purpose.

(c) Whenever any person who has not previously been convicted of (i) any felony offense under any state or federal laws; (ii) any offense under Chapter 90 of the General Statutes; or (iii) an offense under any statute of the United States or any state relating to controlled substances included in any schedule of Chapter 90 of the General Statutes or to that paraphernalia included in Article 5B of Chapter 90 of the General Statutes, pleads guilty to or has been found guilty of (i) a misdemeanor under this Article by possessing a controlled substance included within Schedules I through VI of Chapter 90, or by possessing drug paraphernalia as prohibited by G.S. 90-113.22 or (ii) a felony under G.S. 90-95(a)(3), ~~Whenever any person who has not previously been convicted of an offense under Article 5 of Chapter 90 of the General Statutes or under any statute of the United States or any state relating to controlled substances included in any schedule of Article 5 of Chapter 90 of the General Statutes or to that paraphernalia included in Article 5B of Chapter 90 of the General Statutes pleads guilty to or has been found guilty of (i) a misdemeanor under Article 5 of Chapter 90 of the General Statutes by possessing a controlled substance included within Schedules through VI of Article 5 of Chapter 90 of the General Statutes or by possessing drug paraphernalia as prohibited by G.S. 90-113.22 or (ii) a felony under~~ the court may, upon application of the person not sooner than 12 months after conviction, order cancellation of the judgment of conviction and expunction of the records of the person's arrest, indictment or information, trial, and conviction. A conviction in which the judgment of conviction has been canceled and the records expunged pursuant to this subsection shall not be thereafter deemed a conviction for purposes of this subsection or for purposes of disqualifications or liabilities imposed by law upon conviction of a crime, including the additional penalties imposed for second or subsequent convictions of Article 5 of Chapter 90 of the General Statutes. Cancellation and expunction under this subsection may occur only once with respect to any person. Disposition of a case under this subsection at the district court division of the General Court of Justice shall be final for the purpose of appeal.

The granting of an application filed under this subsection shall cause the issue of an order to expunge from all official records, other than the confidential files retained under G.S. 15A-151, all recordation relating to the petitioner's arrest, indictment or information, trial, finding of guilty, judgment of conviction, cancellation of the judgment, and expunction of records pursuant to this subsection.

The judge to whom the petition is presented is authorized to call upon a probation officer for additional investigation or verification of the petitioner's conduct since conviction. If the court determines that the petitioner was convicted of (i) a misdemeanor under Article 5 of Chapter 90 of the General Statutes for possessing a controlled substance included within Schedules ~~II~~ I through VI of Article 5 of Chapter 90 of the General Statutes or for possessing drug paraphernalia as prohibited in G.S. 90-113.22 or (ii) a felony under ~~G.S. 90-95(a)(3) for possession of less than one gram of cocaine,~~ G.S. 90-95(a)(3), that the petitioner has no disqualifying previous convictions as set forth in this subsection, that the petitioner was not over 21 years of age at the time of the offense, that the petitioner has been of good behavior since his or her conviction, that the petitioner has successfully completed a drug education program approved for this purpose by the Department of Health and Human Services, and that the petitioner has not been convicted of a felony or misdemeanor other than a traffic violation under the laws of this State at any time prior to or since the conviction for the offense in question, it shall enter an order of expunction of the petitioner's court record. The effect of such order shall be to restore the petitioner in the contemplation of the law to the status the petitioner occupied before arrest or indictment or information or conviction. No person as to whom such

order was entered shall be held thereafter under any provision of any law to be guilty of perjury or otherwise giving a false statement by reason of the person's failures to recite or acknowledge such arrest, or indictment or information, or conviction, or trial in response to any inquiry made of him or her for any purpose. The judge may waive the condition that the petitioner attend the drug education school if the judge makes a specific finding that there was no drug education school within a reasonable distance of the defendant's residence or that there were specific extenuating circumstances which made it likely that the petitioner would not benefit from the program of instruction.

The court shall also order all law enforcement agencies, the Department of Correction, the Division of Motor Vehicles, and any other State or local agencies identified by the petitioner as bearing records of the conviction and records relating thereto to expunge their records of the conviction. The clerk shall notify State and local agencies of the court's order as provided in G.S. 15A-150."

SECTION 5.(c) Article 81B of Chapter 15A of the General Statutes is amended by adding a new section to read:

"**§ 15A-1340.18. Advanced supervised release.**

(a) Definitions. – For the purposes of this section, the following definitions apply:

(1) "Advanced supervised release" or "ASR" means release from prison and placement on post-release supervision under this section if an eligible defendant is sentenced to active time.

(2) "Eligible defendant" means a defendant convicted and sentenced based upon any of the following felony classes and prior record levels:

a. Class D, Prior Record Level I-III.

b. Class E, Prior Record Level I-IV.

c. Class F, Prior Record Level I-V.

d. Class G, Prior Record Level I-VI.

e. Class H, Prior Record Level I-VI.

(3) "Risk reduction incentive" is a sentencing condition which, upon successful completion during incarceration, results in a prisoner being placed on ASR.

(b) The Department of Correction is authorized to create risk reduction incentives consisting of treatment, education, and rehabilitative programs. The incentives shall be designed to reduce the likelihood that the prisoner who receives the incentive will reoffend.

(c) The court, in its discretion and without objection from the prosecutor, may include a risk reduction incentive or incentives in sentencing an eligible defendant to an active sentence.

(d) The court shall impose a sentence calculated pursuant to Article 81B of the General Statutes. The ASR date shall be the shortest mitigated sentence for the offense at the offender's prior record level. If the court utilizes the mitigated range in sentencing the defendant, then the ASR date shall be eighty percent (80%) of the minimum sentence imposed.

(e) The defendant shall be notified at sentencing that if the defendant completes the risk reduction incentives as identified by the Department, then he or she will be released on the ASR date. If the Department determines that the defendant is unable to complete the incentives by the ASR date, through no fault of the defendant, then the defendant shall be released at the ASR date.

(f) Termination from the risk reduction incentive program shall result in the nullification of the ASR date, and the defendant's release date shall be calculated based upon the adjudged sentence. A prisoner who has completed the risk reduction incentives prior to the ASR date may have the ASR date nullified due to noncompliance with Department rules or regulations.

(g) A defendant released on the ASR date is subject to post-release supervision under this Article. Notwithstanding the provisions in G.S. 15A-1368.3(c), if the defendant has been returned to prison for three, three-month periods of confinement, a subsequent violation shall

result in the defendant returning to prison to serve the time remaining on the maximum imposed term, and is ineligible for further post-release supervision regardless of the amount of time remaining to be served.

(h) The Department shall adopt policies and procedures for the assessment to occur at diagnostic processing, for documentation of the inmate's progress, and for termination from the incentive program due to a lack of progress or a pattern of noncompliance in the program or with other Department rules or regulations."

SECTION 5.(d) G.S. 15A-1340.13(d) reads as rewritten:

"(d) Service of Minimum Required; Earned Time Authorization. – An offender sentenced to an active punishment shall serve the minimum term ~~imposed.~~ imposed, except as provided in G.S. 15A-1340.18. The maximum term may be reduced to, but not below, the minimum term by earned time credits awarded to an offender by the Department of Correction or the custodian of the local confinement facility, pursuant to rules adopted in accordance with law."

SECTION 5.(e) This section becomes effective January 1, 2012, and applies to persons entering a plea or who are found guilty of an offense on or after that date.

PART VI. REFOCUS CRIMINAL JUSTICE PARTNERSHIP PROGRAM

SECTION 6.(a) Article 6A of Chapter 143B of the General Statutes is repealed.

SECTION 6.(b) Chapter 143B of the General Statutes is amended by adding a new Article to read:

"Article 6B.

"Treatment for Effective Community Supervision Program.

"**§ 143B-274.1. Short title.**

This Article is the "Treatment for Effective Community Supervision Act of 2011" and may be cited by that name.

"**§ 143B-274.2. Legislative policy.**

The policy of the General Assembly with respect to the Treatment for Effective Community Supervision Program is to support the use of evidence-based practices to reduce recidivism and to promote coordination between State and community-based corrections programs.

"**§ 143B-274.3. Definitions.**

The following definitions apply in this Article:

(1) Certified and licensed. – North Carolina Substance Abuse Professional Practice Board certified or licensed substance abuse professionals or Department of Health and Human Services licensed agencies.

(2) Department. – The Department of Correction.

(3) Division. – The Department of Correction, Division of Community Corrections.

(4) Eligible entity. – A local or regional government, a nongovernmental entity, or collaborative partnership that demonstrates capacity to provide services that address the criminogenic needs of offenders.

(5) Program. – A community-based corrections program.

(6) Secretary. – The Secretary of the Department of Correction.

(7) State Board. – The State Community Corrections Advisory Board.

"**§ 143B-274.4. Goals of community-based corrections programs funded under this Article.**

The goals of community-based programs funded under this Article are to reduce recidivism and to reduce the rate of probation and post-release supervision revocations from the rate in the 2009-2010 fiscal year.

"**§ 143B-274.5. Eligible population.**

(a) An eligible offender is an adult offender who was convicted of a misdemeanor or a felony offense or is sentenced under the conditional discharge program as defined in G.S. 90-96 and meets any one of the following criteria:

(1) Received a nonincarcerative sentence of a community punishment.

(2) Received a nonincarcerative sentence of an intermediate punishment.

(3) 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 as follows:

(1) Offenders convicted of a felony or offenders sentenced under G.S. 90-96 conditional discharge for a felony offense.

(2) Offenders identified by the Department of Correction using a validated risk assessment instrument to have a high likelihood of reoffending and a moderate to high need for substance abuse treatment.

"**§ 143B-274.6. Duties of Department of Correction.**

(a) In addition to those otherwise provided by law, the Department of Correction shall have the following duties:

(1) To enter into contractual agreements with eligible entities for the operation of community-based corrections programs and monitor compliance with those agreements.

(2) To develop the minimum program standards, policies, and rules for community-based corrections programs and to consult with the Department of Health and Human Services on those standards, policies, and rules that are applicable to licensed and credentialed substance abuse services.

(3) To monitor, oversee, and evaluate contracted service providers.

(4) To act as an information clearinghouse regarding community-based corrections programs.

(5) To collaborate with the Department of Health and Human Services on focusing treatment resources on high-risk and moderate to high need offenders on probation, parole, and post-release supervision.

(b) The Department of Correction, Division of Community Corrections, shall develop and publish a recidivism reduction plan for the State that accomplishes the following:

(1) Articulates a goal of reducing revocations among people on probation and post-release supervision by twenty percent (20%) from the rate in the 2009-2010 fiscal year.

(2) Identifies the number of people on probation and post-release supervision in each county that are in the priority population and have a likely need for substance abuse and/or mental health treatment, employment, education, and/or housing.

(3) Identifies the program models that research has shown to be effective at reducing recidivism for the target population and ranks those programs based on their cost-effectiveness.

(4) Propose a plan to fund the provision of the most cost-effective programs and services across the State. The plan shall describe the number and types of programs and/or services to be funded in each region of the State and how that program capacity compares with the needs of the target population in that region.

(c) The Department of Correction shall report by March 1 of each year to the Chairs of the Senate and House of Representatives Appropriations Committees, the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety, and the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on the status

of the Treatment for Effective Community Supervision Program. The report shall include the following information:

(1) The dollar amount and purpose of funds provided on a contractual basis to service providers for the previous fiscal year.

(2) An analysis of offender participation data received, including the following:

a. The number of people on probation and post-release supervision that are in the priority population that received services.

b. The number of people on probation and post-release supervision that are in the priority population that did not receive services.

c. The number of people on probation and post-release supervision outside of the priority population that received services.

d. The type of services provided to these populations.

e. The rate of revocations and successful completions for people who received services.

f. Other measures as determined appropriate.

(3) The dollar amount needed to provide additional services to meet the needs of the priority population in the upcoming budget year.

(4) Details of personnel, travel, contractual, operating, and equipment expenditures for each program type.

"**§ 143B-274.7. Contract for services.**

(a) The Department of Correction shall contract with service providers through a competitive procurement process to provide community-based services to offenders on probation, parole, or post-release supervision.

(b) Contracts for substance abuse treatment services shall be awarded to certified or licensed substance abuse professionals and appropriately licensed agencies to provide services and use practices that have a demonstrated evidence base.

(c) The Department of Correction, in partnership with the Department of Health and Human Services, shall develop standard service definitions and performance measures for substance abuse and aftercare support services for inclusion in the contracts.

(d) The percentage of funds received by a service provider that may be used for administrative purposes is up to fifteen percent (15%).

"**§ 143B-274.8. State Community Corrections Advisory Board.**

(a) The State Board shall act as an advisory body to the Secretary with regard to this Article. The State Board shall consist of 23 members as follows, to be appointed as provided in subsection (b) of this section:

(1) A member of the Senate.

(2) A member of the House of Representatives.

(3) A judge of the superior court.

(4) A judge of the district court.

(5) A district attorney.

(6) A criminal defense attorney.

(7) A county sheriff.

(8) A chief of a city police department.

(9) Two county commissioners, one from a predominantly urban county and one from a predominantly rural county.

(10) A representative of an existing community-based corrections program.

(11) A member of the public who has been the victim of a crime.

(12) Two rehabilitated ex-offenders.

(13) A member of the business community.

(14) Three members of the general public, one of whom is a person recovering from chemical dependency or who is a previous consumer of substance abuse treatment services.

(15) A victim service provider.

(16) A member selected from each of the following service areas: mental health, substance abuse, and employment and training.

(17) A clerk of superior court.

(b) The membership of the State Board shall be selected as follows:

(1) The Governor shall appoint the following members: the county sheriff, the chief of a city police department, the member of the public who has been the victim of a crime, a rehabilitated ex-offender, and the members selected from each of the service areas.

(2) The Lieutenant Governor shall appoint the following members: the member of the business community, one member of the general public who is a person recovering from chemical dependency or who is a previous consumer of substance abuse treatment services, and the victim service provider.

(3) The Chief Justice of the North Carolina Supreme Court shall appoint the following members: the superior court judge, the district court judge, the district attorney, the clerk of superior court, the criminal defense attorney, and the representative of an existing community-based corrections program.

(4) The President Pro Tempore of the Senate shall appoint the following members: the member of the Senate, the county commissioner from a predominantly urban county, and one member of the general public.

(5) The Speaker of the House of Representatives shall appoint the following members: the member of the House of Representatives, the county commissioner from a predominantly rural county, and one member of the general public.

In appointing the members of the State Board, the appointing authorities shall make every effort to ensure fair geographic representation of the State Board membership and to ensure that minority persons and women are fairly represented.

(c) The initial members shall serve staggered terms; one-third shall be appointed for a term of one year, one-third shall be appointed for a term of two years, and one-third shall be appointed for a term of three years. The members identified in subdivisions (1) through (7) of subsection (a) of this section shall be appointed initially for a term of one year. The members identified in subdivisions (8) through (13) in subsection (a) of this section shall be appointed initially for a term of two years. The members identified in subdivisions (14) through (16) of subsection (a) of this section shall each be appointed for a term of three years. The additional member identified in subdivision (17) in subsection (a) of this section shall be appointed initially for a term of three years.

At the end of their respective terms of office their successors shall be appointed for terms of three years. A vacancy occurring before the expiration of the term of office shall be filled in the same manner as original appointments for the remainder of the term. Members may be reappointed without limitation.

(d) Each appointing authority shall have the power to remove a member it appointed from the State Board for misfeasance, malfeasance, or nonfeasance.

(e) The members of the State Board shall, within 30 days after the last initial appointment is made, meet and elect one member as Chair and one member as Vice-Chair.

(f) The State Board shall meet at least quarterly and may also hold special meetings at the call of the Chair. For purposes of transacting business, a majority of the membership shall constitute a quorum.

(g) Any member who has an interest in a governmental agency or unit or private nonprofit agency which is applying for a Treatment for Effective Community Supervision Program contract or which has received a contract and which is the subject of an inquiry or vote by a contract oversight committee, shall publicly disclose that interest on the record and shall take no part in discussion or have any vote in regard to any matter directly affecting that particular grant applicant or grantee. "Interest" in a grant applicant or grantee means a formal and direct connection to the entity, including, but not limited to, employment, partnership, serving as an elected official, board member, director, officer, or trustee, or being an immediate family member of someone who has such a connection to the grant applicant or grantee.

(h) The members of the State Board shall serve without compensation but shall be reimbursed for necessary travel and subsistence expenses.

"**§ 143B-274.9. State Community Corrections Advisory Board; powers and duties.**

(a) The State Community Corrections Advisory Board, as defined under this Article, has the following duties and responsibilities:

(1) To review the criteria for monitoring and evaluating community-based corrections programs.

(2) To recommend community-based corrections program priorities.

(3) To review the minimum program standards, policies, and rules for community-based corrections programs.

(4) To review the evaluation of programs funded by this Article.

"**§ 143B-274.10. North Carolina Sentencing and Policy Advisory Commission report.**

The North Carolina Sentencing and Policy Advisory Commission shall report by April 30 of each even-numbered year to the General Assembly and the Governor on recidivism rates for offenders on probation, parole, and post-release supervision participating in programming funded through this Article according to risk level.

"**§ 143B-274.11. Program types eligible for funding; community-based corrections programs.**

Based on the prioritized populations in G.S. 143B-274.5(b), program types eligible for funding may include, but are not limited to, the following:

(1) Substance abuse treatment services, to include co-occurring substance abuse and mental health disorder services, residential, intensive outpatient, outpatient, peer support, and relapse prevention.

(2) Cognitive behavioral programming and other evidence-based programming deemed to be the most cost-effective method to reduce criminogenic needs identified by the risk/needs assessment."

SECTION 6.(c) This section becomes effective July 1, 2011. The Department of Correction may enter into contracts under this section with current program providers in the Criminal Justice Partnership Program on a sole-source basis during the 2011-2012 fiscal year.

PART VII. MOST MISDEMEANANTS TO SERVE SENTENCES IN JAIL

SECTION 7.(a) G.S. 148-32.1 is amended by adding a new subsection to read:

"(b1) It is the intent of the General Assembly to authorize the Department of Correction to enter into voluntary agreements with counties to provide housing for misdemeanants serving periods of confinement of more than 90 days and up to 180 days, except for those serving a sentence for an impaired driving offense. It is further the intent of the General Assembly that the Department of Correction, in conjunction with the North Carolina Sheriffs' Association, Inc., establish a program for housing misdemeanants serving periods of confinement of more than 90 days and up to 180 days, except for those serving sentences for an impaired driving offense. It is also the intent of the General Assembly that the Department of Correction contract with the North Carolina Sheriffs' Association, Inc., to provide a service that identifies space in local confinement facilities that is available for housing these misdemeanants.

The General Assembly intends that the cost of housing and caring for these misdemeanants, including, but not limited to, care, supervision, transportation, medical, and any other related costs, be covered by State funds and not be imposed as a local cost. Therefore, the General Assembly intends that the funds in the Statewide Misdemeanor Confinement Fund be used to provide funding to cover the costs of managing a system for providing that housing of misdemeanants in local confinement facilities as well as reimbursing the counties for housing and related expenses for those misdemeanants."

SECTION 7.(b) G.S. 15A-1352(b) reads as rewritten:

"(b) A person sentenced to imprisonment for a felony under this Article shall be committed for the term designated by the court to the custody of the Department of ~~Correction; except that, upon request of the sheriff or the board of commissioners of a county, the presiding judge may, in his discretion, sentence the person to a local confinement facility in that county.~~Correction."

SECTION 7.(c) G.S. 15A-1352 is amended by adding a new subsection to read:

"(e) A person sentenced for a misdemeanor who has a sentence imposed that requires confinement for a period of more than 90 days and up to 180 days, except for those serving sentences for an impaired driving offense under G.S. 20-138.1 under this Article or for nonpayment of a fine under Article 84 of this Chapter, shall be committed for the term designated by the court to confinement pursuant to the Statewide Misdemeanant Confinement Program established by G.S. 148-32.1."

SECTION 7.(d) G.S. 148-32.1(b) reads as rewritten:

"(b) In the event that the custodian of the local confinement facility certifies in writing to the clerk of the superior court in the county in which ~~said~~ the local confinement facility is located that the local confinement facility is filled to capacity, or that the facility cannot reasonably accommodate any more prisoners due to segregation requirements for particular prisoners, or that the custodian anticipates, in light of local experiences, an influx of temporary prisoners at that time, or if the local confinement facility does not meet the minimum standards published pursuant to G.S. 153A-221, any judge of the district court in the district court district as defined in G.S. 7A-133 where the facility is located, or any superior court judge who has jurisdiction pursuant to G.S. 7A-47.1 or G.S. 7A-48 in a district or set of districts as defined in G.S. 7A-41.1 where the facility is located may order that ~~the~~ a prisoner not housed pursuant to the Statewide Misdemeanor Confinement Program established in subsection (b2) of this section be transferred to any other qualified local confinement facility within that district or within another such district where space is available, including a satellite jail unit operated pursuant to G.S. 153A-230.3 if the prisoner is a non-violent misdemeanant, which local facility shall accept the transferred ~~prisoner, if the prison population has exceeded a manageable level as provided for in G.S. 148-4.1(a). If no such local confinement facility is available, then any such judge may order the prisoner transferred to such camp or facility as the proper authorities of the Department of Correction shall designate, notwithstanding that the term of imprisonment of the prisoner is 90 days or less. In no event, however, shall a prisoner whose term of imprisonment is less than 30 days be assigned or ordered transferred to any such camp or facility.~~prisoner.

If no other local confinement facility is available and the reason for the requested transfer is that the local confinement facility that would be required to house the prisoner cannot reasonably accommodate any more prisoners due to segregation requirements for particular prisoners or the local facility does not meet the minimum standards published pursuant to G.S. 153A-221, then the judge may order that a prisoner not housed pursuant to the Statewide Misdemeanor Confinement Program established in subsection (b2) of this section be transferred to a facility operated by the Department of Correction as designated by the Department of Correction. In no event, however, shall a prisoner whose term of imprisonment is less than 30 days be assigned or ordered transferred to a facility operated by the Department of Correction."

SECTION 7.(e) G.S. 148-32.1 is amended by adding a new subsection to read:

"(b2) The Statewide Misdemeanor Confinement Program is established. The Program shall provide for the housing of misdemeanants from all counties serving sentences imposed for a period of more than 90 days and up to 180 days, except for those serving sentences for an impaired driving offense under G.S. 20-138.1. Those misdemeanants shall be confined in local confinement facilities except as provided in subsections (b3) and (b4) of this section. The Program shall address methods for the placement and transportation of inmates and reimbursement to counties for the housing of those inmates. Any county that voluntarily agrees to house misdemeanants from that county or from other counties pursuant to the Program may enter into a written agreement with the Department of Correction to do so.

This Program shall only operate as long as sufficient State funds are available through the Statewide Misdemeanor Confinement Fund established in G.S. 148-10.4(c)."

SECTION 7.(f) The North Carolina Sheriffs' Association in consultation with the Department of Correction shall develop the Statewide Misdemeanor Confinement Program established in G.S. 148-32.1, as enacted in subsection (e) of this section, by September 1, 2011.

Notwithstanding any other provision of law, no later than November 1, 2011, the Secretary of Correction shall contract with the North Carolina Sheriffs' Association to implement the Program. The contract terms shall include all of the following:

(1) A provision that the Program shall be operated on a statewide basis no later than January 1, 2012, but may be phased in beginning at an earlier date.

(2) A provision addressing the method of payment to the North Carolina Sheriffs' Association for the costs of administering the Program.

(3) A provision authorizing reimbursement by the North Carolina Sheriffs' Association to counties or to the Department of Correction, as appropriate, for all expenses incurred on behalf of those misdemeanants.

SECTION 7.(g) G.S. 148-32.1 is amended by adding new subsections to read:

"(b3) The custodian of a local confinement facility may request a judicial order to transfer a misdemeanant housed pursuant to the Statewide Misdemeanor Confinement Program to a facility operated by the Department of Correction by certifying in writing to the clerk of the superior court in the county in which the local confinement facility is located that:

(1) The misdemeanant poses a security risk because the misdemeanant:

a. Poses a serious escape risk;

b. Exhibits violently aggressive behavior that cannot be contained and warrants a higher level of supervision;

c. Needs to be protected from other inmates, and the county jail facility cannot provide such protection;

d. Is a female or a person 18 years of age or younger, and the county jail facility does not have adequate housing for such prisoners;

e. Is in custody at a time when a fire or other catastrophic event has caused the county jail facility to cease or curtail operations; or

f. Otherwise poses an imminent danger to the staff of the county jail facility or to other prisoners in the facility.

(2) The misdemeanant requires medical or mental health treatment that the county decides can best be provided by the Department of Correction.

(3) The local confinement facility that would be required to house the prisoner (i) cannot reasonably accommodate any more prisoners due to segregation requirements for particular prisoners, or the local facility does not meet the minimum standards published pursuant to G.S. 153A-221; and (ii) no other local confinement facility is available.

Upon receiving such request and certification in writing, any superior or district court judge for the district in which the local confinement facility is located may, after ascertaining that the

request meets the criteria set forth in subdivision (1), (2), or (3) of this subsection, order the misdemeanant transferred to a unit of the State prison system designated by the Secretary of Correction or the Secretary's authorized representative. The Department of Correction shall be reimbursed from the Statewide Misdemeanor Confinement Fund for the costs of housing the misdemeanant, including the care, supervision, and transportation of the misdemeanant.

(b4) A misdemeanant housed under the Statewide Misdemeanor Confinement Program established pursuant to subsection (b2) of this section may be transferred to a facility operated by the Department of Correction if the North Carolina Sheriffs' Association determines that the local confinement facilities available for housing misdemeanants under the Program are filled to capacity. The Department of Correction shall be reimbursed from the Statewide Misdemeanor Confinement Fund for the costs of housing the misdemeanant, including the care, supervision, and transportation of the misdemeanant."

SECTION 7.(h) Article 1 of Chapter 148 of the General Statutes is amended by adding a new section to read:

"**§ 148-10.4. Statewide Misdemeanor Confinement Fund.**

(a) Definitions. – The following definitions apply in this section:

(1) Department. – Department of Correction.

(2) Fund. – The Statewide Misdemeanor Confinement Fund established by this section.

(3) Program. – Statewide Misdemeanor Confinement Program established under G.S. 148-32.1(b3).

(4) Sheriffs' Association. – North Carolina Sheriffs' Association, Inc.

(b) Intent and Purpose. – It is the intent of the General Assembly that the funds in the Fund established by this section be used to reimburse local governments for expenses incurred for housing misdemeanants under the Program, and other related expenses; and to cover administrative costs incurred by the North Carolina Sheriffs' Association for services provided by it regarding the housing of these misdemeanants.

(c) Statewide Misdemeanor Confinement Fund established. – There is created within the Department of Correction a special nonreverting fund called the Statewide Misdemeanor Confinement Fund.

(d) Fund Uses. – Moneys in the Fund may be used for the following:

(1) Reimbursements by the Sheriffs' Association to counties for the costs of housing misdemeanants under the Program, including the care, supervision, and transportation of those misdemeanants.

(2) Reimbursements to the Department of Correction for the cost of housing misdemeanants transferred to the Department pursuant to G.S. 148-32.1(b3), including the care, supervision, and transportation of those misdemeanants.

(3) To pay the Sheriffs' Association for administrative and operating expenses pursuant to subsection (e) of this section.

(4) To pay the Department of Correction for administrative and operating expenses pursuant to subsection (e) of this section.

(e) Operating and Administrative Expenses. – Ten percent (10%) of the monthly receipts collected and credited to the Statewide Misdemeanor Confinement Fund shall be transferred on a monthly basis to the Sheriffs' Association to be used to support the Program and for administrative and operating expenses of the Association and its staff. One percent (1%) of the monthly receipts collected and credited to the Statewide Misdemeanor Confinement Fund shall be transferred on a monthly basis to the General Fund to be allocated to the Department of Correction for its administrative and operating expenses for the Program."

SECTION 7.(i) The North Carolina Sheriffs' Association shall report to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee by October 1, 2011, on the implementation of this Part, and shall report thereafter as requested by the

Committee. The report shall include relevant information collected monthly by the Sheriffs' Association regarding the jail capacity and population in each county.

SECTION 7.(j) The General Assembly finds that while the Program developed pursuant to G.S. 148-32.1(b2), as enacted by subsection (e) of this section shall be available statewide on January 1, 2012, it may be available to some counties at an earlier date. Therefore, notwithstanding any other provision of law, a misdemeanant, who has a sentence imposed of more than 90 days and up to 180 days prior to January 1, 2012, excluding those serving sentences for an impaired driving offense under G.S. 20-138.1, may be transferred or reassigned to a local confinement facility designated by the Sheriffs' Association as provided by the Program developed pursuant to G.S. 148-32.1(b2).

SECTION 7.(k) Of the funds appropriated to the Department of Correction for the 2011-2012 fiscal year, the Department shall transfer the sum of three hundred thousand dollars ($300,000) to the North Carolina Sheriffs' Association for expenses related to initiating the provisions of this Part.

SECTION 7.(l) If there is not adequate capacity in the Statewide Misdemeanor Confinement program, such that the Department of Correction must continue to house prisoners serving more than 90 and up to 180 days pursuant to G.S. 148-32.1(b4), then the Department of Correction is authorized to use funds received from the Statewide Misdemeanor Confinement Fund to operate facilities previously identified for closure and for diagnostic staff positions.

SECTION 7.(m) G.S. 148-32.1(b2), as enacted by subsection (e) of this section, and subsections (a), (h), (i), (j), (k), (l), and (m) of this section become effective July 1, 2011. The remainder of this section becomes effective January 1, 2012, and applies to sentences imposed on or after that date.

PART VIII. ANNUAL REPORT AND SENTENCING COMMISSION DUTIES

SECTION 8.(a) Article 4 of Chapter 164 of the General Statutes is amended by adding a new section to read:

"**§ 164-50. Annual report on implementation of Justice Reinvestment Project.**

The Judicial Department, through the North Carolina Sentencing and Policy Advisory Commission, and the Department of Correction shall jointly conduct ongoing evaluations regarding the implementation of the Justice Reinvestment Act of 2011. The Commission shall present the first evaluation report to the Joint Legislative Correction, Crime Control, and Juvenile Justice Oversight Committee and to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety by April 15, 2012, and future reports shall be made annually by April 15 of each year."

SECTION 8.(b) G.S. 164-44(a) reads as rewritten:

"(a) The Commission shall have the secondary duty of collecting, developing, and maintaining statistical data relating to sentencing, corrections, and juvenile justice so that the primary duties of the Commission will be formulated using data that is valid, accurate, and relevant to this State. All State agencies shall provide data as it is requested by the Commission. For the purposes of G.S. 114-19.1, the Commission shall be considered to be engaged in the administration of criminal justice. All meetings of the Commission shall be open to the public and the information presented to the Commission shall be available to any State agency or member of the General Assembly."

PART IX. TITLE

SECTION 9. This act shall be known as "The Justice Reinvestment Act of 2011."

PART X. EFFECTIVE DATE

SECTION 10. Except as otherwise provided in this act, this act is effective when it becomes law. Prosecutions for offenses committed before the effective date of this act are not abated or affected by this act, and the statutes that would be applicable but for this act remain applicable to those prosecutions.

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2011

Legislative Fiscal Note

BILL NUMBER: House Bill 642 (Fourth Edition)

SHORT TITLE: Justice Reinvestment Act.

SPONSOR(S): Representatives Guice, Faircloth, Bordsen, and Parmon

FISCAL IMPACT

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

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
REVENUES					
EXPENDITURES *Exact amount cannot be determined.*					
POSITIONS (cumulative):					

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Judicial Branch; Department of Correction; local jails.

EFFECTIVE DATE: Varies by section

FISCAL SUMMARY: The Justice Reinvestment Act, HB 642, makes significant changes in the sentencing laws and correctional policies of the State. The intent of the Justice Reinvestment concept is to reduce spending on incarceration and to redirect the savings into community-based treatment alternatives that are proven to reduce criminality. **Since most of the changes in the bill represent new policies for which there is no historical data, exact estimates are impossible without making significant assumptions.**

BILL SUMMARY: This bill summary includes a general overview of the legal and policy changes in each section of this Proposed Committee Substitute for House Bill 642. Each section also includes an explanation of the potential costs and savings associated with that part of the bill.

Part I Strengthen Probation Supervision

This Part generally broadens the authority of the Probation Officer to supervise offenders based on their risk of reoffending and their crime-producing needs. It changes the definitions of Community and Intermediate punishments under Structured Sentencing to allow the court to order a group of conditions in addition to the Regular and Special Conditions of Probation. These include electronic house arrest, split sentence, community service, substance abuse treatment, and short-term jail sentences not exceeding six days per month.

By adding these conditions to the set of options available to the court for both Community and Intermediate punishments, the Part also makes them available to the supervising officers through Delegated Authority. Under the Delegated Authority statute, the probation officer can, unless expressly blocked by the judge, require a probationer to comply with a variety of additional conditions without returning to court for a modification. Thus, under this bill, probation officers would have a much more expansive array of options with which of respond to offender behavior.

The most significant element of this expansion is the addition of jail confinement to the options available under Delegated Authority. Currently, there is no provision for a probation officer to put an offender in jail without an arrest warrant. Under this bill, the offender is given an opportunity to waive a hearing and submit to short periods of jail confinement, not more than six days per month, rather than appear before a judge and face a complete revocation. Research on such programs in other states, specifically Georgia and Hawaii, indicate that such swift and certain response to misbehavior is highly effective in reducing recidivism. **Because this expansion of authority is new, it cannot be determined how often officers will use short-term jail incarceration, but it could have the effect of reducing violation hearings in court.**

The bill also requires the Department of Correction to assess each offender placed on probation, using a validated instrument, to determine the offender's risk of reoffending and *criminogenic* (crime-producing) needs. It is the intent of the legislation that each offender's supervision level should be determined by objective risk assessment, rather than sentencing level. The bill modifies the caseload goals articulated by the General Assembly to establish a goal that offenders assessed at moderate to high risk of re-arrest should be supervised in caseloads not exceeding 60 offenders per officer. **The Division of Community Corrections estimates a need for roughly 100 additional probation officers to preserve this caseload goal. At a total average position cost of $62,975, this would account for $6,297,500 in additional costs for community supervision.**

This Part of the bill is intended to reduce admissions to prison from probation revocation. Over half of all admissions to prison result from revocations, so any reduction to the number of probation revocations would have an impact on prison population. Of course, this also means that there would be a reduction in probation exits by way of revocation, so the Division of Community Corrections expects an increase in overall probation population. To achieve the caseload goals, sufficient resources must be present in the community to support the probation officer's expanded authority. The modified caseload goals and the requirement for universal risk assessment may also require additional probation officers. The addition of jail days to the list of responses available to the officer may mean more entries to jail. This utilization of jail days may put more offenders in jail for short periods, but conversely, it may mean that fewer offenders having been arrested will spend time in jail awaiting a violation hearing.

If the probation revocation rate declines by five per cent as a result of this section of the bill, the State could expect a reduction of 318 prison beds in five years. The Department of Correction has a goal of reducing revocations by 20%; at this reduction rate, this portion of the bill would save 1,500 prison beds in five years. At an average annual operating rate of $27,717, this portion of the bill could be expected to save $41,575,500 in prison costs in the fifth year, offset by the $6,297,500 in probation resources mentioned above.

Part II Post-Release Supervision Changes

Section II of the bill requires post-release supervision for all felon offenders who serve an active sentence in prison. Currently, post-release supervision is only available for Class B1-E felons, who comprise less than half the exits from prison. This change can be expected to increase admissions to post-release supervision by over 14,000 offenders a year. More specifically, this Section sets a period of twelve months of supervision for Class B1-E felons and nine months for Class F-I felons. In Section 2(d), the bill specifies that offenders who fail to comply with their conditions may be revoked for only three months unless they commit a new crime or they abscond.

This Part of the bill will require additional probation officers to supervise the substantial increase in entries to post-release supervision. Also, based on this increased supervised population, there is a significant increase in potential revocations to prison. **This portion of the bill could require as many as 183 additional probation officers in the field in five years and, depending upon the rate of revocation for offenders on post-release supervision, could require between 653 and 885 additional prison beds in five years. This portion of the bill would generate a total cost of $32,764,545.**

Part III Status Offense of Habitual Breaking and Entering

This Section changes the existing definition of Habitual Felon and creates a new status offense for Habitual Breaking and Entering. Currently, an offender may be charged as a Habitual Felon when, with three prior felony convictions, he is charged with another felony. If he is convicted as a Habitual Felon, he is sentenced as a Class C felon, carrying a mandatory active sentence of at least five years.

Under this bill, the definition of the general Habitual Felon status remains the same, but the sentencing level is predicated on the triggering (fourth or subsequent) offense. The sentencing level would be set four classes higher than the triggering offense, but capped at Class C.

This section also creates a separate habitual felon statute for repeat breaking and entering. Offenders achieve habitual breaking and entering status upon committing a breaking and entering offense with one prior conviction of any other offense in the same family, including burglary. Offenders convicted of this status offense would be sentenced as Class E felons. As there are over 3,000 admissions to prison annually for crimes of this type, the impact on prison beds could be substantial. **Assuming that judges impose an active sentence in all Habitual Felon convictions, this section would create a need for 1,088 additional prison beds in five years. This section of the bill would generate a prison cost increase of $30,156,096.**

Part IV Limit Time/Certain Violations of Probation

Part IV caps the time an offender could serve on a revocation of probation for strictly technical violations at 90 days. Neither commission of a new crime nor absconding from probation is considered a technical violation and thus can result in activation of the full sentence. These 90-day revocations would result in reductions in prison beds occupied by revoked probationers since they would not serve as long on a revocation as they currently do. However, since the offender would come out of prison with time remaining on the probation sentence, it is possible that the offender

could serve more than one 90-day revocation term, thus increasing actual admissions. **Assuming no change in revocation rates, this Part would reduce the need for prison beds by 2,445 in five years. With such a reduction in the prison population, this section would save $67,768,065.**

Part V Diversion Program/Felony Drug Possession

Part V contains two separate policy changes. First, the bill expands the population eligible for a deferred prosecution program for first-time drug possession offenders. Currently, only defendants charged with misdemeanor drug possession or felony possession of less than an ounce of cocaine may have their charges suspended by the judge and be placed on probation for a period of supervision and treatment. This bill adds all first-time felony drug possession defendants to the eligible population and requires the court to defer prosecution for all eligible defendants. **The impact of this section cannot be projected because there is no statewide information about current utilization of the deferred prosecution program**

Second, this Part of the bill creates a new program within the Department of Correction, called Advanced Supervised Release (ASR), to allow offenders with D-H class convictions to reduce their sentence, at the discretion of the court, by completing rehabilitative programming. In practice, a judge would select a rehabilitative program for the offender and set the ASR release date, the lowest mitigated sentence length for that conviction. If the offender successfully completes the rehabilitative program, he will be released at the shortened sentence length. **Because this section is a complete departure from existing sentencing policy, its impact cannot be determined.**

Part VI Refocus Criminal Justice Partnership Program

The State-County Criminal Justice Partnership Program was created in concert with the Structured Sentencing Act in 1993 to provide for supplemental community corrections programs through a formula-based grant process. House Bill 642 repeals the Partnership Act and establishes a new supplemental community corrections program called Treatment for Effective Community Supervision (TECS). Unlike the old CJP program, TECS would not have a funding formula for each county based on population and probation caseload. Instead, the Department of Correction would use TECS funds to establish contracts with program providers at the county level who would be paid on a fee-for-service basis. The section also creates an advisory board to assist the Department in making funding decisions. **This section has no fiscal impact.**

Part VII Misdemeanants to Serve Sentences in Jail

This section modifies the current statute that assigns responsibility for housing misdemeanor offenders between State and county. Currently, offenders sentenced to less than 90 days active time serve their sentence in the custody of the county sheriff and those with 90 days or more serve their sentence in the state prison system. This bill would raise the threshold to 180 days. Further, this section specifies that, in order to be placed in the custody of the Department of Correction, the offender must have over 180 days remaining to serve, net of any credit for time served.

This has the effect of reducing admissions to prison substantially, but also requiring more confinement resources in the counties. The Sentencing Commission estimates a savings of between 1,000 and 1,200 prison beds immediately by shifting misdemeanants into the county

systems. **By transferring this number of offenders out of the State system, this portion of the bill would save $33,260,400.**

House Bill 200, the appropriations act, closes four prisons and a diagnostic center assuming the transfer of misdemeanants; the bill has passed the House and is currently in the Senate Appropriations Committee.

In response to this issue, the Proposed Committee Substitute establishes a special non-reverting fund, the Statewide Misdemeanor Confinement Fund, to be held by the Department of Correction and administered by the Sheriff's Association to reimburse counties for housing misdemeanants and to coordinate a transfer program to track available capacity and move misdemeanants. **This section of the Proposed Committee Substitute does not provide a funding stream for the non-reverting fund; House Bill 200 includes Section 31.26, Contingent Court Cost Increases for Counties. This section provides for a series of court cost increases dedicated counties that are conditional upon the passage of House Bill 642. These two bills must be coordinated as the legislative process moves forward to assure adequate resources for counties to hold the increased sentenced population.** This PCS provides safeguards to counties that the placement of misdemeanants will be suspended if there are inadequate funds to reimburse them for housing expenses.

ASSUMPTIONS AND METHODOLOGY:

This bill has been analyzed by the NC Sentencing and Policy Advisory Commission using their prison population simulator, and by the Department of Correction to identify necessary probation resources. The bill's intent and effect is expected to be an overall reduction in need for prison beds and an associated increase in need for probation resources to manage the offender population better in the community.

While the Commission's analysis does not take into consideration interaction effects of the bill, the following table shows a summary of the 2015-16 costs and savings by section.

Part	Prison Beds at $27,717/year	Probation Officers at $62,975	Cost/Savings
Part I	-1,500	100	($35,278,000.00)
Part II	885	183	$ 36,053,970.00
Part III	1,088		$ 30,156,096.00
Part IV	-2,445		($67,768,065.00)
Part VII	-1,200		($33,260,400.00)
Total	**-3,172**	**283**	**($70,096,399.00)**

SOURCES OF DATA: NC Sentencing and Policy Advisory Commission; NC Department of Correction

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Douglas Holbrook

APPROVED BY: Lynn Muchmore, Director
Fiscal Research Division

DATE: June 9, 2011

Signed Copy Located in the NCGA Principal Clerk's Offices

HOUSE BILL 642:
Justice Reinvestment Act

2011-2012 General Assembly

Committee:	Senate Appropriations/Base Budget	**Date:**	June 14, 2011
Introduced by:	Reps. Guice, Faircloth, Bordsen, Parmon	**Prepared by:**	Hal Pell Committee Counsel
Analysis of:	Sixth Edition		

SUMMARY: ***This act revises State criminal laws, criminal procedure laws, and probation statutes based upon the recommendations of the Justice Reinvestment Project. Unless otherwise provided in the act, it is effective when it becomes law.***

BACKGROUND: Since 2009, the Council of State Governments (CSG) Justice Center has been developing a statewide policy framework [Justice Reinvestment Project] to reduce spending on corrections and reinvest in strategies to increase public safety. The Justice Reinvestment Project was the result of a request for technical assistance by the Governor and other State officials. The CSG has been collecting data from multiple sources including FBI Uniform Crime Reports, the North Carolina Department of Correction (DOC), the North Carolina Sentencing and Policy Advisory Commission, the North Carolina Administrative Office of the Courts, and the North Carolina Department of Health and Human Services, along with other state agencies, county agencies and organizations.

In addition to these quantitative analyses, the CSG Justice Center staff conducted meetings and interviews with criminal justice practitioners and stakeholders from around the state, including superior and district court judges, district attorneys, defense attorneys, behavioral health treatment providers, family members, consumers, law enforcement officials, victim advocates, and probation officers.

BILL ANALYSIS:

PART I. STRENGTHEN PROBATION SUPERVISION

Section 1.(a) – Redefines Community Punishment in the Structured Sentencing Act. The amendment will authorize a sentencing court to impose drug treatment court or any one or more of the conditions listed in the G.S. 15A-1343(a1) [see the description of G.S. 15A-1343(a1) at **Section 1.(c),** below]. The change broadens the court's discretion by enlarging the scope of sentences which may be ordered by the court. In order to allow for these conditions to be "delegated" to the Department of Correction [see **Section 1.(d)** below], they must initially be available to the sentencing court.

Section 1(b) – Redefines Intermediate Punishment in the Structured Sentencing Act. In addition to the current requirement of placement on supervised probation, the amendment will authorize a sentencing court to impose drug treatment court or any one or more of the conditions listed in the G.S. 15A-1343(a1) [see the description of G.S. 15A-1343(a1) at **Section 1.(c),** below]. The change broadens the court's discretion by enlarging the scope of sentences which may be ordered by the court. In order to allow for these conditions to be "delegated" to the Department of Correction [see **Section 1.(e)** below], they must initially be available to the sentencing court.

Section 1.(c) – Enacts a new subsection that lists the probation conditions for either community or intermediate punishments. In addition to any special conditions of probation that may be ordered, the court may impose any one or more of the following:

- House arrest with electronic monitoring.
- Special probation (probation with confinement portion)
- Community service.
- Periods of confinement in a local confinement facility (up to six days per month, limited to consecutive 2 or 3 day periods, in any three months of the period of probation).
- Substance abuse assessment, monitoring, or treatment.
- Participation in an educational or vocational skills development program, including an evidence-based program.
- Satellite-monitoring based on sex offender statutes [if authorized by statute].

Section 1.(d) – Amends the current statute which delegates authority to the Department to require offenders sentenced to community punishment to comply with certain conditions, unless the court decides that delegation is not appropriate. Currently, the Department can require: up to 20 hours of community service; a frequency for reporting; and that the probationer submit to substance abuse assessment, monitoring or treatment. The act would add the following: house arrest with electronic monitoring; confinement for up to six days per month in 2 or 3 day consecutive periods (in any of 3 months of the probation); curfew with electronic monitoring; and participation in an educational or vocational skills program, including an evidence-based program.

- The conditions may be imposed if the Department determines that either: (1) the probationer has failed to comply with one or more court-ordered conditions, or (2) the offender is determined to be a "high risk" offender based upon a departmental assessment. The periods of confinement may only be used upon the failure to comply with one or more court-ordered conditions.
- The offender has the right to judicial review of any imposed condition.
- Probation officers must obtain administrative review and approval before exercising any delegated authority.
- The Department of Correction must establish guidelines and procedures for the imposition of the requirements, including a waiver of rights form if the Department wants to impose a period of confinement. The form must include waiver of a hearing before the court, assistance of counsel, and other procedural rights.
- The use of any of the requirements does not prevent the Department from utilizing the statutes which provide for probation revocation.

Section 1.(e) – Amends the current statute which delegates authority to the Department to require offenders sentenced to intermediate punishment to comply with certain conditions, unless the court decides that delegation is not appropriate. Currently, the Department can require: up to 50 hours of community service; curfew with electronic monitoring; substance abuse assessment, monitoring or

treatment; participation in an educational or vocational skills program (act adds "including evidence-based programs"); and satellite monitoring for sex offenders (if authorized by statute). The act would add the following: house arrest with electronic monitoring; confinement for up to six days per month in 2 or 3 day consecutive periods (in any of 3 months during the probation); and reporting on a frequency determined by the officer.

- The conditions may be imposed if the Department determines that either: (1) the probationer has failed to comply with one or more court-ordered conditions, or (2) the offender is determined to be a "high risk" offender based upon a departmental assessment. The periods of confinement may only be used upon the failure to comply with one or more court-ordered conditions.
- The offender has the right to judicial review of any imposed condition.
- Probation officers must obtain administrative review and approval before exercising any delegated authority.
- The Department of Correction must establish guidelines and procedures for the imposition of the requirements, including a waiver of rights form if the Department wants to impose a period of confinement. The form must include waiver of a hearing before the court, assistance of counsel, and other procedural rights.
- The use of any of the requirements does not prevent the Department from utilizing the statutes which provide for revocation of probation.

Section 1.(f) – Requires the Department to use a validated risk assessment instrument in assessing each probationer for determining (i) the offender's risk of reoffending, and (ii) an appropriate supervision level based upon the risk of reoffending and the offender's criminogenic needs.

Section 1.(g) – Repeals intensive supervision as a special condition of probation.

Section 1.(h) – Repeals the definition of "day-reporting center" as a conforming change.

Section 1.(i) – Repeals the definition of "intensive probation" as a conforming change.

Section 1.(j) – Repeals the definition of "residential program" as a conforming change.

Section 1.(k) – Amends the statute setting forth the Department's caseload goals. The amendment uses the characterization of "high or moderate risk of rearrest" offenders in lieu of offenders sentenced to community or intermediate punishments. The goal states that a probation officer should have an average of no more than 60 "high or moderate risk of rearrest" offenders.

Section 1.(l) – This section becomes effective December 1, 2011, and applies to persons placed on probation based on offenses which occur on or after December 1, 2011; however, this section and the provisions of this act requiring the Department of Correction to adopt a risk assessment instrument are effective when the act becomes law.

PART II. POST RELEASE SUPERVISION CHANGES

Section 2.(a) – Amends the post-release supervision statutes to include all felons, except Class A and Class B1 prisoners sentenced to life imprisonment without parole. Currently, only Class B1 (non-life without parole) through Class E felons are included.

Section 2.(b) – Amends the post-release supervision release date to 12 months (from 9 months) before the maximum imposed prison term for Class B1 through Class E felons, and sets the post-supervision release date for Class F through Class I felons at 9 months before the maximum imposed prison term.

The period of post-release supervision is set at 12 months for Class B1 through Class E felons, and 9 months for Class F through Class I felons. Sex offenders have a 5 year period of post-release supervision. [Note: It would be possible for a sex offender to serve the maximum imposable term of confinement prior to the end of the 5 year period; consequently, further confinement would not be possible for violations of post-release supervision].

Secton 2.(c) – Amends the conditions of probation that can result in a revocation of post-release supervision to add a "non-absconding" condition. A probationer who willfully avoids supervision, or willfully makes his or her whereabouts unknown to the probation officer, is subject to revocation of post-release supervision.

Section 2.(d) – Amends the statute providing for imprisonment for violation of post-release supervision conditions. A person required to register on the sex offender registry who commits a new offense or absconds is returned to prison to complete the maximum imposed term. Other felons are returned for 3 months, and may be returned for 3 months on 2 subsequent occasions. If the supervisee is a Class B1 through Class E felon, and has completed 3 periods of confinement of 3 months each, then a fourth violation can result in the completion of the maximum imposed prison term.

Section 2.(e) – Adds 9 months to the maximum term for Class F through Class I felonies, to provide for a post-release supervision release date that is equivalent to the current maximum imposed term.

Section 2.(f) – Adds 3 months to the maximum term for Class B1 through Class E felonies. Nine months have already been included in the maximum in the table to account for the current release date, which is 9 months prior to the maximum term. The addition of 3 months adjusts the time to take into account the increase of post-release supervision from 9 months to 12 months for these offenders.

Section 2.(g) – Amends the statute which provides for the period of post-release supervision for offenders with a minimum sentence of 340 months or more (adds 3 months, to bring the total period to 12 months—equal to that of Class B1 through E offenders).

Section 2.(h) – This section becomes effective December 1, 2011, and applies to offenses committed on or after that date.

PART III. STATUS OFFENSE OF HABITUAL BREAKING AND ENTERING

Section 3.(a) – Creates a new status offense for habitual breaking and entering. If a defendant has one or more prior convictions for any of the listed offenses, then he or she is subject to separate indictments for the offense upon which he or she was arrested, and for the habitual breaking and entering felony charge. A person with more than one felony conviction prior to the age of 18 will only considered to have one prior felony conviction for the purposes of determining the number of prior convictions.

Section 3.(b) – Changes the law to allow discretion in charging the offense.

Section 3.(c) – Conforming change authorizing the district attorney to charge the offense in his or her discretion.

Section 3.(d) – Changes the penalty for a conviction under the habitual felon statute. The felon must be sentenced at a level that is four levels higher than the underlying felony for which the person was convicted, with a maximum sentence at the Class C felony level.

Section 3.(e) – The section becomes effective December 1, 2011, and applies to any offense that occurs on or after that date, and that is the principal offense for a charge of either the status offenses of habitual breaking and entering or habitual felon. Prosecutions for offenses committed before the effective date of this act are not abated or affected by this act, and the statutes that would be applicable but for this act remain applicable to those prosecutions.

PART IV. LIMIT TIME/CERTAIN VIOLATIONS OF PROBATION

Section 4.(a) -- The act adds a duty not to abscond to the regular conditions of probation, which are applicable to all offenders placed on probation.

Section 4.(b) – The section provides that the court may not revoke probation for violations of conditions of probation other than for a new criminal offense or for absconding (except as provided in Section 4.(c) below), but that the court may impose imprisonment for the other types of violations. **[See Section 4.(c), below].**

Section 4.(c) – Provides that if a probation commits a violation of a condition of probation (other than a new crime or absconding, which can result in probation revocation), then the court may impose a 90-day period of confinement on two occasions. The court may not revoke the probation for a violation unless the two 90-day periods have previously been imposed. If there are less than 90 days left on the maximum imposed term, then the term of confinement is for the remaining part of the sentence. If the probationer serves confinement under the section, then that period counts toward service of the maximum imposed term.

Section 4.(d) – This section is effective December 1, 2011, and applies to probation violations occurring on or after that date.

PART V. DIVERSION PROGRAM/FELONY DRUG POSSESSION/ADVANCED SUPERVISED RELEASE PROGRAM

Section 5.(a) and 5.(b) -- Amends the controlled substance diversion program, which provides for dismissal of charges upon successful completion of probation.

The act adds all first-time felony drug possession offenders eligible for the program. If the defendant has had no prior felony convictions, and no prior misdemeanor convictions under the Controlled Substances Act, then the court "shall" enter the defendant into the program. Currently, the program is discretionary and only allows drug offense misdemeanants, and persons convicted of felony possession of less than one gram of cocaine. The sections also amend the expunction statutes that provide for expunction of all first-time drug possession offenses.

Section 5.(c) – The act creates a procedure for a defendant, through completion of designated "risk reduction incentives" to be released on post-release supervision in advance of the minimum imposed term. The section:

- Designates who is an eligible defendant.

- Authorizes the Department to create incentives consisting of treatment, education, and rehabilitative programs. The programs must be designed to reduce the likelihood that the offender will reoffend.
- Authorizes the court, in its discretion (and without objection of the prosecutor) to include a risk reduction incentive or incentives in a sentence which includes an active term. The court would first adjudge and impose an authorized sentence for the offense class pursuant to the Structured Sentencing Act, which will have a minimum and maximum imposed term.
- The Advanced Supervised Release (ASR) date would be the shortest mitigated sentence for the offense at the offender's prior record level. If the court utilized the mitigated range in determining the sentence, then the ASR date would be 80% of the minimum term imposed by the court.
- The defendant would be notified at sentencing that if the defendant completes the risk reduction incentive or incentives, then he or she will be released on the ASR date. If the prisoner cannot complete the incentives through no fault of the defendant, then the prisoner would still be released on the ASR date.
- If the prisoner is terminated from the program due to a lack of progress or a rules violation, then the ASR date is nullified. The prisoner's release date would then revert back to the original imposed sentence. A prisoner who completes the incentives prior to the ASR date, and then violates rules, may have the ASR date nullified.
- A prisoner released on the ASR date will be placed on post-release supervision. If the prisoner is returned to prison three times (a total of nine months), a subsequent violation shall result in revocation of post-release status and the prisoner must serve the remainder of the maximum imposed sentence.
- The Department is required to adopt policies and procedures for assessment of the prisoner; documentation of the prisoner's progress; and for termination from the program.

Section 5.(d) – Adds a conforming change to include the ASR program in the statute which designates the minimum time which must be served by a prisoner.

Section 5.(e) -- The section becomes effective January, 2012, and applies to persons entering a plea or who are found guilty of an offense on or after that date.

PART VI. REFOCUS CRIMINAL JUSTICE PARTNERSHIP PROGRAM

Section 6.(a) and 6.(b) – Repeals the current Criminal Justice Partnership Program (CJPP), eliminates the local CJPP boards, and creates a new Article entitled the "Treatment for Effective Community Supervision Act of 2011." The Article provides for a program called Treatment for Effective Community Supervision. The act does the following:

- Establishes the eligibility criteria for offenders. Persons who were (i) convicted of drug offenses, (ii) have a high likelihood of reoffending, and (iii) have a high to moderate need for substance abuse treatment are designated as priority participants.
- Provides for duties of the Department, including the formulation of a recidivism reduction plan.
- Requires the Department to report annually on funds expended by contract, and to provide an analysis of the participants and services.

- Establishes a State Community Corrections Advisory Board, with the following duities and responsibilities: review the criteria for monitoring and evaluating community-based corrections programs; recommend community-based corrections program priorities; review minimum program standards, policies, and rules for community-based corrections programs; and review the evaluation of programs.
- Requires the North Carolina Sentencing Policy and Advisory Commission to report by April 30 on each even-numbered year to the General Assembly and the Governor on recidivism rates for offenders on probation, parole, and post-release supervision who are Program participants.
- Establishes types of programs which are eligible for funding, to include: substance abuse treatment services and cognitive behavioral programming.

Section 6.(c) -- This section becomes effective July 1, 2011. Authorizes the Department of Correction to enter into contracts with current program providers in the Criminal Justice Partnership Program on a sole-source basis during the 2011-2012 fiscal year.

PART VII. MISDEMEANANTS TO SERVE SENTENCES IN JAIL

Sections 7.(a) through 7.(k) –

- States the intent of the General Assembly to authorize the Department of Correction to enter into voluntary agreements with counties to provide housing for misdemeanants serving periods of confinement of more than 90 days and up to 180 days. The costs of housing these prisoners, including, but not limited to, care, supervision, transportation, medical, and any other related costs, are to be covered by State funds and not be imposed as local costs. The agreements would not apply to misdemeanants sentenced for violations of the impaired driving laws. Also states the intent of the General Assembly that the Department of Correction contract with the North Carolina Sheriffs' Association to provide a service that identifies space in local confinement facilities that is available for housing these misdemeanants.
- Provides that persons convicted of a felony must be committed to the custody of the Department of Correction.
- States that a person sentenced for a misdemeanor who must serve more than 90 days and up to 180 days are committed for the term designated by the court pursuant to the Statewide Misdemeanant Confinement program. Excepted from the program are persons serving sentences for an impaired driving offense, or for the nonpayment of a fine.
- Provides that the North Carolina Sheriffs' Association, in consultation with the Department of Correction, shall develop a plan for the Statewide Misdemeanant Confinement Program by September 1, 2011. By November 1, 2011, the Secretary shall contract with the North Carolina Sheriffs' Association to implement the Program. The contract terms shall include:
    - A provision that the Program shall be operated on a statewide basis by January 1, 2012, but may be phased in beginning at an earlier date.
    - A provision addressing the method of payment to the North Carolina Sheriffs' Association for the costs of administering the Program.

- A provision authorizing reimbursement by the Sheriffs' Association to counties or to the Department of Correction, as appropriate, for all expenses incurred on behalf of those misdemeanants.

- Allows, by judicial order, the transfer of a program prisoner into the custody of the Department of Correction if the inmate is a security risk, or needs medical or mental health treatment. The prisoner may also be transferred for segregation requirements or if the local facility does not meet minimum standards, if no other local facility is available.
- States that the Program shall only operate as long as sufficient State funds are available through the Statewide Misdemeanant Confinement Fund established in G.S. 148-10.4(c).
- Creates the Statewide Misdemeanant Confinement Fund, a non-reverting fund established within the Department of Correction. Moneys in the Fund may be used for the following:
  - Reimbursements by the Sheriffs' Association to counties for the costs of housing misdemeanants under the Program, including the care, supervision, and transportation of those misdemeanants.
  - Reimbursements to the Department of Correction for the cost of housing misdemeanants transferred to the Department pursuant to G.S. 148-32.1(b2), including the care, supervision, and transportation of those misdemeanants.
  - To pay the Sheriffs' Association for administrative and operating expenses.
  - To pay the Department of Correction for administrative and operating expenses.
- Ten percent (10%) of the monthly receipts collected and credited to the Statewide Misdemeanant Confinement Fund will be transferred on a monthly basis to the Sheriffs' Association to be used to support the Program and for administrative and operating expenses of the Association and its staff.
- One percent (1%) of the monthly receipts collected and credited to the Statewide Misdemeanant Confinement Fund will be transferred on a monthly basis to the General Fund to be allocated to the Department of Correction for its administrative and operating expenses for the Program.
- Allows for implementation of the program to some counties at a date earlier than the planned statewide implementation date of January 1, 2012. Authorizes the transfer of prisoners serving more than 90 and up to 180 days to be transferred or reassigned to a local confinement facility designated by the Sheriffs' Association as provided by the program.
- Of the funds appropriated to the Department of Correction for the 2011-2012 fiscal year, the Department is to transfer the sum of three hundred thousand dollars ($300,000) to the North Carolina Sheriffs' Association for expenses related to initiating the program.
- Provides that the Judicial Department, through the North Carolina Sentencing and Policy Advisory Commission, and the Department of Correction shall jointly conduct ongoing evaluations regarding the implementation of the Justice Reinvestment Act of 2011.
- Provides that the North Carolina Sheriffs' Association shall report to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee by October 1, 2011, on the implementation of the program, and shall report thereafter as requested by the Committee. The report shall include relevant information collected monthly by the Sheriffs' Association regarding the jail capacity and population in each county.

- The sections relating to the fund, and for planning and contracting for the program, are effective July 1, 2011; the remaining sections are effective January 1, 2012.

PART VIII. ANNUAL REPORT

Section 8.(a) – Requires the North Carolina Sentencing and Policy Advisory Commission, and the Department of Correction, to report on the implementation and results of the implementation of the act to the Joint Legislative Correction, Crime Control, and Juvenile Justice Oversight Committee and to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety, by April 15, 2012. Reports are to be made annually by April 15 of each year.

Section 8.(b) – Amends the statutes so that the Sentencing Commission will not be required to pay fees to the Department of Justice for information necessary to fulfilling its statutory obligations.

PART IX. TITLE

Section 9. – Provides for the title of the act: The Justice Reinvestment Act of 2011.

EFFECTIVE DATE: Unless otherwise provided in the act, it is effective when it becomes law.

H642-SMRK-130(e6) v1

ATTACHMENT 6

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 642

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

H642-ALH-90 [v.8]

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

Date _____,2011

Senator _____

moves to amend the bill on page 21, lines 8-13,
by rewriting those lines to read:

"**SECTION 7.(b)** G.S. 15A-1352 reads as rewritten:

"**§ 15A-1352. Commitment to Department of Correction or local confinement facility.**

(a) A person sentenced to imprisonment for a misdemeanor under this Article or for nonpayment of a fine under Article 84 of this Chapter shall be committed for the term designated by the court to the custody of the Department of Correction or to a local confinement facility. If the sentence imposed for a misdemeanor is for a period of 90 days or less, the commitment must be to a facility other than one maintained by the Department of Correction, except as provided in G.S. 148-32.1(b). If the sentence or sentences imposed require confinement for more than 180 days, the commitment must be to the custody of the Department of Correction.

If a person is sentenced to imprisonment for a misdemeanor under this Article or for nonpayment of a fine under Article 84 of this Chapter, the sentencing judge shall make a finding of fact as to whether the person would be suitable for placement in a county satellite jail/work release unit operated pursuant to G.S. 153A-230.3. If the sentencing judge makes a finding of fact that the person would be suitable for placement in a county satellite jail/work release unit and the person meets the requirements listed in G.S. 153A-230.3(a)(1), then the custodian of the local confinement facility may transfer the misdemeanant to a county satellite jail/work release unit.

(b) A person sentenced to imprisonment for a felony under this Article shall be committed for the term designated by the court to the custody of the Department of ~~Correction; except that, upon request of the sheriff or the board of commissioners of a county, the presiding judge may, in his discretion, sentence the person to a local confinement facility in that county.~~ Correction.

(c) A person sentenced to imprisonment for nonpayment of a fine under Article 84, Fines, shall be committed for the term designated by the court:

(1) To the custody of the Department of Correction if the person was fined for conviction of a felony;

(2) To the custody of the Department of Correction or to a local confinement facility if the person was fined for conviction of a misdemeanor, provided that (i) if the sentence imposed is for a period of 90 days or less, the commitment shall be to a facility other than one maintained by the

Department of Correction, except as provided in ~~G.S. 148-32.1(b).~~ G.S. 148-32.1(b), and (ii) if the sentence or sentences imposed require confinement for more than 180 days, the commitment must be to the custody of the Department of Correction.'

...";

and on page 21, line 4,
by deleting "Statewide Misdemeanor Confinement Fund" and substituting "Statewide Misdemeanant Confinement Fund established in G.S. 148-10.4";

and on page 21, lines 32 and 47; page 22, lines 2, 12, and 28; page 23, lines 4, 6, 11, 15, 18, 20, 28, 29, 43, and 46,
by deleting the word "Misdemeanor" each time it appears and substituting the word "Misdemeanant";

and on page 22, line 14; and page 24, lines 15 and 18,
by deleting the word "Misdemeanor" each time it appears and substituting the word "Misdemeanant";

and on page 22, lines 13, 17, 22, and 23-24; page 23, line 49; and page 24, lines 1-2, 9, and 13,
by deleting "Sheriffs' Association" and substituting "Sheriffs' Association, Inc.,";

and on page 23, line 8,
by deleting "Sheriffs' Association" and substituting "Sheriffs' Association, Inc.,";

and on page 24, lines 21-24,
by rewriting those lines to read:

"**SECTION 7.(m).** If House Bill 200, 2011 Regular Session, becomes law, then that act is amended by deleting subsection (a) of Section 31.26 of that act.

SECTION 7.(n) If House Bill 200, 2011 Regular Session, becomes law, then section 31.26 of that act is amended by adding a new subsection to read:

'**SECTION 31.26.(g)** This section becomes effective August 1, 2011.'

SECTION 7.(o) If House Bill 200, 2011 Regular Session, becomes law, then that act is amended by adding a new section to read:

'**SECTION 31.23B.** G.S. 15A-932 is amended by adding a new subsection to read:

"(d1) If the proceeding was dismissed pursuant to subdivision (2) of subsection (a) of this section and charged only offenses for which written appearance, waiver of trial or hearing, and plea of guilty or admission of responsibility are permitted pursuant to G.S. 7A-148(a), and the defendant later tenders to the court that waiver and payment in full of all applicable fines, costs, and fees, the clerk shall accept said waiver and payment without need for a written reinstatement from the prosecutor. Upon disposition of the case pursuant to this subsection, the clerk shall recall any outstanding criminal process in the case pursuant to G.S. 15A-301(g)(2)b."'

SECTION 7.(p) If House Bill 200, 2011 Regular Session, becomes law, then Section 31.26 of that act is amended by adding a new subsection to read:

'**SECTION 31.26.(f1)** G.S. 7A-321(d) is amended by adding a new subdivision to read:

"(d) The court shall retain a collection assistance fee in the amount of ten percent (10%) of any cost or fee collected by the Department pursuant to this Article or Chapter 20 of the General Statutes and remitted to an agency of the State or any of its political subdivisions, other than a cost or fee listed in this subsection. The court shall remit the collection assistance fee to the State Treasurer for the support of the General Court of Justice.

The collection assistance fee shall not be retained from the following:

...

(3) Costs and fees designated by law for remission to the Statewide Misdemeanant Confinement Fund."'

SECTION 7.(q) G.S. 148-32.1(b2), as enacted by subsection (e) of this section, and subsections (a), (h), (i), (j), (k), (l), (m), (n), (o), (p), and (q) of this section become effective July 1, 2011. The remainder of this section becomes effective January 1, 2012, and applies to sentences imposed on or after that date.";

and on page 5, line 7,
by rewriting that line to read:

"equivalent to his maximum prison term less ~~nine months.~~twelve months for Class B1 through E felons and less nine months for Class F through I felons."; and

and on page 8, lines 9-10,
by inserting between those lines a new section to read:

"**SECTION 2.(h)** G.S. 15A-1368(a)(5) reads as rewritten:

'(5) Maximum imposed term. – The maximum term of imprisonment imposed on an individual prisoner by a court judgment, as described in G.S. 15A-1340.13(c). When a prisoner is serving consecutive prison terms, the maximum imposed term, for purposes of this Article, is the sum of all maximum terms imposed in the court judgment or judgments, less ~~nine~~ twelve months for each of the second and subsequent sentences imposed for Class B through Class E ~~felonies.~~felonies and less nine months for each of the second and subsequent sentences imposed for Class F through Class I felonies.

SECTION 2.(i) G.S. 15A-1354(b)(1) reads as rewritten:

'(1) The maximum prison sentence consists of the total of the maximum terms of the consecutive sentences, less ~~nine~~ twelve months for each of the second and subsequent sentences imposed for Class B through Class E ~~felonies;~~ felonies and less nine months for each of the second and subsequent sentences imposed for Class F through Class I felonies; and'";

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 642

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

H642-ALH-90 [v.8]

and by re-lettering the following subsection accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

ATTACHMENT 7

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 642

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

H642-ALH-91 [v.3]

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

Date _____,2011

Senator _____

moves to amend the bill on page 1, line 8 through page 2, line 11, by rewriting those lines to read:

"**SECTION 1.(a)** G.S. 15A-1340.11(2) reads as rewritten:

'(2) Community punishment. – A sentence in a criminal case that does not include an active punishment or assignment to a drug treatment court, or special probation as defined in G.S. 15A-1351(a). ~~punishment, an intermediate punishment, or any of the conditions of probation listed in subdivision (6) of this section.~~It may include any one or more of the conditions set forth in G.S. 15A-1343(a1).'

SECTION 1.(b) G.S. 15A-1340.11(6) reads as rewritten:

'(6) Intermediate punishment. – A sentence in a criminal case that places an offender on supervised probation. ~~probation and includes at least one~~ It may include drug treatment court, special probation as defined in G.S. 15A-1351(a), and one or more of the ~~following conditions:~~conditions set forth in G.S. 15A-1343(a1).

~~a. Special probation as defined in G.S. 15A-1351(a).~~
~~b. Assignment to a residential program.~~
~~c. House arrest with electronic monitoring.~~
~~d. Intensive supervision.~~
~~e. Assignment to a day reporting center.~~
~~f. Assignment to a drug treatment court program.~~'

SECTION 1.(c) G.S. 15A-1343 is amended by adding a new subsection to read:

'(a1) Community and Intermediate Probation Conditions. – In addition to any conditions a court may be authorized to impose pursuant to G.S. 15A-1343(b1), the court may include any one or more of the following conditions as part of a community or intermediate punishment:

(1) House arrest with electronic monitoring.
(2) Perform community service.
(3) Submission to a period or periods of confinement in a local confinement facility for a total of no more than six days per month during any three separate months during the period of probation. The six days per month confinement provided for in this subdivision may only be imposed as two-day or three-day consecutive periods.
(4) Substance abuse assessment, monitoring, or treatment.

(5) Participation in an educational or vocational skills development program, including an evidence-based program.

(6) Submission to satellite-based monitoring, pursuant to Part 5 of Article 27A of Chapter 14 of the General Statutes, if the defendant is described by G.S. 14-208.40(a)(2).'";

and on page 11, lines 27-35,
by rewriting those lines to read:

"**SECTION 4.(c)** G.S. 15A-1344 is amended by adding a new subsection to read:

'(d2) Confinement in Response to Violation. – When a defendant has violated a condition of probation other than G.S. 15A-1343(b)(1) or G.S. 15A-1343(b)(3a), the court may impose a 90-day period of confinement for a defendant under supervision for a felony conviction, or a period of confinement of up to 90 days for a defendant under supervision for a misdemeanor conviction. The court may not revoke probation unless the defendant has previously received a total of two periods of confinement under this subsection. A defendant may receive only two periods of confinement under this subsection. If the time remaining on the defendant's maximum imposed sentence is less than 90 days, then the term of confinement is for the remaining period of the sentence. Confinement under this section shall be credited pursuant to G.S. 15-196.1.'"

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

H 4

HOUSE BILL 344

Committee Substitute Favorable 6/3/11
Committee Substitute #2 Favorable 6/7/11
Fourth Edition Engrossed 6/7/11

Short Title: Tax Credits for Children with Disabilities. (Public)

Sponsors:

Referred to:

March 15, 2011

A BILL TO BE ENTITLED

AN ACT TO ALLOW AN INDIVIDUAL INCOME TAX CREDIT FOR CHILDREN WITH DISABILITIES WHO REQUIRE SPECIAL EDUCATION AND TO CREATE A FUND FOR SPECIAL EDUCATION AND RELATED SERVICES.

The General Assembly of North Carolina enacts:

SECTION 1. Part 2 of Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"**§ 105-151.33. Education expenses credit.**

(a) Credit. – A taxpayer is allowed a credit against the tax imposed by this Part for each of the taxpayer's eligible dependent children who is a resident of this State and who for one or two semesters during the taxable year is enrolled in grades kindergarten through 12 in a nonpublic school or in a public school at which tuition is charged in accordance with G.S. 115C-366.1. As used in this section, the term 'eligible dependent child' means a child who meets all of the following criteria:

(1) Is a child with a disability as defined by G.S. 115C-106.3(1).
(2) Was determined to require an individualized education program as defined by G.S. 115C-106.3(8).
(3) Receives special education or related services on a daily basis.
(4) Is a child for whom the taxpayer is entitled to deduct a personal exemption under section 151(c) of the Code for the taxable year.

For the initial eligibility for the tax credit, for at least the preceding two semesters, the eligible dependent child shall have been either (i) enrolled in a public school or (ii) receiving special education or related services through the public schools as a preschool child with a disability as defined by G.S. 115C-106.3(17). An eligible dependent child shall be reevaluated every three years by the local educational agency in order to verify that the child continues to be a child with a disability as defined by G.S. 115C-106.3(1).

(b) Amount. – The credit is equal to the amount the taxpayer paid for tuition and special education and related services expenses, not to exceed three thousand dollars ($3,000) per semester. For home schools, as defined in G.S. 115C-563(a), the credit is equal to the amount the taxpayer paid for special education and related services expenses, not to exceed three thousand dollars ($3,000) per semester.

(c) Semesters. – For the purposes of this section, there are two semesters during each taxable year. The spring semester is the first six months of the taxable year, and the fall semester is the second six months of the taxable year. An eligible dependent child is enrolled in

a school for a semester if the eligible dependent child is enrolled in that school for more than 70 days during that semester.

(d) Disqualification. – A taxpayer may not qualify for a credit for any semester during which the taxpayer's eligible dependent child for whom the credit would otherwise be claimed met any of the following conditions:

(1) Was placed in a nonpublic school or facility by a public agency at public expense.

(2) Spent any time enrolled as a full-time student taking at least 12 hours of academic credit in a postsecondary educational institution.

(3) Was 22 years or older during the entire semester.

(4) Graduated from high school prior to the end of the semester.

(e) Reduction of Credit. – The amount of the credit is reduced for any semester in which the eligible dependent child spent any time enrolled in a public school. The amount of the reduction is a percentage equal to the percentage of the semester that the eligible dependent child spent enrolled in a public school.

(f) Information. – In order to claim the credit allowed by this section, the taxpayer shall provide, when requested, the following to the Secretary:

(1) The name, address, and social security number of each eligible dependent child for whom the credit is claimed and the name and address of the school or schools in which the eligible dependent child was enrolled for more than 70 days each semester.

(2) The taxpayer's certification that the eligible dependent child did not meet any of the disqualifying conditions set out in this section.

(3) The name of the local school administrative unit in which the eligible dependent child resides.

(4) The amount of tuition paid to a public school at which tuition is charged in accordance with G.S. 115C-366.1 for each semester the eligible dependent child for whom the credit is claimed was enrolled in the school.

(5) The eligibility determination that the eligible dependent child is a child with a disability who requires special education and related services.

(6) A listing of the tuition and special education and related services expenses on which the amount of the credit is based.

(7) For home schools as defined in G.S. 115C-563(a), a listing of the special education and related services expenses on which the amount of the credit is based.

(g) Carryforward. – The credit allowed under this section may not exceed the amount of tax imposed by this Part reduced by the sum of all credits allowed against the tax, except payments of tax made by or on behalf of the taxpayer. Any unused portion of the credit may be carried forward for the succeeding three years.

(h) Transfer. – At the end of each fiscal year, the Secretary shall transfer to the Fund for Special Education and Related Services established under G.S. 115C-472.15 from the net individual income tax collections under G.S. 105-134.2 an amount equal to two thousand dollars ($2,000) multiplied by the number of credits taken under this section during the fiscal year.

(i) Definitions. – The following definitions apply in this section:

(1) "Special education" means specially designed instruction to meet the unique needs of a child with a disability. The term includes instruction in physical education and instruction conducted in a classroom, the home, a hospital, or institution, and other settings.

(2) "Related services" is as defined in The Individuals with Disabilities Education Improvement Act, 20 U.S.C. § 1400, et seq., (2004), as amended, and federal regulations adopted under this act."

SECTION 2. G.S. 105-151.33(a), as enacted by Section 1 of this act, reads as rewritten:

"(a) Credit. – A taxpayer is allowed a credit against the tax imposed by this Part for each of the taxpayer's eligible dependent children who is a resident of this State and who for one or two semesters during the taxable year, is enrolled in grades kindergarten through 12 in a nonpublic school or in a public school at which tuition is charged in accordance with G.S. 115C-366.1. As used in this section, the term 'eligible dependent child' means a child who meets all of the following criteria:

(1) Is a child with a disability as defined by G.S. 115C-106.3(1).
(2) Was determined to require an individualized education program as defined by G.S. 115C-106.3(8).
(3) Receives special education or related services on a daily basis.
(4) Is a child for whom the taxpayer is entitled to deduct a personal exemption under section 151(c) of the Code for the taxable year.

For the initial eligibility for the tax credit, for at least the preceding ~~two semesters,~~ semester, the eligible dependent child shall have been either: (i) enrolled in a public school, or (ii) receiving special education or related services through the public schools as a preschool child with a disability as defined by G.S. 115C-106.3(17). An eligible dependent child shall be reevaluated every three years by the local educational agency in order to verify that the child continues to be a child with a disability as defined by G.S. 115C-106.3(1)."

SECTION 3. Chapter 115C of the General Statutes is amended by adding a new Article to read:

"Article 32D.

"Fund for Special Education and Related Services.

"**§ 115C-472.15. Fund for Special Education and Related Services.**

(a) The Fund for Special Education and Related Services is established as a special revenue fund under the control and direction of the State Board of Education. Interest and other investment income earned by the Fund accrue to it, and revenue in the Fund does not revert. The Fund consists of money credited to it under G.S. 105-151.33.

(b) The State Board of Education shall use the revenue in the Fund only for special educational and related services for children with disabilities. In addition, the State Board of Education shall use revenues in the Fund to reimburse local educational agencies for conducting reevaluations for continued eligibility and developing revised individualized education programs pursuant to G.S. 105-151.33(a)(1)."

SECTION 4. The Department of Revenue shall report to the Revenue Laws Study Committee and the Joint Legislative Education Oversight Committee on the administration of G.S. 105-151.33, as enacted by Section 1 of this act. The report is due by October 1, 2013, and shall include the following:

(1) The number and amount of credits taken under G.S. 105-151.33.
(2) Any concerns relating to the administration of G.S. 105-151.33 or taxpayer compliance with the requirements of that section.
(3) Any other matter with respect to G.S. 105-151.33 the Department wishes to address.

SECTION 4A. If House Bill 200, 2011 Regular Session, becomes law, then Section 2.1 of that act reads as rewritten:

"**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 fiscal biennium ending June 30, 2013, according to the following schedule:

Current Operations – General Fund	2011-2012	2012-2013
EDUCATION		
Community Colleges System Office	$ 985,000,000	$ 985,000,000
Department of Public Instruction	7,464,492,057	~~7,450,000,000~~ 7,425,064,000
University of North Carolina – Board of Governors		
Appalachian State University	145,563,319	145,680,676
East Carolina University		
Academic Affairs	247,397,807	247,397,807
Health Affairs	65,196,439	65,196,439
Elizabeth City State University	38,226,042	38,398,361
Fayetteville State University	56,925,951	56,925,951
NC A&T State University	105,355,805	105,794,754
NC Central University	94,342,683	94,342,683
NC State University		
Academic Affairs	434,563,241	434,677,423
Agricultural Research	59,239,461	59,239,461
Agricultural Extension	43,539,609	43,539,609
UNC-Asheville	42,004,444	42,004,444
UNC-Chapel Hill		
Academic Affairs	309,481,584	312,843,120
Health Affairs	219,507,009	222,570,732
AHEC	49,747,851	49,747,851
UNC-Charlotte	216,455,073	217,471,216
UNC-Greensboro	173,180,926	173,180,926
UNC-Pembroke	61,534,005	62,277,254
UNC-School of the Arts	27,796,473	27,796,473
UNC-Wilmington	105,943,181	107,138,757
Western Carolina University	90,591,556	91,070,460
Winston-Salem State University	76,496,951	76,496,950
General Administration	38,186,863	27,628,722
University Institution Programs	(375,153,400)	(383,808,914)
Related Educational Programs	85,679,060	115,272,420
UNC Financial Aid Private Colleges	91,635,664	86,534,065
NC School of Science & Math	18,937,535	18,937,535
UNC Hospitals	18,000,000	18,000,000
Total University of North Carolina – Board of Governors	$ 2,540,375,132	$ 2,551,672,698
HEALTH AND HUMAN SERVICES		
Department of Health and Human Services		
Division of Central Management and Support	$ 50,177,377	$ 44,577,987
Division of Aging and Adult Services	37,019,667	37,019,667
Division of Services for Blind/Deaf/Hard of Hearing	8,389,110	8,372,886
Division of Child Development	266,102,933	266,102,933

Division of Health Service Regulation	16,133,031	16,133,031
Division of Medical Assistance	2,958,388,184	2,907,276,302
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	665,712,232	710,712,232
NC Health Choice	79,452,317	83,717,865
Division of Public Health	190,443,245	157,538,834
Division of Social Services	186,183,068	186,183,068
Division of Vocational Rehabilitation	37,125,788	37,528,128
Total Health and Human Services	$ 4,495,126,952	$ 4,455,162,933
NATURAL AND ECONOMIC RESOURCES		
Department of Agriculture and Consumer Services	$ 65,460,864	$ 62,198,634
Department of Commerce		
Commerce	50,852,340	33,250,463
Commerce State-Aid	32,851,025	30,151,984
NC Biotechnology Center	17,551,710	17,551,710
Rural Economic Development Center	25,376,729	25,376,729
Department of Environment and Natural Resources	165,784,887	148,148,105
DENR Clean Water Management Trust Fund	11,250,000	11,250,000
Department of Labor	15,836,887	15,836,887
Wildlife Resources Commission	18,000,000	17,221,179
JUSTICE AND PUBLIC SAFETY		
Department of Correction	$ 1,337,816,346	$ 1,348,410,793
Department of Crime Control and Public Safety	225,258,795	215,164,518
Judicial Department	438,920,048	435,141,107
Judicial Department – Indigent Defense	110,091,526	112,748,733
Department of Justice	80,704,013	80,864,138
Department of Juvenile Justice and Delinquency Prevention	135,593,692	131,140,565
GENERAL GOVERNMENT		
Department of Administration	$ 63,607,330	$ 65,511,460
Department of State Auditor	11,857,574	10,676,035
Office of State Controller	28,368,957	28,368,957
Department of Cultural Resources		

Cultural Resources	63,524,857	61,697,001
Roanoke Island Commission	1,805,236	1,203,491
State Board of Elections	5,186,603	5,126,603
General Assembly	53,259,495	50,104,208
Office of the Governor		
Office of the Governor	4,741,157	4,741,157
Office of State Budget and Management	5,848,663	5,848,663
OSBM – Reserve for Special Appropriations	1,940,612	440,612
Housing Finance Agency	9,673,051	9,673,051
Department of Insurance		
Insurance	36,393,921	36,393,921
Insurance – Volunteer Safety Workers' Compensation	2,294,000	2,623,654
Office of Lieutenant Governor	695,324	695,324
Office of Administrative Hearings	4,983,871	4,983,871
Department of Revenue	78,199,538	78,199,538
Department of Secretary of State	10,654,563	10,654,563
Department of State Treasurer		
State Treasurer	6,657,031	6,621,750
State Treasurer – Retirement for Fire and Rescue Squad Workers	17,812,114	17,812,114
RESERVES, ADJUSTMENTS, AND DEBT SERVICE		
Contingency and Emergency Fund	$ 5,000,000	$ 5,000,000
State Retirement System Contribution	248,100,000	336,000,000
Judicial Retirement System Contribution	6,800,000	7,800,000
Firemen's & Rescue Squad Workers' Pension Fund	4,318,042	5,366,928
State Health Plan	7,119,541	102,151,104
Information Technology Fund	4,458,142	6,158,142
Reserve for Job Development Investment Grants (JDIG)	15,400,000	27,400,000
Continuation Review Reserve	0	35,576,758
Comprehensive Review of Compensation Plans	2,000,000	0
Compensation Adjustment and Performance Pay Reserve	0	121,105,840

Severance Expenditure Reserve	69,000,000	0
Automated Fraud Detection Development	1,000,000	7,000,000
Controller – Fraud Detection Development	500,000	500,000
Debt Service		
General Debt Service	688,957,188	759,984,974
Federal Reimbursement	1,616,380	1,616,380
TOTAL CURRENT OPERATIONS – GENERAL FUND	**$ 19,678,116,193**	~~**$ 19,943,327,275**~~ **$ 19,918,391,275**"

SECTION 5.(a) If House Bill 200, 2011 Regular Session, becomes law, then Section 2.2(a) of that act reads as rewritten:

"**SECTION 2.2(a)** The General Fund availability used in developing the 2011-2013 biennial budget is shown below.

	FY 2011-2012	FY 2012-2013
Unappropriated Balance Remaining	$ 0	$ 13,980,015
Ending Unreserved Fund Balance for FY 2009-2010	236,902,394	0
Anticipated Reversions for FY 2010-2011	537,740,799	0
Anticipated Over-collections from FY 2010-2011	180,800,000	0
Repayment of Medicaid Receipts in FY 2010-2011	(125,000,000)	0
Statutory Earmarks:		
Savings Reserve Account	~~(185,000,000)~~(172,700,000)	0
Repairs and Renovations Reserve Account	(125,000,000)	0
Beginning Unreserved Fund Balance	**$ ~~520,443,193~~532,743,193**	**$ 13,980,015**
Revenues Based on Existing Tax Structure	**$ 18,129,800,000**	**$ 19,181,900,000**
Nontax Revenues		
Investment Income	$ 59,400,000	$ 76,700,000
Judicial Fees	217,800,000	217,800,000
Disproportionate Share	100,000,000	100,000,000
Insurance	71,400,000	73,500,000
Other Nontax Revenues	182,500,000	182,500,000
Highway Trust Fund/Use Tax Reimbursement Transfer	41,500,000	27,600,000
Highway Fund Transfer	20,230,000	24,080,000
Subtotal Nontax Revenues	**$ 692,830,000**	**$ 702,180,000**
Total General Fund Availability	~~**$ 19,343,073,193**~~	**$ 19,898,060,015** **$ 19,355,373,193**
Adjustments to Availability: 2011 Session		
Loss of Estate Tax	$ (57,100,000)	$ (72,200,000)
Small Business Tax Relief Package	(131,600,000)	(335,600,000)
Repeal Wildlife Resources Commission Sales Tax		

Earmark	22,970,000	23,920,000
Suspend Corporate Income Tax Earmark (Public School Construction)	72,110,000	74,750,000
Increase in Judicial Fees	61,765,715	61,765,715
Increase Investment Company Notice Filing Fee	1,600,000	1,600,000
Increase Parking Fees for Visitors	550,000	550,000
Loss of Revenue from the Town of Butner	(1,213,235)	(1,213,235)
Transfer from E-Commerce Reserve Fund	4,483,526	0
Divert Funds from Parks & Recreation Trust Fund	8,435,000	0
Divert Funds from Recreational/Natural Heritage Trust Fund	8,000,000	0
Transfer from Highway Fund for State Highway Patrol	196,849,542	188,209,049
Transfer Additional Funds from Highway Trust Fund	35,223,642	0
Transfer from Mercury Prevention Pollution Fund	250,000	0
Transfer from Commerce – Enterprise Fund	500,000	0
Divert Funds from Scrap Tire Disposal Account	2,268,989	0
Divert Funds from White Goods Management Account	1,951,465	0
Diversion of Golden LEAF Funds	17,563,760	17,563,760
Master Settlement Agreement Funds	24,668,720	25,580,772
Transfer Health and Wellness Trust Funds to Public Health	32,904,411	0
Department of Revenue – Accounts Receivable Program	25,000,000	25,000,000
Medicaid Disproportionate Share Receipts	15,000,000	15,000,000
Adjust Transfer from Insurance Regulatory Fund	(742,348)	(742,348)
Adjust Transfer from Treasurer's Office	(3,881,172)	(3,916,453)
Transfer from NC Flex FICA Funds	1,000,000	0
Proceeds from the Sale of State Assets	15,000,000	25,000,000
Children with Disabilities Tax Credit	(12,300,000)	(24,936,000)
Subtotal Adjustments to Availability:		
2011 Session	**$ ~~353,558,015~~341,258,015**	**~~$45,267,260~~ 20,331,260**
Revised General Fund Availability	**$ 19,696,631,208**	**~~$ 19,943,327,275~~ $ 19,918,391,275**
Less General Fund Appropriations	**$ (19,682,651,193)**	**~~$ (19,943,327,275)~~ $ (19,918,391,275)**
Unappropriated Balance Remaining	**$ 13,980,015**	**$ 0"**

SECTION 5.(b) If House Bill 200, 2011 Regular Session, becomes law, then Section 2.2(m) of that act reads as rewritten:

"**SECTION 2.2.(m)** Notwithstanding G.S. 143C-4-2, the State Controller shall transfer only one hundred ~~eighty-five million dollars ($185,000,000)~~ seventy-two million seven hundred thousand dollars ($172,700,000) from the unreserved fund balance to the Savings Reserve Account on June 30, 2011. This is not an 'appropriation made by law,' as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution. This subsection becomes effective June 30, 2011."

SECTION 5A. If House Bill 200, 2011 Regular Session, becomes law, then that act is amended by adding the following new section to read:

"**ADM ADJUSTMENT**

SECTION 7.31. Notwithstanding any other provision of this act, the funds appropriated for the average daily membership (ADM) adjustment for public schools shall be adjusted to provide fifty-five million eight hundred eighty-two thousand six hundred fifty-one dollars ($55,882,651) in the 2011-2012 fiscal year and one hundred eighteen million one hundred fifty-one thousand four hundred fourteen dollars ($118,151,414) in the 2012-2013 fiscal year. The funds appropriated for the ADM adjustment shall be distributed to modify allotments to charter schools and local school administrative units, reflecting changes in ADM due to population growth and other changes in State law."

SECTION 6. Sections 1, 3, 4, and 4A of this act are effective for taxable years beginning on or after January 1, 2011, and apply to semesters for which the credit is claimed beginning on or after July 1, 2011, except that transfers under G.S. 105-151.33(h) shall not be made before the 2012-2013 fiscal year. Section 2 of this act is effective for taxable years beginning on or after January 1, 2016, and applies to semesters for which the credit is claimed beginning on or after July 1, 2016. The remainder of this act is effective when it becomes law.

ATTACHMENT 9

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2011

Legislative Fiscal Note

BILL NUMBER: House Bill 344 (Fourth Edition)

SHORT TITLE: Tax Credits for Children with Disabilities.

SPONSOR(S): Representatives Stam, Randleman, Jordan, and Jones

FISCAL IMPACT ($ in millions)

	Yes (X)	No ( )	No Estimate Available ( )		
	FY 2011-12	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**
STATE IMPACT					
Revenue (tax credits):	($1.4)	($5.9)	($6.5)	($6.6)	($6.7)
Operational Savings:	$0	$8.2	$16.5	$16.8	$17.0
Trnsf. Out Gen Fund:	N/A	($4.1)	($4.1)	($4.2)	($4.2)
Trsnf. In Spec. Ed. Fund:	N/A	$4.1	$4.1	$4.2	$4.2
Trsnf. To LEAs:	$0	$0	($0.9)	($1.1)	($0.3)
Net State Impact:	**($1.4)**	**$2.3**	**$9.2**	**$9.0**	**$10.0**
LEA IMPACT					
Revenue:	N/A	N/A	N/A	N/A	N/A
Operational Savings:	N/A	$1.9	$3.9	$4.0	$4.0
Net LEA Impact:	**N/A**	**$1.9**	**$3.9**	**$4.0**	**$4.0**
POSITIONS (cumulative):	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**

NOTE: This fiscal note relies on numerous assumptions that could result in the actual fiscal impact differing significantly from the numbers in the table above. Please see Assumptions & Methodology for likely ranges of fiscal impact.

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: North Carolina Department of Revenue, North Carolina Department of Public Instruction (DPI), Local Public Schools

EFFECTIVE DATE: This bill is effective for taxable years beginning January 1, 2011, and applies to semesters beginning on or after July 1, 2011. Certain changes to tax credit eligibility become effective January 1, 2016, and apply to semesters beginning on or after July 1, 2016.

BILL SUMMARY: The legislation creates a new tax credit for parents of children with special needs who choose to educate those children in a nonpublic school or in a public school at which tuition is charged per G.S. 155C-366.1. The credit amount is set at $3,000 per semester, up to two semesters a year (a maximum of $6,000 for a full academic or taxable year). The credit is non-refundable, but any unused portion of the credit may be carried forward for the succeeding three years.

To qualify for the tax credit, the taxpayer must be able to deduct a personal exemption for an "eligible dependent child." An "eligible dependent child" is one who:

1. Is a child with a disability as defined by G.S. 115C-06.3(1);
2. Was determined to require an individualized education program (IEP) as defined by G.S. 115C-06.3(8);
3. Receives special education or related services on a daily basis;
4. Is a child for whom the taxpayer is entitled to deduct a personal exemption under section 151(c) of the Code for the taxable year; and
5. Was enrolled in and attended a public school or receiving special education or related services through the public schools as a preschool child with a disability for at least the two preceding academic semesters prior to first receiving the tax credit.

In order to maintain eligibility, the bill would require all eligible dependent children to be reevaluated every three years by the local education agency (LEA) in order to verify that the child continues to be a child with a disability as defined by G.S. 115C-106.3(1). LEAs would be reimbursed for these evaluations from the Fund for Special Education and Related Services.

A student would no longer be eligible if he or she:

1. Was placed in a nonpublic school or facility by a public agency at public expense;
2. Spent time enrolled as a full-time student in a postsecondary educational institution;
3. Was 22 years or older during the entire semester; or
4. Graduated from high school prior to the end of the semester.

It is important to note that the initial eligibility requirement ("was enrolled in and attended a public school for at least the two preceding academic semesters prior to first receiving the tax credit") is changed from two academic semesters to one academic semester beginning with semesters beginning on or after July 1, 2016.

The legislation also amends G.S. 115-C to create the Fund for Special Education and Related Services ("the Fund"). The Fund will be a special revenue fund under the control of the State Board of Education. Revenue of the Fund will be used only for special educational and related services for children with disabilities. Revenue for the Fund will come from a transfer at the end of each fiscal year, beginning in fiscal year 2012-13, from income tax revenue, equal to the number of credits taken under this act multiplied by $2,000.

ASSUMPTIONS AND METHODOLOGY:

Overview

The impact of the bill is dependent entirely on choices made by parents of children who have special educational needs meeting the criteria specified in the bill. As there is no data available regarding elasticity of demand for the specific educational circumstances for which the tax credit is granted, this analysis must make an effort to estimate, using available data, potential public behavior in the presence of the new law.

Data and Assumptions

Size of the Tax Credit

This analysis assumes an average tax credit of $2,700 per year. Because the tax credit proposed by H344 is not refundable, most tax filers will not receive the full $6,000 tax credit. On tax returns with at least one dependent child and with adjusted gross income between $30,000 and $500,000, the median State tax liability was $2,700.[1] That means approximately half of the people qualifying for the tax credit proposed by this bill would receive a credit of $2,700 or less instead of $6,000. The allowance for carry-forward of the tax credit means that the median filer would receive tax credits of $2,700 and $600 in the two years after the eligible child is no longer receiving the credit.

Percent of Eligible Students Moving Out of Public School

This analysis assumes that 1% to 2% of eligible children will take advantage of the tax credit proposed by this bill. A program similar in design to the program proposed by this bill, Florida's McKay Scholarship Program for Students with Disabilities, has a participation rate of approximately 5%. There are several reasons why one would anticipate a significantly lower participation in the tax credits proposed by H344:

1. The McKay Program is marketed to students and their families. There are no funds available to market the tax credit proposed by this bill.
2. The McKay Program provides scholarships to any special needs student ranging from $4,746 to $19,133. The tax credits proposed by this bill are capped based on the parent or guardian's tax liability.
3. The McKay Program provides families with an up-front scholarship, while the tax credit proposed by H344 only reduces a parent or guardian's taxes after the parent or guardian has already paid the student's tuition.
4. Approximately half of the students receiving the McKay Scholarship are eligible for free or reduced-price lunch (family income of 185% of the poverty level, or less). Families qualifying for free or reduced-price lunch are unlikely to utilize a non-refundable tax credit to offset the costs of private school tuition.

Eligible Population of Students

DPI estimates that somewhere between 120,000 and 140,000 students could potentially meet the definition of "eligible dependent child" under this bill. DPI does not track which students receive special education or related services on a daily basis. Therefore, this analysis presents a range of possibly eligible students, rather than a point estimate. For future years, the number of eligible students is anticipated to grow by 1.37% per year, reflecting the 10-year average growth in average daily membership (ADM).

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[1] Derived using the Fiscal Research Division's North Carolina Individual Income Tax Model.

Turnover Rate

This analysis assumes an annual turnover rate of eligible dependent children of 15%. That is, from one year to the next 15% of the children generating a tax credit in year 1 will not be generating a tax credit in year 2. There are many reasons for turnover, including loss of eligibility, moving out of State, or decision to place student back in a public school.

State and Local Expenditures per Student

The estimated reduction in State expenditure per child using the tax credit is $8,160, and the estimated reduction in local expenditures per child using the tax credit is $1,931. The FY 2010-11 State average transfer of appropriation to charter schools of $4,562 per child serves as a reasonable proxy for the total avoided annual State operational expenditure for a student who transfers out of a typical public school. The per child supplemental appropriation of $3,599 for each child with special needs (for up to 12.5% of a school system's population) serves as a reasonable proxy for the additional State average expenditure for a child with special needs. A total of $8,160 is therefore used as a proxy for the average operational savings to the State that results from a student with an IEP transferring (i.e., withdrawing) from the public schools to a nonpublic school. The average local expenditure per child for operational expenses is $1,931.

Estimated Fiscal Impact of Tax Credits

The fiscal impact of H344 primarily stems from two factors: number of tax credits issued, and students who transfer from public schools to nonpublic schools. The tax credits decrease State revenue. But each transferring student also reduces State and local expenditures on public schools, as State and local school systems would no longer be financially responsible for educating the child for which the credit was granted. The net impact is essentially the difference between the tax credit, and the expenditures per child.

Note that timing issues affect the first-year fiscal impact in three ways:

1. The analysis assumes the average tax credit granted in April 2012 is $1,350, reflecting those students moving out of public schools during the Fall 2011 semester.[2] In future years, a tax credit of $2,700 per year is assumed.
2. The percent of eligible students transferring out of public schools is discounted by 50% in the first year to account for limited public awareness of a new program. It is assumed that the program will not reach its full capacity of 1% to 2% of eligible students until the 2012-13 school year.
3. State and local governments do not realize savings from reduced expenditures until the 2012-13 fiscal year. This delay is because allotted ADM is based off of the higher of projected ADM or prior year actual ADM. Therefore, the reduced enrollment experienced in the 2011-12 school year will impact allotted ADM – and therefore State and local budgeting decisions – in the 2012-13 school year.

[2] For simplicity's sake, this analysis assumes that all taxes are filed, and credits granted, in April.

Fund for Special Education and Related Services
There is no net fiscal impact associated with the *creation of* the Fund, as this bill simply transfers monies into the Fund that would have otherwise ended up in the General Fund.

However, monies from the Fund are used to reimburse LEAs for reevaluations. The reimbursement of LEAs for reevaluation services represents a fiscal cost to the State, as reevaluations deplete the Fund and reduce amounts that would have otherwise been made available for services for children with disabilities

This analysis assumes an annual turnover rate of eligible dependent children of 15%. That is, given an initial cohort of 1,000 "eligible dependent children," one would anticipate needing 614 reevaluations three years later (1,000*0.85^3). Future cohorts of required evaluations are smaller than the initial cohort. New entrants in any given year are assumed to be the amount required to replace the 15% turnover, plus enough to account for overall program growth of 1.37% per year.

Estimated Fiscal Impact on State and LEAs

	2011-12*****		2012-13		2013-14		2014-15		2015-16	
Eligible Student Pool*	120,000	140,000	121,644	141,918	123,311	143,862	125,000	145,833	126,713	147,831
Usage Percent	1%	2%	1%	2%	1%	2%	1%	2%	1%	2%
Tax Credits Granted**	600	1,400	1,216	2,838	1,233	2,877	1,250	2,917	1,267	2,957
Cost of Tax Credits (lost State Rev.)	($810,000)	($1,890,000)	($3,283,200)	($7,662,600)	($3,329,100)	($7,767,900)	($3,375,000)	($7,875,900)	($3,420,900)	($7,983,900)
Tax Credits Carried Forward***	$0	$0	($243,000)	($567,000)	($546,480)	($1,275,390)	($608,805)	($1,420,605)	($617,220)	($1,440,315)
State Exp. Per Eligible Student	$8,160	$8,160	$8,160	$8,160	$8,160	$8,160	$8,160	$8,160	$8,160	$8,160
Reduced Public School Expenditures****	N/A	N/A	$4,896,000	$11,424,000	$9,922,560	$23,158,080	$10,061,280	$23,476,320	$10,200,000	$23,802,720
Transfer OUT of General Fund	N/A	N/A	($2,432,000)	($5,676,000)	($2,466,000)	($5,754,000)	($2,500,000)	($5,834,000)	($2,534,000)	($5,914,000)
Transfer IN to Special Education Fund	N/A	N/A	$2,432,000	$5,676,000	$2,466,000	$5,754,000	$2,500,000	$5,834,000	$2,534,000	$5,914,000
Transfer out to LEAs for Reevaluations	$0	$0	$0	$0	($553,500)	($1,290,000)	($651,000)	($1,518,000)	($183,000)	($429,000)
Net Fiscal Impact on State	**($810,000)**	**($1,890,000)**	**$1,369,800**	**$3,194,400**	**$5,493,480**	**$12,824,790**	**$5,426,475**	**$12,661,815**	**$5,978,880**	**$13,949,505**
LEA Exp. Per Eligible Student	$1,931	$1,931	$1,931	$1,931	$1,931	$1,931	$1,931	$1,931	$1,931	$1,931
Reduced LEA Expenditures****	N/A	N/A	$1,158,600	$2,703,400	$2,348,096	$5,480,178	$2,380,923	$5,555,487	$2,413,750	$5,632,727
Cost of Reevaluations	$0	$0	$0	$0	($553,500)	($1,290,000)	($651,000)	($1,518,000)	($183,000)	($429,000)
Reimbursement from Special Ed Fund	$0	$0	$0	$0	$553,500	$1,290,000	$651,000	$1,518,000	$183,000	$429,000
Net Fiscal Impact on LEAs	**$0**	**$0**	**$1,158,600**	**$2,703,400**	**$2,348,096**	**$5,480,178**	**$2,380,923**	**$5,555,487**	**$2,413,750**	**$5,632,727**

*Grows by 1.37% per year to reflect the 10-year average growth in allotted ADM

**For FY11-12, number of tax credits granted is discounted by 50% to account for limited public awareness of program.

***Assumes turnover rate of 15%.

****Because allotted ADM is based off of the higher of projected ADM or prior year actual ADM, savings from reduced expenditures are not realized until the 2012-13 school year.

*****Assumes average tax credit in FY11-12 is $1,350. Assumes tax credit in all future years of $2,700.

Estimated Fiscal Impact on State and LEAs -- MIDPOINT ESTIMATE

	2011-12*****	2012-13	2013-14	2014-15	2015-16
Eligible Student Pool*	130,000	131,781	133,587	135,417	137,272
Usage Percent	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**
Tax Credits Granted**	1,000	2,027	2,055	2,084	2,112
Cost of Tax Credits (lost State Rev.)	($1,350,000)	($5,472,900)	($5,548,500)	($5,625,450)	($5,702,400)
Tax Credits Carried Forward***	$0	($405,000)	($910,935)	($1,014,705)	($1,028,768)
State Exp. Per Eligible Student	$8,160	$8,160	$8,160	$8,160	$8,160
Reduced Public School Expenditures****	N/A	$8,160,000	$16,540,320	$16,768,800	$17,001,360
Transfer OUT of General Fund	N/A	($4,054,000)	($4,110,000)	($4,167,000)	($4,224,000)
Transfer IN to Special Education Fund	N/A	$4,054,000	$4,110,000	$4,167,000	$4,224,000
Transfer out to LEAs for Reevaluations	$0	$0	($921,750)	($1,084,500)	($306,000)
Net Fiscal Impact on State	**($1,350,000)**	**$2,282,100**	**$9,159,135**	**$9,044,145**	**$9,964,193**
LEA Exp. Per Eligible Student	$1,931	$1,931	$1,931	$1,931	$1,931
Reduced LEA Expenditures****	N/A	$1,931,000	$3,914,137	$3,968,205	$4,023,239
Cost of Reevaluations	$0	$0	($921,750)	($1,084,500)	($306,000)
Reimbursement from Special Ed Fund	$0	$0	$921,750	$1,084,500	$306,000
Net Fiscal Impact on LEAs	**$0**	**$1,931,000**	**$3,914,137**	**$3,968,205**	**$4,023,239**

*Grows by 1.37% per year to reflect the 10-year average growth in allotted ADM

**For FY11-12, number of tax credits granted is discounted by 50% to account for limited public awareness of program.

***Assumes turnover rate of 15%.

****Because allotted ADM is based off of the higher of projected ADM or prior year actual ADM, savings from reduced expenditures are not realized until the 2012-13 school year.

*****Assumes average tax credit in FY11-12 is $1,350. Assumes tax credit in all future years of $2,700.

TECHNICAL CONSIDERATIONS:
There are many technical considerations that should be considered as this fiscal note is based on a number of assumptions. The fiscal impact presented here is an estimate, and any number of factors could move the fiscal impact up or down in a significant way.

Gaming the System
It is possible, but unlikely, that some parents of potentially eligible children who have never attended public schools would enroll their children in public schools for the required two semesters in order to then be able to avail themselves of the credit in a subsequent year. It seems unlikely, however, that a significant number of parents who have already made a decision not to send their children to public schools would make this choice, even in the face of potential financial gain. The analysis therefore assumes that any costs associated with this group of children will be negligible. To the extent that this assumption is incorrect, the analysis will understate total cost and overstate total savings created by the bill.

SOURCES OF DATA: North Carolina Department of Public Instruction (DPI), Fiscal Research Division's North Carolina Individual Income Tax Model, Florida's McKay Scholarship Program.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Kristopher Nordstrom

APPROVED BY: Lynn Muchmore, Director
Fiscal Research Division

DATE: June 13, 2011

Signed Copy Located in the NCGA Principal Clerk's Offices

ATTACHMENT 10

HOUSE BILL 344:
Tax Credits for Children with Disabilities

2011-2012 General Assembly

Committee:	Senate Ref to Education/Higher Education. If fav, re-ref to Appropriations/Base Budget	**Date:**	June 13, 2011
Introduced by:	Reps. Stam, Randleman, Jordan, Jones	**Prepared by:**	Drupti Chauhan Committee Counsel
Analysis of:	Fourth Edition		

SUMMARY: House Bill 344 would allow an individual income tax credit for up to $3,000 per semester for tuition and special education and related services expenses for a taxpayer's eligible dependent child with a disability who is enrolled in a nonpublic school or a public school where tuition is charged for the eligible dependent child's enrollment. The bill would create a Fund for Special Education and Related Services with the monies to be used for special education and related services for children with disabilities. The bill would also require the Department of Revenue to report to the Revenue Laws Study Committee and the Joint Legislative Education Oversight Committee on the administration of the education expenses credit and on the number and amount of education expenses credits taken.

BILL ANALYSIS:

Sections 1 and 2 would create the education expenses tax credit.

Qualifications for the Tax Credit

- A taxpayer would be entitled to an education expenses tax credit of up to $3,000 per semester for tuition and special education and related services expenses for each "eligible dependent child" who is a resident of this State and who enrolled for one or two semesters during the taxable year in grades Kindergarten-12 at either:
  - A non-public school or
  - A public school where tuition is charged for the child's enrollment.
- For home schools, the credit is equal to the amount the taxpayer paid for special education and related services expenses not to exceed $3,000.
- An eligible dependent child must meet all of the following criteria:
  - Is a child with a disability who requires an individualized education program (IEP) under Article 9 of Chapter 115C of the General Statutes (Education of Students with Disabilities and the federal Individuals with Disabilities Education Improvement Act (IDEA), 20 U.S.C. § 1400 et seq.(2004), as amended. The child must be reevaluated every 3 years by a local educational agency to verify that the child continues to be a child with a disability.
  - Receives special education or related services on a daily basis.
  - Is a child for whom the taxpayer is entitled to deduct a personal exemption under section 151(c) of the Code for the taxable year.

For the initial eligibility for the tax credit during the first five years that the credit is available, the eligible dependent child must have been enrolled for at least the preceding <u>two</u> semesters in a public school or receiving special education or related services through the public schools as a preschool child with a disability. This initial eligibility requirement is reduced to one semester beginning for taxable years on or after January 1, 2016.

The bill would provide that there are two semesters during each taxable year with the spring semester being the first 6 months of the taxable year and the fall semester being the second six months of the taxable year. An eligible dependent child is considered to have been enrolled in a school for a semester if the eligible dependent child is enrolled in that school for more than 70 days during that semester.

Disqualifications for the Tax Credit

A taxpayer would not qualify for the education expenses tax credit for any semester when the taxpayer's otherwise eligible dependent child was:

- Placed in a nonpublic school or facility by a public agency at public expense;
- Enrolled for any time as a full-time student taking at least 12 hours of academic credit at a postsecondary educational institution;
- 22 years of age or older during the entire semester; or
- Graduated from high school prior to the end of the semester.

Reduction of the Tax Credit

The amount of the education expenses tax credit would be reduced for any semester in which the eligible dependent child spent any time enrolled in a public school. The amount of the reduction would be equal to the percentage of the semester that the eligible dependent child was enrolled in a public school.

Information Required to be Submitted to the Department of Revenue to Claim Education Expenses Tax Credit

To substantiate the credit, a taxpayer would have to provide all of the following information, if requested by the Secretary of Revenue:

- The name, address and social security number of each eligible dependent child for whom the credit is claimed and the name and address of the school or schools in which the eligible dependent child was enrolled in and attended for more than 70 days of each semester.
- A certification that there were no disqualifying factors.
- The name of the local school administrative unit in which the eligible dependent child resides.
- The amount of the tuition paid to a public school for each semester the eligible dependent child was enrolled in and attended that public school.
- The eligibility determination that the eligible dependent child is a child with a disability who requires special education and related services.
- A listing of the tuition and special education and related services expenses on which the education expenses tax credit is based.
- For home schools, a listing of the special education and related services expenses on which the education expenses tax credit is based.

Carryforward

The tax credit allowed could not exceed the amount of tax imposed reduced by the sum of all credits allowed against the tax except for payments of tax made by or on behalf of the taxpayer. Any unused portion of the credit could be carried forward for 3 succeeding years.

Transfer into Fund for Special Education and Related Services

At the end of each fiscal year, the Secretary of Revenue must transfer an amount equal to $2,000 multiplied by the number of education expenses tax credits taken during the fiscal year to the Fund for Special Education and Related Services (created in Section 3 of the bill) from the net individual income tax collections under G.S. 105-134.2 (Individual Income Tax Imposed).

Section 3 of the bill would create the Fund for Special Education and Related Services (Fund) with the money credited to the Fund through the transfer required in Section 1 of the bill from the Secretary of Revenue. The Fund would be established as a special revenue fund under the control and direction of the State Board of Education. Interest and other investment income earned by the Fund accrue to it and monies in the Fund do not

revert. The revenue in the Fund may only be used for special education and related services for children with disabilities. In addition, the monies in the fund must be used to reimburse local educational agencies for conducting reevaluations for continued eligibility and developing revised individualized education programs for children with disabilities.

Section 4 of the bill would require that the Department of Revenue report to the Revenue Laws Study Committee and the Joint Legislative Education Oversight Committee on the administration of the education expenses tax credit provided by this bill by October 1, 2013. The report must include the following:

- The number and amount of education expenses tax credits taken;
- Concerns relating to the administration of the education expenses tax credits or taxpayer compliance; and
- Any other matter the Department wishes to address with respect to the education expenses tax credit.

Sections 4A, 5, and 5A of the bill would provide that if the 2011 Appropriations Act (House Bill 200) becomes law, then certain provisions of that act (House Bill 200) would be amended to allow for necessary budget adjustments needed for the implementation of this bill.

EFFECTIVE DATE: Sections 1, 3, 4 and 4A of the act would become effective for taxable years beginning on or after January 1, 2011, and would apply to semesters for which the credit is claimed beginning on or after July 1, 2011. Section 2 of this act would be effective for taxable years beginning on or after January 1, 2016, and would apply to semesters beginning on or after July 1, 2016. The initial eligibility requirement may be met during semesters prior to July 1, 2011 and July 1, 2016, respectively. Transfers to the Fund would not be made before the 2012-2013 fiscal year. The remainder of the act is effective when it becomes law.

BACKGROUND: Approximately five states provide programs for students with disabilities to attend private schools: Florida, Utah, Ohio, Oklahoma and Georgia.

The John M. McKay Scholarships Program for Students with Disabilities in Florida gives parents a voucher to send their child to a private school or another public school of their choice.

The Carson Smith Special Needs Scholarship Program in Utah awards scholarships to students with disabilities who attend a private school, both secular and non-secular.

The Special Education Pilot Project (also known as the Autism Scholarship Program) in Ohio is a scholarship awarded to parents of autistic children for services at a public or nonpublic special education program, which includes tuition at a private school.

Oklahoma enacted the Lindsey Nicole Henry Scholarship for Children with Disabilities in 2010. The amount of the scholarship would be either the private school's tuition or the amount of state and local money that would be given to the school system where the student is enrolled, whichever is less.

Georgia enacted the Special Needs Scholarship Act in 2007, creating a program which allows children with special needs to attend the public or private school that best meets their educational needs.

H344-SMRQ-46(e4) v1

ATTACHMENT 11

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 344

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

H344-ARQ-100 [v.2]

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

Date _____,2011

Senator _____

moves to amend the bill on page 3, line 47 through page 9, line 8 by deleting those lines and substituting the following:

"**SECTION 4A.** If House Bill 200, 2011 Regular Session, becomes law, then Section 2.1 of that act reads as rewritten:

"**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 fiscal biennium ending June 30, 2013, according to the following schedule:

Current Operations – General Fund	**2011-2012**	**2012-2013**
EDUCATION		
Community Colleges System Office	$ 985,000,000	$ 985,000,000
Department of Public Instruction	7,464,492,057	~~7,450,000,000~~ 7,444,122,100
University of North Carolina – Board of Governors		
Appalachian State University	145,563,319	145,680,676
East Carolina University		
Academic Affairs	247,397,807	247,397,807
Health Affairs	65,196,439	65,196,439
Elizabeth City State University	38,226,042	38,398,361
Fayetteville State University	56,925,951	56,925,951
NC A&T State University	105,355,805	105,794,754
NC Central University	94,342,683	94,342,683
NC State University		
Academic Affairs	434,563,241	434,677,423
Agricultural Research	59,239,461	59,239,461
Agricultural Extension	43,539,609	43,539,609
UNC-Asheville	42,004,444	42,004,444
UNC-Chapel Hill		

Academic Affairs		309,481,584	312,843,120
Health Affairs		219,507,009	222,570,732
AHEC		49,747,851	49,747,851
UNC-Charlotte		216,455,073	217,471,216
UNC-Greensboro		173,180,926	173,180,926
UNC-Pembroke		61,534,005	62,277,254
UNC-School of the Arts		27,796,473	27,796,473
UNC-Wilmington		105,943,181	107,138,757
Western Carolina University		90,591,556	91,070,460
Winston-Salem State University		76,496,951	76,496,950
General Administration		38,186,863	27,628,722
University Institution Programs		(375,153,400)	(383,808,914)
Related Educational Programs		85,679,060	115,272,420
UNC Financial Aid Private Colleges		91,635,664	86,534,065
NC School of Science & Math		18,937,535	18,937,535
UNC Hospitals		18,000,000	18,000,000
Total University of North Carolina – Board of Governors	$	2,540,375,132	$ 2,551,672,698
HEALTH AND HUMAN SERVICES			
Department of Health and Human Services			
Division of Central Management and Support	$	50,177,377	$ 44,577,987
Division of Aging and Adult Services		37,019,667	37,019,667
Division of Services for Blind/Deaf/Hard of Hearing		8,389,110	8,372,886
Division of Child Development		266,102,933	266,102,933
Division of Health Service Regulation		16,133,031	16,133,031
Division of Medical Assistance		2,958,388,184	2,907,276,302
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		665,712,232	710,712,232
NC Health Choice		79,452,317	83,717,865
Division of Public Health		190,443,245	157,538,834
Division of Social Services		186,183,068	186,183,068
Division of Vocational Rehabilitation		37,125,788	37,528,128
Total Health and Human Services	$	4,495,126,952	$ 4,455,162,933
NATURAL AND ECONOMIC RESOURCES			
Department of Agriculture and Consumer Services	$	65,460,864	$ 62,198,634
Department of Commerce			
Commerce		50,852,340	33,250,463

Commerce State-Aid	32,851,025	30,151,984
NC Biotechnology Center	17,551,710	17,551,710
Rural Economic Development Center	25,376,729	25,376,729
Department of Environment and Natural Resources	165,784,887	148,148,105
DENR Clean Water Management Trust Fund	11,250,000	11,250,000
Department of Labor	15,836,887	15,836,887
Wildlife Resources Commission	18,000,000	17,221,179
JUSTICE AND PUBLIC SAFETY		
Department of Correction	$ 1,337,816,346	$ 1,348,410,793
Department of Crime Control and Public Safety	225,258,795	215,164,518
Judicial Department	438,920,048	435,141,107
Judicial Department – Indigent Defense	110,091,526	112,748,733
Department of Justice	80,704,013	80,864,138
Department of Juvenile Justice and Delinquency Prevention	135,593,692	131,140,565
GENERAL GOVERNMENT		
Department of Administration	$ 63,607,330	$ 65,511,460
Department of State Auditor	11,857,574	10,676,035
Office of State Controller	28,368,957	28,368,957
Department of Cultural Resources		
Cultural Resources	63,524,857	61,697,001
Roanoke Island Commission	1,805,236	1,203,491
State Board of Elections	5,186,603	5,126,603
General Assembly	53,259,495	50,104,208
Office of the Governor		
Office of the Governor	4,741,157	4,741,157

Office of State Budget and Management	5,848,663	5,848,663
OSBM – Reserve for Special Appropriations	1,940,612	440,612
Housing Finance Agency	9,673,051	9,673,051
Department of Insurance		
Insurance	36,393,921	36,393,921
Insurance – Volunteer Safety Workers' Compensation	2,294,000	2,623,654
Office of Lieutenant Governor	695,324	695,324
Office of Administrative Hearings	4,983,871	4,983,871
Department of Revenue	78,199,538	78,199,538
Department of Secretary of State	10,654,563	10,654,563
Department of State Treasurer		
State Treasurer	6,657,031	6,621,750
State Treasurer – Retirement for Fire and Rescue Squad Workers	17,812,114	17,812,114
RESERVES, ADJUSTMENTS, AND DEBT SERVICE		
Contingency and Emergency Fund	$ 5,000,000	$ 5,000,000
State Retirement System Contribution	248,100,000	336,000,000
Judicial Retirement System Contribution	6,800,000	7,800,000
Firemen's & Rescue Squad Workers' Pension Fund	4,318,042	5,366,928
State Health Plan	7,119,541	102,151,104
Information Technology Fund	4,458,142	6,158,142
Reserve for Job Development Investment Grants (JDIG)	15,400,000	27,400,000
Continuation Review Reserve	0	35,576,758
Comprehensive Review of Compensation Plans	2,000,000	0
Compensation Adjustment and Performance Pay Reserve	0	121,105,840

Severance Expenditure Reserve	69,000,000	0
Automated Fraud Detection Development	1,000,000	7,000,000
Controller – Fraud Detection Development	500,000	500,000
Debt Service		
General Debt Service	688,957,188	759,984,974
Federal Reimbursement	1,616,380	1,616,380
TOTAL CURRENT OPERATIONS – GENERAL FUND	**$ 19,678,116,193**	~~**$ 19,943,327,275**~~ **$ 19,937,449,375**"

SECTION 5.(a) If House Bill 200, 2011 Regular Session, becomes law, then Section 2.2(a) of that act reads as rewritten:

"**SECTION 2.2(a)** The General Fund availability used in developing the 2011-2013 biennial budget is shown below.

	FY 2011-2012	**FY 2012-2013**
Unappropriated Balance Remaining	$ 0	$ 13,980,015
Ending Unreserved Fund Balance for FY 2009-2010	236,902,394	0
Anticipated Reversions for FY 2010-2011	537,740,799	0
Anticipated Over-collections from FY 2010-2011	180,800,000	0
Repayment of Medicaid Receipts in FY 2010-2011	(125,000,000)	0
Statutory Earmarks:		
Savings Reserve Account	~~(185,000,000)~~(183,650,000)	0
Repairs and Renovations Reserve Account	(125,000,000)	0
Beginning Unreserved Fund Balance	**$ ~~520,443,193~~521,793,193**	**$ 13,980,015**
Revenues Based on Existing Tax Structure	**$ 18,129,800,000**	**$ 19,181,900,000**
Nontax Revenues		
Investment Income	$ 59,400,000	$ 76,700,000
Judicial Fees	217,800,000	217,800,000
Disproportionate Share	100,000,000	100,000,000
Insurance	71,400,000	73,500,000
Other Nontax Revenues	182,500,000	182,500,000
Highway Trust Fund/Use Tax Reimbursement Transfer	41,500,000	27,600,000
Highway Fund Transfer	20,230,000	24,080,000
Subtotal Nontax Revenues	**$ 692,830,000**	**$ 702,180,000**

Total General Fund Availability	~~**$ 19,343,073,193**~~	**$ 19,344,423,193**	**$ 19,898,060,015**
Adjustments to Availability: 2011 Session			
Loss of Estate Tax	$ (57,100,000)	$ (72,200,000)	
Small Business Tax Relief Package	(131,600,000)	(335,600,000)	
Repeal Wildlife Resources Commission Sales Tax Earmark	22,970,000	23,920,000	
Suspend Corporate Income Tax Earmark (Public School Construction)	72,110,000	74,750,000	
Increase in Judicial Fees	61,765,715	61,765,715	
Increase Investment Company Notice Filing Fee	1,600,000	1,600,000	
Increase Parking Fees for Visitors	550,000	550,000	
Loss of Revenue from the Town of Butner	(1,213,235)	(1,213,235)	
Transfer from E-Commerce Reserve Fund	4,483,526	0	
Divert Funds from Parks & Recreation Trust Fund	8,435,000	0	
Divert Funds from Recreational/Natural Heritage Trust Fund	8,000,000	0	
Transfer from Highway Fund for State Highway Patrol	196,849,542	188,209,049	
Transfer Additional Funds from Highway Trust Fund	35,223,642	0	
Transfer from Mercury Prevention Pollution Fund	250,000	0	
Transfer from Commerce – Enterprise Fund	500,000	0	
Divert Funds from Scrap Tire Disposal Account	2,268,989	0	
Divert Funds from White Goods Management Account	1,951,465	0	
Diversion of Golden LEAF Funds	17,563,760	17,563,760	
Master Settlement Agreement Funds	24,668,720	25,580,772	
Transfer Health and Wellness Trust Funds to Public Health	32,904,411	0	
Department of Revenue – Accounts Receivable Program	25,000,000	25,000,000	
Medicaid Disproportionate Share Receipts	15,000,000	15,000,000	
Adjust Transfer from Insurance Regulatory Fund	(742,348)	(742,348)	
Adjust Transfer from Treasurer's Office	(3,881,172)	(3,916,453)	
Transfer from NC Flex FICA Funds	1,000,000	0	
Proceeds from the Sale of State Assets	15,000,000	25,000,000	
Children with Disabilities Tax Credit	(1,350,000)	(5,877,900)	
Subtotal Adjustments to Availability: 2011 Session	**$** ~~**353,558,015**~~**352,208,015**	~~**$45,267,260**~~ **39,389,360**	
Revised General Fund Availability	**$ 19,696,631,208**	~~**$ 19,943,327,275**~~ **$ 19,937,449,375**	

Less General Fund Appropriations	**$ (19,682,651,193)**	**~~$ (19,943,327,275)~~ $ (19,937,449,375)**
Unappropriated Balance Remaining	**$ 13,980,015**	**$ 0**

SECTION 5.(b) If House Bill 200, 2011 Regular Session, becomes law, then Section 2.2(m) of that act reads as rewritten:

"**SECTION 2.2.(m)** Notwithstanding G.S. 143C-4-2, the State Controller shall transfer only one hundred ~~eighty-five million dollars ($185,000,000)~~ eighty-three million six hundred fifty thousand dollars ($183,650,000) from the unreserved fund balance to the Savings Reserve Account on June 30, 2011. This is not an 'appropriation made by law,' as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution. This subsection becomes effective June 30, 2011."

SECTION 5A. If House Bill 200, 2011 Regular Session, becomes law, then that act is amended by adding the following new section to read:

"**ADM ADJUSTMENT**

SECTION 7.31. Notwithstanding any other provision of this act, the funds appropriated for the average daily membership (ADM) adjustment for public schools shall be adjusted to provide fifty-five million eight hundred eighty-two thousand six hundred fifty-one dollars ($55,882,651) in the 2011-2012 fiscal year and one hundred thirty-seven million two hundred nine thousand five hundred fourteen dollars ($137,209,514) in the 2012-2013 fiscal year. The funds appropriated for the ADM adjustment shall be distributed to modify allotments to charter schools and local school administrative units, reflecting changes in ADM due to population growth and other changes in State law.""

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

ATTACHMENT 12

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 344

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

H344-ARQ-99 [v.2]

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

Date _____,2011

Senator Nesbitt

moves to amend the bill on page 1, line 4 by rewriting the line to read:
"FOR SPECIAL EDUCATION AND RELATED SERVICES, AND TO REQUIRE CHARTER SCHOOLS TO GIVE ADMISSIONS PREFERENCES FOR CHILDREN WITH DISABILITIES."; and

On page 3, between lines 37 and 38 by inserting the following between those lines:
"**SECTION 3A.** G.S. 115C-238.29F(g) is amended by adding a new subdivision to read:
"(3a) A charter school shall give admissions preference to students who are children with disabilities as defined in G.S. 115C-106.3."".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED ✓ TABLED _____

ATTACHMENT 13

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — June 14, 2011

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
MICHELLE ITEAN	SMITH ANDERSON
Darrell Allison	PEFNC
Reggie Holley	PEFNC / Longmire Group
Moses Carey	DOA
John Hardy	MFS
Damon Circosta	NC Voter Ed
Jennifer Epperson	NC DOJ
KIRA WHITACRE	NC DOJ
Abby Graham	NMSS-NC
Thurt Peters	NMSS-NC
Laura Reinhard	ASNC

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — June 14, 2011
Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Rosalyn Raines	Shawtown Center Broward
Jason Bennett	N.C. Sheriffs' Association
Kiernan James	N.C. Sheriffs' Association
Megan Grasso	CSG Justice Center
Amanda Gladin-Kramer	Courts legal counsel intern
Elizabeth A. Biser	Brooks Pierce
Meenal Khajuria	Office of the Governor
Emily Doyle	NCPAPA
Robin Johnson	NCASA
Pamela Walker	NCDOC
Tracy Little	NCDOC

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — June 14, 2011
Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jennifer Mahan	ASNC
Julia Adams	The Arc of NC
Zhyr Nail	JLF
Jonathan Martin	JLF
Kevin Manger	JLF
Alissa Whatley	JLF
Cathy Hardy	DENR
Chris Farr	Americans for Prosperity
Mitch Leonard	SEANC
Chris Valauri	Valauri Group, LLC
Jere Royall	NC Family Policy Council

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — June 14, 2011

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Nicole Sullivan	DOC
Alan Keller	DOC
Mildred Spearman	AOC
John Madler	NC Sentencing Commission
Ginny Hevener	NC Sentencing Commission
Steve Saucier	Grassroots
Denise Foreman	Wake Co.
Cargle Sanders	JRNC
[illegible]	NCNA
W. Gardner Culpepper	DLC & Assoc
Allison Walter	Nelson Mullins

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — June 14, 2011

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Sara Riggins	NCFPC
Lao Rubert	CJPC
Donald Bryson	PEFNC
Linda Dunlap	NCAE
Jim Stegall	North Carolina Alliance for Public Charter Schools
Jeff Mixon	AFPNC
Dallas Woodhouse	AFPNC
Paul Tyler	Individual
Christin Danchi	Rep. Stam's Office
Will Morgan	Sierra Club

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — June 14, 2011

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Bret Tuxell	NCACC
Alissa Willett	NCACC
Turner Cain	DOE
Andrew Cagle	NC Sheriffs Assn.
JAIME KING	NCEL
ADAM BARRETT	John Locke
David Miner	GRG INC
David Cain	SEB

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

Tuesday, June 14, 2011

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

UNFAVORABLE AS TO COMMITTEE SUBSTITUTE BILL NO. 2, BUT FAVORABLE AS TO SENATE COMMITTEE SUBSTITUTE BILL

H.B.(CS #2) **344** Tax Credits for Children with Disabilities.

Draft Number:	PCS70257
Sequential Referral:	None
Recommended Referral:	Finance
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) **642** Justice Reinvestment Act.

Draft Number:	PCS70259
Sequential Referral:	
Recommended Referral:	None
Long Title Amended:	No

TOTAL REPORTED: 2

Committee Clerk Comments:

Senator Stevens H344
Senator Brown H642

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

H D

HOUSE BILL 642
Committee Substitute Favorable 4/14/11
Committee Substitute #2 Favorable 5/31/11
Fourth Edition Engrossed 6/2/11
Senate Judiciary I Committee Substitute Adopted 6/9/11
Corrected Copy 6/13/11
PROPOSED SENATE COMMITTEE SUBSTITUTE H642-PCS70259-LH-8

Short Title: Justice Reinvestment Act. (Public)

Sponsors:

Referred to:

April 6, 2011

A BILL TO BE ENTITLED

AN ACT TO IMPLEMENT CERTAIN RECOMMENDATIONS OF THE JUSTICE REINVESTMENT PROJECT AND TO PROVIDE THAT THE ACT SHALL BE ENTITLED "THE JUSTICE REINVESTMENT ACT OF 2011."

The General Assembly of North Carolina enacts:

PART I. STRENGTHEN PROBATION SUPERVISION

SECTION 1.(a) G.S. 15A-1340.11(2) reads as rewritten:

"(2) Community punishment. – A sentence in a criminal case that does not include an active punishment or assignment to a drug treatment court, or special probation as defined in G.S. 15A-1351(a). ~~punishment, an intermediate punishment, or any of the conditions of probation listed in subdivision (6) of this section.~~It may include any one or more of the conditions set forth in G.S. 15A-1343(a1)."

SECTION 1.(b) G.S. 15A-1340.11(6) reads as rewritten:

"(6) Intermediate punishment. – A sentence in a criminal case that places an offender on supervised probation. ~~probation and includes at least one~~ It may include drug treatment court, special probation as defined in G.S. 15A-1351(a), and one or more of the ~~following conditions:~~conditions set forth in G.S. 15A-1343(a1).

~~a. Special probation as defined in G.S. 15A-1351(a).~~
~~b. Assignment to a residential program.~~
~~c. House arrest with electronic monitoring.~~
~~d. Intensive supervision.~~
~~e. Assignment to a day reporting center.~~
~~f. Assignment to a drug treatment court program.~~"

SECTION 1.(c) G.S. 15A-1343 is amended by adding a new subsection to read:

"(a1) Community and Intermediate Probation Conditions. – In addition to any conditions a court may be authorized to impose pursuant to G.S. 15A-1343(b1), the court may include any one or more of the following conditions as part of a community or intermediate punishment:

(1) House arrest with electronic monitoring.
(2) Perform community service.
(3) Submission to a period or periods of confinement in a local confinement facility for a total of no more than six days per month during any three separate months during the period of probation. The six days per month confinement provided for in this subdivision may only be imposed as two-day or three-day consecutive periods.
(4) Substance abuse assessment, monitoring, or treatment.
(5) Participation in an educational or vocational skills development program, including an evidence-based program.
(6) Submission to satellite-based monitoring, pursuant to Part 5 of Article 27A of Chapter 14 of the General Statutes, if the defendant is described by G.S. 14-208.40(a)(2)."

SECTION 1.(d) G.S. 15A-1343.2(e) reads as rewritten:

"(e) Delegation to Probation Officer in Community Punishment. – Unless the presiding judge specifically finds in the judgment of the court that delegation is not appropriate, the Division of Community Corrections in the Department of Correction may require an offender sentenced to community punishment ~~to:~~to do any of the following:

(1) Perform up to 20 hours of community service, and pay the fee prescribed by law for this ~~supervision;~~supervision.
(2) Report to the offender's probation officer on a frequency to be determined by the ~~officer; or~~officer.
(3) Submit to substance abuse assessment, monitoring or treatment.
(4) Submit to house arrest with electronic monitoring.
(5) Submit to a period or periods of confinement in a local confinement facility for a total of no more than six days per month during any three separate months during the period of probation. The six days per month confinement provided for in this subdivision may only be imposed as two-day or three-day consecutive periods.
(6) Submit to a curfew which requires the offender to remain in a specified place for a specified period each day and wear a device that permits the offender's compliance with the condition to be monitored electronically.
(7) Participate in an educational or vocational skills development program, including an evidence-based program.

If the Division imposes any of the above requirements, then it may subsequently reduce or remove those same requirements.

The probation officer may exercise authority delegated to him or her by the court pursuant to subsection (e) of this section after administrative review and approval by a Chief Probation Officer. The offender may file a motion with the court to review the action taken by the probation officer. The offender shall be given notice of the right to seek such a court review. However, the offender shall have no right of review if he or she has signed a written waiver of rights as required by this subsection. The Division may exercise any authority delegated to it under this subsection only if it first determines that the offender has failed to comply with one or more of the conditions of probation imposed by the court or the offender is determined to be high risk based on the results of the risk assessment in G.S. 15A-1343.2, except that the condition at subdivision (5) of this subsection may not be imposed unless the Division determines that the offender failed to comply with one or more of the conditions imposed by

the court. Nothing in this section shall be construed to limit the availability of the procedures authorized under G.S. 15A-1345.

~~If the probation officer exercises authority delegated to him or her by the court pursuant to this subsection, the offender may file a motion with the court to review the action taken by the probation officer. The offender shall be given notice of the right to seek such a court review. The Division may exercise any authority delegated to it under this subsection only if it first determines that the offender has failed to comply with one or more of the conditions of probation imposed by the court.~~

The Department shall adopt guidelines and procedures to implement the requirements of this section, which shall include a supervisor's approval prior to exercise of the delegation of authority authorized by this section. Prior to imposing confinement pursuant to subdivision (5) of this subsection, the probationer must first be presented with a violation report, with the alleged violations noted and advised of the right (i) to a hearing before the court on the alleged violation, with the right to present relevant oral and written evidence; (ii) to have counsel at the hearing, and that one will be appointed if the probationer is indigent; (iii) to request witnesses who have relevant information concerning the alleged violations; and (iv) to examine any witnesses or evidence. Upon the signing of a waiver of rights by the probationer, with both the probation officer and a supervisor signing as witnesses, the probationer may be confined for the period designated on the violation report."

SECTION 1.(e) G.S. 15A-1343.2(f) reads as rewritten:

"(f) Delegation to Probation Officer in Intermediate Punishments. – Unless the presiding judge specifically finds in the judgment of the court that delegation is not appropriate, the Division of Community Corrections in the Department of Correction may require an offender sentenced to intermediate punishment ~~to:~~to do any of the following:

(1) Perform up to 50 hours of community service, and pay the fee prescribed by law for this ~~supervision;~~supervision.

(2) Submit to a curfew which requires the offender to remain in a specified place for a specified period each day and wear a device that permits the offender's compliance with the condition to be monitored ~~electronically;~~ electronically.

(3) Submit to substance abuse assessment, monitoring or ~~treatment;~~ treatment.

(4) Participate in an educational or vocational skills development ~~program.~~program, including an evidence-based program.

(5) Submit to satellite-based monitoring pursuant to Part 5 of Article 27A of Chapter 14 of the General Statutes, if the defendant is described by G.S. 14-208.40(a)(2).

(6) Submit to a period or periods of confinement in a local confinement facility for a total of no more than six days per month during any three separate months during the period of probation. The six days per month confinement provided for in this subdivision may only be imposed as two-day or three-day consecutive periods.

(7) Submit to house arrest with electronic monitoring.

(8) Report to the offender's probation officer on a frequency to be determined by the officer.

If the Division imposes any of the above requirements, then it may subsequently reduce or remove those same requirements.

The probation officer may exercise authority delegated to him or her by the court pursuant to subsection (f) of this section after administrative review and approval by a Chief Probation Officer. The offender may file a motion with the court to review the action taken by the probation officer. The offender shall be given notice of the right to seek such a court review. However, the offender shall have no right of review if he or she has signed a written waiver of

rights as required by this subsection. The Division may exercise any authority delegated to it under this subsection only if it first determines that the offender has failed to comply with one or more of the conditions of probation imposed by the court or the offender is determined to be high risk based on the results of the risk assessment in G.S. 15A-1343.2, except that the condition at subdivision (6) of this subsection may not be imposed unless the Division determines that the offender failed to comply with one or more of the conditions imposed by the court. Nothing in this section shall be construed to limit the availability of the procedures authorized under G.S. 15A-1345.

~~If the probation officer exercises authority delegated to him or her by the court pursuant to this subsection, the offender may file a motion with the court to review the action taken by the probation officer. The offender shall be given notice of the right to seek such a court review. The Division may exercise any authority delegated to it under this subsection only if it first determines that the offender has failed to comply with one or more of the conditions of probation imposed by the court.~~

The Department shall adopt guidelines and procedures to implement the requirements of this section, which shall include a supervisor's approval prior to exercise of the delegation of authority authorized by this section. Prior to imposing confinement pursuant to subdivision (6) of this subsection, the probationer must first be presented with a violation report, with the alleged violations noted and advised of the right (i) to a hearing before the court on the alleged violation, with the right to present relevant oral and written evidence; (ii) to have counsel at the hearing, and that one will be appointed if the probationer is indigent; (iii) to request witnesses who have relevant information concerning the alleged violations; and (iv) to examine any witnesses or evidence. Upon the signing of a waiver of rights by the probationer, with both the probation officer and a supervisor signing as witnesses, the probationer may be confined for the period designated on the violation report."

SECTION 1.(f) G.S. 15A-1343.2 is amended by adding a new subsection to read:

"(b1) Departmental Risk Assessment by Validated Instrument Required. – As part of the probation program developed by the Department of Correction pursuant to subsection (b) of this section, the Department of Correction shall use a validated instrument to assess each probationer for risk of reoffending and shall place a probationer in a supervision level based on the probationer's risk of reoffending and criminogenic needs."

SECTION 1.(g) G.S. 15A-1343(b1)(3b) is repealed.

SECTION 1.(h) G.S. 15A-1340.11(3) is repealed.

SECTION 1.(i) G.S. 15A-1340.11(5) is repealed.

SECTION 1.(j) G.S. 15A-1340.11(8) is repealed.

SECTION 1.(k) G.S. 15A-1343.2(c) reads as rewritten:

"(c) Probation Caseload Goals. – It is the goal of the General Assembly that, subject to the availability of funds, caseloads for probation officers supervising persons who are determined to be high or moderate risk of rearrest as determined by the Department's validated risk assessment should not exceed an average of 60 offenders per officer.~~sentenced to community punishment should not exceed an average of 90 offenders per officer, and caseloads for offenders sentenced to intermediate punishments should not exceed an average of 60 offenders per officer by July 1, 1998.~~"

SECTION 1.(l) This section becomes effective December 1, 2011, and applies to persons placed on probation based on offenses which occur on or after December 1, 2011; however, this section and the provisions of this act requiring the Department of Correction to adopt guidelines and procedures are effective when this act becomes law.

PART II. POST-RELEASE SUPERVISION CHANGES

SECTION 2.(a) G.S. 15A-1368.1 reads as rewritten:

"§ 15A-1368.1. Applicability of Article 84A.

This Article applies to all felons ~~in Class B1 through Class E~~ sentenced to an active punishment under Article 81B of this Chapter, but does not apply to felons in Class A and Class B1 sentenced to life imprisonment without parole. Prisoners subject to Articles 85 and 85A of this Chapter are excluded from this Article's coverage."

SECTION 2.(b) G.S. 15A-1368.2 reads as rewritten:

"**§ 15A-1368.2. Post-release supervision eligibility and procedure.**

(a) A prisoner to whom this Article applies shall be released from prison for post-release supervision on the date equivalent to his maximum imposed prison term less ~~nine months,~~ 12 months in the case of Class B1 through E felons and less nine months in the case of Class F through I felons, less any earned time awarded by the Department of Correction or the custodian of a local confinement facility under G.S. 15A-1340.13(d). If a prisoner has not been awarded any earned time, the prisoner shall be released for post-release supervision on the date equivalent to his maximum prison term less ~~nine months.~~12 months for Class B1 through E felons and less nine months for Class F through I felons.

(b) A prisoner shall not refuse post-release supervision.

(c) A supervisee's period of post-release supervision shall be for a period of ~~nine months,~~12 months in the case of Class B1 through E felons and nine months in the case of Class F through I felons, unless the offense is an offense for which registration is required pursuant to Article 27A of Chapter 14 of the General Statutes. For offenses subject to the registration requirement of Article 27A of Chapter 14 of the General Statutes, the period of post-release supervision is five years. The conditions of post-release supervision are as authorized in G.S. 15A-1368.5.

...."

SECTION 2.(c) G.S. 15A-1368.4(e) is amended by adding a new subdivision to read:

"(7a) Not to abscond, by willfully avoiding supervision or by willfully making the supervisee's whereabouts unknown to the supervising probation officer."

SECTION 2.(d) G.S. 15A-1368.3(c) reads as rewritten:

"(c) Effect of Violation. – If the supervisee violates a condition, described in G.S. 15A-1368.4, at any time before the termination of the supervision period, the Commission may continue the supervisee on the existing supervision, with or without modifying the conditions, or if continuation or modification is not appropriate, may revoke post-release supervision as provided in G.S. 15A-1368.6 and reimprison the supervisee for a term consistent with the following requirements:

(1) ~~The supervisee~~Supervisees who were convicted of an offense for which registration is required under Article 27A of Chapter 14 of the General Statutes and supervisees whose supervision is revoked for a violation of the required controlling condition under G.S. 15A-1368.4(b) or for absconding in violation of G.S. 15A-1368.4(e)(7a) will be returned to prison up to the time remaining on ~~his~~their maximum imposed ~~term.~~terms. All other supervisees will be returned to prison for three months and may be returned for three months on each of two subsequent violations, after which supervisees who were Class B1 through E felons may be returned to prison up to the time remaining on their maximum imposed terms.

(2) The supervisee shall not receive any credit for days on post-release supervision against the maximum term of imprisonment imposed by the court under G.S. 15A-1340.13.

(3) Pursuant to Article 19A of Chapter 15, the Department of Correction shall award a prisoner credit against any term of reimprisonment for all time spent in custody as a result of revocation proceedings under G.S. 15A-1368.6.

(4) The prisoner is eligible to receive earned time credit against the maximum prison term as provided in G.S. 15A-1340.13(d) for time served in prison after the revocation."

SECTION 2.(e) G.S. 15A-1340.17(d) reads as rewritten:

"(d) Maximum Sentences Specified for Class F through Class I Felonies. – Unless provided otherwise in a statute establishing a punishment for a specific crime, for each minimum term of imprisonment in the chart in subsection (c) of this section, expressed in months, the corresponding maximum term of imprisonment, also expressed in months, is as specified in the table below for Class F through Class I felonies. The first figure in each cell in the table is the minimum term and the second is the maximum term.

~~3-4~~	~~4-5~~	~~5-6~~	~~6-8~~	~~7-9~~	~~8-10~~	~~9-11~~	~~10-12~~
~~11-14~~	~~12-15~~	~~13-16~~	~~14-17~~	~~15-18~~	~~16-20~~	~~17-21~~	~~18-22~~
~~19-23~~	~~20-24~~	~~21-26~~	~~22-27~~	~~23-28~~	~~24-29~~	~~25-30~~	~~26-32~~
~~27-33~~	~~28-34~~	~~29-35~~	~~30-36~~	~~31-38~~	~~32-39~~	~~33-40~~	~~34-41~~
~~35-42~~	~~36-44~~	~~37-45~~	~~38-46~~	~~39-47~~	~~40-48~~	~~41-50~~	~~42-51~~
~~43-52~~	~~44-53~~	~~45-54~~	~~46-56~~	~~47-57~~	~~48-58~~	~~49-59~~	
3-13	4-14	5-15	6-17	7-18	8-19	9-20	10-21
11-23	12-24	13-25	14-26	15-27	16-29	17-30	18-31
19-32	20-33	21-35	22-36	23-37	24-38	25-39	26-41
27-42	28-43	29-44	30-45	31-47	32-48	33-49	34-50
35-51	36-53	37-54	38-55	39-56	40-57	41-59	42-60
43-61	44-62	45-63	46-65	47-66	48-67	49-68".	

SECTION 2.(f) G.S. 15A-1340.17(e) reads as rewritten:

"(e) Maximum Sentences Specified for Class B1 through Class E Felonies for Minimum Terms up to 339 Months. – Unless provided otherwise in a statute establishing a punishment for a specific crime, for each minimum term of imprisonment in the chart in subsection (c) of this section, expressed in months, the corresponding maximum term of imprisonment, also expressed in months, is as specified in the table below for Class B1 through Class E felonies. The first figure in each cell of the table is the minimum term and the second is the maximum term.

~~15-27~~	~~16-29~~	~~17-30~~	~~18-31~~	~~19-32~~	~~20-33~~	~~21-35~~	~~22-36~~
~~23-37~~	~~24-38~~	~~25-39~~	~~26-41~~	~~27-42~~	~~28-43~~	~~29-44~~	~~30-45~~
~~31-47~~	~~32-48~~	~~33-49~~	~~34-50~~	~~35-51~~	~~36-53~~	~~37-54~~	~~38-55~~
~~39-56~~	~~40-57~~	~~41-59~~	~~42-60~~	~~43-61~~	~~44-62~~	~~45-63~~	~~46-65~~
~~47-66~~	~~48-67~~	~~49-68~~	~~50-69~~	~~51-71~~	~~52-72~~	~~53-73~~	~~54-74~~
~~55-75~~	~~56-77~~	~~57-78~~	~~58-79~~	~~59-80~~	~~60-81~~	~~61-83~~	~~62-84~~
~~63-85~~	~~64-86~~	~~65-87~~	~~66-89~~	~~67-90~~	~~68-91~~	~~69-92~~	~~70-93~~
~~71-95~~	~~72-96~~	~~73-97~~	~~74-98~~	~~75-99~~	~~76-101~~	~~77-102~~	~~78-103~~
~~79-104~~	~~80-105~~	~~81-107~~	~~82-108~~	~~83-109~~	~~84-110~~	~~85-111~~	~~86-113~~
~~87-114~~	~~88-115~~	~~89-116~~	~~90-117~~	~~91-119~~	~~92-120~~	~~93-121~~	~~94-122~~
~~95-123~~	~~96-125~~	~~97-126~~	~~98-127~~	~~99-128~~	~~100-129~~	~~101-131~~	~~102-132~~
~~103-133~~	~~104-134~~	~~105-135~~	~~106-137~~	~~107-138~~	~~108-139~~	~~109-140~~	~~110-141~~
~~111-143~~	~~112-144~~	~~113-145~~	~~114-146~~	~~115-147~~	~~116-149~~	~~117-150~~	~~118-151~~
~~119-152~~	~~120-153~~	~~121-155~~	~~122-156~~	~~123-157~~	~~124-158~~	~~125-159~~	~~126-161~~
~~127-162~~	~~128-163~~	~~129-164~~	~~130-165~~	~~131-167~~	~~132-168~~	~~133-169~~	~~134-170~~
~~135-171~~	~~136-173~~	~~137-174~~	~~138-175~~	~~139-176~~	~~140-177~~	~~141-179~~	~~142-180~~
~~143-181~~	~~144-182~~	~~145-183~~	~~146-185~~	~~147-186~~	~~148-187~~	~~149-188~~	~~150-189~~
~~151-191~~	~~152-192~~	~~153-193~~	~~154-194~~	~~155-195~~	~~156-197~~	~~157-198~~	~~158-199~~
~~159-200~~	~~160-201~~	~~161-203~~	~~162-204~~	~~163-205~~	~~164-206~~	~~165-207~~	~~166-209~~
~~167-210~~	~~168-211~~	~~169-212~~	~~170-213~~	~~171-215~~	~~172-216~~	~~173-217~~	~~174-218~~
~~175-219~~	~~176-221~~	~~177-222~~	~~178-223~~	~~179-224~~	~~180-225~~	~~181-227~~	~~182-228~~

1	~~183-229~~	~~184-230~~	~~185-231~~	~~186-233~~	~~187-234~~	~~188-235~~	~~189-236~~	~~190-237~~
2	~~191-239~~	~~192-240~~	~~193-241~~	~~194-242~~	~~195-243~~	~~196-245~~	~~197-246~~	~~198-247~~
3	~~199-248~~	~~200-249~~	~~201-251~~	~~202-252~~	~~203-253~~	~~204-254~~	~~205-255~~	~~206-257~~
4	~~207-258~~	~~208-259~~	~~209-260~~	~~210-261~~	~~211-263~~	~~212-264~~	~~213-265~~	~~214-266~~
5	~~215-267~~	~~216-269~~	~~217-270~~	~~218-271~~	~~219-272~~	~~220-273~~	~~221-275~~	~~222-276~~
6	~~223-277~~	~~224-278~~	~~225-279~~	~~226-281~~	~~227-282~~	~~228-283~~	~~229-284~~	~~230-285~~
7	~~231-287~~	~~232-288~~	~~233-289~~	~~234-290~~	~~235-291~~	~~236-293~~	~~237-294~~	~~238-295~~
8	~~239-296~~	~~240-297~~	~~241-299~~	~~242-300~~	~~243-301~~	~~244-302~~	~~245-303~~	~~246-305~~
9	~~247-306~~	~~248-307~~	~~249-308~~	~~250-309~~	~~251-311~~	~~252-312~~	~~253-313~~	~~254-314~~
10	~~255-315~~	~~256-317~~	~~257-318~~	~~258-319~~	~~259-320~~	~~260-321~~	~~261-323~~	~~262-324~~
11	~~263-325~~	~~264-326~~	~~265-327~~	~~266-329~~	~~267-330~~	~~268-331~~	~~269-332~~	~~270-333~~
12	~~271-335~~	~~272-336~~	~~273-337~~	~~274-338~~	~~275-339~~	~~276-341~~	~~277-342~~	~~278-343~~
13	~~279-344~~	~~280-345~~	~~281-347~~	~~282-348~~	~~283-349~~	~~284-350~~	~~285-351~~	~~286-353~~
14	~~287-354~~	~~288-355~~	~~289-356~~	~~290-357~~	~~291-359~~	~~292-360~~	~~293-361~~	~~294-362~~
15	~~295-363~~	~~296-365~~	~~297-366~~	~~298-367~~	~~299-368~~	~~300-369~~	~~301-371~~	~~302-372~~
16	~~303-373~~	~~304-374~~	~~305-375~~	~~306-377~~	~~307-378~~	~~308-379~~	~~309-380~~	~~310-381~~
17	~~311-383~~	~~312-384~~	~~313-385~~	~~314-386~~	~~315-387~~	~~316-389~~	~~317-390~~	~~318-391~~
18	~~319-392~~	~~320-393~~	~~321-395~~	~~322-396~~	~~323-397~~	~~324-398~~	~~325-399~~	~~326-401~~
19	~~327-402~~	~~328-403~~	~~329-404~~	~~330-405~~	~~331-407~~	~~332-408~~	~~333-409~~	~~334-410~~
20	~~335-411~~	~~336-413~~	~~337-414~~	~~338-415~~	~~339-416~~			
21	15-30	16-32	17-33	18-34	19-35	20-36	21-38	22-39
22	23-40	24-41	25-42	26-44	27-45	28-46	29-47	30-48
23	31-50	32-51	33-52	34-53	35-54	36-56	37-57	38-58
24	39-59	40-60	41-62	42-63	43-64	44-65	45-66	46-68
25	47-69	48-70	49-71	50-72	51-74	52-75	53-76	54-77
26	55-78	56-80	57-81	58-82	59-83	60-84	61-86	62-87
27	63-88	64-89	65-90	66-91	67-93	68-94	69-95	70-96
28	71-98	72-99	73-100	74-101	75-102	76-104	77-105	78-106
29	79-107	80-108	81-110	82-111	83-112	84-113	85-114	86-115
30	87-117	88-118	89-119	90-120	91-122	92-123	93-124	94-125
31	95-126	96-128	97-129	98-130	99-131	100-132	101-134	102-135
32	103-136	104-137	105-138	106-140	107-141	108-142	109-143	110-144
33	111-146	112-147	113-148	114-149	115-150	116-152	117-153	118-154
34	119-155	120-156	121-158	122-159	123-160	124-161	125-162	126-164
35	127-165	128-166	129-167	130-168	131-170	132-171	133-172	134-173
36	135-174	136-176	137-177	138-178	139-179	140-180	141-182	142-183
37	143-184	144-185	145-186	146-188	147-189	148-190	149-191	150-192
38	151-194	152-195	153-196	154-197	155-198	156-200	157-201	158-202
39	159-203	160-204	161-206	162-207	163-208	164-209	165-210	166-212
40	167-213	168-214	169-215	170-216	171-218	172-219	173-220	174-221
41	175-222	176-224	177-225	178-226	179-227	180-228	181-230	182-231
42	183-232	184-233	185-234	186-236	187-237	188-238	189-239	190-240
43	191-242	192-243	193-244	194-245	195-246	196-248	197-249	198-250
44	199-251	200-252	201-254	202-255	203-256	204-257	205-258	206-260
45	207-261	208-262	209-263	210-264	211-266	212-267	213-268	214-269
46	215-270	216-271	217-273	218-274	219-275	220-276	221-278	222-279
47	223-280	224-281	225-282	226-284	227-285	228-286	229-287	230-288
48	231-290	232-291	233-292	234-293	235-294	236-296	237-297	238-298
49	239-299	240-300	241-302	242-303	243-304	244-305	245-306	246-308
50	247-309	248-310	249-311	250-312	251-314	252-315	253-316	254-317
51	255-318	256-320	257-321	258-322	259-323	260-324	261-326	262-327

263-328 264-329 265-330 266-332 267-333 268-334 269-335 270-336
271-338 272-339 273-340 274-341 275-342 276-344 277-345 278-346
279-347 280-348 281-350 282-351 283-352 284-353 285-354 286-356
287-357 288-358 289-359 290-360 291-362 292-363 293-364 294-365
295-366 296-368 297-369 298-370 299-371 300-372 301-374 302-375
303-376 304-377 305-378 306-380 307-381 308-382 309-383 310-384
311-386 312-387 313-388 314-389 315-390 316-392 317-393 318-394
319-395 320-396 321-398 322-399 323-400 324-401 325-402 326-404
327-405 328-408 329-407 330-408 331-410 332-411 333-412 334-413
335-414 336-416 337-417 338-418 339-419".

SECTION 2.(g) G.S. 15A-1340.17(e1) reads as rewritten:

"(e1) Maximum Sentences Specified for Class B1 through Class E Felonies for Minimum Terms of 340 Months or More. – Unless provided otherwise in a statute establishing a punishment for a specific crime, when the minimum sentence is 340 months or more, the corresponding maximum term of imprisonment shall be equal to the sum of the minimum term of imprisonment and twenty percent (20%) of the minimum term of imprisonment, rounded to the next highest month, plus ~~nine~~ 12 additional months."

SECTION 2.(h) G.S. 15A-1368(a)(5) reads as rewritten:

"(5) Maximum imposed term. – The maximum term of imprisonment imposed on an individual prisoner by a court judgment, as described in G.S. 15A-1340.13(c). When a prisoner is serving consecutive prison terms, the maximum imposed term, for purposes of this Article, is the sum of all maximum terms imposed in the court judgment or judgments, less ~~nine~~ 12 months for each of the second and subsequent sentences imposed for Class B through Class E ~~felonies.~~felonies and less nine months for each of the second and subsequent sentences imposed for Class F through Class I felonies."

SECTION 2.(i) G.S. 15A-1354(b)(1) reads as rewritten:

"(1) The maximum prison sentence consists of the total of the maximum terms of the consecutive sentences, less ~~nine~~12 months for each of the second and subsequent sentences imposed for Class B through Class E ~~felonies;~~ felonies and less nine months for each of the second and subsequent sentences imposed for Class F through Class I felonies; and"

SECTION 2.(j) This section becomes effective December 1, 2011, and applies to offenses committed on or after that date.

PART III. STATUS OFFENSE OF HABITUAL BREAKING AND ENTERING

SECTION 3.(a) Chapter 14 of the General Statutes is amended by adding a new Article to read:

"Article 2D.

"Habitual Breaking and Entering Status Offense.

"**§ 14-7.25. Definitions.**

The following definitions apply in this Article:

(1) "Breaking and entering." – The term means any of the following felony offenses:

a. First degree burglary (G.S. 14-51).

b. Second degree burglary (G.S. 14-51).

c. Breaking out of dwelling house burglary (G.S. 14-53).

d. Breaking or entering buildings generally (G.S. 14-54(a)).

e. Breaking or entering a building that is a place of religious worship (G.S. 14-54.1).

f. Any repealed or superseded offense substantially equivalent to any of the offenses in sub-subdivision a., b., c., d., or e. of this subdivision.

g. Any offense committed in another jurisdiction substantially similar to any of the offenses in sub-subdivision a., b., c., d., or e. of this subdivision.

(2) "Convicted." – The person has been adjudged guilty of or has entered a plea of guilty or no contest to the offense of breaking and entering.

(3) "Status offender." – A person who is a habitual breaking and entering status offender as described in G.S. 14-7.26.

"**§ 14-7.26. Habitual breaking and entering status offender.**

Any person who has been convicted of or pled guilty to one or more prior felony offenses of breaking and entering in any federal court or state court in the United States, or combination thereof, is guilty of the status offense of habitual breaking and entering and may be charged with that status offense pursuant to this Article.

This Article does not apply to a second felony offense of breaking and entering unless it is committed after the conviction of the first felony offense of breaking and entering. For purposes of this Article, felony offenses of breaking and entering committed before the person is 18 years of age shall not constitute more than one felony of breaking and entering. Any felony to which a pardon has been extended shall not, for the purposes of this Article, constitute a felony offense of breaking and entering.

"**§ 14-7.27. Punishment.**

When any person is charged with a felony offense of breaking and entering and is also charged with being a status offender as defined in G.S. 14-7.26, the person must, upon conviction, be sentenced and punished as a status offender as provided by this Article.

"**§ 14-7.28. Charge of habitual breaking and entering status offender.**

(a) The district attorney, in his or her discretion, may charge a person with the status offense of habitual breaking and entering pursuant to this Article. To sustain a conviction of a person as a status offender, the person must be charged separately for the felony offense of breaking and entering and for the habitual breaking and entering status offense. The indictment charging the defendant as a status offender shall be separate from the indictment charging the person with the principal felony offense of breaking and entering.

(b) An indictment that charges a person with being a status offender must set forth the date that the prior felony offense of breaking and entering was committed, the name of the state or other sovereign against whom the felony offense of breaking and entering was committed, the dates that the plea of guilty was entered into or conviction returned in the felony offense of breaking and entering, and the identity of the court in which the plea or conviction took place. No defendant charged with being a status offender in a bill of indictment shall be required to go to trial on the charge within 20 days of the finding of a true bill by the grand jury; provided, the defendant may waive this 20-day period.

"**§ 14-7.29. Evidence of prior convictions of breaking and entering.**

In all cases in which a person is charged under the provisions of this Article with being a status offender, the record of prior conviction of the felony offense of breaking and entering shall be admissible in evidence, but only for the purpose of proving that the person has been convicted of a former felony offense of breaking and entering. A prior conviction may be proved by stipulation of the parties or by the original or a certified copy of the court record of the prior conviction. The original or certified copy of the court record, bearing the same name as that by which the defendant is charged, shall be prima facie evidence that the defendant named therein is the same as the defendant before the court and shall be prima facie evidence of the facts set out therein.

"**§ 14-7.30. Verdict and judgment.**

(a) When an indictment charges a person with a felony offense of breaking and entering as provided by this Article and an indictment also charges that the person is a status offender, the defendant shall be tried for the principal offense of breaking and entering as provided by law. The indictment that the person is a status offender shall not be revealed to the jury unless the jury shall find that the defendant is guilty of the principal felony offense of breaking and entering with which the defendant is charged.

(b) If the jury finds the defendant guilty of the felony offense of breaking and entering, the bill of indictment charging the defendant as a status offender may be presented to the same jury. Except that the same jury may be used, the proceedings shall be as if the issue of status offender were a principal charge.

(c) If the jury finds that the defendant is a status offender, the trial judge shall enter judgment according to the provisions of this Article. If the jury finds that the defendant is not a status offender, the trial judge shall pronounce judgment on the principal felony offense of breaking and entering as provided by law.

"**§ 14-7.31. Sentencing of status offenders.**

(a) When a status offender as defined in this Article commits a felony offense of breaking and entering under the laws of the State of North Carolina, the status offender must, upon conviction or plea of guilty under indictment as provided in this Article, be sentenced as a Class E felon.

(b) In determining the prior record level, any conviction used to establish a person's status as a status offender shall not be used. Sentences imposed under this Article shall run consecutively with and shall commence at the expiration of any sentence being served by the person sentenced under this section.

(c) A conviction as a status offender under this Article shall not constitute commission of a felony for the purpose of either Article 2A or Article 2B of Chapter 14 of the General Statutes."

SECTION 3.(b) G.S. 14-7.1 reads as rewritten:

"**§ 14-7.1. Persons defined as habitual felons.**

Any person who has been convicted of or pled guilty to three felony offenses in any federal court or state court in the United States or combination thereof is declared to be an habitual ~~felon.~~ felon and may be charged as a status offender pursuant to this Article. For the purpose of this Article, a felony offense is defined as an offense which is a felony under the laws of the State or other sovereign wherein a plea of guilty was entered or a conviction was returned regardless of the sentence actually imposed. Provided, however, that federal offenses relating to the manufacture, possession, sale and kindred offenses involving intoxicating liquors shall not be considered felonies for the purposes of this Article. For the purposes of this Article, felonies committed before a person attains the age of 18 years shall not constitute more than one felony. The commission of a second felony shall not fall within the purview of this Article unless it is committed after the conviction of or plea of guilty to the first felony. The commission of a third felony shall not fall within the purview of this Article unless it is committed after the conviction of or plea of guilty to the second felony. Pleas of guilty to or convictions of felony offenses prior to July 6, 1967, shall not be felony offenses within the meaning of this Article. Any felony offense to which a pardon has been extended shall not for the purpose of this Article constitute a felony. The burden of proving such pardon shall rest with the defendant and the State shall not be required to disprove a pardon."

SECTION 3.(c) G.S. 14-7.3 reads as rewritten:

"**§ 14-7.3. Charge of habitual felon.**

The district attorney, in his or her discretion, may charge a person as an habitual felon pursuant to this Article. An indictment which charges a person who is an habitual felon within the meaning of G.S. 14-7.1 with the commission of any felony under the laws of the State of North Carolina must, in order to sustain a conviction of habitual felon, also charge that said

person is an habitual felon. The indictment charging the defendant as an habitual felon shall be separate from the indictment charging him with the principal felony. An indictment which charges a person with being an habitual felon must set forth the date that prior felony offenses were committed, the name of the state or other sovereign against whom said felony offenses were committed, the dates that pleas of guilty were entered to or convictions returned in said felony offenses, and the identity of the court wherein said pleas or convictions took place. No defendant charged with being an habitual felon in a bill of indictment shall be required to go to trial on said charge within 20 days of the finding of a true bill by the grand jury; provided, the defendant may waive this 20-day period."

SECTION 3.(d) G.S. 14-7.6 reads as rewritten:

"**§ 14-7.6. Sentencing of habitual felons.**

When an habitual felon as defined in this Article commits any felony under the laws of the State of North Carolina, the felon must, upon conviction or plea of guilty under indictment as provided in this Article (except where the felon has been sentenced as a Class A, B1, or B2 felon) be sentenced ~~as a Class C felon.~~ at a felony class level that is four classes higher than the principal felony for which the person was convicted; but under no circumstances shall an habitual felon be sentenced at a level higher than a Class C felony. In determining the prior record level, convictions used to establish a person's status as an habitual felon shall not be used. Sentences imposed under this Article shall run consecutively with and shall commence at the expiration of any sentence being served by the person sentenced under this section."

SECTION 3.(e) This section becomes effective December 1, 2011, and applies to any offense that occurs on or after that date and that is the principal felony offense for a charge of either the status offenses of habitual breaking and entering or habitual felon. Prosecutions for offenses committed before the effective date of this act are not abated or affected by this act, and the statutes that would be applicable but for this act remain applicable to those prosecutions.

PART IV. LIMIT TIME/CERTAIN VIOLATIONS OF PROBATION

SECTION 4.(a) G.S. 15A-1343(b) is amended by adding a new subdivision to read:

"(3a) Not to abscond, by willfully avoiding supervision or by willfully making the defendant's whereabouts unknown to the supervising probation officer."

SECTION 4.(b) G.S. 15A-1344(a) reads as rewritten:

"(a) Authority to Alter or Revoke. – Except as provided in subsection (a1) or (b), probation may be reduced, terminated, continued, extended, modified, or revoked by any judge entitled to sit in the court which imposed probation and who is resident or presiding in the district court district as defined in G.S. 7A-133 or superior court district or set of districts as defined in G.S. 7A-41.1, as the case may be, where the sentence of probation was imposed, where the probationer violates probation, or where the probationer resides. Upon a finding that an offender sentenced to community punishment under Article 81B has violated one or more conditions of probation, the court's authority to modify the probation judgment includes the authority to require the offender to comply with conditions of probation that would otherwise make the sentence an intermediate punishment. The court may only revoke probation for a violation of a condition of probation under G.S. 15A-1343(b)(1) or G.S. 15A-1343(b)(3a), except as provided in G.S. 15A-1344(d2). Imprisonment may be imposed pursuant to G.S. 15A-1344(d2) for a violation of a requirement other than G.S. 15A-1343(b)(1) or G.S. 15A-1343(b)(3a). The district attorney of the prosecutorial district as defined in G.S. 7A-60 in which probation was imposed must be given reasonable notice of any hearing to affect probation substantially."

SECTION 4.(c) G.S. 15A-1344 is amended by adding a new subsection to read:

"(d2) Confinement in Response to Violation. – When a defendant has violated a condition of probation other than G.S. 15A-1343(b)(1) or G.S. 15A-1343(b)(3a), the court may impose a 90-day period of confinement for a defendant under supervision for a felony conviction or a period of confinement of up to 90 days for a defendant under supervision for a misdemeanor conviction. The court may not revoke probation unless the defendant has previously received a total of two periods of confinement under this subsection. A defendant may receive only two periods of confinement under this subsection. If the time remaining on the defendant's maximum imposed sentence is less than 90 days, then the term of confinement is for the remaining period of the sentence. Confinement under this section shall be credited pursuant to G.S. 15-196.1."

SECTION 4.(d) This section is effective December 1, 2011, and applies to probation violations occurring on or after that date.

PART V. DIVERSION PROGRAM/FELONY DRUG POSSESSION

SECTION 5.(a) G.S. 90-96 reads as rewritten:

"**§ 90-96. Conditional discharge for first offense.**

(a) Whenever any person who has not previously been convicted of (i) any felony offense under any state or federal laws; (ii) any offense under this ~~Article~~ Article; or (iii) an offense under any statute of the United States or any state relating to those substances included in Article 5 or 5A of Chapter 90 or to that paraphernalia included in Article 5B of Chapter ~~90~~90 of the General Statutes pleads guilty to or is found guilty of (i) a misdemeanor under this Article by possessing a controlled substance included within Schedules ~~H~~ I through VI of this Article or by possessing drug paraphernalia as prohibited by G.S. 90 113.22, or (ii) a felony under G.S. 90-95(a)(3), ~~G.S. 90-95(a)(3) by possessing less than one gram of cocaine,~~ the court ~~may,~~ shall, without entering a judgment of guilt and with the consent of such person, defer further proceedings and place him on probation upon such reasonable terms and conditions as it may require. Notwithstanding the provisions of G.S. 15A 1342(c) or any other statute or law, probation may be imposed under this section for an offense under this Article for which the prescribed punishment includes only a fine. To fulfill the terms and conditions of probation the court may allow the defendant to participate in a drug education program approved for this purpose by the Department of Health and Human ~~Services.~~ Services or in the Treatment for Effective Community Supervision Program under Article 6B of Chapter 143B of the General Statutes. Upon violation of a term or condition, the court may enter an adjudication of guilt and proceed as otherwise provided. Upon fulfillment of the terms and conditions, the court shall discharge such person and dismiss the proceedings against him. Discharge and dismissal under this section shall be without court adjudication of guilt and shall not be deemed a conviction for purposes of this section or for purposes of disqualifications or disabilities imposed by law upon conviction of a crime including the additional penalties imposed for second or subsequent convictions under this Article. Discharge and dismissal under this section or G.S. 90 113.14 may occur only once with respect to any person. Disposition of a case to determine discharge and dismissal under this section at the district court division of the General Court of Justice shall be final for the purpose of appeal. Prior to taking any action to discharge and dismiss under this section the court shall make a finding that the defendant has no record of previous convictions ~~under the "North Carolina Controlled Substances Act", Article 5, Chapter 90, the "North Carolina Toxic Vapors Act", Article 5A, Chapter 90, or the "Drug Paraphernalia Act", Article 5B, Chapter 90.~~as provided in this subsection.

(a1) Upon the first conviction only of any offense ~~included in G.S. 90-95(a)(3) or G.S. 90-113.22 and subject to the provisions of this subsection (a1),~~ which qualifies under the provisions of subsection (a) of this section, and the provisions of this subsection, the court may place defendant on probation under this section for an offense under this Article including an offense for which the prescribed punishment includes only a fine. The probation, if imposed,

shall be for not less than one year and shall contain a minimum condition that the defendant who was found guilty or pleads guilty enroll in and successfully complete, within 150 days of the date of the imposition of said probation, the program of instruction at the drug education school approved by the Department of Health and Human Services pursuant to G.S. 90 96.01. The court may impose probation that does not contain a condition that defendant successfully complete the program of instruction at a drug education school if:

(1) There is no drug education school within a reasonable distance of the defendant's residence; or

(2) There are specific, extenuating circumstances which make it likely that defendant will not benefit from the program of instruction.

The court shall enter such specific findings in the record; provided that in the case of subdivision (2) above, such findings shall include the specific, extenuating circumstances which make it likely that the defendant will not benefit from the program of instruction.

Upon fulfillment of the terms and conditions of the probation, the court shall discharge such person and dismiss the proceedings against the person.

For the purposes of determining whether the conviction is a first conviction or whether a person has already had discharge and dismissal, no prior offense occurring more than seven years before the date of the current offense shall be considered. In addition, convictions for violations of a provision of G.S. 90-95(a)(1) or 90-95(a)(2) or 90-95(a)(3), or 90-113.10, or 90-113.11, or 90-113.12, or 90-113.22 shall be considered previous convictions.

Failure to complete successfully an approved program of instruction at a drug education school shall constitute grounds to revoke probation pursuant to this subsection and deny application for expunction of all recordation of defendant's arrest, indictment, or information, trial, finding of guilty, and dismissal and discharge pursuant to G.S. 15A-145.2. For purposes of this subsection, the phrase "failure to complete successfully the prescribed program of instruction at a drug education school" includes failure to attend scheduled classes without a valid excuse, failure to complete the course within 150 days of imposition of probation, willful failure to pay the required fee for the course as provided in G.S. 90-96.01(b), or any other manner in which the person fails to complete the course successfully. The instructor of the course to which a person is assigned shall report any failure of a person to complete successfully the program of instruction to the court which imposed probation. Upon receipt of the instructor's report that the person failed to complete the program successfully, the court shall revoke probation, shall not discharge such person, shall not dismiss the proceedings against the person, and shall deny application for expunction of all recordation of defendant's arrest, indictment, or information, trial, finding of guilty, and dismissal and discharge pursuant to G.S. 15A-145.2. A person may obtain a hearing before the court of original jurisdiction prior to revocation of probation or denial of application for expunction.

This subsection is supplemental and in addition to existing law and shall not be construed so as to repeal any existing provision contained in the General Statutes of North Carolina.

(b) Upon the discharge of such person, and dismissal of the proceedings against the person under subsection (a) or (a1) of this section, such person, if he or she was not over 21 years of age at the time of the offense, may be eligible to apply for expunction of certain records relating to the offense pursuant to G.S. 15A-145.2(a).

(c) Repealed by Session Laws 2009-510, s. 8(b), effective October 1, 2010.

(d) Whenever any person is charged with a misdemeanor under this Article by possessing a controlled substance included within Schedules ~~H~~ I through VI of this Article or a felony under ~~G.S. 90-95(a)(3) by possessing less than one gram of cocaine,~~ G.S. 90-95(a)(3), upon dismissal by the State of the charges against such person, upon entry of a nolle prosequi, or upon a finding of not guilty or other adjudication of innocence, the person may be eligible to apply for expunction of certain records relating to the offense pursuant to G.S. 15A-145.2(b).

(e) Whenever any person who has not previously been convicted of (i) any felony offense under any state or federal laws; (ii) any offense under this Article; or (iii) an offense under any statute of the United States or any state relating to ~~Whenever any person who has not previously been convicted of an offense under this Article or under any statute of the United States or any state relating to~~ controlled substances included in any schedule of this Article or to that paraphernalia included in Article 5B of Chapter 90 of the General Statutes pleads guilty to or has been found guilty of (i) a misdemeanor under this Article by possessing a controlled substance included within Schedules ~~II~~ I through VI of this Article, or by possessing drug paraphernalia as prohibited by G.S. 90-113.22 or (ii) a felony under ~~G.S. 90-95(a)(3) by possessing less than one gram of cocaine;~~ G.S. 90-95(a)(3), the person may be eligible to apply for cancellation of the judgment and expunction of certain records related to the offense pursuant to G.S. 15A-145.2(c).

...."

SECTION 5.(b) G.S. 15A-145.2 reads as rewritten:

"**§ 15A-145.2. Expunction of records for first offenders not over 21 years of age at the time of the offense of certain drug offenses.**

...

(b) Whenever any person is charged with a misdemeanor under Article 5 of Chapter 90 of the General Statutes by possessing a controlled substance included within Schedules ~~II~~ I through VI of Article 5 of Chapter 90 of the General Statutes or a felony under ~~G.S. 90-95(a)(3) by possessing less than one gram of cocaine,~~ G.S. 90-95(a)(3), upon dismissal by the State of the charges against the person, upon entry of a nolle prosequi, or upon a finding of not guilty or other adjudication of innocence, such person may apply to the court for an order to expunge from all official records all recordation relating to his or her arrest, indictment or information, or trial. If the court determines, after hearing, that such person was not over 21 years of age at the time the offense for which the person was charged occurred, it shall enter such order. The clerk shall notify State and local agencies of the court's order as provided in G.S. 15A-150. No person as to whom such order has been entered shall be held thereafter under any provision of any law to be guilty of perjury or otherwise giving a false statement by reason of the person's failures to recite or acknowledge such arrest, or indictment or information, or trial in response to any inquiry made of him or her for any purpose.

(c) Whenever any person who has not previously been convicted of (i) any felony offense under any state or federal laws; (ii) any offense under Chapter 90 of the General Statutes; or (iii) an offense under any statute of the United States or any state relating to controlled substances included in any schedule of Chapter 90 of the General Statutes or to that paraphernalia included in Article 5B of Chapter 90 of the General Statutes, pleads guilty to or has been found guilty of (i) a misdemeanor under this Article by possessing a controlled substance included within Schedules I through VI of Chapter 90, or by possessing drug paraphernalia as prohibited by G.S. 90-113.22 or (ii) a felony under G.S. 90-95(a)(3), ~~Whenever any person who has not previously been convicted of an offense under Article 5 of Chapter 90 of the General Statutes or under any statute of the United States or any state relating to controlled substances included in any schedule of Article 5 of Chapter 90 of the General Statutes or to that paraphernalia included in Article 5B of Chapter 90 of the General Statutes pleads guilty to or has been found guilty of (i) a misdemeanor under Article 5 of Chapter 90 of the General Statutes by possessing a controlled substance included within Schedules through VI of Article 5 of Chapter 90 of the General Statutes or by possessing drug paraphernalia as prohibited by G.S. 90-113.22 or (ii) a felony under~~ the court may, upon application of the person not sooner than 12 months after conviction, order cancellation of the judgment of conviction and expunction of the records of the person's arrest, indictment or information, trial, and conviction. A conviction in which the judgment of conviction has been canceled and the records expunged pursuant to this subsection shall not be thereafter deemed a conviction for

purposes of this subsection or for purposes of disqualifications or liabilities imposed by law upon conviction of a crime, including the additional penalties imposed for second or subsequent convictions of Article 5 of Chapter 90 of the General Statutes. Cancellation and expunction under this subsection may occur only once with respect to any person. Disposition of a case under this subsection at the district court division of the General Court of Justice shall be final for the purpose of appeal.

The granting of an application filed under this subsection shall cause the issue of an order to expunge from all official records, other than the confidential files retained under G.S. 15A-151, all recordation relating to the petitioner's arrest, indictment or information, trial, finding of guilty, judgment of conviction, cancellation of the judgment, and expunction of records pursuant to this subsection.

The judge to whom the petition is presented is authorized to call upon a probation officer for additional investigation or verification of the petitioner's conduct since conviction. If the court determines that the petitioner was convicted of (i) a misdemeanor under Article 5 of Chapter 90 of the General Statutes for possessing a controlled substance included within Schedules ~~II~~ I through VI of Article 5 of Chapter 90 of the General Statutes or for possessing drug paraphernalia as prohibited in G.S. 90-113.22 or (ii) a felony under ~~G.S. 90-95(a)(3) for possession of less than one gram of cocaine,~~ G.S. 90-95(a)(3), that the petitioner has no disqualifying previous convictions as set forth in this subsection, that the petitioner was not over 21 years of age at the time of the offense, that the petitioner has been of good behavior since his or her conviction, that the petitioner has successfully completed a drug education program approved for this purpose by the Department of Health and Human Services, and that the petitioner has not been convicted of a felony or misdemeanor other than a traffic violation under the laws of this State at any time prior to or since the conviction for the offense in question, it shall enter an order of expunction of the petitioner's court record. The effect of such order shall be to restore the petitioner in the contemplation of the law to the status the petitioner occupied before arrest or indictment or information or conviction. No person as to whom such order was entered shall be held thereafter under any provision of any law to be guilty of perjury or otherwise giving a false statement by reason of the person's failures to recite or acknowledge such arrest, or indictment or information, or conviction, or trial in response to any inquiry made of him or her for any purpose. The judge may waive the condition that the petitioner attend the drug education school if the judge makes a specific finding that there was no drug education school within a reasonable distance of the defendant's residence or that there were specific extenuating circumstances which made it likely that the petitioner would not benefit from the program of instruction.

The court shall also order all law enforcement agencies, the Department of Correction, the Division of Motor Vehicles, and any other State or local agencies identified by the petitioner as bearing records of the conviction and records relating thereto to expunge their records of the conviction. The clerk shall notify State and local agencies of the court's order as provided in G.S. 15A-150."

SECTION 5.(c) Article 81B of Chapter 15A of the General Statutes is amended by adding a new section to read:

"**§ 15A-1340.18. Advanced supervised release.**

(a) Definitions. – For the purposes of this section, the following definitions apply:

(1) "Advanced supervised release" or "ASR" means release from prison and placement on post-release supervision under this section if an eligible defendant is sentenced to active time.

(2) "Eligible defendant" means a defendant convicted and sentenced based upon any of the following felony classes and prior record levels:

a. Class D, Prior Record Level I-III.

b. Class E, Prior Record Level I-IV.

c. Class F, Prior Record Level I-V.
d. Class G, Prior Record Level I-VI.
e. Class H, Prior Record Level I-VI.

(3) "Risk reduction incentive" is a sentencing condition which, upon successful completion during incarceration, results in a prisoner being placed on ASR.

(b) The Department of Correction is authorized to create risk reduction incentives consisting of treatment, education, and rehabilitative programs. The incentives shall be designed to reduce the likelihood that the prisoner who receives the incentive will reoffend.

(c) The court, in its discretion and without objection from the prosecutor, may include a risk reduction incentive or incentives in sentencing an eligible defendant to an active sentence.

(d) The court shall impose a sentence calculated pursuant to Article 81B of the General Statutes. The ASR date shall be the shortest mitigated sentence for the offense at the offender's prior record level. If the court utilizes the mitigated range in sentencing the defendant, then the ASR date shall be eighty percent (80%) of the minimum sentence imposed.

(e) The defendant shall be notified at sentencing that if the defendant completes the risk reduction incentives as identified by the Department, then he or she will be released on the ASR date. If the Department determines that the defendant is unable to complete the incentives by the ASR date, through no fault of the defendant, then the defendant shall be released at the ASR date.

(f) Termination from the risk reduction incentive program shall result in the nullification of the ASR date, and the defendant's release date shall be calculated based upon the adjudged sentence. A prisoner who has completed the risk reduction incentives prior to the ASR date may have the ASR date nullified due to noncompliance with Department rules or regulations.

(g) A defendant released on the ASR date is subject to post-release supervision under this Article. Notwithstanding the provisions in G.S. 15A-1368.3(c), if the defendant has been returned to prison for three, three-month periods of confinement, a subsequent violation shall result in the defendant returning to prison to serve the time remaining on the maximum imposed term, and is ineligible for further post-release supervision regardless of the amount of time remaining to be served.

(h) The Department shall adopt policies and procedures for the assessment to occur at diagnostic processing, for documentation of the inmate's progress, and for termination from the incentive program due to a lack of progress or a pattern of noncompliance in the program or with other Department rules or regulations."

SECTION 5.(d) G.S. 15A-1340.13(d) reads as rewritten:

"(d) Service of Minimum Required; Earned Time Authorization. – An offender sentenced to an active punishment shall serve the minimum term ~~imposed.~~ imposed, except as provided in G.S. 15A-1340.18. The maximum term may be reduced to, but not below, the minimum term by earned time credits awarded to an offender by the Department of Correction or the custodian of the local confinement facility, pursuant to rules adopted in accordance with law."

SECTION 5.(e) This section becomes effective January 1, 2012, and applies to persons entering a plea or who are found guilty of an offense on or after that date.

PART VI. REFOCUS CRIMINAL JUSTICE PARTNERSHIP PROGRAM

SECTION 6.(a) Article 6A of Chapter 143B of the General Statutes is repealed.

SECTION 6.(b) Chapter 143B of the General Statutes is amended by adding a new Article to read:

"Article 6B.

"Treatment for Effective Community Supervision Program.

"**§ 143B-274.1. Short title.**

This Article is the "Treatment for Effective Community Supervision Act of 2011" and may be cited by that name.

"**§ 143B-274.2. Legislative policy.**

The policy of the General Assembly with respect to the Treatment for Effective Community Supervision Program is to support the use of evidence-based practices to reduce recidivism and to promote coordination between State and community-based corrections programs.

"**§ 143B-274.3. Definitions.**

The following definitions apply in this Article:

(1) Certified and licensed. – North Carolina Substance Abuse Professional Practice Board certified or licensed substance abuse professionals or Department of Health and Human Services licensed agencies.

(2) Department. – The Department of Correction.

(3) Division. – The Department of Correction, Division of Community Corrections.

(4) Eligible entity. – A local or regional government, a nongovernmental entity, or collaborative partnership that demonstrates capacity to provide services that address the criminogenic needs of offenders.

(5) Program. – A community-based corrections program.

(6) Secretary. – The Secretary of the Department of Correction.

(7) State Board. – The State Community Corrections Advisory Board.

"**§ 143B-274.4. Goals of community-based corrections programs funded under this Article.**

The goals of community-based programs funded under this Article are to reduce recidivism and to reduce the rate of probation and post-release supervision revocations from the rate in the 2009-2010 fiscal year.

"**§ 143B-274.5. Eligible population.**

(a) An eligible offender is an adult offender who was convicted of a misdemeanor or a felony offense or is sentenced under the conditional discharge program as defined in G.S. 90-96 and meets any one of the following criteria:

(1) Received a nonincarcerative sentence of a community punishment.

(2) Received a nonincarcerative sentence of an intermediate punishment.

(3) 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 as follows:

(1) Offenders convicted of a felony or offenders sentenced under G.S. 90-96 conditional discharge for a felony offense.

(2) Offenders identified by the Department of Correction using a validated risk assessment instrument to have a high likelihood of reoffending and a moderate to high need for substance abuse treatment.

"**§ 143B-274.6. Duties of Department of Correction.**

(a) In addition to those otherwise provided by law, the Department of Correction shall have the following duties:

(1) To enter into contractual agreements with eligible entities for the operation of community-based corrections programs and monitor compliance with those agreements.

(2) To develop the minimum program standards, policies, and rules for community-based corrections programs and to consult with the Department of Health and Human Services on those standards, policies, and rules that are applicable to licensed and credentialed substance abuse services.

(3) To monitor, oversee, and evaluate contracted service providers.

(4) To act as an information clearinghouse regarding community-based corrections programs.

(5) To collaborate with the Department of Health and Human Services on focusing treatment resources on high-risk and moderate to high need offenders on probation, parole, and post-release supervision.

(b) The Department of Correction, Division of Community Corrections, shall develop and publish a recidivism reduction plan for the State that accomplishes the following:

(1) Articulates a goal of reducing revocations among people on probation and post-release supervision by twenty percent (20%) from the rate in the 2009-2010 fiscal year.

(2) Identifies the number of people on probation and post-release supervision in each county that are in the priority population and have a likely need for substance abuse and/or mental health treatment, employment, education, and/or housing.

(3) Identifies the program models that research has shown to be effective at reducing recidivism for the target population and ranks those programs based on their cost-effectiveness.

(4) Propose a plan to fund the provision of the most cost-effective programs and services across the State. The plan shall describe the number and types of programs and/or services to be funded in each region of the State and how that program capacity compares with the needs of the target population in that region.

(c) The Department of Correction shall report by March 1 of each year to the Chairs of the Senate and House of Representatives Appropriations Committees, the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety, and the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on the status of the Treatment for Effective Community Supervision Program. The report shall include the following information:

(1) The dollar amount and purpose of funds provided on a contractual basis to service providers for the previous fiscal year.

(2) An analysis of offender participation data received, including the following:

a. The number of people on probation and post-release supervision that are in the priority population that received services.

b. The number of people on probation and post-release supervision that are in the priority population that did not receive services.

c. The number of people on probation and post-release supervision outside of the priority population that received services.

d. The type of services provided to these populations.

e. The rate of revocations and successful completions for people who received services.

f. Other measures as determined appropriate.

(3) The dollar amount needed to provide additional services to meet the needs of the priority population in the upcoming budget year.

(4) Details of personnel, travel, contractual, operating, and equipment expenditures for each program type.

"**§ 143B-274.7. Contract for services.**

(a) The Department of Correction shall contract with service providers through a competitive procurement process to provide community-based services to offenders on probation, parole, or post-release supervision.

(b) Contracts for substance abuse treatment services shall be awarded to certified or licensed substance abuse professionals and appropriately licensed agencies to provide services and use practices that have a demonstrated evidence base.

(c) The Department of Correction, in partnership with the Department of Health and Human Services, shall develop standard service definitions and performance measures for substance abuse and aftercare support services for inclusion in the contracts.

(d) The percentage of funds received by a service provider that may be used for administrative purposes is up to fifteen percent (15%).

"**§ 143B-274.8. State Community Corrections Advisory Board.**

(a) The State Board shall act as an advisory body to the Secretary with regard to this Article. The State Board shall consist of 23 members as follows, to be appointed as provided in subsection (b) of this section:

(1) A member of the Senate.
(2) A member of the House of Representatives.
(3) A judge of the superior court.
(4) A judge of the district court.
(5) A district attorney.
(6) A criminal defense attorney.
(7) A county sheriff.
(8) A chief of a city police department.
(9) Two county commissioners, one from a predominantly urban county and one from a predominantly rural county.
(10) A representative of an existing community-based corrections program.
(11) A member of the public who has been the victim of a crime.
(12) Two rehabilitated ex-offenders.
(13) A member of the business community.
(14) Three members of the general public, one of whom is a person recovering from chemical dependency or who is a previous consumer of substance abuse treatment services.
(15) A victim service provider.
(16) A member selected from each of the following service areas: mental health, substance abuse, and employment and training.
(17) A clerk of superior court.

(b) The membership of the State Board shall be selected as follows:

(1) The Governor shall appoint the following members: the county sheriff, the chief of a city police department, the member of the public who has been the victim of a crime, a rehabilitated ex-offender, and the members selected from each of the service areas.
(2) The Lieutenant Governor shall appoint the following members: the member of the business community, one member of the general public who is a person recovering from chemical dependency or who is a previous consumer of substance abuse treatment services, and the victim service provider.
(3) The Chief Justice of the North Carolina Supreme Court shall appoint the following members: the superior court judge, the district court judge, the district attorney, the clerk of superior court, the criminal defense attorney, and the representative of an existing community-based corrections program.
(4) The President Pro Tempore of the Senate shall appoint the following members: the member of the Senate, the county commissioner from a predominantly urban county, and one member of the general public.
(5) The Speaker of the House of Representatives shall appoint the following members: the member of the House of Representatives, the county

commissioner from a predominantly rural county, and one member of the general public.

In appointing the members of the State Board, the appointing authorities shall make every effort to ensure fair geographic representation of the State Board membership and to ensure that minority persons and women are fairly represented.

(c) The initial members shall serve staggered terms; one-third shall be appointed for a term of one year, one-third shall be appointed for a term of two years, and one-third shall be appointed for a term of three years. The members identified in subdivisions (1) through (7) of subsection (a) of this section shall be appointed initially for a term of one year. The members identified in subdivisions (8) through (13) in subsection (a) of this section shall be appointed initially for a term of two years. The members identified in subdivisions (14) through (16) of subsection (a) of this section shall each be appointed for a term of three years. The additional member identified in subdivision (17) in subsection (a) of this section shall be appointed initially for a term of three years.

At the end of their respective terms of office their successors shall be appointed for terms of three years. A vacancy occurring before the expiration of the term of office shall be filled in the same manner as original appointments for the remainder of the term. Members may be reappointed without limitation.

(d) Each appointing authority shall have the power to remove a member it appointed from the State Board for misfeasance, malfeasance, or nonfeasance.

(e) The members of the State Board shall, within 30 days after the last initial appointment is made, meet and elect one member as Chair and one member as Vice-Chair.

(f) The State Board shall meet at least quarterly and may also hold special meetings at the call of the Chair. For purposes of transacting business, a majority of the membership shall constitute a quorum.

(g) Any member who has an interest in a governmental agency or unit or private nonprofit agency which is applying for a Treatment for Effective Community Supervision Program contract or which has received a contract and which is the subject of an inquiry or vote by a contract oversight committee, shall publicly disclose that interest on the record and shall take no part in discussion or have any vote in regard to any matter directly affecting that particular grant applicant or grantee. "Interest" in a grant applicant or grantee means a formal and direct connection to the entity, including, but not limited to, employment, partnership, serving as an elected official, board member, director, officer, or trustee, or being an immediate family member of someone who has such a connection to the grant applicant or grantee.

(h) The members of the State Board shall serve without compensation but shall be reimbursed for necessary travel and subsistence expenses.

"**§ 143B-274.9. State Community Corrections Advisory Board; powers and duties.**

(a) The State Community Corrections Advisory Board, as defined under this Article, has the following duties and responsibilities:

(1) To review the criteria for monitoring and evaluating community-based corrections programs.

(2) To recommend community-based corrections program priorities.

(3) To review the minimum program standards, policies, and rules for community-based corrections programs.

(4) To review the evaluation of programs funded by this Article.

"**§ 143B-274.10. North Carolina Sentencing and Policy Advisory Commission report.**

The North Carolina Sentencing and Policy Advisory Commission shall report by April 30 of each even-numbered year to the General Assembly and the Governor on recidivism rates for offenders on probation, parole, and post-release supervision participating in programming funded through this Article according to risk level.

"§ 143B-274.11. Program types eligible for funding; community-based corrections programs.

Based on the prioritized populations in G.S. 143B-274.5(b), program types eligible for funding may include, but are not limited to, the following:

(1) Substance abuse treatment services, to include co-occurring substance abuse and mental health disorder services, residential, intensive outpatient, outpatient, peer support, and relapse prevention.

(2) Cognitive behavioral programming and other evidence-based programming deemed to be the most cost-effective method to reduce criminogenic needs identified by the risk/needs assessment."

SECTION 6.(c) This section becomes effective July 1, 2011. The Department of Correction may enter into contracts under this section with current program providers in the Criminal Justice Partnership Program on a sole-source basis during the 2011-2012 fiscal year.

PART VII. MOST MISDEMEANANTS TO SERVE SENTENCES IN JAIL

SECTION 7.(a) G.S. 148-32.1 is amended by adding a new subsection to read:

"(b1) It is the intent of the General Assembly to authorize the Department of Correction to enter into voluntary agreements with counties to provide housing for misdemeanants serving periods of confinement of more than 90 days and up to 180 days, except for those serving a sentence for an impaired driving offense. It is further the intent of the General Assembly that the Department of Correction, in conjunction with the North Carolina Sheriffs' Association, Inc., establish a program for housing misdemeanants serving periods of confinement of more than 90 days and up to 180 days, except for those serving sentences for an impaired driving offense. It is also the intent of the General Assembly that the Department of Correction contract with the North Carolina Sheriffs' Association, Inc., to provide a service that identifies space in local confinement facilities that is available for housing these misdemeanants.

The General Assembly intends that the cost of housing and caring for these misdemeanants, including, but not limited to, care, supervision, transportation, medical, and any other related costs, be covered by State funds and not be imposed as a local cost. Therefore, the General Assembly intends that the funds in the Statewide Misdemeanant Confinement Fund established in G.S. 148-10.4 be used to provide funding to cover the costs of managing a system for providing that housing of misdemeanants in local confinement facilities as well as reimbursing the counties for housing and related expenses for those misdemeanants."

SECTION 7.(b) G.S. 15A-1352 reads as rewritten:

"**§ 15A-1352. Commitment to Department of Correction or local confinement facility.**

(a) A person sentenced to imprisonment for a misdemeanor under this Article or for nonpayment of a fine under Article 84 of this Chapter shall be committed for the term designated by the court to the custody of the Department of Correction or to a local confinement facility. If the sentence imposed for a misdemeanor is for a period of 90 days or less, the commitment must be to a facility other than one maintained by the Department of Correction, except as provided in G.S. 148-32.1(b). If the sentence or sentences imposed require confinement for more than 180 days, the commitment must be to the custody of the Department of Correction.

If a person is sentenced to imprisonment for a misdemeanor under this Article or for nonpayment of a fine under Article 84 of this Chapter, the sentencing judge shall make a finding of fact as to whether the person would be suitable for placement in a county satellite jail/work release unit operated pursuant to G.S. 153A-230.3. If the sentencing judge makes a finding of fact that the person would be suitable for placement in a county satellite jail/work release unit and the person meets the requirements listed in G.S. 153A-230.3(a)(1), then the custodian of the local confinement facility may transfer the misdemeanant to a county satellite jail/work release unit.

(b) A person sentenced to imprisonment for a felony under this Article shall be committed for the term designated by the court to the custody of the Department of ~~Correction; except that, upon request of the sheriff or the board of commissioners of a county, the presiding judge may, in his discretion, sentence the person to a local confinement facility in that county.~~ Correction.

(c) A person sentenced to imprisonment for nonpayment of a fine under Article 84, Fines, shall be committed for the term designated by the court:

(1) To the custody of the Department of Correction if the person was fined for conviction of a felony;

(2) To the custody of the Department of Correction or to a local confinement facility if the person was fined for conviction of a misdemeanor, provided that (i) if the sentence imposed is for a period of 90 days or less, the commitment shall be to a facility other than one maintained by the Department of Correction, except as provided in ~~G.S. 148-32.1(b).~~ G.S. 148-32.1(b) and (ii) if the sentence or sentences imposed require confinement for more than 180 days, the commitment must be to the custody of the Department of Correction.

..."

SECTION 7.(c) G.S. 15A-1352 is amended by adding a new subsection to read:

"(e) A person sentenced for a misdemeanor who has a sentence imposed that requires confinement for a period of more than 90 days and up to 180 days, except for those serving sentences for an impaired driving offense under G.S. 20-138.1 under this Article or for nonpayment of a fine under Article 84 of this Chapter, shall be committed for the term designated by the court to confinement pursuant to the Statewide Misdemeanant Confinement Program established by G.S. 148-32.1."

SECTION 7.(d) G.S. 148-32.1(b) reads as rewritten:

"(b) In the event that the custodian of the local confinement facility certifies in writing to the clerk of the superior court in the county in which ~~said~~ the local confinement facility is located that the local confinement facility is filled to capacity, or that the facility cannot reasonably accommodate any more prisoners due to segregation requirements for particular prisoners, or that the custodian anticipates, in light of local experiences, an influx of temporary prisoners at that time, or if the local confinement facility does not meet the minimum standards published pursuant to G.S. 153A-221, any judge of the district court in the district court district as defined in G.S. 7A-133 where the facility is located, or any superior court judge who has jurisdiction pursuant to G.S. 7A-47.1 or G.S. 7A-48 in a district or set of districts as defined in G.S. 7A-41.1 where the facility is located may order that ~~the~~ a prisoner not housed pursuant to the Statewide Misdemeanant Confinement Program established in subsection (b2) of this section be transferred to any other qualified local confinement facility within that district or within another such district where space is available, including a satellite jail unit operated pursuant to G.S. 153A-230.3 if the prisoner is a non-violent misdemeanant, which local facility shall accept the transferred ~~prisoner, if the prison population has exceeded a manageable level as provided for in G.S. 148-4.1(a). If no such local confinement facility is available, then any such judge may order the prisoner transferred to such camp or facility as the proper authorities of the Department of Correction shall designate, notwithstanding that the term of imprisonment of the prisoner is 90 days or less. In no event, however, shall a prisoner whose term of imprisonment is less than 30 days be assigned or ordered transferred to any such camp or facility.~~ prisoner.

If no other local confinement facility is available and the reason for the requested transfer is that the local confinement facility that would be required to house the prisoner cannot reasonably accommodate any more prisoners due to segregation requirements for particular prisoners or the local facility does not meet the minimum standards published pursuant to

G.S. 153A-221, then the judge may order that a prisoner not housed pursuant to the Statewide Misdemeanant Confinement Program established in subsection (b2) of this section be transferred to a facility operated by the Department of Correction as designated by the Department of Correction. In no event, however, shall a prisoner whose term of imprisonment is less than 30 days be assigned or ordered transferred to a facility operated by the Department of Correction."

SECTION 7.(e) G.S. 148-32.1 is amended by adding a new subsection to read:

"(b2) The Statewide Misdemeanant Confinement Program is established. The Program shall provide for the housing of misdemeanants from all counties serving sentences imposed for a period of more than 90 days and up to 180 days, except for those serving sentences for an impaired driving offense under G.S. 20-138.1. Those misdemeanants shall be confined in local confinement facilities except as provided in subsections (b3) and (b4) of this section. The Program shall address methods for the placement and transportation of inmates and reimbursement to counties for the housing of those inmates. Any county that voluntarily agrees to house misdemeanants from that county or from other counties pursuant to the Program may enter into a written agreement with the Department of Correction to do so.

This Program shall only operate as long as sufficient State funds are available through the Statewide Misdemeanant Confinement Fund established in G.S. 148-10.4(c). "

SECTION 7.(f) The North Carolina Sheriffs' Association, Inc., in consultation with the Department of Correction, shall develop the Statewide Misdemeanant Confinement Program established in G.S. 148-32.1, as enacted in subsection (e) of this section, by September 1, 2011.

Notwithstanding any other provision of law, no later than November 1, 2011, the Secretary of Correction shall contract with the North Carolina Sheriffs' Association, Inc., to implement the Program. The contract terms shall include all of the following:

(1) A provision that the Program shall be operated on a statewide basis no later than January 1, 2012, but may be phased in beginning at an earlier date.

(2) A provision addressing the method of payment to the North Carolina Sheriffs' Association, Inc., for the costs of administering the Program.

(3) A provision authorizing reimbursement by the North Carolina Sheriffs' Association, Inc., to counties or to the Department of Correction, as appropriate, for all expenses incurred on behalf of those misdemeanants.

SECTION 7.(g) G.S. 148-32.1 is amended by adding new subsections to read:

"(b3) The custodian of a local confinement facility may request a judicial order to transfer a misdemeanant housed pursuant to the Statewide Misdemeanant Confinement Program to a facility operated by the Department of Correction by certifying in writing to the clerk of the superior court in the county in which the local confinement facility is located that:

(1) The misdemeanant poses a security risk because the misdemeanant:

a. Poses a serious escape risk;

b. Exhibits violently aggressive behavior that cannot be contained and warrants a higher level of supervision;

c. Needs to be protected from other inmates, and the county jail facility cannot provide such protection;

d. Is a female or a person 18 years of age or younger, and the county jail facility does not have adequate housing for such prisoners;

e. Is in custody at a time when a fire or other catastrophic event has caused the county jail facility to cease or curtail operations; or

f. Otherwise poses an imminent danger to the staff of the county jail facility or to other prisoners in the facility.

(2) The misdemeanant requires medical or mental health treatment that the county decides can best be provided by the Department of Correction.

(3) The local confinement facility that would be required to house the prisoner (i) cannot reasonably accommodate any more prisoners due to segregation requirements for particular prisoners, or the local facility does not meet the minimum standards published pursuant to G.S. 153A-221, and (ii) no other local confinement facility is available.

Upon receiving such request and certification in writing, any superior or district court judge for the district in which the local confinement facility is located may, after ascertaining that the request meets the criteria set forth in subdivision (1), (2), or (3) of this subsection, order the misdemeanant transferred to a unit of the State prison system designated by the Secretary of Correction or the Secretary's authorized representative. The Department of Correction shall be reimbursed from the Statewide Misdemeanant Confinement Fund for the costs of housing the misdemeanant, including the care, supervision, and transportation of the misdemeanant.

(b4) A misdemeanant housed under the Statewide Misdemeanant Confinement Program established pursuant to subsection (b2) of this section may be transferred to a facility operated by the Department of Correction if the North Carolina Sheriffs' Association, Inc., determines that the local confinement facilities available for housing misdemeanants under the Program are filled to capacity. The Department of Correction shall be reimbursed from the Statewide Misdemeanant Confinement Fund for the costs of housing the misdemeanant, including the care, supervision, and transportation of the misdemeanant."

SECTION 7.(h) Article 1 of Chapter 148 of the General Statutes is amended by adding a new section to read:

"**§ 148-10.4. Statewide Misdemeanant Confinement Fund.**

(a) Definitions. – The following definitions apply in this section:

(1) Department. – Department of Correction.

(2) Fund. – The Statewide Misdemeanant Confinement Fund established by this section.

(3) Program. – Statewide Misdemeanant Confinement Program established under G.S. 148-32.1(b3).

(4) Sheriffs' Association. – North Carolina Sheriffs' Association, Inc.

(b) Intent and Purpose. – It is the intent of the General Assembly that the funds in the Fund established by this section be used to reimburse local governments for expenses incurred for housing misdemeanants under the Program, and other related expenses; and to cover administrative costs incurred by the Sheriffs' Association for services provided by it regarding the housing of these misdemeanants.

(c) Statewide Misdemeanant Confinement Fund established. – There is created within the Department of Correction a special nonreverting fund called the Statewide Misdemeanant Confinement Fund.

(d) Fund Uses. – Moneys in the Fund may be used for the following:

(1) Reimbursements by the Sheriffs' Association to counties for the costs of housing misdemeanants under the Program, including the care, supervision, and transportation of those misdemeanants.

(2) Reimbursements to the Department of Correction for the cost of housing misdemeanants transferred to the Department pursuant to G.S. 148-32.1(b3), including the care, supervision, and transportation of those misdemeanants.

(3) To pay the Sheriffs' Association for administrative and operating expenses pursuant to subsection (e) of this section.

(4) To pay the Department of Correction for administrative and operating expenses pursuant to subsection (e) of this section.

(e) Operating and Administrative Expenses. – Ten percent (10%) of the monthly receipts collected and credited to the Statewide Misdemeanant Confinement Fund shall be transferred on a monthly basis to the Sheriffs' Association to be used to support the Program

and for administrative and operating expenses of the Association and its staff. One percent (1%) of the monthly receipts collected and credited to the Statewide Misdemeanant Confinement Fund shall be transferred on a monthly basis to the General Fund to be allocated to the Department of Correction for its administrative and operating expenses for the Program."

SECTION 7.(i) The North Carolina Sheriffs' Association, Inc., shall report to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee by October 1, 2011, on the implementation of this Part, and shall report thereafter as requested by the Committee. The report shall include relevant information collected monthly by the North Carolina Sheriffs' Association, Inc., regarding the jail capacity and population in each county.

SECTION 7.(j) The General Assembly finds that while the Program developed pursuant to G.S. 148-32.1(b2), as enacted by subsection (e) of this section, shall be available statewide on January 1, 2012, it may be available to some counties at an earlier date. Therefore, notwithstanding any other provision of law, a misdemeanant, who has a sentence imposed of more than 90 days and up to 180 days prior to January 1, 2012, excluding those serving sentences for an impaired driving offense under G.S. 20-138.1, may be transferred or reassigned to a local confinement facility designated by the North Carolina Sheriffs' Association, Inc., as provided by the Program developed pursuant to G.S. 148-32.1(b2).

SECTION 7.(k) Of the funds appropriated to the Department of Correction for the 2011-2012 fiscal year, the Department shall transfer the sum of three hundred thousand dollars ($300,000) to the North Carolina Sheriffs' Association, Inc., for expenses related to initiating the provisions of this Part.

SECTION 7.(l) If there is not adequate capacity in the Statewide Misdemeanant Confinement program, such that the Department of Correction must continue to house prisoners serving more than 90 days and up to 180 days pursuant to G.S. 148-32.1(b4), then the Department of Correction is authorized to use funds received from the Statewide Misdemeanant Confinement Fund to operate facilities previously identified for closure and for diagnostic staff positions.

SECTION 7.(m) If House Bill 200, 2011 Regular Session, becomes law, then that act is amended by deleting subsection (a) of Section 31.26 of that act.

SECTION 7.(n) If House Bill 200, 2011 Regular Session, becomes law, then section 31.26 of that act is amended by adding a new subsection to read:

"**SECTION 31.26.(g)** This section becomes effective August 1, 2011."

SECTION 7.(o) If House Bill 200, 2011 Regular Session, becomes law, then that act is amended by adding a new section to read:

"**SECTION 31.23B.** G.S. 15A-932 is amended by adding a new subsection to read:

'(d1) If the proceeding was dismissed pursuant to subdivision (2) of subsection (a) of this section and charged only offenses for which written appearance, waiver of trial or hearing, and plea of guilty or admission of responsibility are permitted pursuant to G.S. 7A-148(a), and the defendant later tenders to the court that waiver and payment in full of all applicable fines, costs, and fees, the clerk shall accept said waiver and payment without need for a written reinstatement from the prosecutor. Upon disposition of the case pursuant to this subsection, the clerk shall recall any outstanding criminal process in the case pursuant to G.S. 15A-301(g)(2)b.'"

SECTION 7.(p) If House Bill 200, 2011 Regular Session, becomes law, then Section 31.26 of that act is amended by adding a new subsection to read:

"**SECTION 31.26.(f1)** G.S. 7A-321(d) is amended by adding a new subdivision to read:

'(d) The court shall retain a collection assistance fee in the amount of ten percent (10%) of any cost or fee collected by the Department pursuant to this Article or Chapter 20 of the General Statutes and remitted to an agency of the State or any of its political subdivisions, other than a cost or fee listed in this subsection. The court shall remit the collection assistance fee to the State Treasurer for the support of the General Court of Justice.

The collection assistance fee shall not be retained from the following:

...

(3) Costs and fees designated by law for remission to the Statewide Misdemeanant Confinement Fund.'"

SECTION 7.(q) G.S. 148-32.1(b2), as enacted by subsection (e) of this section, and subsections (a), (h), (i), (j), (k), (l), (m), (n), (o), (p), and (q) of this section become effective July 1, 2011. The remainder of this section becomes effective January 1, 2012, and applies to sentences imposed on or after that date.

PART VIII. ANNUAL REPORT AND SENTENCING COMMISSION DUTIES

SECTION 8.(a) Article 4 of Chapter 164 of the General Statutes is amended by adding a new section to read:

"**§ 164-50. Annual report on implementation of Justice Reinvestment Project.**

The Judicial Department, through the North Carolina Sentencing and Policy Advisory Commission, and the Department of Correction shall jointly conduct ongoing evaluations regarding the implementation of the Justice Reinvestment Act of 2011. The Commission shall present the first evaluation report to the Joint Legislative Correction, Crime Control, and Juvenile Justice Oversight Committee and to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety by April 15, 2012, and future reports shall be made annually by April 15 of each year."

SECTION 8.(b) G.S. 164-44(a) reads as rewritten:

"(a) The Commission shall have the secondary duty of collecting, developing, and maintaining statistical data relating to sentencing, corrections, and juvenile justice so that the primary duties of the Commission will be formulated using data that is valid, accurate, and relevant to this State. All State agencies shall provide data as it is requested by the Commission. For the purposes of G.S. 114-19.1, the Commission shall be considered to be engaged in the administration of criminal justice. All meetings of the Commission shall be open to the public and the information presented to the Commission shall be available to any State agency or member of the General Assembly."

PART IX. TITLE

SECTION 9. This act shall be known as "The Justice Reinvestment Act of 2011."

PART X. EFFECTIVE DATE

SECTION 10. Except as otherwise provided in this act, this act is effective when it becomes law. Prosecutions for offenses committed before the effective date of this act are not abated or affected by this act, and the statutes that would be applicable but for this act remain applicable to those prosecutions.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

H D

HOUSE BILL 344
Committee Substitute Favorable 6/3/11
Committee Substitute #2 Favorable 6/7/11
Fourth Edition Engrossed 6/7/11
PROPOSED SENATE COMMITTEE SUBSTITUTE H344-PCS70257-RQ-26

Short Title: Tax Credits for Children with Disabilities. (Public)

Sponsors:

Referred to:

March 15, 2011

A BILL TO BE ENTITLED

AN ACT TO ALLOW AN INDIVIDUAL INCOME TAX CREDIT FOR CHILDREN WITH DISABILITIES WHO REQUIRE SPECIAL EDUCATION AND TO CREATE A FUND FOR SPECIAL EDUCATION AND RELATED SERVICES.

The General Assembly of North Carolina enacts:

SECTION 1. Part 2 of Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"**§ 105-151.33. Education expenses credit.**

(a) Credit. – A taxpayer is allowed a credit against the tax imposed by this Part for each of the taxpayer's eligible dependent children who is a resident of this State and who for one or two semesters during the taxable year is enrolled in grades kindergarten through 12 in a nonpublic school or in a public school at which tuition is charged in accordance with G.S. 115C-366.1. As used in this section, the term 'eligible dependent child' means a child who meets all of the following criteria:

(1) Is a child with a disability as defined by G.S. 115C-106.3(1).
(2) Was determined to require an individualized education program as defined by G.S. 115C-106.3(8).
(3) Receives special education or related services on a daily basis.
(4) Is a child for whom the taxpayer is entitled to deduct a personal exemption under section 151(c) of the Code for the taxable year.

For the initial eligibility for the tax credit, for at least the preceding two semesters, the eligible dependent child shall have been either (i) enrolled in a public school or (ii) receiving special education or related services through the public schools as a preschool child with a disability as defined by G.S. 115C-106.3(17). An eligible dependent child shall be reevaluated every three years by the local educational agency in order to verify that the child continues to be a child with a disability as defined by G.S. 115C-106.3(1).

(b) Amount. – The credit is equal to the amount the taxpayer paid for tuition and special education and related services expenses, not to exceed three thousand dollars ($3,000) per semester. For home schools, as defined in G.S. 115C-563(a), the credit is equal to the amount

the taxpayer paid for special education and related services expenses, not to exceed three thousand dollars ($3,000) per semester.

(c) Semesters. – For the purposes of this section, there are two semesters during each taxable year. The spring semester is the first six months of the taxable year, and the fall semester is the second six months of the taxable year. An eligible dependent child is enrolled in a school for a semester if the eligible dependent child is enrolled in that school for more than 70 days during that semester.

(d) Disqualification. – A taxpayer may not qualify for a credit for any semester during which the taxpayer's eligible dependent child for whom the credit would otherwise be claimed met any of the following conditions:

(1) Was placed in a nonpublic school or facility by a public agency at public expense.

(2) Spent any time enrolled as a full-time student taking at least 12 hours of academic credit in a postsecondary educational institution.

(3) Was 22 years or older during the entire semester.

(4) Graduated from high school prior to the end of the semester.

(e) Reduction of Credit. – The amount of the credit is reduced for any semester in which the eligible dependent child spent any time enrolled in a public school. The amount of the reduction is a percentage equal to the percentage of the semester that the eligible dependent child spent enrolled in a public school.

(f) Information. – In order to claim the credit allowed by this section, the taxpayer shall provide, when requested, the following to the Secretary:

(1) The name, address, and social security number of each eligible dependent child for whom the credit is claimed and the name and address of the school or schools in which the eligible dependent child was enrolled for more than 70 days each semester.

(2) The taxpayer's certification that the eligible dependent child did not meet any of the disqualifying conditions set out in this section.

(3) The name of the local school administrative unit in which the eligible dependent child resides.

(4) The amount of tuition paid to a public school at which tuition is charged in accordance with G.S. 115C-366.1 for each semester the eligible dependent child for whom the credit is claimed was enrolled in the school.

(5) The eligibility determination that the eligible dependent child is a child with a disability who requires special education and related services.

(6) A listing of the tuition and special education and related services expenses on which the amount of the credit is based.

(7) For home schools as defined in G.S. 115C-563(a), a listing of the special education and related services expenses on which the amount of the credit is based.

(g) Carryforward. – The credit allowed under this section may not exceed the amount of tax imposed by this Part reduced by the sum of all credits allowed against the tax, except payments of tax made by or on behalf of the taxpayer. Any unused portion of the credit may be carried forward for the succeeding three years.

(h) Transfer. – At the end of each fiscal year, the Secretary shall transfer to the Fund for Special Education and Related Services established under G.S. 115C-472.15 from the net individual income tax collections under G.S. 105-134.2 an amount equal to two thousand dollars ($2,000) multiplied by the number of credits taken under this section during the fiscal year.

(i) Definitions. – The following definitions apply in this section:

(1) "Special education" means specially designed instruction to meet the unique needs of a child with a disability. The term includes instruction in physical education and instruction conducted in a classroom, the home, a hospital, or institution, and other settings.

(2) "Related services" is as defined in The Individuals with Disabilities Education Improvement Act, 20 U.S.C. § 1400, et seq., (2004), as amended, and federal regulations adopted under this act."

SECTION 2. G.S. 105-151.33(a), as enacted by Section 1 of this act, reads as rewritten:

"(a) Credit. – A taxpayer is allowed a credit against the tax imposed by this Part for each of the taxpayer's eligible dependent children who is a resident of this State and who for one or two semesters during the taxable year, is enrolled in grades kindergarten through 12 in a nonpublic school or in a public school at which tuition is charged in accordance with G.S. 115C-366.1. As used in this section, the term 'eligible dependent child' means a child who meets all of the following criteria:

(1) Is a child with a disability as defined by G.S. 115C-106.3(1).

(2) Was determined to require an individualized education program as defined by G.S. 115C-106.3(8).

(3) Receives special education or related services on a daily basis.

(4) Is a child for whom the taxpayer is entitled to deduct a personal exemption under section 151(c) of the Code for the taxable year.

For the initial eligibility for the tax credit, for at least the preceding ~~two semesters,~~ semester, the eligible dependent child shall have been either: (i) enrolled in a public school, or (ii) receiving special education or related services through the public schools as a preschool child with a disability as defined by G.S. 115C-106.3(17). An eligible dependent child shall be reevaluated every three years by the local educational agency in order to verify that the child continues to be a child with a disability as defined by G.S. 115C-106.3(1)."

SECTION 3. Chapter 115C of the General Statutes is amended by adding a new Article to read:

"Article 32D.

"Fund for Special Education and Related Services.

"**§ 115C-472.15. Fund for Special Education and Related Services.**

(a) The Fund for Special Education and Related Services is established as a special revenue fund under the control and direction of the State Board of Education. Interest and other investment income earned by the Fund accrue to it, and revenue in the Fund does not revert. The Fund consists of money credited to it under G.S. 105-151.33.

(b) The State Board of Education shall use the revenue in the Fund only for special educational and related services for children with disabilities. In addition, the State Board of Education shall use revenues in the Fund to reimburse local educational agencies for conducting reevaluations for continued eligibility and developing revised individualized education programs pursuant to G.S. 105-151.33(a)(1)."

SECTION 4. The Department of Revenue shall report to the Revenue Laws Study Committee and the Joint Legislative Education Oversight Committee on the administration of G.S. 105-151.33, as enacted by Section 1 of this act. The report is due by October 1, 2013, and shall include the following:

(1) The number and amount of credits taken under G.S. 105-151.33.

(2) Any concerns relating to the administration of G.S. 105-151.33 or taxpayer compliance with the requirements of that section.

(3) Any other matter with respect to G.S. 105-151.33 the Department wishes to address.

SECTION 4A. If House Bill 200, 2011 Regular Session, becomes law, then Section 2.1 of that act reads as rewritten:

"**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 fiscal biennium ending June 30, 2013, according to the following schedule:

Current Operations – General Fund	**2011-2012**	**2012-2013**
EDUCATION		
Community Colleges System Office	$ 985,000,000	$ 985,000,000
Department of Public Instruction	7,464,492,057	~~7,450,000,000~~ 7,444,122,100
University of North Carolina – Board of Governors		
Appalachian State University	145,563,319	145,680,676
East Carolina University		
Academic Affairs	247,397,807	247,397,807
Health Affairs	65,196,439	65,196,439
Elizabeth City State University	38,226,042	38,398,361
Fayetteville State University	56,925,951	56,925,951
NC A&T State University	105,355,805	105,794,754
NC Central University	94,342,683	94,342,683
NC State University		
Academic Affairs	434,563,241	434,677,423
Agricultural Research	59,239,461	59,239,461
Agricultural Extension	43,539,609	43,539,609
UNC-Asheville	42,004,444	42,004,444
UNC-Chapel Hill		
Academic Affairs	309,481,584	312,843,120
Health Affairs	219,507,009	222,570,732
AHEC	49,747,851	49,747,851
UNC-Charlotte	216,455,073	217,471,216
UNC-Greensboro	173,180,926	173,180,926
UNC-Pembroke	61,534,005	62,277,254
UNC-School of the Arts	27,796,473	27,796,473
UNC-Wilmington	105,943,181	107,138,757
Western Carolina University	90,591,556	91,070,460
Winston-Salem State University	76,496,951	76,496,950
General Administration	38,186,863	27,628,722
University Institution Programs	(375,153,400)	(383,808,914)
Related Educational Programs	85,679,060	115,272,420
UNC Financial Aid Private Colleges	91,635,664	86,534,065
NC School of Science & Math	18,937,535	18,937,535
UNC Hospitals	18,000,000	18,000,000
Total University of North Carolina – Board of Governors	$ 2,540,375,132	$ 2,551,672,698
HEALTH AND HUMAN SERVICES		

Department of Health and Human Services		
Division of Central Management and Support	$ 50,177,377	$ 44,577,987
Division of Aging and Adult Services	37,019,667	37,019,667
Division of Services for Blind/Deaf/Hard of Hearing	8,389,110	8,372,886
Division of Child Development	266,102,933	266,102,933
Division of Health Service Regulation	16,133,031	16,133,031
Division of Medical Assistance	2,958,388,184	2,907,276,302
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	665,712,232	710,712,232
NC Health Choice	79,452,317	83,717,865
Division of Public Health	190,443,245	157,538,834
Division of Social Services	186,183,068	186,183,068
Division of Vocational Rehabilitation	37,125,788	37,528,128
Total Health and Human Services	$ 4,495,126,952	$ 4,455,162,933
NATURAL AND ECONOMIC RESOURCES		
Department of Agriculture and Consumer Services	$ 65,460,864	$ 62,198,634
Department of Commerce		
Commerce	50,852,340	33,250,463
Commerce State-Aid	32,851,025	30,151,984
NC Biotechnology Center	17,551,710	17,551,710
Rural Economic Development Center	25,376,729	25,376,729
Department of Environment and Natural Resources	165,784,887	148,148,105
DENR Clean Water Management Trust Fund	11,250,000	11,250,000
Department of Labor	15,836,887	15,836,887
Wildlife Resources Commission	18,000,000	17,221,179
JUSTICE AND PUBLIC SAFETY		
Department of Correction	$ 1,337,816,346	$ 1,348,410,793
Department of Crime Control and Public Safety	225,258,795	215,164,518
Judicial Department	438,920,048	435,141,107
Judicial Department – Indigent Defense	110,091,526	112,748,733
Department of Justice	80,704,013	80,864,138
Department of Juvenile Justice and Delinquency Prevention	135,593,692	131,140,565
GENERAL GOVERNMENT		
Department of Administration	$ 63,607,330	$ 65,511,460

Department of State Auditor	11,857,574	10,676,035
Office of State Controller	28,368,957	28,368,957
Department of Cultural Resources		
Cultural Resources	63,524,857	61,697,001
Roanoke Island Commission	1,805,236	1,203,491
State Board of Elections	5,186,603	5,126,603
General Assembly	53,259,495	50,104,208
Office of the Governor		
Office of the Governor	4,741,157	4,741,157
Office of State Budget and Management	5,848,663	5,848,663
OSBM – Reserve for Special Appropriations	1,940,612	440,612
Housing Finance Agency	9,673,051	9,673,051
Department of Insurance		
Insurance	36,393,921	36,393,921
Insurance – Volunteer Safety Workers' Compensation	2,294,000	2,623,654
Office of Lieutenant Governor	695,324	695,324
Office of Administrative Hearings	4,983,871	4,983,871
Department of Revenue	78,199,538	78,199,538
Department of Secretary of State	10,654,563	10,654,563
Department of State Treasurer		
State Treasurer	6,657,031	6,621,750
State Treasurer – Retirement for Fire and Rescue Squad Workers	17,812,114	17,812,114
RESERVES, ADJUSTMENTS, AND DEBT SERVICE		
Contingency and Emergency Fund	$ 5,000,000	$ 5,000,000
State Retirement System Contribution	248,100,000	336,000,000
Judicial Retirement System Contribution	6,800,000	7,800,000
Firemen's & Rescue Squad Workers' Pension Fund	4,318,042	5,366,928
State Health Plan	7,119,541	102,151,104
Information Technology Fund	4,458,142	6,158,142
Reserve for Job Development Investment Grants (JDIG)	15,400,000	27,400,000

Continuation Review Reserve	0	35,576,758
Comprehensive Review of Compensation Plans	2,000,000	0
Compensation Adjustment and Performance Pay Reserve	0	121,105,840
Severance Expenditure Reserve	69,000,000	0
Automated Fraud Detection Development	1,000,000	7,000,000
Controller – Fraud Detection Development	500,000	500,000
Debt Service		
General Debt Service	688,957,188	759,984,974
Federal Reimbursement	1,616,380	1,616,380
TOTAL CURRENT OPERATIONS – GENERAL FUND	**$ 19,678,116,193**	~~**$ 19,943,327,275**~~ **$ 19,937,449,375**"

SECTION 5.(a) If House Bill 200, 2011 Regular Session, becomes law, then Section 2.2(a) of that act reads as rewritten:

"**SECTION 2.2(a)** The General Fund availability used in developing the 2011-2013 biennial budget is shown below.

	FY 2011-2012	**FY 2012-2013**
Unappropriated Balance Remaining	$ 0	$ 13,980,015
Ending Unreserved Fund Balance for FY 2009-2010	236,902,394	0
Anticipated Reversions for FY 2010-2011	537,740,799	0
Anticipated Over-collections from FY 2010-2011	180,800,000	0
Repayment of Medicaid Receipts in FY 2010-2011	(125,000,000)	0
Statutory Earmarks:		
Savings Reserve Account	~~(185,000,000)~~(183,650,000)	0
Repairs and Renovations Reserve Account	(125,000,000)	0
Beginning Unreserved Fund Balance	$ ~~520,443,193~~521,793,193	$ 13,980,015
Revenues Based on Existing Tax Structure	**$ 18,129,800,000**	**$ 19,181,900,000**
Nontax Revenues		
Investment Income	$ 59,400,000	$ 76,700,000
Judicial Fees	217,800,000	217,800,000
Disproportionate Share	100,000,000	100,000,000
Insurance	71,400,000	73,500,000
Other Nontax Revenues	182,500,000	182,500,000
Highway Trust Fund/Use Tax Reimbursement Transfer	41,500,000	27,600,000
Highway Fund Transfer	20,230,000	24,080,000
Subtotal Nontax Revenues	**$ 692,830,000**	**$ 702,180,000**
Total General Fund Availability	~~**$ 19,343,073,193**~~ **$ 19,344,423,193**	**$ 19,898,060,015**

Adjustments to Availability: 2011 Session		
Loss of Estate Tax	$ (57,100,000)	$ (72,200,000)
Small Business Tax Relief Package	(131,600,000)	(335,600,000)
Repeal Wildlife Resources Commission Sales Tax Earmark	22,970,000	23,920,000
Suspend Corporate Income Tax Earmark (Public School Construction)	72,110,000	74,750,000
Increase in Judicial Fees	61,765,715	61,765,715
Increase Investment Company Notice Filing Fee	1,600,000	1,600,000
Increase Parking Fees for Visitors	550,000	550,000
Loss of Revenue from the Town of Butner	(1,213,235)	(1,213,235)
Transfer from E-Commerce Reserve Fund	4,483,526	0
Divert Funds from Parks & Recreation Trust Fund	8,435,000	0
Divert Funds from Recreational/Natural Heritage Trust Fund	8,000,000	0
Transfer from Highway Fund for State Highway Patrol	196,849,542	188,209,049
Transfer Additional Funds from Highway Trust Fund	35,223,642	0
Transfer from Mercury Prevention Pollution Fund	250,000	0
Transfer from Commerce – Enterprise Fund	500,000	0
Divert Funds from Scrap Tire Disposal Account	2,268,989	0
Divert Funds from White Goods Management Account	1,951,465	0
Diversion of Golden LEAF Funds	17,563,760	17,563,760
Master Settlement Agreement Funds	24,668,720	25,580,772
Transfer Health and Wellness Trust Funds to Public Health	32,904,411	0
Department of Revenue – Accounts Receivable Program	25,000,000	25,000,000
Medicaid Disproportionate Share Receipts	15,000,000	15,000,000
Adjust Transfer from Insurance Regulatory Fund	(742,348)	(742,348)
Adjust Transfer from Treasurer's Office	(3,881,172)	(3,916,453)
Transfer from NC Flex FICA Funds	1,000,000	0
Proceeds from the Sale of State Assets	15,000,000	25,000,000
Children with Disabilities Tax Credit	(1,350,000)	(5,877,900)
Subtotal Adjustments to Availability: 2011 Session	**$ ~~353,558,015~~352,208,015**	**~~$45,267,260~~ 39,389,360**
Revised General Fund Availability	**$ 19,696,631,208**	**~~$ 19,943,327,275~~ $ 19,937,449,375**
Less General Fund Appropriations	**$ (19,682,651,193)**	**~~$ (19,943,327,275)~~ $ (19,937,449,375)**
Unappropriated Balance Remaining	**$ 13,980,015**	**$ 0"**

SECTION 5.(b) If House Bill 200, 2011 Regular Session, becomes law, then Section 2.2(m) of that act reads as rewritten:

"**SECTION 2.2.(m)** Notwithstanding G.S. 143C-4-2, the State Controller shall transfer only one hundred ~~eighty-five million dollars ($185,000,000)~~ eighty-three million six hundred fifty thousand dollars ($183,650,000) from the unreserved fund balance to the Savings Reserve Account on June 30, 2011. This is not an 'appropriation made by law,' as that phrase is used in

Section 7(1) of Article V of the North Carolina Constitution. This subsection becomes effective June 30, 2011."

SECTION 5A. If House Bill 200, 2011 Regular Session, becomes law, then that act is amended by adding the following new section to read:

"**ADM ADJUSTMENT**

"**SECTION 7.31.** Notwithstanding any other provision of this act, the funds appropriated for the average daily membership (ADM) adjustment for public schools shall be adjusted to provide fifty-five million eight hundred eighty-two thousand six hundred fifty-one dollars ($55,882,651) in the 2011-2012 fiscal year and one hundred thirty-seven million two hundred nine thousand five hundred fourteen dollars ($137,209,514) in the 2012-2013 fiscal year. The funds appropriated for the ADM adjustment shall be distributed to modify allotments to charter schools and local school administrative units, reflecting changes in ADM due to population growth and other changes in State law."

SECTION 6. Sections 1, 3, 4, and 4A of this act are effective for taxable years beginning on or after January 1, 2011, and apply to semesters for which the credit is claimed beginning on or after July 1, 2011, except that transfers under G.S. 105-151.33(h) shall not be made before the 2012-2013 fiscal year. Section 2 of this act is effective for taxable years beginning on or after January 1, 2016, and applies to semesters for which the credit is claimed beginning on or after July 1, 2016. The remainder of this act is effective when it becomes law.

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
Wednesday, June 15, 2011 at 2:55 PM
Senate Floor

MINUTES

The Senate Appropriations/Base Budget Committee met at 2:55 PM on June 15, 2011, on the Senate floor. 21 members of the committee were present. Senator Stevens, presided.

HB 351 – An Act to Restore Confidence in Government by Requiring that Voters Provide Photo Identification before Voting.

Senator Stevens recognized Mark Bondo, Fiscal Research Division Analyst, to explain the Fiscal Note (Attachment 5).

Senator Brock moved for a favorable report. The motion carried.

Attachments:

1. Agenda
2. HB 351
3. Summary of HB 351
4. Fiscal Note for HB 351
5. Committee Report

The meeting adjourned at 3:02.

Senator Richard Stevens, Presiding

Kathy Davis, Committee Clerk

ATTACHMENT 1

Senate Appropriations/Base Budget Committee
Wednesday, June 15, 2011, 8:30 AM
1027 LB

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

HB 351	Restore Confidence in Government.	Representative Lewis Representative Killian Representative Moore

Presentations

Other Business

Adjournment

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

H 5

HOUSE BILL 351

Committee Substitute Favorable 4/7/11
Committee Substitute #2 Favorable 6/7/11
Fourth Edition Engrossed 6/9/11
Senate Judiciary I Committee Substitute Adopted 6/14/11

Short Title: Restore Confidence in Government. (Public)

Sponsors:

Referred to:

March 15, 2011

A BILL TO BE ENTITLED

AN ACT TO RESTORE CONFIDENCE IN GOVERNMENT BY REQUIRING THAT VOTERS PROVIDE PHOTO IDENTIFICATION BEFORE VOTING.

The General Assembly of North Carolina enacts:

SECTION 1.1. Article 14A of Chapter 163 of the General Statutes is amended by adding a new section to read:

"**§ 163-166.13. Photo identification requirement for voting in person.**

(a) Every individual voting in person shall present photo identification to a local election official at the voting place before voting.

(b) Notwithstanding subsection (a) of this section, any voter without photo identification shall be permitted to vote a provisional official ballot.

(c) As used in this section, "photo identification" means any of the following that contain a photograph of the registered voter:

(1) A North Carolina drivers license issued under Article 2 of Chapter 20 of the General Statutes, including a learner's permit or a provisional license.

(2) A special identification card for nonoperators issued under G.S. 20-37.7.

(3) An identification card issued by a branch, department, agency, or entity of this State, any other state, or the United States.

(4) A United States passport.

(5) An employee identification card issued by any branch, department, agency, or entity of the United States government, this State, or any county, municipality, board, authority, or other entity of this State.

(6) A United States military identification card.

(7) A tribal identification card.

(8) A North Carolina voter identification card issued under G.S. 163-166.14."

SECTION 1.2. Article 14A of Chapter 163 of the General Statutes is amended by adding a new section to read:

"**§ 163-166.14. Voter identification card.**

(a) Each county board of elections shall accept applications for and issue North Carolina voter identification cards to registered voters in that county. The voter identification card shall be valid only for purposes of voter identification and proof of voter registration under this Chapter and available only to registered voters of this State. No fee shall be charged or collected for the application for or issuance of a North Carolina voter identification card.

(b) No registered voter shall be eligible for a North Carolina voter identification card if that registered voter has a valid unexpired drivers license, learner's permit, provisional license, or a special identification card for nonoperators issued under G.S. 20-37.7.

(c) The North Carolina voter identification card shall be captioned "NORTH CAROLINA VOTER IDENTIFICATION CARD" and shall contain a prominent statement that under North Carolina law it is valid only as identification for voting purposes. The North Carolina voter identification card shall be laminated, shall contain a digital color photograph of the applicant, and shall include all of the following information:

(1) Full legal name.
(2) Address of residence.
(3) Birth date.
(4) Date identification card was issued.
(5) Sex.
(6) Eye color.
(7) County where the identification card was issued.
(8) Such other information or identification as required by rule of the State Board of Elections.

(d) The application for a North Carolina voter identification card shall elicit the information required under subsection (c) of this section and such other information as may be required by rule of the State Board of Elections. The application shall be signed by the applicant registered voter. The information collected by the county board of elections shall be subject to G.S. 163-82.10 and G.S. 163-82.10B.

(e) The county board of elections shall require, and shall verify, all of the following information before issuing a North Carolina voter identification card to a registered voter:

(1) A photo identity document, except that a nonphoto identity document is acceptable if it includes the registered voter's name.
(2) Evidence that the individual is registered to vote in this State.
(3) Documentation showing the registered voter's name and residence address.

(f) A North Carolina voter identification card shall remain valid so long as a person resides at the same address and remains qualified to vote. If a person moves his or her residence within the State, that person may apply for and receive a new card if such person is otherwise eligible under this section.

(g) The State Board of Elections shall provide each county board of elections issuing North Carolina voter identification cards with the necessary equipment, forms, supplies, and training for the production of the North Carolina voter identification cards and shall maintain such equipment.

(h) The State Board of Elections shall adopt policies for the administration of this section and, without limiting the generality of the foregoing, such policies may further define or prescribe the types of documentation required under subsection (e) of this section."

SECTION 1.3. G.S. 163-82.6A(b) reads as rewritten:

"(b) Both Attestation and Proof of Residence Required. – To vote under this section, a voter must present photo identification as required by G.S. 163-166.13. This requirement is separate from the requirement to provide proof of residence under subdivision (2) of this subsection. If an individual does not present the required photo identification, that individual may vote a provisional official ballot. To register ~~and vote~~ under this section, the person shall do both of the following:

(1) Complete a voter registration form as prescribed in G.S. 163-82.4, including the attestation requirement of G.S. 163-82.4(b) that the person meets each eligibility requirement. Such attestation is signed under penalty of a Class I felony under G.S. 163-275(13); and

(2) Provide proof of residence by presenting any of the following valid documents that show the person's current name and current residence address: a North Carolina drivers license, a photo identification from a government agency, or any of the documents listed in G.S. 163-166.12(a)(2). The State Board of Elections may designate additional documents or methods that suffice and shall prescribe procedures for establishing proof of residence."

SECTION 1.4. G.S. 163-166.7(a) reads as rewritten:

"(a) Checking Registration. – A person seeking to vote shall enter the voting enclosure through the appropriate entrance. A precinct official assigned to check registration shall at once ask the voter to state current name and residence address. The voter shall answer by stating current name and residence ~~address.~~ address and presenting photo identification in accordance with G.S. 163-166.13. If an individual does not present the required identification, that individual may vote a provisional official ballot. In a primary election, that voter shall also be asked to state, and shall state, the political party with which the voter is affiliated or, if unaffiliated, the authorizing party in which the voter wishes to vote. After examination, that official shall state whether that voter is duly registered to vote in that precinct and shall direct that voter to the voting equipment or to the official assigned to distribute official ballots. If a precinct official states that the person is duly registered, the person shall sign the pollbook, other voting record, or voter authorization document in accordance with subsection (c) of this section before voting."

SECTION 1.5. G.S. 163-227.2(b) reads as rewritten:

"(b) Not earlier than the third Thursday before an election, in which absentee ballots are authorized, in which a voter seeks to vote and not later than 1:00 P.M. on the last Saturday before that election, the voter shall appear in person only at the office of the county board of elections, except as provided in subsection (g) of this section. A county board of elections shall conduct one-stop voting on the last Saturday before the election until 1:00 P.M. and may conduct it until 5:00 P.M. on that Saturday. That voter shall enter the voting enclosure at the board office through the appropriate entrance and shall at once state his or her name and place of residence to an authorized member or employee of the ~~board.~~ board and present photo identification in accordance with G.S. 163-166.13. If an individual does not present the required identification, that individual may vote a provisional official ballot. In a primary election, the voter shall also state the political party with which the voter affiliates and in whose primary the voter desires to vote, or if the voter is an unaffiliated voter permitted to vote in the primary of a particular party under G.S. 163-119, the voter shall state the name of the authorizing political party in whose primary he wishes to vote. The board member or employee to whom the voter gives this information shall announce the name and residence of the voter in a distinct tone of voice. After examining the registration records, an employee of the board shall state whether the person seeking to vote is duly registered. If the voter is found to be registered that voter may request that the authorized member or employee of the board furnish the voter with an application form as specified in G.S. 163-227. The voter shall complete the application in the presence of the authorized member or employee of the board, and shall deliver the application to that person."

SECTION 1.6. Article 15A of Chapter 163 of the General Statutes is amended by adding a new section to read:

"**§ 163-182.1A. Counting of provisional official ballots cast because of failure to provide valid photo identification at the polls.**

(a) A voter who cast a provisional official ballot wholly or partly as a result of the voter's inability or declination to provide proof of identification may personally appear at an office of the county board of elections not later than the date of the conclusion of the election

canvass for that county to seek counting of the provisional official ballot as provided in subsection (b) or (c) of this section.

(b) Unless the vote is disqualified for some other reason provided by law, the county board of elections shall find that the voter's provisional ballot is valid and direct that the provisional ballot be opened and counted in accordance with this Chapter if the voter both:

(1) Provides valid photo identification to the county board of elections; and

(2) Executes an affidavit, in the form prescribed by the State Board of Elections, affirming under the penalties of perjury that the voter is the same individual who:

a. Personally appeared to vote on the day of election or at an early voting site; and

b. Cast the provisional ballot on that day.

(c) Unless the vote is disqualified for some other reason provided by law, the county board of elections shall find that the voter's provisional ballot is valid and direct that the provisional ballot be opened and counted in accordance with this Chapter if the voter executes an affidavit before the county board of elections, in the form prescribed by the State Board of Elections, affirming under the penalties of perjury that:

(1) The voter is the same individual who:

a. Personally appeared to vote on the day of election or at an early voting site; and

b. Cast the provisional ballot on that day; and

(2) The voter has a sincerely held religious objection to being photographed.

(d) If the county board of elections determines that a voter described in subsection (b) or (c) of this section has also cast a provisional official ballot for a cause other than the voter's inability or declination to provide valid photo identification, the board shall both:

(1) Note on the envelope containing the provisional official ballot that the voter has complied with the proof of valid photo identification requirement; and

(2) Proceed to determine any other reasons for which the ballot was cast provisionally before ruling on the validity of the voter's provisional ballot."

SECTION 1.7. G.S. 163-87 reads as rewritten:

"**§ 163-87. Challenges allowed on day of primary or election.**

On the day of a primary or election, at the time a registered voter offers to vote, any other registered voter of the precinct may exercise the right of challenge, and when ~~he~~ the voter does so may enter the voting enclosure to make the challenge, but ~~he~~ the voter shall retire therefrom as soon as the challenge is heard.

On the day of a primary or election, any other registered voter of the precinct may challenge a person for one or more of the following reasons:

(1) One or more of the reasons listed in G.S. 163-85(c).

(2) That the person has already voted in that primary or election.

(3) Repealed by Session Laws 2009-541, s. 16.1(b), effective August 28, 2009.

(4) If the challenge is made with respect to voting in a partisan primary, that the person is a registered voter of another political party.

(5) The voter does not present proof of identification as required by G.S. 163-166.13.

The chief judge, judge, or assistant appointed under G.S. 163-41 or 163-42 may enter challenges under this section against voters in the precinct for which appointed regardless of the place of residence of the chief judge, judge, or assistant.

If a person is challenged under this subsection, and the challenge is sustained under G.S. 163-85(c)(3), the voter may still transfer his registration under G.S. 163-82.15(e) if eligible under that section, and the registration shall not be cancelled under G.S. 163-90.2(a) if

the transfer is made. A person who has transferred his registration under G.S. 163-82.15(e) may be challenged at the precinct to which the registration is being transferred."

SECTION 1.8. G.S. 20-37.7(d) reads as rewritten:

"(d) Expiration and Fee. – A special identification card issued to a person for the first time under this section expires when a drivers license issued on the same day to that person would expire. A special identification card renewed under this section expires when a drivers license renewed by the card holder on the same day would expire.

The fee for a special identification card is the same as the fee set in G.S. 20-14 for a duplicate license. The fee does not apply to a special identification card issued to a resident of this State who (i) is legally blind, (ii) is at least 70 years old, (iii) is registered to vote in this State but does not have photo identification acceptable under G.S. 163-166.13, (iv) is homeless, or (v) ~~who~~ has been issued a drivers license but the drivers license is cancelled under G.S. 20-15, in accordance with G.S. 20-9(e) and (g), as a result of a physical or mental disability or disease. To obtain a special identification card without paying a fee, a homeless person must present a letter to the Division from the director of a facility that provides care or shelter to homeless persons verifying that the person is homeless. To obtain a special identification card without paying a fee, a registered voter shall sign an unnotarized affidavit stating the registered voter is registered and does not have other photo identification acceptable under G.S. 163-166.13."

SECTION 1.9.(a) Education and Publicity Requirements. – The public shall be educated about the photo identification to vote requirements of this act as follows:

(1) As counties use their regular processes to notify voters of assignments and reassignments to districts for election to the United States House of Representatives, State Senate, State House of Representatives, or local office, by including information about the provisions of this act.

(2) As counties send new voter registration cards to voters as a result of new registration, changes of address, or other reasons, by including information about the provisions of this act.

(3) Counties that maintain a board of elections Web site shall include information about the provisions of this act.

(4) Notices of elections published by county boards of elections under G.S. 163-22(8) for the 2012 primary and 2012 general election shall include a brief statement that photo identification is required to vote.

(5) The State Board of Elections shall include on its Web site information about the provisions of this act.

(6) Counties shall post at the polls and at early voting sites beginning with the 2012 primary elections information about the provisions of this act.

(7) The State Board of Elections shall include in the Judicial Voter Guide described in G.S. 163-278.69 information about the provisions of this act and shall also include the information in the Voter Guide under G.S. 163-278.99E if it is published separately.

(8) The State Board of Elections and the county boards of elections shall take reasonable steps to provide public service announcements about the provisions of this act through print, radio, television, online, and social media. Of the funds appropriated in Section 1.10 of this act, the sum of six hundred thousand dollars ($600,000) for the 2011-2012 fiscal year shall be placed in a special reserve to carry out the provisions of this subdivision and to provide for issuance of North Carolina voter identification cards under G.S. 163-166.13 as enacted by this act. Those funds shall be made available as follows:

a. $100,000 to the State Board of Elections.

b. $100,000 in an equal share to each county board of elections.
c. $200,000 to county boards of elections in proportion to the number of registered voters in the county.
d. $200,000 to county boards of elections in counties covered by section 5 of the Voting Rights Act of 1965, in proportion to the number of registered voters in the county.

SECTION 1.9.(b) G.S. 163-278.69 is amended by adding a new subsection to read:

"(d) The Judicial Voter Guide published under this section shall also include information on the photo identification requirement for voting in person pursuant to G.S. 163-166.13."

SECTION 1.10.(a) Of the unexpended funds remaining in the North Carolina Voter-Owned Elections Fund, up to four hundred twenty-nine thousand four hundred fifty-five dollars ($429,455) shall be used for the purposes of implementing this act and are hereby appropriated.

SECTION 1.10.(b) Fund from the surcharge on attorney membership fees under G.S. 84-34 collected on or after July 1, 2011, may be used for the purpose of the Judicial Voter Guide as provided in G.S. 163-278.69, as amended by this act.

SECTION 1.10.(c) Of the funds appropriated to the General Assembly for the 2010-2011 fiscal year, the sum of two hundred thirty-one thousand four hundred thirty-seven dollars ($231,437) remaining on June 30, 2011, is transferred to the State Board of Elections for the 2011-2012 fiscal year to implement the provisions of this act and are hereby appropriated.

SECTION 1.10.(d) Of the funds appropriated to the General Assembly for the 2010-2011 fiscal year, the sum of thirty-nine thousand one hundred twenty-eight dollars ($39,128) remaining on June 30, 2011, is transferred to the State Board of Elections for the 2012-2013 fiscal year to implement the provisions of this act and are hereby appropriated.

SECTION 1.10.(e) Of the funds appropriated to the Department of Transportation, Division of Motor Vehicles, up to one million four hundred sixty-eight thousand thirty-three dollars ($1,468,033) for the 2011-2012 fiscal year and the sum of one hundred thousand four hundred thirty-eight dollars ($100,438) for the 2012-2013 fiscal year may be used from the Highway Fund, including unexpended funds within the Inspections Program Account and Telecommunications Account created by G.S. 20-183.7, to support the costs of issuing special identification cards for nonoperators and for costs associated with modifications to the State Automated Driver License System.

SECTION 2. If any provision of this act or its application is held invalid, the invalidity does not affect other provisions or applications of this act that can be given effect without the invalid provisions or application, and to this end the provisions of this act are severable.

SECTION 3. Sections 1.8, 1.9, and 1.10 of this act become effective July 1, 2011. Except as otherwise provided, this act is effective when it becomes law and applies to primaries and elections conducted on or after January 1, 2012.

HOUSE BILL 351:
Restore Confidence in Government

2011-2012 General Assembly

Committee:	Senate Judiciary I	**Date:**	June 15, 2011
Introduced by:	Reps. Lewis, T. Moore, Killian	**Prepared by:**	Kara McCraw Committee Counsel
Analysis of:	Fifth Edition		

SUMMARY: House Bill 351 would require any person voting in person to show photo identification prior to voting.

CURRENT LAW:

When appearing at the polls, the voter must state their name and residence address to the precinct official so requesting. The individual, if verified by the precinct official as a registered voter, must then sign their name to the pollbook, other voting record, or voter authorization document prior to voting.

For an individual who registers to vote by mail after January 1, 2003, has not previously voted in an election with a federal ballot item since that time, and appears at the polls to vote, that voter is also required to provide following forms of identification prior to voting:

- A current and valid photo ID.
- A copy of one of the following documents that shows the name and address of the voter: current utility bill, bank statement, government check, paycheck, or other government document.

The following individuals are exempt from showing the above identification:

- An individual who included as part of their voter registration either one of the forms of ID listed above, their driver's license number, or the last four digits of their social security number. The identification provided is then used to provide a match to an existing State identification record.
- Individuals exempted under the federal law, such as overseas and military voters entitled to vote by absentee ballot and voters entitled to vote other than in person under the federal Voting Accessibility for the Elderly and Handicapped Act.

BILL ANALYSIS:

Photo ID Requirement for In-person Voting

All voters appearing in person to vote, whether on election day, one-stop absentee, or same-day registration voting, would be required to present a photo ID when voting in-person under the new section, G.S. 163-166.13. The following photo IDs would be accepted:

- North Carolina drivers' license, including a learner's permit or provisional license.
- Special NC ID card for non-operators.
- ID card issued by a branch, department, agency, or entity of the State of NC, any other state, or the United States.
- US passport.
- Employer ID card issued by a branch, department, agency, or entity of the US government, State of NC, or any county, municipality, board, authority, or other entity of the State of NC.
- US military ID card.
- Tribal ID card.
- NC Voter ID card.

Any individual not having one of the required photo IDs would be allowed to vote a provisional ballot. Voters casting provisional ballots as a result of failure to show photo ID would be required to appear in person at the county board of elections no later than the conclusion of the election canvass (10^{th} day following the general election and 7^{th} day following any other election. G.S. 163-182.5) to seek counting of the provisional ballot in one of two ways:

1. Provide photo ID and execute an affidavit that the person voted on the relevant day and cast a provisional ballot.
2. Execute an affidavit that the voter has a sincerely held religious objection to being photographed and that the person voted on the relevant day and cast a provisional ballot.

Unless the vote is disqualified for some other legal reason, the board must count the ballot.

Issuance of Photo IDs for Registered Voters

For those individuals without one of the required photo IDs, two options would exist to obtain a required photo ID:

1. County boards of elections would issue voter ID cards at no cost to registered voters of that county who do not have a valid unexpired drivers' license, learner's permit, provisional license, or special ID card for non-operators. The card could only be used for voting purposes and would require certain information about the person be printed on the card, including the voter's photograph. A voter would be required to present a photo identity document or a nonphoto identity document that includes the person's name, evidence of the person's voter registration, and documentation of name and address. The card would remain valid as long as the person resided at the same address and remained qualified to vote. A person who moved within the State could apply for a new voter ID card if otherwise eligible to vote. The State Board would provide supplies and equipment to county boards of elections and adopt policies for administration, including policies to define the types of documentation needed to be verified before issuing a voter ID card.
2. The Department of Motor Vehicles would issue, to individuals registered to vote in North Carolina without a photo ID required for voting, a special ID card upon the individual signing an un-notarized affidavit attesting to voter registration and lack of acceptable photo ID. DMV could not charge a fee for the special ID under these circumstances.

Education and Funding

The bill would require voters be educated about the photo ID requirements through regular mailings, State and county board of election websites, notices of elections, posting at polling sites, the Judicial Voters Guide, and public service announcements. A $600,000 special reserve would be created within the State Board of Elections from the appropriations in Section 1.10 of the act. That money would be used for voter education and the issuance of voter ID's by the county boards of election. The State Board of Elections is required to provide the counties with the necessary equipment, forms, supplies, and training for the production of the voter ID, as well as maintain the equipment.

Sources of funding for publicity and to provide for issuance of ID cards would be:

- Unexpended funds in the NC Voter Owned Elections Fund of up to $429,455.
- Funds from the surcharge on attorney membership fees collected on or after July 1, 2011 for the purpose of including information on the photo ID requirement in the Judicial Voter Guide.

- From the funds appropriated to the General Assembly for 2010-2011, $231,437 for the 2011-2012 fiscal year, and $39,128 for the 2012-2013 fiscal year is transferred to the State Board of Elections to implement the provisions of this act.

Additionally, the bill would appropriate monies as follows:

- Of the funds appropriated to the Department of Transportation, Department of Motor Vehicles, up to $1,468,033 for 2011-2012 and $100,438 for 2012-2013 may be used from the Highway Fund to support issuance of special ID cards and costs associated with modification to the State Automater Driver License System.

Severability Clause: The act's provisions would be severable – if any portion of the act was held invalid, that invalidity does not affect other portions of the act which could be given effect.

EFFECTIVE DATE: Sections 1.8, 1.9 and 1.10 (appropriations and education requirements) would become effective July 1, 2011. The substantive provisions of the act would become effective when it becomes law and apply to primaries and elections conducted on or after January 1, 2012, but may not be implemented until the session law has received "preclearance" approval under Section 5 of the Voting Rights of 1965.

H351-SMTC-44(e4) v3

ATTACHMENT 4

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2011

Legislative Incarceration Fiscal Note

(G.S. 120-36.7)

BILL NUMBER: House Bill 351 (Fifth Edition)

SHORT TITLE: Restore Confidence in Government.

SPONSOR(S): Representatives Lewis, T. Moore, and Killian

FISCAL IMPACT

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

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
REVENUES*					
Allows use of Surcharge Of Attorney Filing Fee:	$1,210,850	$1,246,449	$1,283,095	$1,320,818	$1,359,650
EXPENDITURES*					
General Fund					
Correction	*Costs Cannot Be Determined: See Assumptions and Methodology*				
Probation	*Costs Cannot Be Determined: See Assumptions and Methodology*				
Prisons	*Costs Cannot Be Determined: See Assumptions and Methodology*				
Special Reserve	$600,000**				
State Board of Elections: -Voter ID Card***	$660,892	$39,128	$40,298	$41,294	$42,322
General Assembly:	(231,437)	(39,128)			
Special Funds: Voter Owned Elections:	($429,455)				
Highway Fund DMV***	$0 - $1,394,083	$0 - $100,438	$0 - $100,438	$0 - $100,438	$0 - $100,438
DOT-IT	$73,950				
Highway Fund Appropriation****	($1,468,033)	($100,438)			
County					

County Board of Elections	*Costs Cannot Be Determined: See Assumptions and Methodology*

POSITIONS (cumulative):

* Surcharge may be used for education requirements, but is an existing fee. See Assumptions and Methodology.

** Of the funds appropriated in Section 1.10 of this bill, $600,000 will be placed in the Special Reserve.

***The maximum amount of eligible voters is assumed to access the State Board of Elections and DMV services. Thus, totaling expenditures would not be accurate. See Assumptions and Methodology.

**** Section 1.10(e) authorizes the Department of Transportation to use up to $1,468,033 of the funds appropriated from the Highway Fund for FY 2011-12 and up to $100,438 of the funds appropriated for FY 2012-13 to support implementation costs.

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: State Board of Elections, County Boards of Elections, Division of Motor Vehicles, Department of Corrections, Judicial Branch.

EFFECTIVE DATE:

Sections 1.8 through 1.10 are effective July 1, 2011.

Effective for elections and primaries on or after January 1, 2012.

Remaining sections are effective when the bill becomes law.

BILL SUMMARY: Section 1: G.S. 163-166.13 is added to require every individual seeking to vote in person to present photo identification to a local election official before voting at the voting place. Photo identification is defined as one of the following items, provided it contains a photograph of the registered voter: (1) a NC driver's license issued under G.S. Chapter 20; (2) a special identification card for non-operators issued under G.S. 20-37.7; (3) a valid identification card issued by any state or federal entity authorized to issue personal identification; (4) a valid U.S. passport; (5) a valid employee identification card issued by any state, local government, or federal entity; (6) a valid U.S. military identification card; (7) a valid tribal identification card; or (8) a valid NC voter identification card issued under proposed G.S. 163-166.14.

Section 1.2: G.S. 163-166.14 is added to require each county board of elections to accept applications for and issue North Carolina voter identification cards to registered State voters. The cards are valid only for voter identification purposes. County boards of elections are prohibited from charging or collecting any fee associated with the voter identification card. The NC voter identification card is available only to those persons that are without a valid driver's license or

special identification card for non-operators. The card is required to be captioned "NORTH CAROLINA VOTER IDENTIFICATION CARD" and to contain a prominent statement that the card is valid only as identification for voting purposes. The card must be laminated, contain a digital color photograph of the applicant, and include the applicant's full legal name, address of residence, birth date, date of card issuance, sex, height, weight, eye color, county where card was issued, and any other information required by the State Board of Elections (SBE). The application for a NC voter identification card must elicit the information for inclusion on the card, and the applicant must sign the document. The county board of election is required to verify the following before issuing a voter identification card: (1) a photo identity document or a non-photo identity document if it includes the person's name; (2) evidence that the person is registered to vote in NC; and (3) documentation of the person's name and residence address. Voters that are eligible for the identification card who move may receive a new card, free of charge. Voters are required to surrender identification cards upon moving. The State Board of Elections is required to provide each county with all necessary equipment, supplies, and training for the production of the voter identification cards and is responsible for their maintenance.

Section 1.3: G.S. 163-82.6A(b) is amended to require a voter to present valid photo identification, as defined, in order to register in person and then vote at one-stop voting sites. The photo identification requirement is separate from the requirement to provide proof of residence during in-person registration. A person may vote a provisional ballot if the person fails to present the required identification. Conforming changes are made to relevant General Statutes.

Section 1.4 and 1.5: Additional conforming changes are made to G.S. 163-166.7(a) (requiring a person to state current name and address and to present valid photo identification upon entering the voting site) and 163-227.2(b) (requiring a person to state current name and address and to present valid photo identification upon entering an early voting site).

Section 1.6: G.S. 163-182.1A is added to allow a voter who casts a provisional ballot as a result of the voter's inability or refusal to provide proof of identification to personally appear at the county board of elections office before the conclusion of the election canvass in that county in order to request the provisional ballot be counted. The county board of elections is required to count the provisional ballot, unless disqualified for some other reason, if the voter both: (1) provides valid photo identification and (2) executes an affidavit affirming, under penalty of perjury, that the individual personally appeared to vote and cast the provisional ballot on that date. Voters with a sincerely held religious objection to being photographed are required to submit an affidavit affirming the objection and may vote without photo identification. The county board of elections is required to note on the provisional ballot envelope that the voter has provided valid photo identification. The county board of elections is required to determine any other reason for the cast provisional ballot before ruling on the ballot's validity in a situation where the county board of elections determines that a voter cast a provisional ballot for a cause other than the voter's inability or declination to provide photo identification.

Section 1.7: G.S. 163-87 is amended to also allow any registered voter of the precinct to challenge a voter who does not present proof of identification. An observer appointed under G.S. 163-45 may also enter challenges against voters in the precinct regardless of the observer's place of residence.

Section 1.8: G.S. 20-37.7(d) is amended to clarify that the special identification card issued under the statute by the Division of Motor Vehicles does not include a fee if the state resident is eligible to vote in NC but does not have valid photo identification. Technical changes are also made.

Section 1.9: Provides for public education about the photo identification requirement by counties and the State Board of Elections, as indicated. Appropriates $600,000 from the fund appropriated in Section 1.10 of the Bill in Fiscal Year 2011-12 to a special reserve to fund the public education campaign and the issuance of NC voter identification cards, allocated as follows: (1) $100,000 to the State Board of Elections; (2) $100,000 allocated equally to each county board of elections; (3) $200,000 to county boards of election in proportion to the number of the county's registered voters; and (4) $200,000 to county boards of election in counties covered by Section 5 of the Voting Rights Act of 1965, in proportion to the number of the county's registered voters. The Judicial Voter Guide is also required to include information regarding the new photo identification requirement.

Sections 1.10(a), 1.10(b), 1.10(c), and 1.10(d): The unexpended balance of the Voter-Owned Elections Funds are appropriated to implement the bill. The surcharge for attorney membership fees is appropriated to fund requirements of this bill as it relates to judicial guide. Funds from the General Assembly are transferred to the State Board of Elections to implement aspects of this bill. Of funds available to the Department of Transportation, Division of Motor Vehicles' Inspections Telecommunication Account and State Automated Driver's License Program are appropriated to provide for the implementation of this bill.

Section 2: If any provision of the bill or its application are found invalid, such a finding will not impact other provisions or applications of the bill.

Section 3: Section's 1.8, 1.9, and 1.10 are effective July 1, 2011. The bill is effective when it becomes law and applies to all elections conducted on or after January 1, 2012.

ASSUMPTIONS AND METHODOLOGY:
Department of Correction – Division of Prisons

The Sentencing and Policy Advisory Commission prepares prison population projections for each bill containing a criminal penalty. The Commission assumes for such bills that expanding existing, or creating new criminal offenses produces no deterrent or incapacitative effect on crime. Therefore, the Fiscal Research Division does not assume deterrent effects for any criminal penalty bill.

Section 1.6. This section enacts G.S. 163-182.1A, Counting of provisional official ballots cast because of failure to provide documentary identification at the polls. Subsection (a) authorizes a voter who casts a provisional official ballot wholly or partly as a result of the voter's inability or declination to provide documentary identification to personally appear at an office of the county board of elections to seek counting of the provisional official ballot.

Subsection (b) requires the county board of elections to find that the voter's provisional ballot is valid and direct that the provisional ballot be opened and counted if the voter both:

1. Provides documentary identification; and
2. Executes an affidavit affirming under the penalties of perjury that the voter is the same individual who:
    a. Personally appeared to vote on the day of election or at an early voting site; and
    b. Cast the provisional ballot on that day.

Providing false information in an affidavit is perjury, punishable as a Class F felony under G.S. 14-209.

In the case where documentary identification was provided but two election officials did not agree that the signature provided at the time of voting did match the signature on record, subsection (c) requires the county board of elections to find that the voter's provisional ballot is valid and direct that the provisional ballot be opened and counted if the voter both:

1. Provides photo documentary identification or makes a signature that the director of elections or employee of the board of elections finds matches the signature on record; and
2. Executes an affidavit affirming under the penalties of perjury that the voter is the same individual who:
    c. Personally appeared to vote on the day of election or at an early voting site; and
    d. Cast the provisional ballot on that day.

Providing false information in an affidavit is perjury, punishable as a Class F felony under G.S. 14-209.

In FY 2009-10, there were four convictions under G.S. 14-209. It is not known how many additional convictions for perjury may result from the enactment of the proposed section. In FY 2009-10, 54 percent of Class F convictions resulted in active sentences, with an average estimated time served of 18 months. If, for example, there were two additional Class F convictions per year as a result of the enactment of the proposed section, the combination of active sentences and probation revocations would result in the need for one additional prison bed the first year and two additional prison beds the second year.

Department of Correction – Division of Community Corrections

For felony offense classes E through I and all misdemeanor classes, offenders may be given non-active (intermediate or community) sentences exclusively, or in conjunction with imprisonment (split-sentence). Intermediate sanctions include intensive supervision probation, special probation, house arrest with electronic monitoring, day reporting center, residential treatment facility, and drug treatment court. Community sanctions include supervised probation, unsupervised probation, community service, fines, and restitution. Offenders given intermediate or community sanctions

requiring supervision are supervised by the Division of Community Corrections (DCC); DCC also oversees community service.[1]

General supervision of intermediate and community offenders by a probation officer costs DCC $2.49 per offender, per day; no cost is assumed for those receiving unsupervised probation, or who are ordered only to pay fines, fees, or restitution. The daily cost per offender on intermediate sanction ranges from $8.93 to $14.96, depending upon sanction type. Thus, assuming intensive supervision probation – the most frequently used intermediate sanction – the estimated daily cost per intermediate offender is $14.96 for the initial six-month intensive duration, and $2.49 for general supervision each day thereafter. Total costs to DCC are based on average supervision length and the percentage of offenders (per offense class) sentenced to intermediate sanctions and supervised probations.

Because there is no data available upon which to base an estimate of the number of convictions that will be sentenced to intermediate or community punishment, potential costs to DCC cannot be determined.

Judicial Branch

The Administrative Office of the Courts (AOC) provides Fiscal Research with a fiscal impact analysis for most criminal penalty bills. For such bills, fiscal impact is typically based on the assumption that court time will increase due to anticipated increases in trials and corresponding increases in workload for judges, clerks, and prosecutors. This increased court time is also expected to result in greater expenditures for jury fees and indigent defense.

Section 1.6 of the proposed legislation creates the potential for new perjury offenses. Under G.S. 14-209, perjury is a Class F felony. In calendar year 2010, AOC data reveals 22 defendants charged with perjury. AOC cannot project the number of perjury charges that would occur due to this legislation.

Overall, the monetary value of the average workload of a lower level (Class I through F) felony case for those positions typically involved in felony cases – Superior Court Judge, Assistant District Attorney, Deputy Clerk, Court Reporter, and Victim Witness Legal Assistant – is $945. In addition, a 2005 Office of Indigent Defense study of fee applications found that the average indigent defense cost for a Class F felony case was $885 per indigent defendant.

In FY 2009-10, a typical felony case took approximately 216 days to dispose in Superior Court. A typical misdemeanor case took approximately 91 days to dispose in District Court. Any increase in judicial caseload without accompanying resources could be expected to further delay the disposition of cases.

[1] DCC incurs costs of $0.69 per day for each offender sentenced to the Community Service Work Program; however, the total cost for this program cannot be determined.

Costs Associated with Voter Identification Requirements

Using estimates provided from the State Board of Elections (SBE) and the Divisions of Motor Vehicles (DMV), an estimate of registered voters without a driver's license or special non-operator's identification has been obtained. The DMV issues drivers licenses under G.S. 20, Article 2 and issues special non-operator's identification cards under G.S. 20, Article 2b. In February, DMV compared information provided from the State Board of Elections regarding the registered voters in the State. DMV and State Board of Elections analyzed the data for matches on name, birth date, and Social Security number (SSN) records. Based on this analysis, there are 556,520 registered voters in the state without a DMV issued form of identification.

No estimate is available regarding the number of voters without DMV-issued identification but who possess an alternative form of identification allowed under Section 1.1 of the bill. Furthermore, absentee voters were also not considered in this analysis. Thus, the figure presented above should be considered a high estimate of potential registered voters who are eligible for a voter identification card. It is assumed that all eligible voters would obtain a voter identification card each year.

Furthermore, the bill allows for a free voter identification card should they move. As individuals move into the State or register for the first time, they could be eligible for a voter identification card or special non-operators identification card. Thus, after FY 2012, an additional pool of voters would be eligible for either a NC voter identification card. Under the bill, newly registered voters may also be eligible for a free special non-operator's identification card. Table 1 shows the number of new registrations and address changes for the past seven calendar years. Based on the population of current voters without a DMV-issued identification card, it is expected that approximately 9.12% of these new voters would not have recognized form of photo identification (556,520 divided by 6,104,976).[2] Using these figures, 75,653 voters may request a NC voter identification card and 38,779 may request a DMV issued identification card after FY 2012.

Table 1: Voters Requesting a New Registration or Change of Address

Year	Total Voters with a New or Address Changes	At 9.12% of Total	Newly Registered Voters	At 9.12% of Total
2004	913,007	83,228	493,789	45,013
2005	490,891	44,749	246,954	22,512
2006	594,112	54,158	311,127	28,362
2007	626,775	57,136	356,237	32,474
2008	1,971,218	179,692	1,022,820	93,238
2009	508,960	46,396	240,268	21,902
2010	704,424	64,214	306,648	27,953
Average	**829,912**	**75,653**	**425,406**	**38,779**

[2] The State Board of Elections assumed that 25 percent of voters would require a new free identification card due to the student population in the State and allowing for geographical differences ID requests. Fiscal Research did not concur. Under the Bill, a student identification card from a public institution would be valid.

Voters without a form of photo identification allowed in Section 1.1 of the bill are allowed the option of obtaining a free State Board of Elections funded NC voter identification card or a free DMV-issued special non-operator's identification card. However, it is unknown at this time what option voters will choose. When reviewing the costs to the State Board of Elections and DMV, it is assumed that the maximum number of voters allowable uses each service. As such, each method is mutually exclusive and should not be totaled.

State Board of Elections: Voter Identification Card

The State Board of Elections is required to provide each county board of elections with the equipment, supplies, training, and maintenance required to provide the NC voter identification card. The State Board of Elections provided a cost estimate from Alpha Card Systems. The cost information is provided below:

Table 2: Cost Information for NC Voter Identification Card

Item	Cost
Two Sided ID Card Printer for 100 Counties	$179,500
AlphaCard Enterprise ID Software Package for 100 Counties	$95,000
6 Panel Dye Film	$110.50 per 250 Cards
ID Cards	$39.95 per 500 Cards
Logitech Webcam for 100 Counties	$4,900
Cleaning Kit for 100 Counties	$2,175

Additionally, the State Board of Elections reports that additional software would have to be purchased for the Statewide Elections Information Management System (SEIMS) at $100,000. Additional costs to SEIMS would result from the additional information, such as photographs, required for the issuance of the NC voter identification card.

The total estimated cost of the NC voter identification card is presented below. Figures were inflated based on inflation guidelines in the 2011 Legislative Fiscal Note Manual. No additional costs for training were assumed. However, the quote provided by Alpha Card Systems included one hour of free training per system and free customer support.

Table 3: Total Cost for NC Voter Identification Card

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Equipment	$186,575				
Software	$195,000				
Badge Cost	$279,317	$39,128	$40,298	$41,294	$42,322
Total	**$660,892**	**$39,128**	**$40,298**	**$41,294**	**$42,322**

The State Board of Elections finds that additional personnel may be required at county offices to issue identification cards. However, the additional costs cannot be determined at this time.

Division of Motor Vehicles: Special Identification Card for Non-Operators

Section 1.8 allows an eligible voter without valid photo identification to obtain a special identification card for non-operators from the Division of Motor Vehicles (DMV), and waives the $10 fee set by G.S. 20-14 provided that the voter signs an affidavit stating that he or she does not have an alternate form of identification authorized by G.S. 163-166.13. Accordingly, this analysis assumes that registered voters seeking DMV-issued identification are prompted solely by the photo identification requirement for voting, and therefore will not seek identification cards in lieu of regular ID issuance.

Unlike the voter identification card under the State Board of Elections, voters would not be eligible to receive a free special identification card should they move within the State. However, voters who move into the State or who become eligible to vote by achieving the requisite age requirement would be eligible for the free special identification card.

Assuming that approximately 9.12% of new registrants would not have a recognized form of photo identification, Fiscal Research estimates that an additional 38,779 eligible voters could request special identification cards annually. This total is in addition to the current pool of voters (556,520) without DMV-issued forms of identification.

Vendor compensation for license/identification card production in FY 2011-12 will range from $1.95 to $2.12 per issued card, per the migration in the second half of FY 2011-12 from the current license production vendor to a new vendor for the Secure Driver License System. Accordingly, this analysis assumes an average vendor compensation rate of $2.04 (rounded). In addition, DMV estimates per card postage and delivery costs of $0.47 for the central issuance of cards. Since voter behavior and the potential use of alternate forms of identification are indeterminate at this time, the scenario included below represents the potential range of license production and delivery costs for DMV-issued identification. Given the alternate authorized forms of identification, Fiscal Research does not expect DMV to incur costs approaching the maximum level included for illustration in Table 4.

Furthermore, Fiscal Research expects that existing central issuance and driver license field office staff will accommodate the requisite identity and residency document verification. However, per the potential influx in identification card requests, longer wait times at DMV field offices and central issuance backlogs may be experienced.

Table 4: DMV Special Non-Operator's Identification Card Costs

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Identification Card and Delivery	$0 - $1,394,083	$0 - $100,438	$0 - $100,438	$0 - $100,438	$0 - $100,438

To verify the issuance of a valid unexpired driver license, learner's permit, provisional license, or special identification card, as proposed by Section 1.2 (G.S. 163-166.14(b)), county boards of elections will require access to a real-time, external interface with the State Automated Driver License System (SADLS) to query records. The Department of Transportation – Information Technology section could not provide development and implementation timelines for interfaces for

both SADLS and the New Generation Driver License System (NGDLS) which is now being implemented. Per the January 1, 2012 effective date, interfaces must be developed for each platform. However, a "code freeze" will be imposed for NGDLS implementation during FY 2011-12, which may restrict the number of changes that can be implemented. Consequently, development of the external interfaces may extend beyond the January 2012 timeframe.

DOT-IT estimates a total of 1,760 hours of contractual labor for SADLS modifications at an estimated cost of $131,800. However, it is assumed that current contractual services can accommodate up to 890 hours of development, or roughly $57,850 of this estimated cost. Accordingly, DOT-IT expects to incur approximately $73,950 in new costs for SADLS modifications, representing 870 hours of contractual labor at an estimated rate of $85.00 per hour. DOT-IT also anticipates that existing resources can accommodate the estimated 250 additional development hours for NGDLS modifications.

Section 1.10(e) authorizes the Department of Transportation to use up to $1,468,033 of the funds appropriated from the Highway Fund, including unexpended balances within the Inspections Program Account and Telecommunications Account, to cover implementation costs in FY 2011-12. In addition, DOT may use up to $100,438 from the same sources to support implementation costs in FY 2012-13.

Voter Education and Sources of Funding:

Section 1.9, subsections 1-7 are not assumed to create additional costs for the State or county governments. Communications described under these sections are undertaken currently by the State and county governments, thus additional costs should be nominal, if any. Under current law (G.S. 163-82.8), county boards of elections may issue voter registration cards with the approval of the board of county commissioners. This bill requires all county boards of elections to issue voter registration cards. According to the State Board of Elections, all county boards of elections currently issue voter registration cards; therefore no additional costs are anticipated as a result of this new requirement. Only counties that maintain a board of elections website are required to post additional information. Should any costs occur, there is an additional appropriation in this bill.

Section 1.9 also appropriates $600,000 for FY 2011-12 to cover the cost of advertisements defined in the subsection. Under this bill, $500,000 is allocated to the county board of elections for the purposes of voter education. No additional funding for advertising was assumed to be required by the State Board of Elections or Fiscal Research. $100,000 is appropriated to State Board of Elections that could be used for Voter Identification Cards or to help educate voters.

Section 1.10(a) of this bill allows available funds from the North Carolina Voter-Owned Elections Fund to be used to fund Section 9 of this bill and to issue voter identification cards. The current cash balance of this fund is $429,455.

Section 1.10(b) allows the use of the $50 annual attorney membership fee authorized in G.S. 84-34 that funds a portion of the North Carolina Candidate Fund to fund education and publicity requirements of this Bill. As this is an existing fee, no new revenues are generated. According to

the North Carolina State Bar, there are 24,217 active North Carolina licensed attorneys. Over the last ten years, according to data provided by the State Bar, there has been an annual growth rate of 2.94% of new North Carolina licensed attorneys. Thus, expected revenues are as follows for the fund:

Table 5: $50 Annual Attorney Membership Fee Revenues

Fiscal Year	Revenue
FY 2012	$1,210,850
FY 2013	$1,246,449
FY 2014	$1,283,095
FY 2015	$1,320,818
FY 2016	$1,359,650

Voting Procedures:
Section 1.3 of the bill is not believed to add any additional cost as additional information is required to the existing process for voting and registering at the one-stop voting sites set out in G.S. 163-82.6A.

Fiscal Research does not believe that any additional costs will be associated with Sections 1.4 and 1.5 of the bill. Voters will be required to provide valid photo identification as well as provide the existing requirement of stating their name and residence per G.S. 163-166.7(a) and G.S. 163-227.2(b).

Section 1.6 of this bill adds an additional section to the General Statutes pertaining to the counting of provisional ballots. No estimate of costs associated with this section is available; however there may be additional time for the county board of elections as a result of reviewing the provisional ballots. However, county boards of elections are only compensated per meeting as stated in G.S. 163-32. It is unknown if an additional meetings would be required to handle additional provisional ballots.

Cost information is not available for Section 1.7 of the bill. However, additional costs related to increased challenges during elections as a result of photo identification requirements may occur. The compensation of election officials are set in G.S. 163-46.

SOURCES OF DATA: Judicial Branch; North Carolina Sentencing and Policy Advisory Commission, Department of Correction, Division of Motor Vehicles, State Board of Elections.

TECHNICAL CONSIDERATIONS: Section 1.2 prohibits a voter from receiving a NC Voter Identification Card if they possess a "valid unexpired driver's license, learner's permit, provisional license, or special non-operator's card." However, in the newly created G.S. 163-166.13(c), a valid and unexpired DMV-issued identification is not a requirement for valid voter photo identification. For consistency, "valid unexpired" may be added to Section 1.1 for acceptable forms of DMV-issued identification or deleted from Section 1.2.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Mark Bondo, Sarah Stone, Bryce Ball

APPROVED BY: Lynn Muchmore, Director
Fiscal Research Division

DATE: June 14, 2011

Signed Copy Located in the NCGA Principal Clerk's Offices

ATTACHMENT 4

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

Thursday, June 16, 2011

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

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO SENATE COMMITTEE SUBSTITUTE BILL

H.B. **22** Vance-Granville Comm. Coll. Bond Funds.

Draft Number:	PCS50409
Sequential Referral:	Finance
Recommended Referral:	None
Long Title Amended:	Yes

TOTAL REPORTED: 1

Committee Clerk Comments:
Senator Stevens

ATTACHMENT 5

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

Wednesday, June 15, 2011

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

FAVORABLE

H.B.(SCS #1) **351** Restore Confidence in Government.
Sequential Referral: None
Recommended Referral: None

TOTAL REPORTED: 1

Committee Clerk Comments:

HB 351 - Senator Stevens

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
Thursday, June 16, 2011 at 3:00 PM
Room 1027 Legislative Building
MINUTES

The Senate Appropriations/Base Budget Committee met at 3:05 PM on June 16, 2011, in room 1027 of the Legislative Building. Nineteen members of the Committee were present. Senator Neal Hunt presided.

HB 22: AN ACT TO PROVIDE FOR ADDITIONAL FLEXIBILITY FOR VANCE-GRANVILLE COMMUNITY COLLEGE BOND FUNDS

Senator Hunt recognized Senator Jerry Tillman who made a motion to adopt the Senate Proposed Committee Substitute for House Bill 22, entitled: **2011 BUDGET TECHNICAL CORRECTIONS.** The motion carried.

Senator Hunt then recognized Senator Richard Stevens to explain the *Summary of the Money Report* for HB22. After a period of questions and answers, Senator Stevens was recognized by Senator Hunt to explain the *Senate Proposed Committee Substitute* for HB 22. After a period of questions and answers, Senator Don East moved for a favorable report. The motion carried.

Attachments:

1. PCS50409 for HB 22
2. Money Report HB 22
3. Summary Money Report for HB22
4. Committee Report
5. Visitor's Log

The meeting adjourned at 3:48 PM.

Senator Neal Hunt, Presiding

Mary Marchman, Committee Clerk

Senate PCS for HB 22 Committee Report (Technical Changes to HB 2

Line #	Page #	Item #	HB 200 Section #	Explanation of Change
...th and Human Services				
1	G-4	28		Modifies the Money Report concerning the Division of Environmental Health transfer to the Division of Public Health, DHHS. Adjusts the amount transferred and simply inserts the correct amount of $13,485,365. [Amended to adjust for transfer language in Part 13.]
Natural and Economic Resources				
2	H-8	41		Corrects Deputy CIO position number from "69932572" to "60032572."
3	H-15	88/89		Position #60032341 (subject to elimination) should be in Cooperative Soil Survey (item 89) not Routine Animal Operating Inspections (item 88). Item totals change but net is $0.
4	H-17	97		In the Environmental Health/Vector Control Program reduction, corrects the amount for position 60034358 "Public Health Pest Mgmt. Section Chief" (0.5 FTE) from $23,949 to $45,433. This does not change the total amount for this item.
5	H-18	98		In Environmental Health, replaces position 60034255 "Environmental Program Supv I" (0.25 FTE) $21,180 with 60034254 "EHS Section Chief" (0.25 FTE) $21,180. This does not change the total amount for this item.
6	H-19	112		Corrects the Regional Offices Justification Review item in FY 2012-13 to add the FTE reduction, which should have been included in the original report. The FTE reduction amount is 134.96.
7	H-19	114		In Waste Management, position 60034607 "Environmental Sr Specialist" (1.0 FTE) $65,101, which is listed to be shifted to receipt support, should instead be listed as a filled position for elimination. This does not change the total amount for this item.
8	H-42	N/A		In Special Funds, for the Natural Heritage Trust Fund, the original report shows appropriation of a negative amount. Cash balance, receipts, and requirements are adjusted to more accurately reflect actual spending.
9	H-45	N/A		In Special Funds, for the Wildlife Resources Commission, cash balance, receipts, and requirements are adjusted to show that a zero balance will remain and fund will be closed.
Justice and Public Safety				
10	2	N/A		Corrects the number of FTE shown for Crime Control and Public Safety in the FY 2011-12 Summary Sheet from 2,310.20 to 2,310.50.
11	I-20	111		Language change to reflect a transfer of positions rather than an elimination of positions. The IT section of the Budget contains a corresponding item.
General Government				
12	J-12	36		Increases reduction in FY 11-12 for Expenditure Account 532333 Repairs - Other Equipment by $10,000, for total reduction of $18,460.
13	J-14	40		For Office of State Archaeology, substitutes part of operating budget reduction with transfer of .24 FTE with salary of $6,927 for Archaeological Technician position to federal receipts each year. Total Personal Services reduction is $171,237 for 3.24 positions eliminated or transferred to receipts-support; that is $5 less that required reduction of $171,242. Difference in calculation of social security and retirement.
14	J-16	42		For Museum of Art, revises/corrects reduction amount for EPA salary reductions from $50,400 to $65,812 and SPA salary reductions from $299,396 to $283,984; and changes medical insurance reduction from $49,300 to $50,533 each year.

Line #	Page #	Item #	HB 200 Section #	Explanation of Change
15	J-19	52		For Museum of History, substitutes operating budget reduction with elimination of $212,84 salaries and benefits of 4 filled positions in FY 12-13 each year. Total Personal Services reduction is $583,954 and 13 positions that requires an additional reduction of $1,875 to operating budget. Position #60083995 has salary of $44,265 and there is difference in calculation of social security and retirement.
16	J-20	53		For Museum of History, substitutes operating budget reduction with elimination of $132,803 in salaries and benefits of 3.25 filled positions both years. Total Personal Services is reduced by $334,339 that requires an additional reduction of $1,658 to operating budget.
17	J-23	56	21.2	Changes Committee Report and provision to agree with staggered reduction in Roanoke Island Commission's budget by 25% each year through FY 2014-15 and to be self-supporting by FY 2015-16.
Transportation				
18	K- 8	57/58	28.28	Removes a duplicate position in Item 58, State Highway Patrol - Administrative Consolidations, and adjusts Item 57, State Highway Patrol - Management Flexibility Reserve, by $64,718 for FY 2011-12 and $108,676 for FY 2012-13. Makes corresponding adjustments to sections 28.28.(b) and 28.28.(c) of HB 200.

Line #	Page #	Item #	HB 200 Section #	Explanation of Change
ural and Economic Resources				
1	H-14	82		Provides Parks Division flexibility to select 18 vacant positions to eliminate rather than having to eliminate the specific 18 positions originally listed.
2	H-19	110		Provides DENR flexibility to eliminate or shift to receipt support three positions at each Regional Office (21 positions total) and use operating funds to meet reduction amounts for the Regional Offices.
3	H-25	138 139		Instead of eliminating vacant position 60080967 "Econ Development Rep" in the Business and Industry Division, eliminates vacant position 60081011 "Financial Specialist" in the Commerce Finance Division. Does not affect money.
4	H-26	150		Changes Energy Centers description to broaden funding from energy efficiency programs to all energy programs; eliminates advertising & promotion restriction at the NCSU Solar Center.
Justice and Public Safety				
5	I-2	9		Adds language to the Victim Witness Legal Assistant reduction to clarify that no more than 25% of the staff in any one District Attorney office may be eliminated. Does not affect money.
6	I-12	59		Substitutes a different position for one of the positions eliminated as part of consolidation. Does not affect money.
7	I-14	75		Changes language on the vacant position reduction to say "up to 255 FTE." Does not affect money.
8	I-15	91		Changes language to allow the department flexibility in the number of FTE eliminated as a result of closure of four prisons. Does not affect money.
9	I-18	107		Changes language to say that "at least three" labs will close. Does not affect money.
General Government				
10	N/A		20.1A	Cancels the transfer of the Human Relations Commission to the Office of Administrative Hearings. This item will be studied in the interim. Item appeared on Page J-6, Item 20 of previous Committee Report.
11	J-13	38		Restores $500,000 of Tryon Palace's budget for FY 2011-12 (from R&R reserve).
12	J-13	38	21.3	Removes provision that eliminates State funding after FY 2013-14 for Tryon Palace.
13	J-25	64		Increases the reduction to the General Assembly reserve by $87,319 for FY 2011-12.
14	J-27	68		Replaces specified reductions to the Governor's office totaling $1,448,321 and 18 FTE with a management flexibility reduction of the same dollar amount.
15	J-32	80		Reduces the management flexibility cut from $191,398 to $105,000 R. This item appeared on Page J-32, Item 83 in previous Committee Report.
16	J-32	81		Reduces cellular telephone reduction to allow the Lt. Governor to maintain a cellular phone. This item appeared on Page J-32, Item 86 in previous Committee Report.
17	N/A		20.1A	Cancels the transfer of the Human Relations Commission to the Office of Administrative Hearings. This item will be studied in the interim. This item appeared on Page J 33, Item 91 in previous Committee Report.
18	J-34	91		Eliminate leases and allows offices to be open in state-owned space, rather than closing offices. Gives the Department flexibility to take reductions elsewhere to keep Winston-Salem and Rocky Mount offices open. This item appeared on Page J-34, Item 92 in previous Committee Report.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

H D

HOUSE BILL 22
PROPOSED SENATE COMMITTEE SUBSTITUTE H22-PCS50409-MH-19

Short Title: 2011 Budget Technical Corrections. (Public)

Sponsors:

Referred to:

February 2, 2011

A BILL TO BE ENTITLED

AN ACT TO MAKE TECHNICAL, CLARIFYING, AND OTHER MODIFICATIONS TO THE CURRENT OPERATIONS AND CAPITAL IMPROVEMENTS APPROPRIATIONS ACT.

The General Assembly of North Carolina enacts:

AVAILABILITY/APPROPRIATIONS

SECTION 1. Section 2.1 of Session Law 2011-145 reads as rewritten:

"**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 fiscal biennium ending June 30, 2013, according to the following schedule:

Current Operations – General Fund	**2011-2012**	**2012-2013**
EDUCATION		
Community Colleges System Office	$ 985,000,000	$ 985,000,000
Department of Public Instruction	7,464,492,057	7,450,000,000
University of North Carolina – Board of Governors		
Appalachian State University	145,563,319	145,680,676
East Carolina University		
Academic Affairs	247,397,807	247,397,807
Health Affairs	65,196,439	65,196,439
Elizabeth City State University	38,226,042	38,398,361
Fayetteville State University	56,925,951	56,925,951
NC A&T State University	105,355,805	105,794,754
NC Central University	94,342,683	94,342,683
NC State University		
Academic Affairs	434,563,241	434,677,423
Agricultural Research	59,239,461	59,239,461

Agricultural Extension	43,539,609	43,539,609
UNC-Asheville	42,004,444	42,004,444
UNC-Chapel Hill		
Academic Affairs	309,481,584	312,843,120
Health Affairs	219,507,009	222,570,732
AHEC	49,747,851	49,747,851
UNC-Charlotte	216,455,073	217,471,216
UNC-Greensboro	173,180,926	173,180,926
UNC-Pembroke	61,534,005	62,277,254
UNC-School of the Arts	27,796,473	27,796,473
UNC-Wilmington	105,943,181	107,138,757
Western Carolina University	90,591,556	91,070,460
Winston-Salem State University	76,496,951	76,496,950
General Administration	38,186,863	27,628,722
University Institution Programs	(375,153,400)	(383,808,914)
Related Educational Programs	85,679,060	115,272,420
UNC Financial Aid Private Colleges	91,635,664	~~86,534,065~~ 81,851,588
NC School of Science & Math	18,937,535	18,937,535
UNC Hospitals	18,000,000	18,000,000
Total University of North Carolina – Board of Governors	$ 2,540,375,132	$ 2,551,672,698
HEALTH AND HUMAN SERVICES		
Department of Health and Human Services		
Division of Central Management and Support	$ 50,177,377	$ 44,577,987
Division of Aging and Adult Services	37,019,667	37,019,667
Division of Services for Blind/Deaf/Hard of Hearing	8,389,110	8,372,886
Division of Child Development	266,102,933	266,102,933
Division of Health Service Regulation	16,133,031	16,133,031
Division of Medical Assistance	2,958,388,184	2,907,276,302
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	665,712,232	710,712,232
NC Health Choice	79,452,317	83,717,865
Division of Public Health	190,443,245	157,538,834
Division of Social Services	186,183,068	186,183,068
Division of Vocational Rehabilitation	37,125,788	37,528,128
Total Health and Human Services	$ 4,495,126,952	$ 4,455,162,933
NATURAL AND ECONOMIC RESOURCES		
Department of Agriculture and Consumer Services	$ 65,460,864	$ 62,198,634
Department of Commerce		
Commerce	50,852,340	33,250,463
Commerce State-Aid	32,851,025	30,151,984
NC Biotechnology Center	17,551,710	17,551,710
Rural Economic Development Center	25,376,729	25,376,729

Department of Environment and Natural Resources	165,784,887	148,148,105
DENR Clean Water Management Trust Fund	11,250,000	11,250,000
Department of Labor	15,836,887	15,836,887
Wildlife Resources Commission	18,000,000	17,221,179
JUSTICE AND PUBLIC SAFETY		
Department of Correction	$ 1,337,816,346	$ 1,348,410,793
Department of Crime Control and Public Safety	225,258,795	215,164,518
Judicial Department	438,920,048	435,141,107
Judicial Department – Indigent Defense	110,091,526	112,748,733
Department of Justice	80,704,013	80,864,138
Department of Juvenile Justice and Delinquency Prevention	135,593,692	131,140,565
GENERAL GOVERNMENT		
Department of Administration	$ ~~63,607,330~~64,448,943	$ ~~65,511,460~~66,353,073
Department of State Auditor	11,857,574	10,676,035
Office of State Controller	28,368,957	28,368,957
Department of Cultural Resources		
Cultural Resources	~~63,524,857~~64,024,857	61,697,001
Roanoke Island Commission	1,805,236	1,203,491
State Board of Elections	5,186,603	5,126,603
General Assembly	~~53,259,495~~53,172,176	50,104,208
Office of the Governor		
Office of the Governor	4,741,157	4,741,157
Office of State Budget and Management	5,848,663	5,848,663
OSBM – Reserve for Special Appropriations	1,940,612	440,612
Housing Finance Agency	9,673,051	9,673,051
Department of Insurance		
Insurance	36,393,921	36,393,921
Insurance – Volunteer Safety Workers' Compensation	2,294,000	2,623,654
Office of Lieutenant Governor	~~695,324~~782,643	695,324
Office of Administrative Hearings	~~4,983,871~~4,142,258	~~4,983,871~~4,142,258
Department of Revenue	78,199,538	78,199,538

Department of Secretary of State	10,654,563	10,654,563
Department of State Treasurer		
State Treasurer	6,657,031	6,621,750
State Treasurer – Retirement for Fire and Rescue Squad Workers	17,812,114	17,812,114
RESERVES, ADJUSTMENTS, AND DEBT SERVICE		
Contingency and Emergency Fund	$ 5,000,000	$ 5,000,000
State Retirement System Contribution	248,100,000	336,000,000
Judicial Retirement System Contribution	6,800,000	7,800,000
Firemen's & Rescue Squad Workers' Pension Fund	4,318,042	5,366,928
State Health Plan	7,119,541	102,151,104
Information Technology Fund	4,458,142	6,158,142
Reserve for Job Development Investment Grants (JDIG)	15,400,000	27,400,000
Continuation Review Reserve	0	35,576,758
Comprehensive Review of Compensation Plans	2,000,000	0
Compensation Adjustment and Performance Pay Reserve	0	121,105,840
Severance Expenditure Reserve	69,000,000	0
Automated Fraud Detection Development	1,000,000	7,000,000
Controller – Fraud Detection Development	500,000	500,000
Debt Service		
General Debt Service	688,957,188	759,984,974
Federal Reimbursement	1,616,380	1,616,380
TOTAL CURRENT OPERATIONS – GENERAL FUND	**$ ~~19,678,116,193~~19,678,616,193**	**$ 19,943,327,275"**

SECTION 2.(a) Section 2.2(a) of Session Law 2011-145 reads as rewritten:

"**GENERAL FUND AVAILABILITY STATEMENT**

"**SECTION 2.2.(a)** The General Fund availability used in developing the 2011-2013 biennial budget is shown below.

	FY 2011-2012	FY 2012-2013
Unappropriated Balance Remaining	$ 0	$ 13,980,015
Ending Unreserved Fund Balance for FY 2009-2010	236,902,394	0
Anticipated Reversions for FY 2010-2011	537,740,799	0

Anticipated Over-collections from FY 2010-2011	180,800,000	0
Repayment of Medicaid Receipts in FY 2010-2011	(125,000,000)	0
Statutory Earmarks:		
Savings Reserve Account	(185,000,000)	0
Repairs and Renovations Reserve Account	~~(125,000,000)~~ (124,500,000)	0
Beginning Unreserved Fund Balance	~~$ 520,443,193~~ $ 520,943,193	$ 13,980,015
Revenues Based on Existing Tax Structure	$ 18,129,800,000	$ 19,181,900,000
Nontax Revenues		
Investment Income	$ 59,400,000	$ 76,700,000
Judicial Fees	217,800,000	217,800,000
Disproportionate Share	100,000,000	100,000,000
Insurance	71,400,000	73,500,000
Other Nontax Revenues	182,500,000	182,500,000
Highway Trust Fund/Use Tax Reimbursement Transfer	41,500,000	27,600,000
Highway Fund Transfer	20,230,000	24,080,000
Subtotal Nontax Revenues	**$ 692,830,000**	**$ 702,180,000**
Total General Fund Availability	~~$ 19,343,073,193~~ $ 19,343,573,193	$ 19,898,060,015
Adjustments to Availability: 2011 Session		
Loss of Estate Tax	$ (57,100,000)	$ (72,200,000)
Small Business Tax Relief Package	(131,600,000)	(335,600,000)
Repeal Wildlife Resources Commission Sales Tax Earmark	22,970,000	23,920,000
Suspend Corporate Income Tax Earmark (Public School Construction)	72,110,000	74,750,000
Increase in Judicial Fees	61,765,715	61,765,715
Increase Investment Company Notice Filing Fee	1,600,000	1,600,000
Increase Parking Fees for Visitors	550,000	550,000
Loss of Revenue from the Town of Butner	(1,213,235)	(1,213,235)
Transfer from E-Commerce Reserve Fund	4,483,526	0
Divert Funds from Parks & Recreation Trust Fund	8,435,000	0
Divert Funds from Recreational/Natural Heritage Trust Fund	8,000,000	0
Transfer from Highway Fund for State Highway Patrol	196,849,542	188,209,049
Transfer Additional Funds from Highway Trust Fund	35,223,642	0
Transfer from Mercury Prevention Pollution Fund	250,000	0
Transfer from Commerce – Enterprise Fund	500,000	0
Divert Funds from Scrap Tire Disposal Account	2,268,989	0
Divert Funds from White Goods Management Account	1,951,465	0
Diversion of Golden LEAF Funds	17,563,760	17,563,760
Master Settlement Agreement Funds	24,668,720	25,580,772
Transfer Health and Wellness Trust Funds to Public Health	32,904,411	0

Department of Revenue – Accounts Receivable Program	25,000,000	25,000,000
Medicaid Disproportionate Share Receipts	15,000,000	15,000,000
Adjust Transfer from Insurance Regulatory Fund	(742,348)	(742,348)
Adjust Transfer from Treasurer's Office	(3,881,172)	(3,916,453)
Transfer from NC Flex FICA Funds	1,000,000	0
Proceeds from the Sale of State Assets	15,000,000	25,000,000
Subtotal Adjustments to Availability:		
2011 Session	**$ 353,558,015**	**$ 45,267,260**
Revised General Fund Availability	~~**$ 19,696,631,208**~~ **$ 19,697,131,208**	**$ 19,943,327,275**
Less General Fund Appropriations	~~**$ (19,682,651,193)**~~ **$ (19,683,151,193)**	**$ (19,943,327,275)**
Unappropriated Balance Remaining	**$ 13,980,015**	**$ 0"**

SECTION 2.(b) Section 2.2(k) of Session Law 2011-145 reads as rewritten:

"**SECTION 2.2.(k)** Notwithstanding the provisions of G.S. 143C-4-3, the State Controller shall transfer only ~~one hundred twenty-five million dollars ($125,000,000)~~one hundred twenty-four million five hundred thousand dollars (124,500,000) from the unreserved fund balance to the Repairs and Renovations Reserve Account on June 30, 2011. This subsection becomes effective June 30, 2011."

SECTION 3. Section 3.1 of Session Law 2011-145 reads as rewritten:

"**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, 2013, according to the following schedule:

Current Operations – Highway Fund	**2011-2012**	**2012-2013**
Department of Transportation		
Administration	$ 85,412,594	$ 85,412,594
Division of Highways		
Administration	34,836,793	34,836,793
Construction	87,232,806	86,339,067
Maintenance	1,185,080,215	~~1,244,588,354~~ 1,249,514,751
Planning and Research	4,055,402	4,055,402
OSHA Program	372,792	372,792
Ferry Operations	34,189,589	43,538,132
State Aid		
Municipalities	89,373,921	90,187,224
Public Transportation	90,551,575	90,551,575
Airports	18,401,413	22,311,031
Railroads	21,701,153	21,701,153
Governor's Highway Safety	273,093	273,093
Division of Motor Vehicles	90,142,238	43,004,042
Other State Agencies, Reserves, Transfers	292,326,416	~~351,988,748~~

		347,062,351
Capital Improvements	15,250,000	15,000,000
Total	**$ 2,049,200,000**	**$ 2,134,160,000"**

SECTION 4. Section 5.4 of Session Law 2011-145 is amended by adding a new subsection to read:

"**SECTION 5.4.(h)** G.S. 115C-546.2(d)(4) reads as rewritten:

"(4) A county may use monies in this Fund to pay for school construction projects in local school administrative units and to retire indebtedness incurred for school construction ~~projects incurred on or after January 1, 2003.~~projects."

GENERAL PROVISIONS

SECTION 5. Section 6.1(b) of Session Law 2011-145 reads as rewritten:

"**SECTION 6.1.(b)** For the 2011-2013 fiscal biennium, and notwithstanding the provisions of Chapter 143C of the General Statutes or any other provision of law, the certified budget for each State agency shall reflect only the total of all appropriations enacted for each State agency by the General Assembly in this act as modified by this act; therefore, the Director of the Budget shall modify the certified budget only to reflect the following actions and only to the extent that they are authorized by this act:

(1) The allocation of funds set out in reserves.

(2) Government reorganizations.

(3) Funds authorized by G.S. 116-30A and G.S. 116-40.22(c).

The Director of the Budget shall set out all other budget modifications in the authorized budget."

SECTION 6. Section 6.2 of Session Law 2011-145 reads as rewritten:

"**SECTION 6.2.** For the 2011-2013 fiscal biennium, and notwithstanding the provisions of G.S. 143C-4-4(b), funds appropriated to the Contingency and Emergency Fund may be used only for expenditures required (i) by a court or Industrial Commission ~~order or~~ order, (ii) to respond to events as authorized under G.S. 166A-5(1)a.9. of the North Carolina Emergency Management Act of ~~1977.~~1977, (iii) by the State Treasurer to pay death benefits for law enforcement officers killed in line of duty, (iv) by the Office of the Governor for crime rewards in accordance with G.S. 15-53 and G.S. 15-53.1, (v) by the Industrial Commission for supplemental awards of compensation, or (vi) by the Department of Justice for legal fees. These funds shall not be used for other statutorily authorized purposes or for any other contingencies and emergencies."

SECTION 7.(a) Section 6.11(b) of Session Law 2011-145 reads as rewritten:

"**SECTION 6.11.(b)** Funds remaining in the Health and Wellness Trust Fund on June 30, 2011, shall be transferred to the State Controller to be deposited in Nontax Budget code 19878 (Intrastate Transfers) for fiscal year 2011-2012 to be used by the Department of Health and Human Services for the following purposes:

(1) Up to the sum of twenty-two million dollars ($22,000,000) shall be used to administer grants associated with the following programs and initiatives:

a. Teen Tobacco Prevention.

b. ChecKmeds.

c. Medication Assistance Programs.

d. Obesity Prevention.

e. Roanoke Chowan CHC Telehealth Network.

(2) The sum of ten million dollars ($10,000,000) shall be used to reduce the total savings required to be achieved for the Medicaid program by Community Care of North Carolina.

(3) The remainder shall be used to reduce the Medicaid Provider Rate cut."

SECTION 7.(b) Section 6 of S.L. 1999-2, as amended by Section 6.11(d) of Session Law 2011-145, reads as rewritten:

"**SECTION 6.(a)** Except as provided in subsection (b) of this section, it is the intent of the General Assembly that the funds under the Master Settlement Agreement, which is incorporated into the Consent Decree, be allocated as follows:

(1) Fifty percent (50%) to the nonprofit corporation as provided by the Consent Decree.

(2) Fifty percent (50%) shall be allocated as follows:

a. Debt service as authorized by the State Capital Facilities Act of 2004, Part 1 of S.L. 2004-179 and S.L. 2004-124. As soon as practicable after the beginning of each fiscal year, the State Treasurer shall estimate and transfer to Budget Code 69430 the amount of debt service anticipated to be paid during the fiscal year for special indebtedness authorized by the State Capital Facilities Act of 2004.

b. The sum of eight million dollars ($8,000,000) is credited to Budget Code 69430 and shall be transferred to the University Cancer Research Fund in accordance with G.S. 116-29.1.

c. The balance remaining to be credited to the State General Fund to be used for the following purposes:

1. The benefit of tobacco producers, tobacco allotment holders, and persons engaged in tobacco-related businesses. To carry out this purpose, funds may provide direct and indirect financial assistance, to the extent allowed by law, to (i) indemnify tobacco producers, allotment holders, and persons engaged in tobacco-related businesses from the adverse economic effects of the Master Settlement Agreement, (ii) compensate tobacco producers and allotment holders for the economic loss resulting from lost quota, and (iii) revitalize tobacco dependent communities.

2. The benefit of health to fund programs and initiatives that include research, education, prevention, and treatment of health problems in North Carolina and to increase the capacity of communities to respond to the public's health needs through programs such as Health Choice and the State's Medicaid program.

(b) Any monies paid into the North Carolina State Specific Account from the Disputed Payments Account on account of the Non-Participating Manufacturers that would have been transferred to The Golden L.E.A.F. (Long-Term Economic Advancement Foundation), Inc., or to the trust funds established in accordance with subdivision (a)(2) of this section shall be deposited in the ~~General Fund Account of the Settlement Reserve Fund.~~Settlement Reserve Fund and transferred to nontax Budget Code 19878."

SECTION 7.(c) Subsections (e) and (g) of Section 6.11 of Session Law 2011-145 are repealed.

SECTION 8. Session Law 2011-145 is amended by adding the following new section to read:

"**MASTER SETTLEMENT FUNDS-HEALTH TRUST ACCOUNT**

"**SECTION 6.11A.** Notwithstanding any other provision of this act, funds shall not be transferred from the Master Settlement Account (MSA) to the Health and Wellness Trust Fund. The June 30, 2011, cash balance from MSA payments in the amount of thirty-two million nine hundred four thousand four hundred eleven dollars ($32,904,411) shall be deposited into the State's General Fund to support health-related activities pursuant to Section 6.11 of this act."

SECTION 9. Section 6.14 of Session Law 2011-145 reads as rewritten:

"**SECTION 6.14.** The General Assembly finds that on April 16, 2011, heavy thunderstorms and powerful tornadoes swept through this State, with ~~18~~19 counties sustaining the most extensive damage. Those counties are Bertie, Bladen, Craven, Cumberland, Currituck, Greene, Halifax, Harnett, Hertford, Hoke, Johnston, Lee, Onslow, Pitt, Robeson, Sampson, Tyrrell, Wake, and Wilson Counties. It is the intent of the General Assembly to provide State matching funds to help mitigate losses, rebuild infrastructure, and aid affected citizens and businesses."

SECTION 10. Session Law 2011-145 is amended by adding the following new section to read:

"**LOTTERY COMMISSIONERS**

"**SECTION 6.18.** G.S. 18C-112 is amended by adding a new subsection to read:

'(e) If any member takes any of the following actions, the member vacates office as a member of the Commission and the vacancy shall be filled as provided by G.S. 18C-111(c):

(1) Files a notice of candidacy under G.S. 163-106 or G.S. 163-323 or a petition under G.S. 163-107.1 or G.S. 163-325.

(2) Is nominated to fill a vacancy among party nominees under G.S. 163-114 or G.S. 163-115.

(3) Files a petition as an unaffiliated candidate under G.S. 163-122.

(4) Files a declaration of intent as a write-in candidate under G.S. 163-123.

(5) Is nominated by party convention under G.S. 163-98.'"

INFORMATION TECHNOLOGY

SECTION 11.(a) Section 6A.1(d) reads as rewritten:

"**SECTION 6A.1.(d)** The Office of the State Controller shall coordinate with the Office of the State Chief Information Officer to identify up to four positions in the Office of the State Chief Information Officer that shall be used, effective August 1, 2011, to support planning and implementation of an automated fraud detection capability and an e-forms/digital signature project."

SECTION 11.(b) Section 6A.2(d) of Session Law 2011-145 reads as rewritten:

"**SECTION 6A.2.(d)** Agency Projects. – Prior to initiation, any information technology project, or any segment of a multipart project, costing more than two hundred fifty thousand dollars ($250,000) shall be included in the agency's most recent information technology plan and funding shall be ~~approved~~ appropriated by the General Assembly."

SECTION 11.(c) Section 6A.2(f) of Session Law 2011-145 reads as rewritten:

"**SECTION 6A.2.(f)** Information Technology Hosting. – State agencies developing and implementing information technology projects/applications shall use the State infrastructure to host their projects. An exception to this requirement may be granted only if approved by ~~both~~either the State Chief Information Officer on the basis of technology requirements ~~and~~or by the Office of State Budget and Management based on cost savings, subject to consultation with the Joint Legislative Commission on Governmental Operations and a report to the Joint Legislative Oversight Committee on Information Technology.

Projects/applications currently hosted outside the State infrastructure shall be returned to State infrastructure not later than the end of any current contract.

By October 1, 2011, the State Chief Information Officer shall report to the Joint Legislative Oversight Committee on Information Technology regarding projects currently hosted outside State infrastructure and a schedule to return those projects to State infrastructure."

SECTION 11.(d) Section 6A.7(a) of Session Law 2011-145 reads as rewritten:

"**SECTION 6A.7.(a)** By ~~November 1, 2011,~~February 1, 2012, the State Chief Information Officer (State CIO), in conjunction with the Office of State Budget and Management (OSBM), shall develop a detailed plan for consolidating the information technology infrastructure and applications of all State agencies, departments, and institutions in the executive branch. Information technology infrastructure includes personal computers, hosting and network environments, the help desk, call centers, and information technology security. Applications include enterprise software, on-demand software, and customized software. At a minimum, the consolidation plan shall include the following:

(1) Defined targets and priorities with a detailed time line for the implementation of consolidation.
(2) The costs of consolidation by fiscal year and by agency.
(3) The anticipated savings to result from consolidation and a time line for actual achievement of those savings.
(4) Technical, policy, or other issues associated with achieving a timely and effective consolidation.
(5) A process to transfer all information technology hardware and software funding to the Office of the State CIO.
(6) Creation of a project management organization to manage all information technology projects.
(7) Review of agency, Office of Information Technology Services, and Office of the State CIO to identify redundant personnel positions.

When setting consolidation targets, the State CIO shall give high priority to infrastructure issues that pose significant risk to agency operations or data, that provide opportunities for immediate cost savings, and where a statewide approach would minimize disruption of services. In carrying out the consolidation, the Office of Information Technology Services shall utilize the authority set out in G.S. 147-33.83."

SECTION 11.(e) Section 6A.8(b) of Session Law 2011-145 reads as rewritten:

"**SECTION 6A.8.(b)** ~~Rates~~ Beginning with State fiscal year 2012-2013, rates shall be set to support a specific service for which an agency is being charged. Overhead charges to agencies must be consistently applied and must not exceed industry standards. Rate increases shall require approval of the OSBM. Rate reductions shall be immediately implemented following notification of the OSBM."

SECTION 11.(f) Section 6A.14(a) of Session Law 2011-145 reads as rewritten:

"**SECTION 6A.14.(a)** Every executive branch agency within State government shall develop a policy to limit the issuance and use of mobile electronic devices to the minimum required to carry out the agency's mission. As used herein, mobile communication device includes goods provided by commercial mobile radio service providers and services for mobile telecommunications governed by Title 47 of the Code of Federal Regulations. By September 1, 2011, each agency shall provide a copy of its policy to the Chairs of the Appropriations Committee and the Appropriations Subcommittee on General Government of the House of Representatives, the Chairs of the Appropriations/Base Budget Committee and the Appropriations Committee on General Government and Information Technology of the Senate, the Chairs of the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management.

State-issued mobile electronic devices shall be used only for State business. Agencies shall limit the issuance of cell phones, smart phones, and any other mobile electronic devices to employees for whom access to a mobile electronic device is a critical requirement

for job performance. The device issued and the plan selected shall be the minimum required to support the employees' work requirements. This shall include considering the use of pagers in lieu of a more sophisticated device. The requirement for each mobile electronic device issued shall be documented in a written justification that shall be maintained by the agency and reviewed annually. All State agency heads, in consultation with the Office of Information Technology Services and the Office of State Budget and Management, shall document and review all authorized cell phone, smart phone, and other mobile electronic communications device procurement, and related phone, data, Internet, and other usage plans for and by their employees. Agencies shall conduct periodic audits of mobile device usage to ensure that State employees and contractors are complying with agency policies and State requirements for their use.

Beginning October 1, 2011, each agency shall report quarterly to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Subcommittee on General Government, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on General Government and Information Technology, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management on the following:

(1) Any changes to agency policies on the use of mobile devices.
(2) The number and types of new devices issued since the last report.
(3) The total number of mobile devices issued by the agency.
(4) The total cost of mobile devices issued by the agency.
(5) The number of each type of mobile device issued, with the total cost for each type."

SECTION 12.(a) Section 6A.4(e) of Session Law 2011-145 reads as rewritten:

"**SECTION 6A.4.(e)** Agencies shall use existing resources and shall not charge the Office of the State Controller to provide required support for CJLEADS."

SECTION 12.(b) Section 6A.10(b) of Session Law 2011-145 reads as rewritten:

"**SECTION 6A.10.(b)** Prior to any development or implementation of a State portal, the Department of Administration shall provide all of the following to the General Assembly:

(1) A detailed plan for development and implementation of the portal, to include a list of applications being considered for implementation during the 2011-2013 and 2013-2015 biennia, including:
   a. A description of how the portal is to be implemented, to include the use of outside vendors, with detailed information on their participation and the potential cost to the State, businesses, and anyone doing business with the State.
   b. A list of potential services and a time line for implementing each service.
   c. Detailed information on the anticipated cost of ownership of the portal and any services proposed for implementation during the period, to include the amount of any payments received by vendors supporting the project.
(2) A funding model for the implementation that does not increase the cost of services for anyone doing business with the State or reduce the receipts or other funding currently available to State agencies or included in appropriations for the 2011-2013 biennium.
(3) If the portal is outsourced, a detailed, fully executable plan to return portal operations to the State, with associated costs.
(4) Identification of internal resources that could potentially be used to develop and implement a State portal.

By May 1, 2012, the Department of Administration shall provide both plans, the funding model, and a detailed list of State internal resources that could be used for the development and implementation of a State portal to the Joint Legislative Committee on Information Technology."

SECTION 12.(c) Section 6A.20(c) of Session Law 2011-145 reads as rewritten:

"**SECTION 6A.20.(c)** As part of the State's continuing effort to develop a comprehensive enterprise-level data integration capability, the Office of the State Controller shall develop an enterprise process to detect fraud, waste, and improper payments across State agencies. State agencies shall fully support and participate in OSC's efforts to develop an automated fraud detection ~~system.~~ system and shall upon request provide in a timely and responsive manner accurate, complete, and timely data, business rules and policies, and support for project requirements. The agency head shall verify, in writing, the accuracy, completeness, and timeliness of the data. If any support or data is not provided as needed for the automated fraud detection effort, the OSC shall report that failure to the General Assembly for further review and action.

In support of the automated fraud detection effort, the OSC shall:

(1) Develop a detailed long-range plan to implement an automated fraud detection system within State agencies.

(2) Determine costs, to include vendor costs, for the effort for five years, beginning July 1, 2011.

(3) Coordinate with State agencies to determine interest in participating in the project and to identify potential applications that can be included in an initial request for proposal.

(4) Establish priorities for developing and implementing potential applications.

(5) Evaluate savings resulting from each effort.

(6) Coordinate efforts with the State's data integration vendor to begin the implementation process.

(7) Establish a pilot to begin the implementation process and to identify and resolve issues associated with expansion of the initiative.

(8) Coordinate with participating agencies to ensure that each has the resources and processes necessary to follow up on incidents of fraud identified by the vendor.

(9) Provide recommendations to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division of the General Assembly on potential future initiatives and the cost and savings associated with each."

PUBLIC SCHOOLS

SECTION 13.(a) Section 7.1A of Session Law 2011-145 is amended by adding a new subsection to read:

"**SECTION 7.1A.(d1)** Community colleges shall generate budget FTE for instruction provided through Career and College Promise."

SECTION 13.(b) Subsection (e) of Section 7.1A of Session Law 2011-145 reads as rewritten:

"**SECTION 7.1A.(e)** ~~Community colleges shall generate budget FTE for instruction provided through Career and College Promise.~~ The Community Colleges System Office shall report to the Joint Education Oversight Committee or, if the General Assembly is in session, to the House and Senate Education Committees no later than February 1 regarding the number

and cost of high school FTE served as a result of the Career and College Promise program created by this section."

SECTION 13.(c) G.S. 115D-20(4), as amended by Section 7.1A(h) of Session Law 2011-145, reads as rewritten:

"**§ 115D-20. Powers and duties of trustees.**

The trustees of each institution shall constitute the local administrative board of such institution, with such powers and duties as are provided in this Chapter and as are delegated to it by the State Board of Community Colleges. The powers and duties of trustees shall include the following:

...

(4) To apply the standards and requirements for admission and graduation of students and other standards established by the State Board of Community Colleges. Notwithstanding any law or administrative rule to the contrary, local community colleges are permitted to offer the following programs:

a. Subject to the approval of the State Board of Community Colleges, local community colleges may collaborate with local school administrative units to offer courses through the following programs:

1. Cooperative innovative high school programs as provided by Part 9 of Article 16 of Chapter 115C of the General Statutes.
2. Academic transition pathways for qualified junior and senior high school students that lead to a career technical education certificate or diploma.
3. College transfer certificates requiring the successful completion of thirty semester credit hours of transfer courses, including English and mathematics, for qualified junior and senior high school students.

b. During the summer quarter, persons less than 16 years old may be permitted to take noncredit courses on a self-supporting basis, subject to rules of the State Board of Community Colleges.

c. High school students may be permitted to take noncredit courses in safe driving on a self-supporting basis during the academic year or the summer.

...."

SECTION 14.(a) Subsection (ee) of Section 7.13 of Session Law 2011-145 is repealed.

SECTION 14.(b) Subsections (a) through (u) of Section 7.13 of Session Law 2011-145 are repealed.

SECTION 15. Section 7.15 of Session Law 2011-145 is rewritten to read:

"**TRANSFER OF FEDERAL AGRICULTURAL EDUCATION FUNDS**

"**SECTION 7.15.** Of the funds provided to the Department of Public Instruction, the sum of ninety thousand five hundred dollars ($90,500) shall be transferred to the Agricultural Education and FFA Program housed in the Department of Agricultural and Extension Education at North Carolina State University. These funds shall be used to support the secondary Agricultural Education Program State-level administration, leadership, curriculum and professional development, operations, innovations and expansions, and the FFA and the Supervised Agricultural Education learning program."

SECTION 16. Section 7.23(a) of Session Law 2011-145 reads as rewritten:

"**SECTION 7.23.(a)** Local school administrative units shall adopt a Reduction in Force policy for certified school employees that includes the following criteria:

(1) In determining which positions shall be subject to a reduction in force, a local school administrative unit shall consider the following:
a. Structural considerations, such as identifying positions, departments, courses, programs, operations, and other areas where there are (i) less essential, duplicative, or excess personnel; (ii) job responsibility and/or position inefficiencies; (iii) opportunities for combined work functions; and/or (iv) decreased student or other demands for curriculum, programs, operations, or other services.
b. Organizational considerations, such as anticipated organizational needs of the school system and program/school enrollment.
(2) In determining which employees in similar positions shall be subject to a reduction in force, a local school administrative unit shall consider work performance.

Each local school administrative unit shall have this policy in place on or before July 15, 2011."

SECTION 17. Session Law 2011-145 is amended by adding the following new sections to read:

"**TEACHER ACADEMY STATUTES REPEALED**

"**SECTION 7.31.(a)** G.S. 115C-296.4 is repealed.

"**SECTION 7.31.(b)** G.S. 120-123(63) is repealed.

"**SECTION 7.31.(c)** G.S. 126-5(c1)(26) is repealed.

"**PROFESSIONAL TEACHING STANDARDS COMMISSION STATUTES REPEALED**

"**SECTION 7.32.** G.S. 115C-295.1 and G.S. 115C-295.2 are repealed."

COMMUNITY COLLEGES

SECTION 18.(a) G.S. 115D-5(b)(2)e., as amended by Section 8.12(a) of Session Law 2011-145, reads as rewritten:

"e. Radio Emergency Associated ~~Citizens~~ Communications Teams (REACT) under contract to a county as an emergency response agency."

SECTION 18.(b) G.S. 115D-5(b)(12), as rewritten by Section 8.12(a) of Session Law 2011-145, reads as rewritten:

"(12) All curriculum 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 19. Section 8.18(c) of Session Law 2011-145 reads as rewritten:

"**SECTION 8.18.(c)** This ~~act~~ section is effective when it becomes law."

SECTION 20. If any legislation allowing the board of trustees of any community college to adopt a resolution declining to participate in the William D. Ford Federal Direct Loan Program becomes law, then Part VIII of Session Law 2011-145 is amended by adding a new section to read:

"**COMMUNITY COLLEGE BUDGET FLEXIBILITY**

"**SECTION 8.21.** Notwithstanding G.S. 115D-31(b1), a college whose board of trustees adopts a resolution declining to participate in the William D. Ford Federal Direct Loan Program, as provided in G.S. 115D-40.1(d), shall not transfer from faculty salaries an amount that exceeds two percent (2%) of the State funds allocated to it for faculty salaries to support other instructional costs or other purposes."

UNIVERSITIES

SECTION 21. Section 9.6(c) of Session Law 2011-145 reads as rewritten:

"**SECTION 9.6.(c)** In allocating the management flexibility reduction, no reduction in State funds shall be allocated in either fiscal year of the 2011-2013 biennium to any of the following:

(1) Hickory Metro Higher Education Center.

(2) Joint Graduate School of Nanoscience and Nanoengineering at North Carolina Agricultural and Technical State University and the University of North Carolina at Greensboro.

(3) The North Carolina Research Campus.

(4) Center for Turfgrass Environmental Research and Education at North Carolina State University.

(5) Need-Based Financial Aid.

(6) Aid to Private Colleges.

~~(7) Any special responsibility constituent institution which has been granted a basic type designation of "Special Focus Institution" under the Carnegie Classification of Institutions of Higher Education.~~

~~(8) Any special responsibility constituent institution which has been granted a basic type designation of "Baccalaureate Colleges Arts & Sciences" under the Carnegie Classification of Institutions of Higher Education.~~

(9) The Coastal Wave Energy Research Project led by the UNC Coastal Studies Institute."

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SECTION 22. Section 10.7(a) of Session Law 2011-145 reads as rewritten:

"**SECTION 10.7.(a)** The Department of Public Instruction, Office of Early Learning, and the Department of Health and Human Services are directed to consolidate the More At Four program into the Division of Child Development. The Division of Child Development is renamed the Division of Child Development and Early Education (DCDEE). The DCDEE is directed to maintain the More At Four program's high programmatic ~~standards.~~standards and ensure services are provided statewide. The Department of Health and Human Services shall assume the functions of the regulation and monitoring system and payment and reimbursement system for the More At Four program.

All regulation and monitoring functions shall begin July 1, 2011. The More At Four program shall be designated as "prekindergarten" on the five-star rating scale. All references to "prekindergarten" in this section shall refer to the program previously titled the "More At Four" program. All references to "non-prekindergarten" shall refer to all four- and five-star rated facilities.

The Office of State Budget and Management shall transfer positions to the Department of Health and Human Services to assume the regulation, monitoring, and accounting functions within the Division of Child Development's Regulatory Services Section. This transfer shall have all the elements of a Type I transfer as defined in G.S. 143A-6. All funds transferred pursuant to this section shall be used for the funding of prekindergarten slots for four-year-olds and for the management of the program. The DCDEE shall use a portion of the funds to provide necessary services for recruitment, eligibility determination, and child placement within local communities. These services shall be conducted by local partnerships that choose to offer the services. The Department of Health and Human Services shall incorporate eight consultant positions into the regulation and accounting sections of DCDEE, eliminate the remaining positions, and use position elimination savings for the purpose of funding prekindergarten students. DCDEE may use funds from the transfer of the More At Four

program for continuing the teacher mentoring program and contracting for the environmental rating scale assessments."

SECTION 23. Section 10.14 of Session Law 2011-145 is repealed.

SECTION 24. Section 10.31A of Session Law 2011-145 reads as rewritten:

"**SECTION 10.31A.** The Secretary of Health and Human Services may implement a Medicaid assessment program for any willing provider category allowed under federal ~~regulations, except for hospital providers subject to the assessments authorized in Session Law 2011-11,~~ regulations up to the maximum percentage allowed by federal regulation. The Department may retain up to sixty-five percent (65%) of the amount from an assessment program implemented after December 31, 2010, except for the hospital provider assessments authorized in S.L. 2011-11, that can be used by the Department to support Medicaid expenditures. Any assessment funds not retained by the Department shall be used to draw federal Medicaid matching funds for implementing increased rates or new reimbursement plans for each provider category being assessed.

Receipts from the assessment program are hereby appropriated for the 2011-2012 fiscal year and the 2012-2013 fiscal year for the purposes set out in this section."

SECTION 24A. Section 10.35(b) of Session Law 2011-145 reads as rewritten:

"**SECTION 10.35.(b)** For the 2011-2012 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred fifteen million dollars ($115,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. For the 2012-2013 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred fifteen million dollars ($115,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. These deposits shall represent the return of General Fund appropriations, nonfederal revenue, fund balances or other resources from State ~~owned and operated~~ hospitals which are used to provide indigent and non-indigent care services. The return from State ~~owned and operated~~ hospitals to DHHS will be made from nonfederal resources in an amount equal to the amount of the payments from the Division of Medical Assistance for uncompensated ~~care.~~care or based on an interagency agreement in effect at the date of the return. The treatment of any revenue derived from federal programs shall be in accordance with the requirements specified in the Code of Federal Regulations, Title 2, Part 225."

SECTION 25. Section 10.37(a) of Session Law 2011-145 reads as rewritten:

"**SECTION 10.37.(a)** The Department of Health and Human Services, Division of Medical Assistance, may take the following actions, notwithstanding any other provision of this act or other State law or rule to the contrary:

...

(11) Medicaid service modifications and eliminations. – Subject to the prior approval of the Centers for Medicare and Medicaid Services where required, the Division of Medical Assistance shall make the following eliminations of or modifications to Medicaid services:

a. Optical. –

1. Eliminate adult routine eye exams. Eye exams shall be restricted to cases in which a specific optical problem exists.
2. Eliminate optical services and supplies.

b. Durable medical equipment. – The Department may adjust the rate paid for incontinence supplies or reduce cost through a negotiated single source contract with a manufacturer for incontinence supply procurement, notwithstanding any other provision of law. The contract shall provide that suppliers may use the contract but are also free to take advantage of better prices available elsewhere. The Department may effectuate any combination of these options in order

to achieve the lowest available cost for incontinence supply procurement.

c. Specialized therapies. – For evaluations and reevaluations, as well as physical, occupational, speech, respiratory, and audiological services, reduce the maximum number of allowable services by one per year.

d. Home health. – Restrict usage of the miscellaneous T199 code. All billing must be for a specific service.

e. ~~Pregnancy Home Model Initiative.~~Implement a collaborative effort between Community Care of North Carolina Networks and Local Health Departments to improve perinatal care and ensure care management of high risk pregnancies.

...."

SECTION 26. Section 10.40 of S.L. 2011-145 reads as rewritten:

"TRANSFER TO OFFICE OF ADMINISTRATIVE HEARINGS

"SECTION 10.40. From funds available to the Department of Health and Human Services (Department) for the 2011-2012 fiscal year, the sum of ~~one million dollars ($1,000,000),~~one million dollars ($1,000,000) in General Fund appropriations, and for the 2012-2013 fiscal year the sum of ~~one million dollars ($1,000,000),~~one million dollars ($1,000,000) in General Fund appropriations, shall be transferred by the Department of Health and Human Services to the Office of Administrative Hearings (OAH). These funds shall be allocated by the OAH for mediation services provided for Medicaid applicant and recipient appeals and to contract for other services necessary to conduct the appeals process. OAH shall continue the Memorandum of Agreement (MOA) with the Department for mediation services provided for Medicaid recipient appeals and contracted services necessary to conduct the appeals process. The MOA will facilitate the Department's ability to draw down federal Medicaid funds to support this administrative function. Upon receipt of invoices from OAH for covered services rendered in accordance with the MOA, the Department shall transfer the federal share of Medicaid funds drawn down for this purpose."

DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

SECTION 27.(a) Section 13.3(e) of Session Law 2011-145 reads as rewritten:

"SECTION 13.3.(e) All functions, powers, duties, and obligations previously vested in the Radiation Protection Section within the Division of Environmental Health of the Department of Environment and Natural Resources are transferred to and vested in the Division of Health ~~Safety~~ Service Regulation of the Department of Health and Human Services by a Type I transfer, as defined in G.S. 143A-6."

SECTION 27.(b) G.S. 143-300.8, as amended by Section 13.3(k) of Session Law 2011-145, reads as rewritten:

"§ 143-300.8. Defense of local sanitarians.

Any local health department sanitarian enforcing rules of the Commission for Public Health under the supervision of the Department of Health and Human Services pursuant to G.S. 130A-4 shall be defended by the Attorney General, subject to the provisions of G.S. 143-300.4, and shall be protected from liability in accordance with the provisions of this Article in any civil or criminal action or proceeding brought against the sanitarian in his official or individual capacity, or both, on account of an act done or omission made in the scope and course of enforcing the rules of the Commission for Public Health. The Department of ~~Environment and Natural Resources~~Health and Human Services shall pay any judgment against the sanitarian, or any settlement made on his behalf, subject to the provisions of G.S. 143-300.6."

SECTION 27.(c) G.S. 104E-8(c), as amended by Section 13.3(ddd) of Session Law 2011-145, 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 Health ~~Safety~~ Service Regulation of the Department.

...."

SECTION 27.(d) G.S. 104E-9(b), as amended by Section 13.3(eee) of Session Law 2011-145, reads as rewritten:

"(b) The Division of Health ~~Safety~~ Service Regulation 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 27.(e) G.S. 120-70.33(3), as amended by Section 13.3(fff) of Session Law 2011-145, 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 Health ~~Safety~~ Service Regulation of the Department of 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 28. If Senate Bill 781, 2011 Regular Session, becomes law, then Section 13.11B of Session Law 2011-145 is repealed.

SECTION 29. Section 13.21 of Session Law 2011-145 is rewritten to read:

"**SECTION 13.21.**Section 15.4(a) of S.L. 1997-443, as amended by Section 3.1 of S.L. 1999-329, Section 5 of S.L. 2001-254, Section 1.1 of S.L. 2002-176, Section 6.1 of S.L. 2003-340, Section 12.7(a) of S.L. 2005-276, Section 2 of S.L. 2007-536, and Section 1 of S.L. 2009-84, reads as rewritten:

'(a) The Department of Environment and Natural Resources shall develop and implement a pilot program to begin no later than 1 November 1997, and to terminate ~~1 September 2011~~,June 30, 2013, regarding the annual inspections of animal operations that are subject to a permit under Article 21 of Chapter 143 of the General Statutes. The Department shall select two counties located in a part of the State that has a high concentration of swine farms to participate in this pilot program. In addition, Brunswick County and Pender County shall be added to the program. Notwithstanding G.S. 143-215.10F, the Division of Soil and Water Conservation of the Department of Environment and Natural Resources shall conduct inspections of all animal operations that are subject to a permit under Article 21 of Chapter 143 of the General Statutes in these four counties at least once a year to determine whether any animal waste management system is causing a violation of water quality standards and whether the system is in compliance with its animal waste management plan or any other condition of the permit. The personnel of the Division of Soil and Water Conservation who are to conduct these inspections in each of these four counties shall be located in an office in the county in which that person will be conducting inspections. As part of this pilot program, the Department of Environment and Natural Resources shall establish procedures whereby resources within the local Soil and Water Conservation Districts serving the four counties are used for the quick

response to complaints and reported problems previously referred only to the Division of Water Quality of the Department of Environment and Natural Resources.'"

SECTION 30. Section 13.22(b) of Session Law 2011-145 reads as rewritten:

"**SECTION 13.22.(b)** G.S. 143-215.10D(b), as amended by Section 13.22(r) of this act, reads as rewritten:

'(b) ~~As part of its animal waste management plan, each animal operation shall have an operations review at least once a year.~~An animal operation may request an operations review. The operations review shall be conducted by a technical specialist employed by the Division of Soil and Water Conservation of the Department of Agriculture and Consumer Services, a local Soil and Water Conservation District, or the federal Natural Resources Conservation Services working under the direction of the Division of Soil and Water Conservation.'"

SECTION 31. Section 13.23(h) of Session Law 2011-145 reads as rewritten:

"**SECTION 13.23.(h)** Of the funds available to the Department of Environment and Natural Resources for Water Resource Projects, the sum of one million dollars ($1,000,000) shall be transferred to the Department of ~~Environment and Natural Resources,~~Agriculture and Consumer Services, Division of Soil and Water Conservation, for the 2011-2012 fiscal year to implement the Agricultural Water Resources Assistance Program established in Article 5 of Chapter 139 of the General Statutes, as enacted by subsection (a) of this section. The Soil and Water Conservation Commission may use up to fifteen percent (15%) of these funds for the costs of the Division of Soil and Water Conservation and the costs of the Soil and Water Conservation Districts to provide engineering assistance, to provide technical assistance, and to administer the Agricultural Water Resources Assistance Program. Any of these funds that are not expended or encumbered as of June 30, 2012, shall not revert and shall remain available for purposes set forth in this subsection until expended."

SECTION 32. Session Law 2011-145 is amended by adding a new section to read:

"**REQUIREMENTS TO RECEIVE NC AGRICULTURE COST SHARE PROGRAM FUNDS OR AGRICULTURE WATER RESOURCES ASSISTANCE PROGRAM FUNDS**

"**SECTION 13.23A.(a)** G.S. 106-850(b), as recodified by Section 13.22A(t) of this act, is amended by adding a new subdivision to read:

'(10) To be eligible for cost share funds under this program, each applicant must establish that he or she is engaged in farming by providing to the Soil and Water Conservation Commission with his or her application a copy of the applicant's federal tax Schedule F (Form 1040) for the most recent tax year showing the applicant's profit or loss from farming.'

"**SECTION 13.23A.(b)** G.S. 139-60, as enacted by Section 13.23 of this act, is amended by adding a subsection to read:

'(c1) To be eligible for assistance under this program, each applicant must establish that he or she is engaged in farming by providing to the Soil and Water Conservation Commission with his or her application a copy of the applicant's federal tax Schedule F (Form 1040) for the most recent tax year showing the applicant's profit or loss from farming.'"

SECTION 33.(a) Section 13.25(i) of Session Law 2011-145 is repealed.

SECTION 33.(b) G.S. 106-848(c) and (d), as enacted by Section 13.25(o) of Session Law 2011-145, reads as rewritten:

"**§ 106-848. Applications of proceeds from sale of products.**

...

(c) Forest Seedling Nursery Program Fund. – The Forest Seedling Nursery Program Fund is created within the Department of ~~Environment and Natural Resources,~~Agriculture and Consumer Services, Division of Forest Resources, as a special revenue fund. Except as provided in subsection (b) of this section, this Fund shall consist of receipts from the sale of seed and seedlings as authorized in G.S. 106-847 and any gifts, bequests, or grants for the

benefit of this Fund. No General Fund appropriations shall be credited to this Fund. Any balance remaining in this Fund at the end of any fiscal year shall not revert. The Department may use this Fund only to develop, improve, repair, maintain, operate, or otherwise invest in the Forest Seedling Nursery Program.

(d) Bladen Lakes State Forest Fund. – The Bladen Lakes State Forest Fund is created within the Department of ~~Environment and Natural Resources,~~Agriculture and Consumer Services, Division of Forest Resources, as a special revenue fund. This Fund shall consist of receipts from the sale of forest products from Bladen Lakes State Forest as authorized in G.S. 106-847 and any gifts, bequests, or grants for the benefit of this Fund. No General Fund appropriations shall be credited to this Fund. Any balance remaining in this Fund at the end of any fiscal year shall not revert. The Department may use this Fund only to develop, improve, repair, maintain, operate, or otherwise invest in the Bladen Lakes State Forest."

SECTION 34. Section 13.26(c) of Session Law 2011-145 reads as rewritten:

"**SECTION 13.26.(c)** The funds appropriated in this act to the Clean Water Management Trust Fund shall be allocated as follows:

(1) Notwithstanding the provisions of G.S. 113A-253(d), the sum of three million dollars ($3,000,000) shall be used for the 2011-2012 fiscal year and for the 2012-2013 fiscal year for the costs of administering the Clean Water Management Trust Fund, including costs to support the Board of Trustees of the Clean Water Management Trust Fund and its staff, the operating costs of the Board of Trustees of the Clean Water Management Trust Fund and its staff, and the costs of making debt payments to retire debt as provided under G.S. 113A-253(c);

(2) Notwithstanding the provisions of G.S. 113A-253(c) and G.S. 113A-254, the sum of one million five hundred thousand dollars ($1,500,000) shall be used for the 2011-2012 fiscal year and for the 2012-2013 fiscal year for State matching funds for the Readiness and Environmental Protection Initiative and any other United States Department of Defense program that provides for military buffers and protects the overall military training mission; and

(3) The sum of ~~six million two hundred thousand dollars ($6,250,000)~~six million seven hundred fifty thousand dollars ($6,750,000) shall be used for the 2011-2012 fiscal year and for the 2012-2013 fiscal year for the costs for wastewater projects, water quality restoration projects, minigrants, conservation easements, and stormwater projects consistent with the provisions of Article 18 of Chapter 113A of the General Statutes. As used in this subdivision, 'minigrant' means grant funds to provide the transaction costs to facilitate the donation of conservation easements."

DEPARTMENT OF COMMERCE

SECTION 35. Section 14.3A(a) of Session Law 2011-145 reads as rewritten:

"**SECTION 14.3A.(a)** There is established an operating committee for the Vinifera Group and an operating committee for the Muscadines Group. The purpose of the operating committees is to promote North Carolina wineries and tourism related to the wineries. Each operating committee shall consist of five members, who shall be appointed by the ~~Commissioner of Agriculture~~ Secretary of Commerce to serve two-year terms, which shall be staggered. The members appointed shall be chosen from among individuals who have education or experience in the wine industry or in the field of tourism. No member of an operating committee may serve for more than two consecutive terms. Initial terms shall commence September 1, 2011."

SECTION 36. Section 14.5B of Session Law 2011-145 is repealed.

SECTION 37. Section 14.13 of Session Law 2011-145 reads as rewritten:

"**REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS ALLOCATIONS**

...

"**SECTION 14.13.(c)** No more than ~~one hundred thousand dollars ($100,000)~~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 38. Section 14.20(e) of Session Law 2011-145 reads as rewritten:

"**SECTION 14.20.(e)** Criteria for Grants. – All requests for Rural Jobs Infrastructure Grants shall do all of the following:

(1) Document the infrastructure needs that the project will address.

(2) Specify the number of jobs that will be created as a result of the infrastructure improvements proposed for funding assistance.

(3) Document the availability of all matching funds.

(4) Identify the private enterprises that will be creating the jobs and provide documentation that the enterprises will agree to contract to produce the number of jobs promised.

(5) Provide any additional documentation requested by the Rural Center to complete its review.

~~As part of its review of grant applications, the Rural Center shall determine that the private sector jobs to be created through the investment of the Rural Jobs Infrastructure Grant Fund will not compete unfairly with existing businesses.~~ In awarding grants under this section, the Rural Center shall give preference to a resident company. For purposes of this section, the term "resident company" means a company that has paid unemployment taxes or income taxes in this State and whose principal place of business is located in this State. An application for a project that serves an economically distressed area shall have priority over a project that does not. A Rural Jobs Infrastructure Grant to assist with water infrastructure needs is not subject to the provisions of G.S. 143-355.4. The Board of Directors of the Rural Center may establish additional criteria to effectively allocate the funds appropriated in this section."

JUDICIAL DEPARTMENT

SECTION 39. Section 15.16(c) of Session Law 2011-145 reads as rewritten:

"**SECTION 15.16.(c)** The Office of Indigent Defense Services shall issue a request for proposals from private law firms or not-for-profit legal representation organizations for the provision of all legal services for indigent clients in all judicial districts. The Office of Indigent Defense Services shall report on the issuance of this request for proposals to the Joint Legislative Commission on Governmental Operations by October 1, 2011. In cases where the proposed contract can provide representation services more efficiently than current ~~costs,~~ costs and ensure that the quality of representation is sufficient to meet applicable constitutional and statutory standards, the Office of Indigent Defense Services shall use private assigned counsel funds to enter into contracts for this purpose. In selecting contracts, the Office of Indigent Defense Services shall consider both the cost-effectiveness of the proposed contract and the ability of the potential contractor to provide effective representation for the clients served by the contract."

SECTION 40. Session Law 2011-145 is amended by adding a new section to read:

"**INDIGENT DEFENSE SERVICES/STATE MATCH FOR GRANTS**

"**SECTION 15.22.** The Office of Indigent Defense Services may use up to the sum of fifty thousand dollars ($50,000) from funds available for the 2011-2012 fiscal year 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 Senate and House of Representatives Appropriations

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

DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION

SECTION 41. Section 17.3 of Session Law 2011-145 is rewritten to read:

"**SECTION 17.3.(a)** Funds appropriated in this act to the Department of Juvenile Justice and Delinquency Prevention for the 2011-2013 fiscal biennium for wilderness camp contracts that are not required for or used for wilderness camp contracts shall only be used for the following:

(1) Other statewide residential programs that provide Level 2 intermediate dispositional alternatives for juveniles.

(2) Statewide community programs that provide Level 2 intermediate dispositional alternatives for juveniles.

(3) Regional programs that are collaboratives of two or more Juvenile Crime Prevention Councils which provide Level 2 intermediate dispositional alternatives for juveniles.

(4) The Juvenile Crime Prevention Council grants fund to be used for the Level 2 intermediate dispositional alternatives for juveniles listed in G.S. 7B-2506(13) through (23).

"**SECTION 17.3(b)** Under no circumstances shall funds appropriated by this act to the Department of Juvenile Justice and Delinquency Prevention for the 2011-2013 fiscal biennium for wilderness camps be used for staffing, operations, maintenance, or any other expenses of youth development centers.

"**SECTION 17.3.(c)** The Department of Juvenile Justice and Delinquency Prevention shall submit an electronic report by October 1, 2011, on all expenditures made from the miscellaneous contract line in Fund Code 1310 to the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and the Fiscal Research Division of the General Assembly. The report shall include all of the following: an itemized list of the contracts that have been executed, the amount of each contract, the date the contract was executed, the purpose of the contract, the number of juveniles that will be served and the manner in which they will be served, the amount of money transferred to the Juvenile Crime Prevention Council fund, and an itemized list of grants allocated from the funds transferred to the Juvenile Crime Prevention Council fund."

DEPARTMENT OF CORRECTION

SECTION 42. Session Law 2011-145 is amended by adding a new section to read:

"**PROHIBIT CLOSURE OF BLADEN CORRECTIONAL CENTER**

"**SECTION 18.17.** The Department of Correction shall not close the Bladen Correctional Center during the 2011-2013 biennium."

DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY

SECTION 43.(a) G.S. 143B-259(a), as enacted by Section 19.1(b) of Session Law 2011-145, reads as rewritten:

"**§ 143B-259. Organization.**

(a) There is established the Department of Public Safety. The head of the Department of Public Safety is the Secretary of Public Safety, who shall be known as the Secretary. The Department shall consist of ~~seven~~ six divisions and an Office of External Affairs as follows:

...

(3) The Division of Law Enforcement, which shall consist of the following former divisions of the Department of Crime Control and Public ~~Safety and the Department of Justice:~~ Safety: the State Highway Patrol, the Alcohol Law Enforcement Division, the Butner Public Safety Division, and the State Capitol Police Division. The head of the Division of Law Enforcement shall be a chief deputy secretary.

(4) The Division of Emergency Management, which shall consist of the former Division of Emergency Management of the Department of Crime Control and Public Safety and the Civil Air Patrol.

...."

SECTION 43.(b) G.S. 143B-259.1, as enacted by Section 19.1(b) of Session Law 2011-145, reads as rewritten:

"**§ 143B-259.1. Powers and duties of the Department of Public Safety.**

It shall be the duty of the Department of Public Safety to do all of the following:

...

(3) To prepare ~~annually~~ annually, in consultation with the Judicial Department and the Department of Justice, a State plan for the State's criminal justice system.

...."

SECTION 43.(c) Section 19.1(g) of Session Law 2011-145 is amended by deleting "164-37,".

SECTION 43.(d) Section 19.1(i) of Session Law 2011-145 is amended by deleting "164-37,".

SECTION 43.(e) G.S. 164-37, as amended by Section 19.1(l) of Session Law 2011-145, reads as rewritten:

"**§ 164-37. Membership; chairman; meetings; quorum.**

The Commission shall consist of ~~30~~ 28 members as follows:

...

(3) The Secretary of ~~Correction~~ Public Safety or his designee;

~~(4) The Secretary of Crime Control and Public Safety or his designee;~~

...

~~(26) A representative of the Division of Juvenile Justice of the Department of Public Safety.~~

The Commission shall have its initial meeting no later than September 1, 1990, at the call of the Chairman. The Commission shall meet a minimum of four regular meetings each year. The Commission may also hold special meetings at the call of the Chairman, or by any four members of the Commission, upon such notice and in such manner as may be fixed by the rules of the Commission. A majority of the members of the Commission shall constitute a quorum."

SECTION 43.(f) Section 19.1(h) of Session Law 2011-145 is amended by deleting "164-40" and "164-42".

SECTION 43.(g) Section 19.1(q1) of Session Law 2011-145 is amended by deleting that subsection.

SECTION 43.(h) Section 19.1(bb) of Session Law 2011-145 is amended by deleting that subsection, and Section 19.1(u) of Session Law 2011-145 reads as rewritten:

"**SECTION 19.1.(u)** Division of Law Enforcement. – Parts 1 and 7 of Article 11 of Chapter 143B of the General Statutes are ~~repealed.~~ repealed, and the Law Enforcement Support Services Division of the Department of Crime Control and Public Safety is abolished. Part 9 of Article 11 of Chapter 143B of the General Statutes is recodified as Subpart A of Part 4 of Article 5A of Chapter 143B of the General Statutes, G.S. 143B-272.45."

SECTION 43.(i) Section 19.1(x1) of Session Law 2011-145 reads as rewritten:

"**SECTION 19.1.(x1)** Office of External Affairs. – Part 3A of Article 11 of Chapter 143B of the General Statutes is recodified as Subpart A of Part 7 of Article 5A of Chapter 143B of the General Statutes, "Victims' Services Section", G.S. 143B-272.103 through G.S. 143B-272.104."

SECTION 43.(j) G.S. 18B-500, as rewritten by Section 19.1(z) of Session Law 2011-145, reads as rewritten:

"**§ 18B-500. Alcohol law-enforcement agents.**

(a) Appointment. – The Secretary of ~~the Department of~~ Public Safety shall appoint alcohol law-enforcement agents and other enforcement personnel. The Secretary of ~~the Department of~~ Public Safety may also appoint regular employees of the Commission as alcohol law-enforcement agents. Alcohol law-enforcement agents shall be designated as "alcohol law-enforcement agents". Persons serving as reserve alcohol law-enforcement agents are considered employees of the Alcohol Law Enforcement Section for workers' compensation purposes while performing duties assigned or approved by the Director of Alcohol Law Enforcement Section or the Director's designee.

(b) Subject Matter Jurisdiction. – After taking the oath prescribed for a peace officer, an alcohol law-enforcement agent shall have authority to arrest and take other investigatory and enforcement actions for any criminal offense. The primary responsibility of an agent shall be enforcement of the ABC laws, lottery laws, and Article 5 of Chapter 90 (The Controlled Substances Act); however, an agent may perform any law-enforcement duty assigned by the Secretary of ~~the Department of~~ Public Safety or the Governor.

...."

SECTION 43.(k) Section 19.1(bb1) of Session Law 2011-145 is deleted, and the introductory language to Section 19.1(bb2) and the catch line to G.S. 143B-490, as rewritten by that act, read as rewritten:

"**SECTION 19.1.(bb2)** G.S. 143B-490, as rewritten by subsection (g) of this section and recodified by subsection (w) of this section, reads as rewritten:

"**§ 143B-272.73A. Civil Air Patrol ~~Division~~ Section – powers and duties."**

SECTION 43.(l) Section 19.1(dd1) of Session Law 2011-145 is deleted.

SECTION 43.(m) Section 19.1(jj) of Session Law 2011-145 reads as rewritten:

"**SECTION 19.1.(jj)** G.S. 122C-408, as rewritten by subsection (g) of this section and Section 19.3(b), reads as rewritten:

"**§ 122C-408. Butner Public Safety ~~Division~~ Section of the Department of Public Safety; jurisdiction; fire and police district.**

(a) The Secretary of Public Safety may employ special police officers for the territory of the Butner Reservation. The Secretary of Public Safety shall contract with the Town of Butner to provide fire and police protection to those areas within the incorporated limits of the Town of Butner. The territorial jurisdiction of these officers shall consist of the property shown on a map produced May 20, 2003, by the Information Systems Division of the North Carolina General Assembly and kept on file in the office of the Butner Town Manager and in the office of Director of the Butner Public Safety ~~Division~~ Section of the Department of Public Safety and such additional areas which are within the incorporated limits of the Town of Butner as shown on a map to be kept in the office of the Butner Town Manager and in the office of Director of the Butner Public Safety ~~Division~~ Section of the Department of Public Safety. The Secretary of Public Safety may organize these special police officers into a public safety department for that territory and may establish it as a division within that principal department as permitted by Chapter 143B of the General Statutes.

(b) After taking the oath of office required for law-enforcement officers, the special police officers authorized by this section shall have the authority of deputy sheriffs of Durham and Granville Counties in those counties respectively. Within the territorial jurisdiction stated in subsection (a) of this section, the special police officers have the primary responsibility to

enforce the laws of North Carolina, the ordinances of the Town of Butner, and any rule applicable to the Butner Reservation adopted under authority of this Part or under G.S. 143-116.6 or G.S. 143-116.7 or under the authority granted any other agency of the State and also have the powers set forth for firemen in Articles 80, 82 and 83 of Chapter 58 of the General Statutes. Any civil or criminal process to be served on any individual confined at any State facility within the territorial jurisdiction described in subsection (a) of this section shall be forwarded by the sheriff of the county in which the process originated to the Director of the Butner Public Safety ~~Division.~~Section. Special police officers authorized by this section shall be assigned to transport any individual transferred to or from any State facility within the territorial jurisdiction described in subsection (a) of this section to or from the psychiatric service of the University of North Carolina Hospitals at Chapel Hill.

(c) The contract between the Town of Butner and the Department of Public Safety shall provide for each of the following:

(1) The Butner Public Safety ~~Division~~ Section of the Department of Public Safety shall provide the same level of service to the incorporated area known as the Town of Butner as provided to those areas of the Town of Butner served by Butner Public Safety on January 1, 2007.

...."

SECTION 44. Session Law 2011-145 is amended by adding a new section to read:

"**AVOIDANCE OF UNNECESSARY EXPENSES ASSOCIATED WITH REDESIGNATION OF SUBUNITS OF STATE AGENCIES**

"**SECTION 19.1.(hhh3)** Notwithstanding any other provision of law, in order to avoid the expense of issuing new identification badges and other materials, the Alcohol Law Enforcement Division may continue to be recognized by that name for all legal purposes, though functioning as a section of the Law Enforcement Division of the Department of Public Safety. All former departments which become divisions under the provisions of this act and all former divisions which become sections under this act shall, to the extent feasible, continue using stationery and other items containing the former name of the division or section in order to avoid unnecessary expense."

DEPARTMENT OF ADMINISTRATION

SECTION 45.(a) Section 20.1A of Session Law 2011-145 is repealed.

SECTION 45.(b) Section 20.2(b) of Session Law 2011-145 reads as rewritten:

"**SECTION 20.2.(b)** The Legislative Research Commission may make an interim report ~~to the 2011 General Assembly when it reconvenes in 2012 and shall make its final report to the 2013 General Assembly.~~by May 1, 2012, to the Chairs of the House Appropriations Subcommittee on General Government and the Chairs of the Senate Appropriations Committee on General Government and Information Technology."

DEPARTMENT OF CULTURAL RESOURCES

SECTION 46. Section 21.2(a) of Session Law 2011-145 reads as rewritten:

"**SECTION 21.2.(a)** ~~The Roanoke Island Commission shall receive State funds through the 2011-2012 fiscal year. Beginning with the 2012-2013 fiscal year, the Roanoke Island Commission shall be self-supporting.~~ Beginning with the 2015-2016 fiscal year, the Roanoke Island Commission shall be self-supporting. The Roanoke Island Commission shall receive an appropriation of State funds for the 2011-2012 fiscal year and for the 2012-2013 fiscal year that are incrementally reduced each of those fiscal years pursuant to this act. It is the intent of the General Assembly that State funds continue to be appropriated to the Roanoke Island

Commission for the 2013-2014 fiscal year and for the 2014-2015 fiscal year but in amounts that continue the incremental reduction in those appropriations for each of those fiscal years."

SECTION 47. Section 21.3 of Session Law 2011-145 is repealed.

GENERAL ASSEMBLY

SECTION 48. The introductory language of Section 22.3 of Session Law 2011-145 reads as rewritten:

"**SECTION 22.3.** ~~G.S. 120-30.9B(b)~~ G.S. 120-30.9B reads as rewritten:".

DEPARTMENT OF INSURANCE

SECTION 49. Session Law 2011-145 is amended by adding the following new section to read:

"**DEPARTMENT OF INSURANCE AND AFFORDABLE CARE ACT**

"**SECTION 23.3.** It is the intent of the General Assembly to establish and operate a State-based health benefits Exchange that meets the requirements of the federal Patient Protection and Affordable Care Act, Public Law 111-148, as amended by the federal Health Care and Education Reconciliation Act of 2010, Public Law 111-152, collectively referred to as the Affordable Care Act (ACA). The Department of Insurance (DOI) and the Department of Health and Human Services (DHHS) may collaborate and plan in furtherance of the requirements of the ACA. DOI may contract with experts, using available funds or grants, necessary to facilitate preparation for an Information Technology system capable of performing requirements of the ACA.

The Commissioner of Insurance may also study the insurance-related provisions of the ACA and any other matters it deems necessary to successful compliance with the provisions of the ACA and related regulations. If the Commissioner of Insurance conducts such a study, the Commissioner shall submit a report to the 2012 Regular Session of the 2011 General Assembly containing recommendations resulting from the study."

STATE CONTROLLER

SECTION 50. Section 26A.1 of Session Law 2011-145 reads as rewritten:

"**SECTION 26A.1.(a)** During the 2011-2013 fiscal 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 Special Reserve Account 24172.

"**SECTION 26A.1.(b)** For each year of the 2011-2013 fiscal biennium, five hundred thousand dollars ($500,000) of the funds transferred from Special Reserve Account 24172 shall be used by the Office of the State Controller for data processing, debt collection, or e-commerce costs.

"**SECTION 26A.1.(c)** All funds available in Special Reserve Account 24172 on July 1 of each year of the 2011-2013 fiscal biennium are transferred to the General Fund on that date.

...."

DEPARTMENT OF TRANSPORTATION

SECTION 51. Section 28.10(c) of S.L. 2011-145 reads as rewritten:

"**SECTION 28.10.(c)** ~~Unexpended and unencumbered funds previously allocated to municipalities~~ Municipalities made ineligible to receive funds by subsection (b) of this section

shall have until June 30, 2012, to spend previously allocated funds, at which point the funds shall be reallocated to eligible municipalities in accordance with G.S. 136-41.1."

SECTION 52. Section 28.12A of Session Law 2011-145 reads as rewritten:

"**SECTION 28.12A.** The Program Evaluation Division of the General Assembly shall conduct a comprehensive evaluation of the North Carolina Railroad Company, a North Carolina corporation of which the State is the sole shareholder and which is a discretely reported component unit of the State as defined by the Governmental Accounting Standards Board. The evaluation shall address, at a minimum, the following issues:

(1) Whether the corporation is adhering to its stated corporate mission of maximizing the value of the corporation for the people of the State.

(2) What economic development benefits have been provided by the corporation and for what costs.

(3) An evaluation of the use of available cash by the corporation, including the purchase of real property used for investment purposes rather than paying dividends to the State.

(4) The approximate value of the corporation's assets, based on a market valuation rather than historic or book value of assets.

(5) The approximate value of the entire corporation as a going concern.

(6) The effectiveness of the provisions of Chapter 124 of the General Statutes to allow the State to exercise its shareholder rights and to provide effective shareholder oversight of the corporation.

(7) Whether the ownership of the corporation provides the State a reasonable return on its investment, attempting to consider both the tangible and intangible value provided by the corporation.

(8) Whether the corporation should be sold, transferred under the jurisdiction of the Department of Transportation or another State agency, or maintain its corporate structure.

(9) Whether the General Assembly should consider the possibility of repealing the corporate charter of the corporation by a special act, as allowed under Section 1 of Article VIII of the North Carolina Constitution.

For the purposes of this evaluation, the terms "State agency" or "agency" as used under Article 7C of Chapter 120 of the General Statutes shall include the North Carolina Railroad Company.

For the purposes of this evaluation, the Program Evaluation Division is hereby granted authority to exercise the State's shareholder right to inspect the corporate books and records of the North Carolina Railroad Company on behalf of the State.

~~The~~ From funds available to the Joint Legislative Transportation Oversight Committee, the Program Evaluation Division may hire consultants to aid it in its evaluation, including experts in appraisal and valuation.

The Program Evaluation Division shall report the results of its study to the Joint Legislative Program Evaluation Oversight Committee and the Joint Legislative Transportation Oversight Committee no later than ~~May 1, 2012.~~November 1, 2012."

SECTION 53.(a) Section 28.28 of Session Law 2011-145 is rewritten to read:

"**SECTION 28.28.(a)** The Administrative Services Section of the State Highway Patrol is hereby eliminated. The Secretary of the Department of Crime Control and Public Safety shall consolidate remaining Administrative Services Section positions and organizational units with other functions of the Department.

"**SECTION 28.28.(b)** The following State Highway Patrol positions are hereby eliminated:

Position ID	**Position Title**
60084611	Program Assistant V

60084615	Attorney
60085385	Sergeant
60084952	First Sergeant
60085315	W/A First Sergeant
60084628	Assessment Analyst
60084772	Office Assistant
60084779	Budget Analyst
60085953	Major
60084998	First Sergeant
60084947	Captain
60085945	W/A Captain
60085302	Lieutenant
60084755	Office Assistant
60084858	Office Assistant
~~60084686~~	~~Deputy Secretary~~

"**SECTION 28.28.(c)** In addition to the other budgetary reductions required by this act, the Department of Crime Control and Public Safety, State Highway Patrol, shall have management flexibility to achieve savings in the Patrol's operation of two million three hundred ~~twenty-five thousand four hundred eighty-four dollars ($2,325,484),~~ninety thousand two hundred two dollars ($2,390,202) recurring, in fiscal year 2011-2012 and ten million ~~three hundred seventy-three thousand three hundred fifty dollars ($10,373,350),~~four hundred eighty-two thousand twenty-six dollars ($10,482,026) recurring, in fiscal year 2012-2013. The Department of Crime Control and Public Safety, State Highway Patrol, is authorized to eliminate positions to achieve this budgetary reduction but is encouraged to find efficiencies and savings elsewhere in the Patrol's administrative structure. Additionally, the Department of Crime Control and Public Safety, State Highway Patrol, may eliminate filled positions but shall not eliminate sworn law enforcement officer positions assigned to districts for the purposes of traffic and commercial motor vehicle enforcement, unless the State Highway Patrol has first achieved twenty-five percent (25%) of the requisite savings elsewhere in the operation of the Patrol, including through staffing reductions in its administrative structure and areas other than district-level enforcement operations. If the State Highway Patrol must eliminate district-level enforcement positions to meet the savings required by this section, then the Patrol shall maintain balanced law enforcement coverage among the troops and is authorized to move trooper positions from one troop to another to maintain balanced coverage.

"**SECTION 28.28.(d)** The Commander of the State Highway Patrol shall report on the number of positions eliminated for fiscal year 2011-2012. The report shall identify the position number and type; assignment area or organizational unit; whether the position was filled or vacant; personnel savings achieved; and any severance paid. The report shall also include alternatives considered to the implemented reductions in force. The Commander shall submit the report to the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the Senate Appropriations Committee on Justice and Public Safety, and the Joint Legislative Crime Control and Public Safety Oversight Committee no later than March 1, 2012."

SECTION 53.(b) Section 28.28 of Session Law 2011-145 is amended by adding a new subsection to read:

"**SECTION 28.28.(e)** Notwithstanding G.S. 20-192, to achieve the savings required by this section, the Commander of the State Highway Patrol may reassign personnel from the Patrol headquarters, except for those positions listed in subsection (b) of this section, to Troop Headquarters or district offices throughout the State."

SECTION 54. G.S. 20-85(a1)(2), as amended by Section 28.30(a) of Session Law 2011-145, reads as rewritten:

"(2) Any additional funds collected shall be credited to the Highway Trust Fund and, notwithstanding G.S. 136-176(b), shall be allocated and used for urban loop projects."

SECTION 55. The introductory language of Section 28.32(c) of Session Law 2011-145 reads as rewritten:

"**SECTION 28.32.(c)** Effective for the 2011-2012 fiscal year only, G.S. 136-176(b2), as amended by Section 28.7(g) of S.L. 2010-31, reads as rewritten:".

SECTION 56. The introductory language of Section 28.32(e) of Session Law 2011-145 reads as rewritten:

"**SECTION 28.32.(e)** ~~G.S. 136-189.183(a)(2)~~ G.S. 136-89.183(a)(2) reads as rewritten:".

SECTION 57. Section 28.33(d) of Session Law 2011-145 is repealed.

SECTION 58. G.S. 136-180, as amended by Section 28.34(a) of Session Law 2011-145, reads as rewritten:

"**§ 136-180. Urban loops.**

Funds allocated from the Trust Fund for urban loops may be used only for urban loops as designated and prioritized by the Department of ~~Transportation.~~Transportation around the U.S. Census Bureau's defined urbanized areas."

SALARIES AND BENEFITS

SECTION 59.(a) Section 29.21A of Session Law 2011-145 is repealed.

SECTION 59.(b) G.S. 126-7.1 is rewritten to read:

"**§ 126-7.1. Posting requirement; State employees receive priority consideration; reduction-in-force; Work First hiring.**

(a) All vacancies for which any State agency, department, or institution openly recruit shall be posted in a place readily accessible to employees within at least the following:

(1) The personnel office of the agency, department, or institution having the vacancy; and

(2) The particular work unit of the agency, department, or institution having the vacancy.

If the decision is made, initially or at any time while the vacancy remains open, to receive applicants from outside the recruiting agency, department, or institution, the vacancy shall also be listed on a website maintained by the Office of State Personnel for the purpose of informing current State employees and the public of such vacancy. The State agency, department, or institution may not receive approval from the Office of State Personnel to fill a job vacancy if the agency, department, or institution cannot prove to the satisfaction of the Office of State Personnel that it complied with these posting requirements. The agency, department, or institution which hires any person in violation of these posting requirements shall pay such person when employment is discontinued as a result of such violation for the work performed during the period of time between his initial employment and separation.

(a1) State employees to be affected by a reduction in force shall be notified of the reduction in force as soon as practicable, and in any event, no less than 30 days prior to the effective date of the reduction in force.

(a2) The State Personnel Commission shall adopt rules to provide that State employees separated from State employment as the result of reductions in force who accept a position in State government shall be paid a salary no higher than the maximum of the salary grade of the position accepted.

(b) Subsection (a) of this section does not apply to vacancies which must be filled immediately to prevent work stoppage or the protection of the public health, safety, or security.

(c) If a State employee subject to this section:

(1) Applies for another position of State employment that would constitute a promotion and;
(2) Has substantially equal qualifications as an applicant who is not a State employee

then the State employee shall receive priority consideration over the applicant who is not a State employee. This priority consideration shall not apply when the only applicants considered for the vacancy are current State employees.

(c1) If a State employee who has been separated due to reduction in force or who has been given notice of imminent separation due to reduction in force:

(1) Applies for another position of State employment equal to or lower in salary grade than the position held by the employee at the time of notification or separation; and
(2) Has substantially equal qualifications as any other applicant.

then within all State agencies, the State employee who has been notified of or separated due to a reduction in force shall receive priority consideration over all other applicants. This priority shall remain in effect for a period of 12 months from the date the employee receives notification of separation by reduction in force. State employees separated due to reduction in force shall receive higher priority than other applicants with employment or reemployment priorities, except that the reemployment priority created by G.S. 126-5(e)(1) shall be considered as equal.

(d) "Qualifications" within the meaning of subsection (c) of this section shall consist of:

(1) Training or education;
(2) Years of experience; and
(3) Other skills, knowledge, and abilities that bear a reasonable functional relationship to the abilities and skills required in the job vacancy applied for.

(e) Each State agency, department, and institution is encouraged to hire into State government employment qualified applicants who are current or former Work First Program participants.

(f) Each State agency, department, institution, university, community college, and local education agency shall verify, in accordance with the Basic Pilot Program administered by the United States Department of Homeland Security pursuant to 8 U.S.C. § 1101, et seq, each individual's legal status or authorization to work in the United States after hiring the individual as an employee to work in the United States."

SECTION 59.(b) Nothing in this section affects the extended period of priority reconsideration afforded to State employees by Section 26.14D of S.L. 2009-451, as amended by Section 9.3 of S.L. 2009-575.

SECTION 59.(c) This section applies to employees who have been given notice of imminent separation due to reduction in force on or after the date this act becomes law.

SECTION 59A. Section 29.8(a) of S.L. 2011-145 reads as rewritten:

"**SECTION 29.8.(a)** The annual pay of all State employees for the 2011-2013 fiscal biennium shall remain unchanged from that authorized on June 30, 2011, or the last date in pay status during the 2010-2011 fiscal year, if earlier, except that an increase may be allowed under the following special circumstances:

(1) For all State employees regardless of funding source, and for employees of the North Carolina Community College System and local school boards who are paid from State funds, 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 Part. All other salary increases are prohibited.

(1a) For employees of the North Carolina Community College System, notwithstanding subdivision (1) of this subsection, salaries may be increased if the increase is funded from local funding sources.

(2) For The University of North Carolina, (i) faculty using funds from the Faculty Recruiting and Retention Fund, the Distinguished Professors Endowment Fund, or the University Cancer Research Fund in the case of faculty involved in cancer research supported by that fund and (ii) faculty, nonfaculty, and other employee adjustments, including retention adjustments, funded from non-State funding sources.

(3) For employees of the judicial branch, for local supplementation as authorized by G.S. 7A-300.1.

The cumulative salary adjustment allowed under this subsection for the 2011-2012 fiscal year may exceed ten percent (10%) of annual salary only if the adjustment is approved in advance by the Office of State Budget and Management, The University of North Carolina Board of Governors, the Board of the North Carolina Community College System, the Legislative Services Commission, the local board of education, or other authorized body as appropriate."

SECTION 60. Section 30.5 of Session Law 2011-145 reads as rewritten:

"**REPAIRS AND RENOVATIONS RESERVE ALLOCATION**

"**SECTION 30.5.(a)** Of the funds in the Reserve for Repairs and Renovations for the 2011-2012 fiscal year, fifty percent (50%) 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,~~G.S. 143C-4-3, and fifty percent (50%) 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. The Board of Governors shall report to the Joint Legislative Commission on Governmental Operations in accordance with G.S. 143C-4-3(d).

"**SECTION 30.5.(b)** ~~Of~~ Notwithstanding G.S. 143C-4-3(d), 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 of North Carolina'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 30.5.(c)** ~~Of~~ Notwithstanding G.S. 143C-4-3(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 campus public safety improvements allowable under G.S. 143C-4-3(b)."

SECTION 61. Section 30.6 of Session Law 2011-145 reads as rewritten:

"**PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS**

"**SECTION 30.6.** The appropriations made by the 2011 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. Provided further that this requirement shall not apply to projects of The University of North Carolina financed with funds available to the institutions from gifts, grants, receipts, self-liquidating indebtedness, Medicare reimbursements for education costs, hospital receipts from patient care, or other funds, or any combination of these funds, but not including funds received for tuition or appropriated from the General Fund of the State.

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 2011 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 2011 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."

FEE PROVISIONS

SECTION 62. G.S. 7A-307(a)(4), as amended by Section 31.23(d) of Session Law 2011-145, reads as rewritten:

"**SECTION 31.23.(d)** G.S. 7A-307(a) reads as rewritten:

'(a) In the administration of the estates of decedents, minors, incompetents, of missing persons, and of trusts under wills and under powers of attorney, in trust proceedings under G.S. 36C-2-203, and in collections of personal property by affidavit, the following costs shall be assessed:

...

(4) For the support of the General Court of Justice, the sum of twenty dollars ($20.00) shall accompany any filing requiring a notice of hearing and containing one or more motions not listed in G.S. 7A-308 that is filed with the clerk. No costs shall be assessed to a motion containing as a sole claim for relief the taxing of costs, including attorneys' fees.'"

SECTION 63.(a) If House Bill 642, 2011 Regular Session, becomes law, then Section 7(o) of that act is repealed.

SECTION 63.(b) Session Law 2011-145 is amended by adding a new section to read:

"CODIFY APPLICATION OF CHANGES TO COURT COSTS

"SECTION 31.23B. G.S. 7A-304 is amended by adding a new subsection to read:

'(g) Changes to the costs or fees in this section apply to costs or fees assessed or collected on or after the effective date of the change. However, in misdemeanor or infraction cases disposed of on or after the effective 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), and within the time limit imposed by G.S. 7A-304(a)(6), in which the citation or other criminal process was issued before the effective date, the costs or fees shall be the lesser of those specified in this section as amended, or those specified in the notice portion of the defendant's or respondent's copy of the citation or other criminal process, if any costs or fees are specified in that notice.'"

SECTION 64. Session Law 2011-145 is amended by adding a new section to read:

"WITNESS FEE AMENDMENT

"SECTION 31.23C.(a) G.S. 7A-314 reads as rewritten:

'§ 7A-314. Uniform fees for witnesses; experts; limit on number.

(a) A witness under subpoena, bound over, or recognized, other than a salaried State, county, or municipal law-enforcement officer, or an out-of-state witness in a criminal case, whether to testify before the court, Judicial Standards Commission, jury of view, magistrate, clerk, referee, commissioner, appraiser, or arbitrator shall be entitled to receive five dollars ($5.00) per day, or fraction thereof, during his attendance, which, except as to witnesses before the Judicial Standards Commission, must be certified to the clerk of superior court. Compensation of witnesses 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 witnesses provided under G.S. 7A-454 shall be in accordance with rules established by the Office of Indigent Defense Services.

(b) A witness entitled to the fee set forth in subsection (a) of this section, and a law-enforcement officer who qualifies as a witness, shall be entitled to receive reimbursement for travel expenses as follows:

(1) A witness whose residence is outside the county of appearance but within 75 miles of the place of appearance shall be entitled to receive mileage reimbursement at the rate currently authorized for State employees, for each mile necessarily traveled from his place of resident to the place of appearance and return, each day. Reimbursements to witnesses 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. Reimbursements to witnesses provided under G.S. 7A-454 shall be in

accordance with rules established by the Office of Indigent Defense Services.

(2) A witness whose residence is outside the county of appearance and more than 75 miles from the place of appearance shall be entitled to receive mileage reimbursement at the rate currently authorized State employees for one round-trip from his place of residence to the place of appearance. A witness required to appear more than one day shall be entitled to receive reimbursement for actual expenses incurred for lodging and meals not to exceed the maximum currently authorized for State employees, in lieu of daily mileage. Reimbursements to witnesses 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. Reimbursements to witnesses provided under G.S. 7A-454 shall be in accordance with rules established by the Office of Indigent Defense Services.

(c) A witness who resides in a state other than North Carolina and who appears for the purpose of testifying in a criminal action and proves his attendance may be compensated at the rate allowed to State officers and employees by subdivisions (1) and (2) of G.S. 138-6(a) for one round-trip from his place of residence to the place of appearance, and five dollars ($5.00) for each day that he is required to travel and attend as a witness, upon order of the court based upon a finding that the person was a necessary witness. If such a witness is required to appear more than one day, he is also entitled to reimbursement for actual expenses incurred for lodging and meals, not to exceed the maximum currently authorized for State employees. Reimbursements to witnesses 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. Reimbursements to witnesses provided under G.S. 7A-454 shall be in accordance with rules established by the Office of Indigent Defense Services.

(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.

....'

"**SECTION 31.23C.(b)** G.S. 7A-454 reads as rewritten:

'**§ 7A-454. Supporting services.**

Fees for the services of an expert witness or other witnesses, paid in accordance with G.S. 7A-314, including travel expenses, lodging, and other appearance expenses, for an indigent person and other necessary expenses of counsel shall be paid by the State in accordance with rules adopted by the Office of Indigent Defense Services.'"

SECTION 65. The title of Section 31.25 of Session Law 2011-145 reads as rewritten:

"~~**JPS/AOC/INCREASE**~~**JPS/DOC/INCREASE INTERSTATE COMPACT FEE."**

SECTION 66. Section 31.26A of Session Law 2011-145 is repealed.

MISCELLANEOUS PROVISIONS

COMMITTEE REPORT

SECTION 67.(a) The Senate Appropriations Committee Report on the Continuation, Expansion, and Capital Budgets dated June 16, 2011, 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 S.L. 2011-145 and this act, and shall therefore be used to construe such acts, as provided in the State Budget Act, Chapter 143C of the General Statutes, and for these purposes shall be considered a part of such acts and as such shall be printed as a part of the Session Laws.

SECTION 67.(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 2011-2013 biennial 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 a recommended continuation budget to the General Assembly on February 15, 2011, in the document "The State of North Carolina Governor's Recommended Budget, 2011-2013" and in the Budget Support Document for the various departments, institutions, and other spending agencies of the State. The adjustments to these documents made by the General Assembly in S.L. 2011-145 and this act are set out in the Committee Report.

SECTION 67.(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.

EFFECTIVE DATE

SECTION 68. Unless otherwise provided, this act becomes effective July 1, 2011.

ATTACHMENT 3

SENATE APPROPRIATIONS COMMITTEE

REPORT
ON THE
CONTINUATION, EXPANSION
AND
CAPITAL BUDGETS

Proposed Senate Committee Substitute for
House Bill 22

June 16, 2011

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General Fund Availability Statement

		FY 2011-12	FY 2012-13
1	Unappropriated Balance Remaining		13,980,015
2	Ending Unreserved Fund Balance for FY 2009-10	236,902,394	0
3	Anticipated Reversions for FY 2010-11 - Session Law 2011-15 (S.B. 109)	537,740,799	0
4	Anticipated Overcollections from FY 2010-11	180,800,000	0
5	Repayment of Medicaid Receipts in FY 2010-11	(125,000,000)	0
6	**Statutory Earmarks:**		
7	Savings Reserve Account	(185,000,000)	0
8	Repairs and Renovations Reserve Account	(124,500,000)	0
9	**Beginning Unreserved Fund Balance**	**520,943,193**	**13,980,015**
10	**Revenues Based on Existing Tax Structure**	**18,129,800,000**	**19,181,900,000**
11	**Non-tax Revenues**		
12	Investment Income	59,400,000	76,700,000
13	Judicial Fees	217,800,000	217,800,000
14	Disproportionate Share	100,000,000	100,000,000
15	Insurance	71,400,000	73,500,000
16	Other Non-Tax Revenues	182,500,000	182,500,000
17	Highway Trust Fund/Use Tax Reimbursement Transfer	41,500,000	27,600,000
18	Highway Fund Transfer	20,230,000	24,080,000
19	**Subtotal Non-tax Revenues**	**692,830,000**	**702,180,000**
20	**Total General Fund Availability**	**19,343,573,193**	**19,898,060,015**
21	**Adjustments to Availability: 2011 Session**		
22	Loss of Estate Tax	(57,100,000)	(72,200,000)
23	Small Business Tax Relief Package	(131,600,000)	(335,600,000)
24	Repeal Wildlife Resources Commission Sales Tax Earmark	22,970,000	23,920,000
25	Suspend Corporate Income Tax Earmark (Public School Construction)	72,110,000	74,750,000
26	Increase in Judicial Fees	61,765,715	61,765,715
27	Increase Investment Company Notice Filing Fee	1,600,000	1,600,000
28	Increase Parking Fees for Visitors	550,000	550,000
29	Loss of Revenue from the Town of Butner	(1,213,235)	(1,213,235)
30	Transfer from E-Commerce Reserve Fund	4,483,526	0
31	Divert Funds from Parks & Recreation Trust Fund	8,435,000	0
32	Divert Funds from Recreational/ Natural Heritage Trust Fund	8,000,000	0
33	Transfer from Highway Fund for State Highway Patrol	196,849,542	188,209,049
34	Transfer Additional Funds from Highway Trust Fund	35,223,642	0
35	Transfer from Mercury Prevention Pollution Fund	250,000	0
36	Transfer from Commerce - Enterprise Fund	500,000	
37	Divert Funds from Scrap Tire Disposal Account	2,268,989	0
38	Divert Funds from White Goods Management Account	1,951,465	0
39	Diversion of Golden LEAF Funds	17,563,760	17,563,760
40	Master Settlement Agreement Funds	24,668,720	25,580,772
41	Transfer Health and Wellness Trust Funds to Public Health	32,904,411	0
42	Department of Revenue - Accounts Receivable Program	25,000,000	25,000,000
43	Medicaid Disproportionate Share Receipts	15,000,000	15,000,000
44	Adjust Transfer from Insurance Regulatory Fund	(742,348)	(742,348)
45	Adjust Transfer from Treasurer's Office	(3,881,172)	(3,916,453)
46	Transfer from NC Flex FICA Funds	1,000,000	0
47	Proceeds from the Sale of State Assets	15,000,000	25,000,000
48	**Subtotal Adjustments to Availability: 2011 Session**	**353,558,015**	**45,267,260**
49	**Revised General Fund Availability**	**19,697,131,208**	**19,943,327,275**
50	Less General Fund Appropriations	(19,683,151,193)	(19,943,327,275)
51	**Unappropriated Balance Remaining**	**13,980,015**	**0**

SUMMARY:

GENERAL FUND APPROPRIATIONS

SUMMARY OF GENERAL FUND APPROPRIATIONS 2011 Legislative Session: Fiscal Year 2011-12						
		Legislative Adjustments				Revised
	Continuation Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2011-12
Education						
Community Colleges	1,102,475,214	(109,875,214)	(7,600,000)	(117,475,214)	(25.00)	985,000,000
Public Education	7,923,543,951	(341,814,675)	(117,237,219)	(459,051,894)	(99.50)	7,464,492,057
University System	2,887,492,464	(332,663,591)	(14,453,741)	(347,117,332)	309.80	2,540,375,132
Total Education	**11,913,511,629**	**(784,353,480)**	**(139,290,960)**	**(923,644,440)**	**185.30**	**10,989,867,189**
Health and Human Services						
Central Management and Support	70,229,335	(25,651,348)	5,599,390	(20,051,958)	(288.00)	50,177,377
Aging and Adult Services	37,419,667	(400,000)	0	(400,000)	0.00	37,019,667
Blind and Deaf / Hard of Hearing Services	8,389,110	0	0	0	0.00	8,389,110
Child Development	261,759,600	10,695,977	(6,352,644)	4,343,333	0.00	266,102,933
Health Service Regulation	17,925,590	0	(1,792,559)	(1,792,559)	0.00	16,133,031
Medical Assistance	3,314,539,538	(340,004,970)	(16,146,384)	(356,151,354)	(30.00)	2,958,388,184
Mental Health, Dev. Disabilities and Sub. Abuse	723,675,112	(12,962,880)	(45,000,000)	(57,962,880)	(7.00)	665,712,232
NC Health Choice	88,373,806	(8,921,489)	0	(8,921,489)	0.00	79,452,317
Public Health	161,930,589	(4,391,755)	32,904,411	28,512,656	(25.00)	190,443,245
Social Services	202,245,063	(16,061,995)	0	(16,061,995)	(2.00)	186,183,068
Vocational Rehabilitation	41,252,238	(2,058,522)	(2,067,928)	(4,126,450)	(5.00)	37,125,788
Total Health and Human Services	**4,927,739,648**	**(399,756,982)**	**(32,855,714)**	**(432,612,696)**	**(357.00)**	**4,495,126,952**
Justice and Public Safety						
Correction	1,421,644,768	(71,332,902)	(12,495,520)	(83,828,422)	(499.00)	1,337,816,346
Crime Control & Public Safety	34,175,427	191,083,368	0	191,083,368	2,310.50	225,258,795
Judicial Department	477,189,575	(39,454,220)	1,184,693	(38,269,527)	(302.50)	438,920,048
Judicial - Indigent Defense	122,770,246	(10,021,513)	(2,657,207)	(12,678,720)	(11.40)	110,091,526
Justice	89,670,944	(8,806,806)	(160,125)	(8,966,931)	(105.31)	80,704,013
Juvenile Justice & Delinquency Prevention	151,295,187	(19,563,395)	3,861,900	(15,701,495)	(278.60)	135,593,692
Total Justice and Public Safety	**2,296,746,147**	**41,904,532**	**(10,266,259)**	**31,638,273**	**1,113.69**	**2,328,384,420**

SUMMARY OF GENERAL FUND APPROPRIATIONS 2011 Legislative Session: Fiscal Year 2011-12						
		Legislative Adjustments				Revised
	Continuation Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2011-12
Natural and Economic Resources						
Agriculture and Consumer Services	61,754,014	(1,555,380)	5,262,230	3,706,850	(8.00)	65,460,864
Commerce	38,907,381	(5,920,640)	17,865,599	11,944,959	(20.00)	50,852,340
Commerce - State Aid	31,169,289	(2,190,286)	3,872,022	1,681,736	0.00	32,851,025
Environment and Natural Resources	188,972,401	(36,366,265)	13,178,751	(23,187,514)	(160.51)	165,784,887
Clean Water Mgmt. Trust Fund	100,000,000	(88,750,000)	0	(88,750,000)	0.00	11,250,000
Labor	16,842,679	(1,005,792)	0	(1,005,792)	(9.00)	15,836,887
NC Biotechnology Center	19,501,900	(1,950,190)	0	(1,950,190)	0.00	17,551,710
Rural Economic Development Center	22,640,814	(2,264,085)	5,000,000	2,735,915	0.00	25,376,729
Wildlife Resources Commission	0	17,221,179	778,821	18,000,000	0.00	18,000,000
Total Natural & Economic Resources	**479,788,478**	**(122,781,459)**	**45,957,423**	**(76,824,036)**	**(197.51)**	**402,964,442**
General Government						
Administration	69,700,026	(5,251,083)	0	(5,251,083)	(83.84)	64,448,943
Auditor	13,063,656	(1,206,082)	0	(1,206,082)	(13.00)	11,857,574
Cultural Resources	72,664,633	(8,639,776)	0	(8,639,776)	(97.50)	64,024,857
Cultural Resources - Roanoke Island Comm.	2,406,982	(601,746)	0	(601,746)	0.00	1,805,236
General Assembly	54,593,047	(8,993,377)	7,572,506	(1,420,871)	(9.00)	53,172,176
Governor	6,189,478	(1,448,321)	0	(1,448,321)	0.00	4,741,157
Housing Finance Agency	13,877,996	(4,204,945)	0	(4,204,945)	0.00	9,673,051
Insurance	33,458,756	2,935,165	0	2,935,165	(3.00)	36,393,921
Insurance - Worker's Compensation Fund	4,500,000	(706,000)	(1,500,000)	(2,206,000)	0.00	2,294,000
Lieutenant Governor	954,868	(172,225)	0	(172,225)	(1.00)	782,643
Office of Administrative Hearings	4,328,822	(186,564)	0	(186,564)	(2.00)	4,142,258
Revenue	88,370,399	(10,170,861)	0	(10,170,861)	(106.00)	78,199,538
Secretary of State	11,076,972	(422,409)	0	(422,409)	(4.00)	10,654,563
State Board of Elections	6,189,011	(1,002,408)	0	(1,002,408)	(14.00)	5,186,603
State Budget and Management (OSBM)	6,963,796	(1,115,133)	0	(1,115,133)	(6.00)	5,848,663
OSBM - Special Appropriations	5,934,311	(5,493,699)	1,500,000	(3,993,699)	(13.00)	1,940,612
State Controller	32,517,077	(3,539,584)	(608,536)	(4,148,120)	(18.50)	28,368,957
Treasurer - Operations	10,538,203	(3,881,172)	0	(3,881,172)	(36.00)	6,657,031
Treasurer - Fire/Rescue Retirement	17,812,114	0	0	0	0.00	17,812,114
Total General Government	**455,140,147**	**(54,100,220)**	**6,963,970**	**(47,136,250)**	**(406.84)**	**408,003,897**

SUMMARY OF GENERAL FUND APPROPRIATIONS 2011 Legislative Session: Fiscal Year 2011-12						
		Legislative Adjustments				Revised
	Continuation Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2011-12
Debt Service and Statewide Reserves						
Debt Service						
Interest / Redemption	705,905,183	(16,947,995)	0	(16,947,995)	0.00	688,957,188
Federal Reimbursement	1,616,380	0	0	0	0.00	1,616,380
Subtotal Debt Service	**707,521,563**	**(16,947,995)**	**0**	**(16,947,995)**	**0.00**	**690,573,568**
Statewide Reserves						
Contingency and Emergency Fund	5,000,000	0	0	0		5,000,000
State Retirement System Contributions	0	248,100,000		248,100,000		248,100,000
Judicial Retirement System Contribution	0	6,800,000	0	6,800,000		6,800,000
Firemen & Rescue Squad Workers Pension Fund		4,318,042	0	4,318,042		4,318,042
National Guard Pension Fund		0	0	0		0
State Health Plan	0	7,119,541		7,119,541		7,119,541
Information Technology Fund	7,840,000	(1,537,574)	(1,844,284)	(3,381,858)	(3.00)	4,458,142
Job Development Investment Grants (JDIG)	27,400,000	0	(12,000,000)	(12,000,000)		15,400,000
Continuation Review Reserve						
Review of Compensation Plans			2,000,000	2,000,000		2,000,000
Automated Fraud Detection Development			1,000,000	1,000,000		1,000,000
Controller- Fraud Detection Development			500,000	500,000		500,000
Severance Expenditure Reserve			69,000,000	69,000,000		69,000,000
Subtotal Statewide Reserves	**40,240,000**	**264,800,009**	**58,655,716**	**323,455,725**	**(3.00)**	**363,695,725**
Total Reserves and Debt Service	**747,761,563**	**247,852,014**	**58,655,716**	**306,507,730**	**(3.00)**	**1,054,269,293**
Total General Fund for Operations	**20,820,687,612**	**(1,071,235,595)**	**(70,835,824)**	**(1,142,071,419)**	**334.64**	**19,678,616,193**
Capital Improvements						
Water Resources Development Projects	0	0	4,535,000	4,535,000	0.00	4,535,000
Total Capital Improvements	**0**	**0**	**4,535,000**	**4,535,000**	**0.00**	**4,535,000**
Total General Fund Budget	**20,820,687,612**	**(1,071,235,595)**	**(66,300,824)**	**(1,137,536,419)**	**334.64**	**19,683,151,193**

SUMMARY OF GENERAL FUND APPROPRIATIONS						
2011 Legislative Session: Fiscal Year 2012-13						
		Legislative Adjustments				Revised
	Continuation Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2012-13
Education						
Community Colleges	1,102,475,214	(117,475,214)	0	(117,475,214)	(25.00)	985,000,000
Public Education	7,923,543,951	(338,626,804)	(134,917,147)	(473,543,951)	(99.50)	7,450,000,000
University System	2,886,730,386	(310,045,806)	(25,011,882)	(335,057,688)	205.80	2,551,672,698
Total Education	**11,912,749,551**	**(766,147,824)**	**(159,929,029)**	**(926,076,853)**	**81.30**	**10,986,672,698**
Health and Human Services						
Central Management and Support	70,229,335	(25,651,348)	0	(25,651,348)	(288.00)	44,577,987
Aging and Adult Services	37,419,667	(400,000)	0	(400,000)	0.00	37,019,667
Blind and Deaf / Hard of Hearing Services	8,372,886	0	0	0	0.00	8,372,886
Child Development	261,759,600	10,695,977	(6,352,644)	4,343,333	0.00	266,102,933
Health Service Regulation	17,925,590	0	(1,792,559)	(1,792,559)	0.00	16,133,031
Medical Assistance	3,314,539,538	(382,523,695)	(24,739,541)	(407,263,236)	(40.00)	2,907,276,302
Mental Health, Dev. Disabilities and Sub. Abuse	723,675,112	(12,962,880)	0	(12,962,880)	(7.00)	710,712,232
NC Health Choice	88,373,806	(4,655,941)	0	(4,655,941)	0.00	83,717,865
Public Health	161,930,589	(4,391,755)	0	(4,391,755)	(25.00)	157,538,834
Social Services	202,245,063	(16,061,995)	0	(16,061,995)	(2.00)	186,183,068
Vocational Rehabilitation	41,654,578	(2,058,522)	(2,067,928)	(4,126,450)	(5.00)	37,528,128
Total Health and Human Services	**4,928,125,764**	**(438,010,159)**	**(34,952,672)**	**(472,962,831)**	**(367.00)**	**4,455,162,933**
Justice and Public Safety						
Correction	1,418,867,332	(59,302,927)	(11,153,612)	(70,456,539)	(439.00)	1,348,410,793
Crime Control & Public Safety	34,175,427	180,989,091	0	180,989,091	2,310.50	215,164,518
Judicial Department	477,189,575	(40,367,468)	(1,681,000)	(42,048,468)	(388.50)	435,141,107
Judicial - Indigent Defense	122,770,246	(10,021,513)	0	(10,021,513)	(11.40)	112,748,733
Justice	89,670,944	(8,806,806)	0	(8,806,806)	(105.31)	80,864,138
Juvenile Justice & Delinquency Prevention	151,295,187	(20,154,622)	0	(20,154,622)	(278.60)	131,140,565
Total Justice and Public Safety	**2,293,968,711**	**42,335,755**	**(12,834,612)**	**29,501,143**	**1,087.69**	**2,323,469,854**

SUMMARY OF GENERAL FUND APPROPRIATIONS

2011 Legislative Session: Fiscal Year 2012-13

		Legislative Adjustments				Revised
	Continuation Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2012-13
Natural and Economic Resources						
Agriculture and Consumer Services	61,754,014	(1,555,380)	2,000,000	444,620	(14.00)	62,198,634
Commerce	38,907,381	(5,656,918)	0	(5,656,918)	(22.00)	33,250,463
Commerce - State Aid	31,169,289	(1,717,305)	700,000	(1,017,305)	0.00	30,151,984
Environment and Natural Resources	188,972,401	(34,824,296)	(6,000,000)	(40,824,296)	(296.47)	148,148,105
Clean Water Mgmt. Trust Fund	100,000,000	(88,750,000)	0	(88,750,000)	0.00	11,250,000
Labor	16,842,679	(1,005,792)	0	(1,005,792)	(9.00)	15,836,887
NC Biotechnology Center	19,501,900	(1,950,190)	0	(1,950,190)	0.00	17,551,710
Rural Economic Development Center	22,640,814	(2,264,085)	5,000,000	2,735,915	0.00	25,376,729
Wildlife Resources Commission	0	17,221,179	0	17,221,179	0.00	17,221,179
Total Natural and Economic Resources	**479,788,478**	**(120,502,787)**	**1,700,000**	**(118,802,787)**	**(341.47)**	**360,985,691**
General Government						
Administration	69,700,026	(3,346,953)	0	(3,346,953)	(83.84)	66,353,073
Auditor	13,063,656	(2,387,621)	0	(2,387,621)	(26.00)	10,676,035
Cultural Resources	72,664,633	(10,967,632)	0	(10,967,632)	(114.00)	61,697,001
Cultural Resources - Roanoke Island Comm.	2,406,982	(1,203,491)	0	(1,203,491)	0.00	1,203,491
General Assembly	54,593,047	(7,488,839)	3,000,000	(4,488,839)	(47.75)	50,104,208
Governor	6,189,478	(1,448,321)	0	(1,448,321)	0.00	4,741,157
Housing Finance Agency	13,877,996	(4,204,945)	0	(4,204,945)	0.00	9,673,051
Insurance	33,458,756	2,935,165	0	2,935,165	(3.00)	36,393,921
Insurance - Worker's Compensation Fund	4,500,000	(1,876,346)	0	(1,876,346)	0.00	2,623,654
Lieutenant Governor	954,868	(259,544)	0	(259,544)	(1.00)	695,324
Office of Administrative Hearings	4,328,822	(186,564)	0	(186,564)	(2.00)	4,142,258
Revenue	88,370,399	(10,170,861)	0	(10,170,861)	(106.00)	78,199,538
Secretary of State	11,076,972	(422,409)	0	(422,409)	(4.00)	10,654,563
State Board of Elections	6,189,011	(1,062,408)	0	(1,062,408)	(14.00)	5,126,603
State Budget and Management (OSBM)	6,963,796	(1,115,133)	0	(1,115,133)	(6.00)	5,848,663
OSBM - Special Appropriations	5,934,311	(5,493,699)	0	(5,493,699)	(13.00)	440,612
State Controller	32,517,077	(3,539,584)	(608,536)	(4,148,120)	(18.50)	28,368,957
Treasurer - Operations	10,538,203	(3,916,453)	0	(3,916,453)	(36.00)	6,621,750
Treasurer - Fire/Rescue Retirement	17,812,114	0	0	0	0.00	17,812,114
Total General Government	**455,140,147**	**(56,155,638)**	**2,391,464**	**(53,764,174)**	**(475.09)**	**401,375,973**

SUMMARY OF GENERAL FUND APPROPRIATIONS
2011 Legislative Session: Fiscal Year 2012-13

		Legislative Adjustments				Revised
	Continuation Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2012-13
Debt Service and Statewide Reserves						
Debt Service:						
Interest / Redemption	705,905,183	54,079,791	0	54,079,791		759,984,974
Federal Reimbursement	1,616,380	0	0	0		1,616,380
Subtotal Debt Service	**707,521,563**	**54,079,791**	**0**	**54,079,791**	**0.00**	**761,601,354**
Statewide Reserves:						
Contingency and Emergency Fund	5,000,000	0	0	0		5,000,000
State Retirement System Contributions	0	336,000,000	0	336,000,000		336,000,000
Judicial Retirement System Contribution	0	7,800,000	0	7,800,000		7,800,000
Firemen & Rescue Squad Workers Pension Fund		5,366,928	0	5,366,928		5,366,928
National Guard Pension Fund		0	0	0		0
State Health Plan	0	102,151,104	0	102,151,104		102,151,104
Information Technology Fund	7,840,000	162,426	(1,844,284)	(1,681,858)	(3.00)	6,158,142
Job Development Investment Grants (JDIG)	27,400,000	0	0	0		27,400,000
Continuation Review Reserve			35,576,758	35,576,758		35,576,758
Compensation Adjustment, Performance Pay Reserve	0	121,105,840		121,105,840		121,105,840
Automated Fraud Detection Development			7,000,000	7,000,000		7,000,000
Controller- Fraud Detection Development			500,000	500,000		500,000
Subtotal Statewide Reserves	**40,240,000**	**572,586,298**	**41,232,474**	**613,818,772**	**(3.00)**	**654,058,772**
Total Reserves and Debt Service	**747,761,563**	**626,666,089**	**41,232,474**	**667,898,563**	**(3.00)**	**1,415,660,126**
Total General Fund for Operations	**20,817,534,214**	**(711,814,564)**	**(162,392,375)**	**(874,206,939)**	**(17.57)**	**19,943,327,275**
Capital Improvements						
Water Resources Development Projects	0	0	0	0	0.00	0
Total Capital Improvements	**0**	**0**	**0**	**0**	**0.00**	**0**
Total General Fund Budget	**20,817,534,214**	**(711,814,564)**	**(162,392,375)**	**(874,206,939)**	**(14.57)**	**19,943,327,275**

EDUCATION
Section F

Public Education

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$7,923,543,951**		**$7,923,543,951**	
Legislative Changes				
A. Technical Adjustments				
1 ADM Adjustment Fully funds both years of average daily membership (ADM) growth for public schools, providing $55.8 million in FY 2011-12 and $143.1 million in FY 2012-13. This adjustment, which accounts for changes in multiple allotments, has traditionally been included in the continuation budget.	$55,882,651	R	$143,087,414	R
2 Average Salary Adjustment Adjusts several budget lines to account for the decrease in average salaries between FY 2009-10 and FY 2010-11. This adjustment has traditionally been included in the continuation budget.	($21,838,817)	R	($22,040,287)	R
B. Other Public School Funding Adjustments				
3 LEA Adjustment Increases the LEA Adjustment reduction. The State Board of Education will distribute this reduction to all LEAs and charter schools on the basis of ADM. LEAs and charters will then be responsible for identifying budget reductions in order to meet their share of the LEA Adjustment. LEAs are expected to utilize federal EduJobs availability to minimize reducing position allotments.	($124,217,542)	R	($198,293,574)	R
4 Class Size Reduction in Grades 1-3 Adds funding for 1,124 additional teaching positions in FY 2011-12 and 1,144 additional teaching positions in FY 2012-13 to reduce the classroom teacher allotment ratios for grades 1-3 from 1 teacher per 18 students to 1 teacher per 17 students in both years of the biennium. A related provision, Section 7.1B, expresses the intent of the General Assembly to add additional teachers as funds become available with a goal of reducing the teacher allotment ratio in grades 1-3 to 1 teacher for every 15 students.	$61,697,942	R	$62,767,803	R
5 Education Reform Studies Provides nonrecurring funding for studies of third grade literacy programs and ways to reduce the need for remedial or developmental education in the State's higher education institutions. Funding will be available to hire an outside consultant to examine these topics.	$200,000	NR		

	FY 11-12		FY 12-13	
6 Testing Eliminates funding for four End of Course tests eliminated by S.L. 2011-8 and not required by federal law. Those tests are United States History, Civics and Economics, Algebra II, and Physical Science. The remaining testing funds are then reduced a further 10%, leaving $8.8 million available for testing in each year of the biennium.	($2,725,029)	R	($2,729,677)	R
7 Dropout Prevention Grants Eliminates funding for the Dropout Prevention Grant program.	($13,290,683)	R	($13,290,683)	R
8 Student Diagnostics Eliminates funding for the Student Diagnostics pilot program.	($10,000,000)	R	($10,000,000)	R
9 Learn & Earn Online Eliminates funding for Learn & Earn Online courses provided through the UNC system.	($4,875,000)	R	($4,875,000)	R
10 Noninstructional Support Personnel Reduces this allotment, which supports clerical, janitorial, substitute teachers, and other personnel, by 15% in both years of the biennium. $337.1 million will remain in this allotment in FY 2011-12 and $340.3 million will remain in FY 2012-13.	($59,497,471)	R	($60,054,792)	R
11 Textbooks Reduces funding for textbooks. $23.4 million will remain in this allotment in FY 2011-12 and $27.2 million will remain available in FY 2012-13.	($13,000,000) ($79,166,861)	R NR	($13,000,000) ($76,500,000)	 NR
12 Instructional Supplies Reduces funding for this allotment by approximately 46%. $49.3 million will remain in this allotment in FY 2011-12 and $50.2 million will remain available in FY 2012-13.	($3,450,000) ($38,520,358)	R NR	($3,450,000) ($38,417,147)	R NR
13 Central Office Administration Reduces the allotment to LEAs for the salaries and benefits of central office staff by 16%. This staff includes, but is not limited to, superintendents, associate and assistant superintendents, finance officers, athletic trainers, and transportation directors. $90.4 million will remain to support these local staff in FY 2011-12 and $90.5 million will remain available in FY 2012-13.	($17,211,294)	R	($17,254,494)	R
14 School Building Administration Reduces the funding for assistant principal months of employment by approximately 18.8%. This reduction does not reduce any guaranteed principal positions. $304.4 million will remain in this allotment in FY 2011-12 and $306.6 million will remain available in FY 2012-13.	($22,193,080)	R	($22,403,290)	R

	FY 11-12		FY 12-13	
15 School Building Administration Position Conversion Reduces funding for this allotment based on a modification of the allowable conversion of assistant principal and principal months of employment. Currently, LEAs are allowed to "cash-out" their allotted SBA months of employment at the State-average salary and benefits, and then use the money for other purposes. This section would continue to allow conversions, but only at the equivalent amount for a beginning Principal III for converted principal positions, and the equivalent amount for a beginning assistant principal for cashed-out assistant principal positions.	($7,700,000)	R	($7,700,000)	R
16 Instructional Support Reduces this allotment, which supports guidance counselors, social workers, media specialists, and other miscellaneous personnel, by 5%. $435.8 million will remain in this allotment in FY 2011-12 and $439.9 million will remain available in FY 2012-13.	($22,934,278)	R	($23,149,479)	R
17 Transportation Reduces funding for the allotment, which supports the salaries of transportation personnel as well as the maintenance of yellow buses by 2.5%. $403.3 million will remain in this allotment in FY 2011-12 and $407.2 million will remain available in FY 2012-13.	($10,340,115)	R	($10,442,266)	R
18 School Bus Replacement Provides full funding for school bus replacement in FY 2011-12, and reduces the funding on a nonrecurring basis in FY 2012-13. The Department of Public Instruction shall utilize these funds only to support financing payments on previously purchased buses or for finance payments for new replacement buses purchased over the biennium.			($20,000,000)	NR
19 Mentoring Eliminates funding for this allotment. School districts may use State and other funding sources to provide mentoring services for beginning teachers.	($9,214,190)	R	($9,214,190)	R
20 School Technology Fund Eliminates General Fund support for this purpose. An additional $18.0 million for the Fund will remain available from the proceeds of the Civil Penalty and Forfeiture Fund.	($10,000,000)	R	($10,000,000)	R
21 Staff Development Eliminates funding for this allotment. School districts may use State and other funding sources to support professional development.	($12,565,063)	R	($12,626,995)	R
22 Uniform Education Reporting System (UERS) Reduces funding for the Uniform Education Reporting System (UERS) and the related NC WISE system as it moves into an operations and maintenance phase. This adjustment will leave $10.3 million in annual appropriations available for UERS operations.	($2,101,213)	R	($2,101,213)	R

	FY 11-12		FY 12-13	
23 More at Four Funding Reduction Reduces More at Four General Fund support by $16 million, or approximately 20%.	($16,000,000)	R	($16,000,000)	R
24 More at Four Transfer Transfers the remaining $65 million in General Fund appropriations to the Department of Health and Human Service's Division of Child Development (DCD) to provide a dedicated high-quality pre-K program within its Child Care Subsidy program. In addition, Section 5.4 of the budget bill redirects $63 million in Lottery funding for the program to DCD. A related provision in Section 10.7 of the bill details the particulars of the transfer.	($65,011,651)	R	($65,011,651)	R
25 Liability Insurance for Public School Personnel Establishes a single State-funded liability insurance policy for all North Carolina public schools employees. The State Board of Education shall use funding provided to establish this policy with the North Carolina Department of Public Instruction serving as the master policy holder.	$3,700,000	R	$3,700,000	R
26 JOBS Commission Schools Eliminates planning funding for these two schools which will open in the 2011-12 school year.	($200,000)	R	($200,000)	R
27 Learn and Earn Early College High Schools Transfers planning funding for the two schools recommended by the JOBS Commission. These schools shall be eligible for Learn and Earn Early College allotment funding.	$200,000	R	$200,000	R
C. Pass-through Funds				
28 Teacher Cadet Eliminates State support for this program.	($340,000)	R	($340,000)	R
29 Science Olympiad Eliminates State support for this program.	($127,500)	R	($127,500)	R
30 Kids Voting Eliminates State support for this program.	($50,000)	R	($50,000)	R
31 NC Science, Math and Technical Education Center Eliminates State support for this program.	($100,000)	R	($100,000)	R
32 Tarheel ChalleNGe Academy Provides funds for the phase one construction of the National Guard Tarheel ChalleNGe Academy site in Badin, NC.	$250,000	NR		

	FY 11-12		FY 12-13	
33 Teaching Fellows Fund Reduces the General Fund appropriation for the Teaching Fellows Fund. This reduction reflects a decrease in funds available for administrative costs associated with the Teaching Fellows Program in FY 2011-12 and FY 2012-13. Additionally, funds are reduced in FY 2012-13 to phase out support for this program. It is the intent of the General Assembly to support its obligations to the 2011-12 class of Teaching Fellows and prior classes until the State's scholarship commitment is completed.	($210,000)	R	($3,475,000)	R
D. Department of Public Instruction				
34 DPI Curriculum Division Eliminates 5.5 State-funded positions working on curriculum issues. Of these, 3.5 State-funded positions are eliminated from the Curriculum, Instruction & Technology section, and 2.0 State-funded positions are eliminated from the Career and Technology Education (CTE) section.	($457,690) -5.50	R	($457,690) -5.50	R
35 DPI Technology Services Eliminates 30.0 State-funded positions from DPI's Technology Services section. 102.85 positions (70.72 State-funded) will remain in this section.	($2,712,988) -30.00	R	($2,712,988) -30.00	R
36 DPI Communications Eliminates 4.0 State-funded positions in the Communications section. 15.0 positions (10.8 State-funded) will remain in this section.	($246,586) -4.00	R	($246,586) -4.00	R
37 Learn and Earn Administration Eliminates the State-funded position at DPI supporting Learn & Earn Online.	($139,050) -1.00	R	($139,050) -1.00	R
38 Governor's Education Cabinet Eliminates funding for the 2.0 positions that DPI provides to support the NC Education Cabinet housed in the Office of the Governor.	($206,063) -2.00	R	($206,063) -2.00	R
39 NC Professional Teaching Standards Commission Eliminates the State funding and positions supporting the NC Professional Teaching Standards Commission.	($235,646) -2.00	R	($235,646) -2.00	R
40 Teacher Academy Eliminates State funding for the Teacher Academy, a provider of professional development services for teachers.	($4,762,874) -14.00	R	($4,762,874) -14.00	R
41 North Carolina Center for the Advancement of Teaching (NCCAT) Reduces State support for the operations of this teacher professional development provider.	($3,000,000) -40.00	R	($3,000,000) -40.00	R

	FY 11-12		FY 12-13	
42 Connectivity Eliminates the $350,000 annual transfer from Connectivity to support the e-Learning Portal. Also eliminates the $300,000 annual transfer from Connectivity to support the evaluation of the Connectivity initiative.	($650,000)	R	($650,000)	R
43 Governor's Schools Eliminates State funding for the Governor's Schools. A related provision in Section 7.9 provides the State Board with the discretion to make the program receipt-supported beginning with the summer 2012 program. Funding remains available to provide the program in summer 2011.			($849,588)	R
44 Residential Schools for the Deaf and Blind Eliminates State funding for the superintendent of residential schools position within DPI and reduces the operating budget for Residential Schools for the Deaf and Blind by approximately 5%. For FY 2012-13, DPI must close one of the three residential schools. A related provision, Section 7.25, directs DPI to report to the Joint Education Oversight Committee of the General Assembly the school slated for closure and the Department's plan for consolidating the programs with those at the two remaining schools.	($1,691,445) -1.00	R	($7,191,445) -1.00	R
Total Legislative Changes	**($341,814,675)** **($117,237,219)**	**R** **NR**	**($338,626,804)** **($134,917,147)**	**R**
Total Position Changes	-99.50		-99.50	
Revised Budget	**$7,464,492,057**		**$7,450,000,000**	

Community Colleges

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$1,102,475,214**		**$1,102,475,214**	

Legislative Changes

A. Technical Adjustments

45 Enrollment Growth $34,140,158 R $47,699,747 R

Provides funds to fully fund enrollment growth, including enrollment growth for equipment funding, in both years of the biennium.

According to the FY 2010-11 spring enrollment census, enrollment has increased by 3.3% (8,081 full-time-equivalent students or FTE) above the FY 2010-11 budgeted enrollment of 243,854. Curriculum enrollment has increased by 6,928 FTE (3.6%), continuing education enrollment has increased by 1,396 FTE (4.9%), and basic skills enrollment has decreased by 243 FTE (-1.1%). Total equipment funding for FY 2011-12 is $5,643,030, which maintains the amount per equipment FTE at the FY 2009-10 level. Total requirements for the enrollment growth increase are $45,058,958, of which $10,918,800 is funded from receipts.

Estimated enrollment growth during the FY 2011-12 year is also fully funded with an additional appropriation of $13,559,589, $584,775 of which is for equipment. This adjustment is based on estimated enrollment growth of 1.5% (3,672 FTE). Total requirements for the enrollment growth are $18,478,365, of which $4,918,776 is funded from receipts.

46 Hickory Metro Higher Education Center ($264,833) R ($264,833) R

Transfers categorical funding for the Hickory Metro Higher Education Center at Catawba Valley Community College to the UNC System budget.

B. State Aid Adjustments

47 Management Flexibility Reduction ($50,777,984) R ($58,544,165) R

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.

	FY 11-12		FY 12-13	
48 Curriculum Tuition Increases curriculum tuition by $10 per credit hour in FY 2011-12 and an additional $2.50 per credit hour in FY 2012-13, and makes a corresponding General Fund reduction in anticipation of increased tuition receipts. For FY 2011-12, resident tuition will increase from $56.50 to $66.50 for residents and from $248.50 to $258.50 for nonresidents. Tuition for full-time resident students will increase by a maximum of $320 per year, from $1,808 to $2,128. For FY 2012-13, resident tuition will increase from $66.50 to $69 for residents and from $258.50 to $261 for nonresidents. Tuition for full-time resident students will increase by a maximum of an additional $80 per year, from $2,128 to $2,208.	($47,664,650)	R	($60,393,549)	R
49 Continuing Education Fee Increases continuing education fees by $5 per course, beginning in FY 2012-13, and takes a corresponding General Fund reduction in anticipation of increased tuition receipts. The new fees will be as follows: Classes 1-24 hours - $70, Classes 25-50 hours - $125, Classes 51+ hours - $180.			($664,509)	R
50 Funding Formula Eliminates categorical funding for Health Sciences ($16,842,300), Technical Education ($5,500,000), and Special High Cost Programs allotment for Heavy Equipment ($328,336), and restructures the curriculum and continuing education funding formulas to provide weighted funding based on the type of instruction, as directed in Section 8.3. Curriculum courses in high-cost areas such as healthcare, technical education, and lab-based science courses shall be weighted more heavily than other curriculum courses. Continuing education courses that lead to a third-party credential or certification and courses providing an industry-designed curriculum shall be weighted more heavily than other continuing education courses.	($22,670,636)	R	($22,670,636)	
51 Basic Skills Reduces funding for basic skills education by 12.4%. Total funding remaining for the program will be $86,246,787, with $70,483,463 in State funding and $15,763,628 in federal funding.	($10,000,000)	R	($10,000,000)	R
52 Institutional and Academic Support Eliminates funding for one of the 5.5 general institutional positions in the institutional and academic support enrollment allotment funding formula for community colleges. Total funding remaining in this allotment will be $452.5 million.	($8,548,090)	R	($8,548,090)	R

	FY 11-12		FY 12-13	
53 Customized Training Reduces the Customized Training budget on a one-time basis. Total recurring funding for the program is $12,457,121; however, per G.S. 115D-5.1(f2), unexpended funds for the program do not revert and are instead carried forward to the next year. After this reduction, the total amount available for expenditure in the biennium is expected to be $31,710,340, or $15,855,170 per year. Of these funds, up to $75,000 may be used to support curriculum development, materials, and training for Small Business Centers.	($7,600,000)	NR		
54 BioNetwork Reduces funds for BioNetwork grants and centers by 6.6%. $205,582 will be reduced from BioNetwork centers (5% reduction) and $84,646 from grants to colleges (30% reduction). Total funding remaining for the program will be $4,106,056.	($290,228)	R	($290,228)	R
55 Minority Male Mentoring Reduces funding for the Minority Male Mentoring program by 10%. Total funding remaining for the program will be $810,000.	($90,000)	R	($90,000)	R
56 NC Military Business Center Reduces the categorical allotment to the NC Military Business Center at Fayetteville Technical Community College by 10%. Total funding remaining for the program will be $1,125,000.	($125,000)	R	($125,000)	R
57 Textile Technology Center Reduces the categorical allotment to the Textile Technology Center at Gaston College by 10%. Total funding remaining for this program will be $821,258.	($91,251)	R	($91,251)	R
58 Manufacturing Solutions Center Reduces the categorical allotment for the Manufacturing Solutions Center at Catawba Valley Community College by 10%. Total funding remaining for this program will be $514,904.	($57,212)	R	($57,212)	R
59 Haywood Regional High Technology Center Eliminates the categorical allotment for the Regional High Technology Center at Haywood Community College. The college will continue to receive regular FTE formula funding for the enrollment at the Center.	($582,383)	R	($582,383)	R
60 NC REAL Eliminates pass-through funding for NC Rural Entrepreneurship through Action Learning (NC REAL).	($250,000)	R	($250,000)	R

	FY 11-12		FY 12-13	
C. Student Aid Adjustments				
61 NC Community College Grant Program Reverts the existing fund balance of $5.7 million to the Escheats Fund and increases annual appropriations by $2.5 million for a total budget of $16.5 million per year. The funds for this item are shown in the Community College System - Trust - General Fund (Budget Code: 66801) section of this report.				
62 Tuition Waivers Eliminates tuition waivers for community college faculty and staff, NC Civil Air Patrol, and individuals engaged in civil preparedness activities. Colleges are permitted to use State and local funds to pay for tuition and registration fees for one course per semester for full-time faculty and staff.	($444,000)	R	($444,000)	R
D. Community Colleges System Office Adjustments				
63 System Office Positions Eliminates 19 positions in the Community Colleges System Office, including 9 vacant, 2 expected-to-be-vacant, and 8 filled positions. The positions are as follows: Executive Division - 3 vacant and 2 filled positions; IT & Workforce Development Division - 3 vacant, 2 expected-to-be-vacant, and 4 filled positions; Business and Finance Division - 1 vacant and 1 filled position; and Academic and Student Services Division - 2 vacant and 1 filled positions.	($1,265,975) -19.00	R	($1,265,975) -19.00	R
64 System Office Operating Funds Reduces operating funds for travel, training, information technology, and other expenses.	($265,417)	R	($265,417)	R
65 2+2 E-learning Initiative Reduces the budget of the 2+2 E-learning initiative by 13%. Total funding remaining for the program will be $653,000.	($97,000)	R	($97,000)	R
66 Receipt-supported Positions Shifts 3.5 positions from General Fund appropriations to receipts. Positions and receipt source are as follows: Accountant (2 positions) - indirect cost receipts; Education Program Director (1 position) - Proprietary School receipts; Education Consultant II (.25 position) and Education Program Director II (.25 position) - federal receipts.	($322,180) -3.50	R	($322,180) -3.50	R

Senate Subcommittee on Education	FY 11-12		FY 12-13	
67 GED Program	($208,533)	R	($208,533)	R
Shifts the General Education Development (GED) program entirely to receipt support. Section 31.2 permits the State Board of Community Colleges to increase the fee assessed to individuals taking the GED exam. The current fee is $7.50.	-2.50		-2.50	
The fees will be used to support the costs of administering the tests, including scoring the tests and printing the GED certificates. A total of 2.5 positions will be shifted from appropriation to receipt support, including 2 GED & Adult High School Tech positions, and one-half of the Education Program Director position.				
Total Legislative Changes	**($109,875,214)**	**R**	**($117,475,214)**	**R**
	($7,600,000)	**NR**		
Total Position Changes	-25.00		-25.00	
Revised Budget	**$985,000,000**		**$985,000,000**	

UNC System

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$2,887,492,464**		**$2,886,730,386**	
Legislative Changes				
A. Technical Adjustments				
68 Enrollment Growth Fully funds projected enrollment growth for FY 2011-12 at the University of North Carolina. The projected enrollment increase of 1.2% equates to an additional 2,337 full-time-equivalent (FTE) students. Total requirements will increase by $56,474,924, of which $10,656,801 will be funded by increased tuition receipts, for a net State appropriation of $46,818,123.	$46,818,123	R	$46,818,123	R
69 Hickory Metro Higher Education Center Transfers funds for the Hickory Metro Higher Education Center from the North Carolina Community College System budget to the budget for Appalachian State University.	$264,833	R	$264,833	R
B. Base Budget Adjustments				
70 Management Flexibility Reduction Mandates a management flexibility reduction for the UNC operating budget. As directed in Section 9.6, the UNC Board of Governors shall not allocate this reduction on an across-the-board basis to constituent institutions.	($413,987,494)	R	($423,172,261)	R
71 UNC Hospitals Subsidy Reduces the State subsidy to UNC Hospitals by 59% for two years. $18 million will remain available to UNC Hospitals after this reduction.	($26,011,882)	NR	($26,011,882)	NR
72 Center for Public Television Continuation Review Eliminates recurring funding for the Center for Public Television and provides nonrecurring funds with a twelve percent reduction for FY 2011-12. Restoration of recurring funding is subject to the findings of a legislative continuation review.	($11,997,888) $10,558,141	R NR	($11,997,888) -116.00	R

	FY 11-12		FY 12-13	
73 East Carolina School of Dentistry Operations Provides funds to the East Carolina School of Dentistry for new faculty and staff and operating costs to prepare for its first class of students, which will enroll in fall 2011, and to establish dental service learning centers throughout the State where faculty and students will serve patients. Of the new funds appropriated, approximately $3.4 million in FY 2011-12 and approximately $4.5 million in FY 2012-13 will be used for salaries, wages, and benefits. Total State appropriations will be $15 million in FY 2011-12 and $16.5 million in FY 2012-13.	$3,500,000 27.00	R	$5,000,000 39.00	R
74 Building Reserves Provides funds to operate new or renovated UNC buildings completed in FY 2011-12. Specifically, funds are for the housekeeping, maintenance, and security requirements for the added building square footage. The FY 2011-12 amount provides funding for a partial year; the FY 2012-13 appropriation represents the full-year cost.	$18,531,614 282.80	R	$29,233,551 282.80	R
75 NC A&T/UNC-G Joint School of Nanoscience and Nanoengineering Provides nonrecurring funds for the NC A&T/UNC-G Joint School of Nanoscience and Nanotechnology located the Gateway University Research Park in Greensboro. The program is designed to conduct research in areas such as drug design and delivery, nanobioengineering, and genetic screening.	$1,000,000	NR	$1,000,000	NR

	FY 11-12		FY 12-13	
C. Student Aid Adjustments				
76 UNC Need-based Financial Aid Program Shifts program funding to a higher proportion from the General Fund, due to diminishing Escheat Fund principal. In FY 2011-12, total funds available for the UNC Need-based Financial Aid program from all sources will be $301,446 lower than the FY 2011-12 base budget. In FY 2012-13, total funds available will be $4,956,358 lower, and students will be limited in the length of time they can receive the grant (Section 9.11). An additional $59.9 million in forward-funding is provided in FY 2011-12, to increase program stability (Section 9.9). Total funding includes: FY 2011-12 General Fund - $48,891,429 Escheat Fund - $127,354,154 Lottery Fund - $10,744,733 FY 2012-13 General Fund - $79,608,867 Escheat Fund - $32,122,242 Lottery Fund - $10,744,733 Note: Sections 5.4 and 9.8 appropriate funds from the Lottery Fund and Escheat Fund, respectively.	$37,891,429	R	$68,608,867	R
77 Student Incentive Grant Eliminates funding for the Student Incentive Grant, as federal matching funds have been eliminated. In addition to the funds shown here, $3,613,601 in Escheat Fund program funding is also reduced, for a total reduction of $4,414,428.	($800,827)	R	($800,827)	R
78 Nonresident Tuition Waivers Eliminates certain tuition waivers for nonresident students. These waivers include: - Special Talent undergraduate tuition waivers ($529,967); - Nonresident teachers ($984,443); and - Nonresident Prospective Teacher Scholars program ($378,230).	($1,892,640)	R	($1,892,640)	R
79 Academic Common Market Phases out funding for the Academic Common Market program, beginning in FY 2012-13. Based on tuition waived in FY 2009-10, it is estimated that $970,747 will remain in program funding in FY 2012-13.			($970,747)	R
80 Legislative Tuition Grant Reduces funds for the Legislative Tuition Grant (LTG) by 12.3% in FY 2011-12 and eliminates funding in FY 2012-13. This program will be replaced by the Need-based Scholarships for Students Attending Private Institutions of Higher Education, described below.	($7,167,171)	R	($58,269,681)	R

	FY 11-12		FY 12-13	
81 State Contractual Scholarship Fund Reduces funds for the State Contractual Scholarship Fund by 12.3% in FY 2011-12 and eliminates funding in FY 2012-13. This program will be replaced by the Need-based Scholarships for Students Attending Private Institutions of Higher Education, described below.	($5,645,326)	R	($45,896,963)	R
82 Other Private School Aid Reduces funds for Other Private School Aid by 12.3% in FY 2011-12 and eliminates funding in FY 2012-13. This program will be replaced by the Need-based Scholarships for Students Attending Private Institutions of Higher Education, described below.	($39,483)	R	($321,000)	R
83 Need-based Scholarships for Private College Students Provides funds for the newly established Need-based Scholarships for Students Attending Private Institutions of Higher Education, beginning in FY 2012-13. This program is described in Section 9.18.			$81,851,588	R
84 Private Medical School Aid Eliminates funding for the Private Medical School aid program. Students funded under this program are eligible to apply for the Board of Governors Medical School Loan program.	($1,279,000)	R	($1,279,000)	R
85 Principal Fellows Reduces program slots by 10% beginning in FY 2012-13. Total funding remaining for the program in FY 2012-13 will be $3,258,000.			($362,000)	R
86 Future Teachers Scholarship-loan Eliminates the remaining budget of the Future Teachers Scholarship-loan, which was abolished in 2009.	($455,000)	R	($455,000)	R
87 Health, Science, and Mathematics Scholarship-loan Shifts the portion of program funding previously provided from the Escheat Fund to General Fund support. Total program funding will remain at $1,922,779.	$1,100,000	R	$1,100,000	R
88 Board of Governors Medical Scholarship-loan Shifts the portion of program funding previously provided from the Escheat Fund to General Fund support. Total program funding will remain at $1,869,180.	$645,000	R	$645,000	R
89 Board of Governors Dental Scholarship-loan Shifts the portion of program funding previously provided from the Escheat Fund to General Fund support. Total program funding will remain at $939,160.	$450,239	R	$450,239	R
90 Nurse Education Scholarship-loan Shifts the portion of program funding previously provided from the Escheat Fund to General Fund support. Total program funding will remain at $867,756.	$800,000	R	$800,000	R

	FY 11-12		FY 12-13	
91 Teacher Assistant Scholarship Fund Shifts the portion of program funding previously provided from the Escheat Fund to General Fund support. Total program funding will remain at $814,714.	$600,000	R	$600,000	R
Total Legislative Changes	**($332,663,591)**	**R**	**($310,045,806)**	**R**
	($14,453,741)	**NR**	**($25,011,882)**	**NR**
Total Position Changes	309.80		205.80	
Revised Budget	**$2,540,375,132**		**$2,551,672,698**	

NC Community College System – Trust – General

Budget Code: 66801

	FY 2011-12		FY 2012-13	
Beginning Unreserved Fund Balance	**$5,919,657**		**$187,745**	
Recommended Budget				
Requirements	**$26,282,132**		**$26,282,132**	
Receipts	**$26,282,132**		**$26,282,132**	
Positions	**0.00**		**0.00**	

Legislative Changes

Requirements:

NC Community College Grant Program	$2,518,798	R	$2,518,798	R
Increases the annual appropriation from the Escheats Fund by $2.5 million, for a total program budget of $16.5 million per year.	$0	NR	$0	NR
	0.00		0.00	
Community College Grant Program Fund Balance	$0	R	$0	R
Appropriates the program's fund balance, which will be transferred to the Escheats Fund.	$5,731,912	NR	$0	NR
	0.00		0.00	
Correction to Base Budget	($11,648,356)	R	($11,648,356)	R
Corrects an error in the Governor's recommended budget for the total requirements in Budget Code 66801, Fund 6102.	$0	NR	$0	NR
	0.00		0.00	
Subtotal Legislative Changes	**($9,129,558)**	R	**($9,129,558)**	R
	$5,731,912	NR	**$0**	NR
	0.00		0.00	

Receipts:

NC Community College Grant Program	$2,518,798	R	$2,518,798	R
Increases receipts from the Escheats Fund by $2.5 million. Total program receipts will be $16.5 million per year.	$0	NR	$0	NR

	FY 2011-12		FY 2012-13	
Correction to Base Budget	($11,648,356)	R	($11,648,356)	R
Corrects an error in the Governor's recommended budget for the fund balance receipts in Budget Code 66801, Fund 6102.	$0	NR	$0	NR
Subtotal Legislative Changes	**($9,129,558)**	R	**($9,129,558)**	R
	$0	NR	**$0**	NR
Revised Total Requirements	**$22,884,486**		**$17,152,574**	
Revised Total Receipts	**$17,152,574**		**$17,152,574**	
Change in Fund Balance	**($5,731,912)**		**$0**	
Total Positions	**0.00**		**0.00**	
Unappropriated Balance Remaining	**$187,745**		**$187,745**	

HEALTH
&
HUMAN SERVICES
Section G

Health and Human Services

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	$4,927,739,648		$4,928,125,764	
Legislative Changes				
(1.0) Division of Child Development				
1 **Pre-kindergarten Funds Transfer** Transfers $65,011,651 from the Department of Public Instruction to Department of Health and Human Services to operate a pre-kindergarten program within the Division of Child Development. Additionally, lottery funds will be allocated in the amount of $63,135,709 for the continued payment of a high quality pre-kindergarten program. Sec. 10.7	$65,011,651	R	$65,011,651	R
2 **TANF Funding** Replaces State funds for child care subsidy with one time TANF funds. This reduction does not result in loss of services. Sec. 10.60	($6,352,644)	NR	($6,352,644)	NR
3 **Smart Start** Reduces the Smart Start budget by 20%, leaving $150M available to support activities. Sec. 10.5	($37,600,000)	R	($37,600,000)	R
4 **TEACH Program** Swaps federal Child Care Development Fund Block Grant with state funds for the program. Sec. 10.60	($3,800,000)	R	($3,800,000)	R
5 **Social Services Administrative Support** Reduces the allowance for County Departments of Social Services administrative allowance from 5% to 4%. This leaves $16.4M County Departments of Social Services may use to support administrative costs. Sec. 10.60	($3,195,581)	R	($3,195,581)	R
6 **Post-Secondary Education** Reduces child care subsidy funding available for post-secondary education. This reduction will change the existing policy from allowing individuals to receive subsidy for 24 months to 20 months. The combination of changing various policies (items 6-9) will result in a net reduction of $9.7M, leaving approximately $54M. Sec. 10.1 (c)(5)	($7,052,797)	R	($7,052,797)	R

Senate Subcommittee on Health and Human Services	FY 11-12		FY 12-13	
7 More At Four Match Discontinues payment for the instructional day of More At Four students by child care subsidy funds. The combination of changing various policies (items 6-9) will result in a net reduction of $9.7M, leaving approximately $54M.	($1,305,008)	R	($1,305,008)	R
8 Facility Registration Fees Discontinues payment for child care centers' registration fees by child care subsidy funds. The combination of changing various policies (items 6-9) will result in a net reduction of $9.7M, leaving approximately $54M. Sec. 10.1 (c)(4)	($360,570)	R	($360,570)	R
9 Transportation Services Discontinues payment for transportation services with subsidy funds. The combination of changing various policies (items 6-9) will result in a net reduction of $9.7M, leaving approximately $54M. Sec. 10.1 (c)(4)	($1,001,718)	R	($1,001,718)	R
(2.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services				
10 Management Funding Reduction Reduces community service funds by 2%; this reduction continues a non-recurring reduction made in FY2010-11. These funds have not been used to pay for services. There is currently $350M in state funding to pay for services managed through Local Management Entities.	($7,180,807)	R	($7,180,807)	R
11 Advocacy Positions Eliminates seven vacant advocacy positions located throughout facilities and/or community settings. There are 56 positions remaining after this reduction; this is an 11% reduction in number of positions for advocacy.	($158,045) -7.00	R	($158,045) -7.00	R
12 Community Services Funds Reduces Community Services funds by $20M for FY2011-12. This reduction combined with the Management Funding Reduction leaves $323M of state funds available for purchase of services through Local Management Entities. This reduction is an 8% reduction in this budget. Sec. 10.11(a)	($20,000,000)	NR		
13 Child and Family Support Teams Eliminates funding for coordinator positions located in 15 Local Management Entities. These positions have supported the Child and Family Team Pilot Program. Funds within Division of Social Services for this pilot is also being eliminated within this budget.	($523,638)	R	($523,638)	R

	FY 11-12		FY 12-13	
14 Community Services Funds - Swap Replaces Community Services Funds with Local Management Entities' Fund Balance available for FY2011-12. This reduction/swap is to come from the undesignated/unreserved fund balances and not further reduce community services. Sec. 10.11 (d)	($25,000,000)	NR		
15 Information Technology Reserve Eliminates the funding for the information technology account that is used to fund the facilities' information technology systems upgrade.	($5,100,390)	R	($5,100,390)	R
(3.0) Division of Central Management and Support				
16 Division of Information Resource Management - Contracts Eliminates recurring funding for the DIRM Contracts. Funding for FY2012-13 is pending the findings and recommendations of a Continuation Review.	($5,599,390) $5,599,390	R NR	($5,599,390)	R
17 Community Health Centers Reduces funding available for grants to community health centers. Grants are awarded on a multi-year basis; this reduction represents the new grants to be awarded in FY2011-12. There will be $5M remaining for grants.	($1,452,527)	R	($1,452,527)	R
18 Loan Repayment Program - Federal Receipts Replaces state funds with increased federal funds available for the loan repayment program. The total program has approximately $1.4M in funds.	($458,395)	R	($458,395)	R
19 Information Resource Management - Operating Budget Reduces excess operating funds within the Division of Resource Management.	($550,556)	R	($550,556)	R
20 Position Eliminations - Office of the Controller Eliminates two positions, one due to transfer of the Residential Schools to Department of Public Instruction and one within Purchase of Medical Care Section.	($76,215) -2.00	R	($76,215) -2.00	R
21 Department Wide Administrative Efficiencies Reduces administrative funds and positions available within the Department of Health and Human Services. Administrative cost savings should include the co-location of various regional and field offices to achieve savings in leased space costs.	($1,869,435) -25.00	R	($1,869,435) -25.00	R
22 Non-profit Reductions Reduces grants-in-aid and contract funding for non-profits by $5M. There is currently $75M in state funds for non-profits and this reduction represents 6.6% of total state funding.	($5,000,000)	R	($5,000,000)	R

Senate Subcommittee on Health and Human Services	FY 11-12		FY 12-13	
23 Migrant Fee for Service Program Reduces the program funds for the Migrant Purchase of Medical Care Program; the federal funds will continue. There remains approximately $2.8M in this program.	($736,145)	R	($736,145)	R
24 NC Care Line Eliminates funding and positions for the NC Care Line.	($380,478) -11.00	R	($380,478) -11.00	R
25 Information Resource Management - Conversion of Contracts to Employees Reduces the contractual services line item within The Division of Resource Management. This reduction represents cost-savings realized from converting 78 Information Technology Contractors to state employees.	($1,360,982)	R	($1,360,982)	R
26 Position Eliminations Eliminates vacant positions. There are over 1,600 positions vacant.	($7,606,000) -250.00	R	($7,606,000) -250.00	R
27 Budgeting Receipts - Information Resource Management Replaces state appropriations within The Division of Resource Management ($410,225) and throughout Central Management and Support ($151,000) with over-realized receipts.	($561,225)	R	($561,225)	R
(4.0) Division of Public Health				
28 Division of Environmental Health Transfer Transfers $13,485,365 from the Department of Environment and Natural Resources to the Department of Health and Human Services to operate various programs and activities that comprised the Division of Environmental Health. In effecting this transfer, the following activities are being eliminated: 1) Public Health Pest Management Section, and 2) the Private Well Program, WaDE Program, and Quality Assurance of the On-Site Water Protection Section.				
29 Early Intervention Requires the Division of Public Health to implement several administrative efficiencies, including: 1) elimination of 11 vacant positions; 2) reducing the contract to the Charlotte-Child Development Service Agency (a reduction that can be made up by its implementing Medicaid cost-settlement); and 3) other administrative efficiencies. The program will continue to be funded at nearly $80 million annually, with a combination of federal and state funds.	($3,118,046) -11.00	R	($3,118,046) -11.00	R
30 Department of Health and Human Services - Chemical Testing Unit Shifts a portion of funds for position number 60039654 from Highway Fund receipts to other receipts within the Department of Health and Human Services budget, and reduces funding for purchased services by $6,280.				

Senate Subcommittee on Health and Human Services	FY 11-12		FY 12-13	
31 Office of Minority Health Reduces the administrative staff within the Office of Minority Health with little or no impact on the Division's ability to direct this program or provide technical assistance to Local Health Departments in striving to eliminate health disparities.	($302,262) -4.00	R	($302,262) -4.00	R
32 Consolidate Healthy Carolinians and Health Education Integrates the activities of the Office of Healthy Carolinians and Health Education into the duties of other personnel in the Division of Public Health. The Division will continue to provide technical assistance to local communities in support of the Governor's Task Force on Healthy Carolinians.	($571,447) -10.00	R	($571,447) -10.00	R
33 Local Health Department Accreditation Continues funding for the Accreditation program at a level comparable to FY 2010-11 ($375,000). This allows the program to be funded at a maintenance level.	($400,000)	R	($400,000)	R
34 Health & Wellness Trust Fund Transfer to DHHS Transfers $32,904,411 from funds available to the Health & Wellness Trust Fund to the Department of Health and Human Services as follows: -- $22,000,000 shall be used to administer the grants associated with the following programs and initiatives; Teen Tobacco Prevention, CheckMeds, Medication Assistance Program, and Obesity Prevention. -- $10,000,000 shall be used to reduce the total savings required to be achieved for the Medicaid program by Community Care of North Carolina -- The remainder shall be used to reduce the Medicaid Provider Rate cut.	$32,904,411	NR		
(5.0) NC Health Choice				
35 Modify Health Choice Services Modifies and ensures the clinical appropriateness of several Health Choice Services, including: 1) Elimination of long-term care, hearing services, and non-emergency transportation; 2) Reduction of dental benefits; and 3) Assurance of evidence-based treatment.	($650,000)	R	($900,000)	R
36 Benchmark Health Choice to Medicaid Benchmarks Health Choice services to Medicaid including the amounts, types, and reimbursement rates. The exception is that Health Choice will not be benchmarked to Medicaid's Early Periodic Screening, Diagnosis, and Treatment Program.	($125,000)	R	($350,000)	R
37 Targeted Rate Adjustments Adjusts Medicaid provider reimbursement rates. The Division of Medical Assistance will adjust provider reimbursement rates that are above regional rates, or where analysis indicates an adjustment is warranted and appropriate.	($225,000)	R	($250,000)	R

	FY 11-12		FY 12-13	
38 Strengthen and Restructure Program Integrity Budgets savings to be realized by the Division of Medical Assistance as a result of restructuring and modernizing its program integrity and fraud and abuse operations to enhance recoveries and avoid overpayments. Complementary savings are expected in the Health Choice program.	($500,000)	R	($666,667)	R
39 Care Coordination through CCNC Reduces State costs in the Division of Medical Assistance by re-establishing the care and utilization management services of the Community Care of North Carolina program-both Networks and Physician of Health Choice recipients. A per member per month payment will be made to physicians and networks. The cost will be offset by better management of services and improved clinical outcomes which lead to reduced state costs.	($4,255,235)	R	($4,489,274)	R
40 Health Choice Adjustment Adjusts funding for Health Choice to reflect the changes in the consumption and mix of services, and payment to cost-settled health care providers. The policy of open enrollment will continue in FY 2011-12 and is projected to increase enrollment to approximately 148,203 children. Open enrollment will continue in FY 2012-13, but at a moderated rate.	($3,166,254)	R	$2,000,000	R
(6.0) Division of Medical Assistance				
41 Medicaid Provider Assessments Levies an assessment of up to 5.5%, consistent with Federal Regulations, on willing Medicaid healthcare providers. Currently, the list of providers includes: Hospitals, Critical Access Behavioral Health Agencies (CABHA), and Community Alternative Programs for Mentally Retarded (CAP/MR). A portion of the assessment will be retained by the State. The current 5.5% assessment on Nursing Homes is not affected.	($60,183,120)	R	($62,798,614)	
42 Adjust Assessment on Nursing Facilities to 6% Adjusts the assessment rate on Nursing Facilities upward to 6.0%, as allowed by Federal regulations, effective October 1, 2011, by adjusting the appropriate totals accordingly.	($7,926,122)	R	($10,568,163)	R
43 Implement Pregnancy Home Model Budgets savings to be achieved from the March 2011 implementation of a collaborative effort between Community Care of North Carolina Networks and Local Health Departments to improve the quality of perinatal care and ensure that high-risk pregnant women receive the care and case management required. The improved birth outcomes, especially preventing premature births, will reduce state expenditures incurred by the Division of Medical Assistance.	($528,960)	R	($3,457,596)	R

	FY 11-12		FY 12-13	
44 Health Homes for Chronically Ill Budgets revenue from the increased federal matching rate for the Health Homes for Chronically Ill Program. The Division of Medical Assistance is taking advantage of the two-year Federal program to enhance comprehensive care management for Medicaid recipients with co-occurring illnesses, including a chronic health condition and severe and persistent mental health condition. The Federal matching rate for this program, during the two-years, is 90%, versus the current rate of approximately 65%.	($16,146,384)	NR	($24,739,541)	NR
45 Strengthen and Restructure Program Integrity Budgets the anticipated savings from the Division of Medical Assistance efforts to reduce, if not eliminate, fraud and abuse in the Medicaid program by restructuring and modernizing current policies and efforts. Through policy and staffing changes and technology improvements, state administrative costs will be reduced, over payments avoided and recovery-of-funds improved.	($19,200,000) -30.00	R	($28,000,000) -40.00	R
46 Generic Substitution for Off-Patent Drugs Budgets anticipated savings in FY 2012-13. In the next 12 months several brand-name drugs are scheduled to go off patent, leading to generic drug substitution savings in FY 2012-13.			($7,000,000)	R
47 Modify Pharmacy Services Budgets savings to be realized by the Division of Medical Assistance through several actions, including: 1) Better management of drug rebates, 2) Ensuring Medicare Part D correctly reimburses Medicaid, 3) Elimination of automatic refills, and 4) For flexibility to modify dispensing fees.	($10,845,441)	R	($14,436,600)	R
48 Modify Generic Prescription Dispensing Rates Revises generic drug dispensing rates to increase the rate of generic drugs within the Medicaid Program.	($15,000,000)	R	($24,000,000)	R
49 Behavioral Health Medicaid 1915 b/c Waiver Expands the capitated behavioral health program to additional Local Management Entities (LMEs).	($10,537,931)	R	($52,551,082)	R
50 DHHS Savings Through Community Care of North Carolina (CCNC) Budgets savings to be achieved by DHHS, in conjunction with CCNC Networks and North Carolina Community Care, Inc., through the cooperation of Medicaid health care providers. To the extent these savings are not achieved, DHHS is to undertake whatever actions necessary to affect the savings, including: 1) Reducing provider rates, and 2) Eliminating or reducing the level or duration of optional Medicaid services.	($90,000,000)	R	($90,000,000)	R

	FY 11-12		FY 12-13	
51 Modify Optional and Mandatory Services Budgets savings to be achieved by the Division of Medical Assistance through adjustments to mandatory and optional Medicaid services. These changes include the following services: Optical, Durable Medical Equipment, Specialized Therapies, Home Health, Dental, and a variety of other services. In the event, these savings are not fully achieved, the elimination of optional service requirements may be required.	($16,508,903)	R	($22,072,343)	R
52 Eliminate Inflationary Increases Eliminates automatic inflation increases for Medicaid providers. The Division of Medical Assistance is not to authorize any inflationary increases to Medicaid provider rates during the 2011-13 biennium, except as provided for in Section 10.43.	($62,853,775)	R	($130,874,505)	R
53 Adjust Provider Rates Reduces Medicaid provider reimbursement rates. The Division of Medical Assistance is to reduce Medicaid provider rates by 2%, except as provided for in Section 10.37.	($46,420,718)	R	($46,458,260)	R
54 Medicaid Rebase Rebases the Medicaid budget to adjust for changes in the number of Medicaid recipients, utilization or consumption of services, mix of services being consumed, inflation for cost-settled providers, and changes to the Federal Medical Assistance Percentage (FMAP).			$109,693,468	R
(7.0) Division of Health Service Regulation				
55 Nursing Home Licensure and Certification Funds Replaces State funds with federal receipts in the Nursing Home Licensure and Certification Section on a non-recurring basis. The receipts come from civil monetary penalties assessed against nursing homes.	($1,792,559)	NR	($1,792,559)	NR
(8.0) Division of Social Services				
56 Child and Family Team Pilot Elimination Eliminates pilot funding for local departments of social services that partially supports Child and Family Team positions. Child and Family Teams will continue to work in schools and DSS will continue to provide training and technical assistance to local departments of social services in order for the initiative to continue.	($420,804)	R	($420,804)	R
57 Replace State Funding for Child Protective Services Replaces state funds with federal block grant funds to support Child Protective Services. County departments of social services will receive Social Services Block Grant (SSBG) funds in lieu of state general funds. Sec. 10.60 (a)	($5,040,000)	R	($5,040,000)	R

Senate Subcommittee on Health and Human Services	FY 11-12		FY 12-13	
58 Eliminate Special Assistance Intervention Team Eliminates the Special Assistance Intervention team, whose purpose was to provide special assistance and intervention services for low performing counties around child welfare services. The model has not been effective and positions are vacant.	($103,997) -2.00	R	($103,997) -2.00	R
59 Eliminate State General Funds to Local Departments of Social Services Continues the reduction in general funds to county departments of social services from the previous biennium. This action eliminates the State general fund contribution to county social services departments to offset the cost of administering public assistance programs. The administrative cost of these programs is shared evenly by the federal and county governments.	($5,473,985)	R	($5,473,985)	R
60 Use Social Services Block Grant (SSBG) to Support Adult Protective Services Replaces State funds with federal funds by requiring all counties to use federal SSBG funds to provide adult protective services. This will require 52 counties to begin using their SSBG allocations to provide this mandated service. Sec. 10.60 (a)	($2,000,000)	R	($2,000,000)	R
61 Eliminate State Abortion Fund Eliminates funding for the State Abortion Fund. Sec. 10.53	($50,000)	R	($50,000)	R
62 Reduce NC Reach Scholarship Funds Reduces the budget for the NC Reach post-secondary education program by 50%, $1,584,125, maintaining the program at the FY 2010-11 funding level. Sec. 10.54 (a)	($1,584,125)	R	($1,584,125)	R
63 Replace Division Admin Funds with Federal Block Grant Replaces State funding for the Division of Social Services administrative costs with federal TANF Block Grant funds. Sec. 10.60 (a)	($1,389,084)	R	($1,389,084)	R
(9.0) Division of Aging and Adult Services				
64 Replace Funding for Long-Term Care Constituent Advocate Program Replaces State funds with federal Civil Monetary Penalty proceeds to support the Long-Term Care Ombudsman Program, which advocates for the elderly.	($200,000)	R	($200,000)	R

Senate Subcommittee on Health and Human Services	FY 11-12		FY 12-13	
65 **Eliminate Volunteer Program Development** Eliminates funds for the Volunteer Development Program, one of 18 services funded through the Home and Community Care Block Grant. Currently, only 11 counties elect to provide this service.	($200,000)	R	($200,000)	R
(11.0) Division of Vocational Rehabilitation				
66 **Eliminate Recreational Therapists Services** Eliminates recreational therapist services available in only five cities across the state. Four of the five positions to be eliminated are vacant.	($284,501) -5.00	R	($284,501) -5.00	R
67 **Reduce Independent Living Program** Reduces State funding for independent living services by 9%. Services will continue to be prioritized so as to avoid institutional care.	($1,774,021)	R	($1,774,021)	R
68 **Reduce Basic Support Program** Replaces a portion of the State funds for the Basic Support Program with unspent federal funds.	($2,067,928)	NR	($2,067,928)	NR
Total Legislative Changes	**($399,756,982)** **($32,855,714)**	R NR	**($438,010,159)** **($34,952,672)**	R
Total Position Changes	-357.00		-367.00	
Revised Budget	**$4,495,126,952**		**$4,455,162,933**	

Health & Wellness Trust Fund

Budget Code: 23460

	FY 2011-12		FY 2012-13	
Beginning Unreserved Fund Balance	**$32,904,411**		**$0**	
Recommended Budget				
Requirements	**$27,138,934**		**$27,138,934**	
Receipts	**$25,779,134**		**$25,779,134**	
Positions	**20.00**		**20.00**	
Legislative Changes				
Requirements:				
Master Settlement Funds-Health Trust Account Eliminates the transfer of funds from the Master Settlement Account (MSA) to the Health and Wellness Trust Fund; no funds to be transferred from the MSA to HWTF. Deposits the June 30, 2011 cash balance from MSA payments; $32,904,411 into the State's General Fund to support health related activities pursuant to Section 6.11 of this act.	$0 $32,904,411 0.00	R NR	$0 $0 0.00	R NR
Health and Wellness Trust Fund Eliminates funding and positions associated with Health and Wellness Trust Fund effective July 1, 2011.	($27,138,934) $0 -20.00	R NR	($27,138,934) $0 -20.00	R NR
Subtotal Legislative Changes	**($27,138,934)** **$32,904,411** -20.00	R NR	**($27,138,934)** **$0** -20.00	R NR
Receipts:				
Health & Wellness Trust Fund Eliminates receipts within Health and Wellness Trust Fund.	($25,779,134) $0	R NR	($25,779,134) $0	R NR
Subtotal Legislative Changes	**($25,779,134)** **$0**	R NR	**($25,779,134)** **$0**	R NR

	FY 2011-12	FY 2012-13
Revised Total Requirements	$32,904,411	$0
Revised Total Receipts	$0	$0
Change in Fund Balance	($32,904,411)	$0
Total Positions	0.00	0.00
Unappropriated Balance Remaining	$0	$0

NATURAL & ECONOMIC RESOURCES Section H

Agriculture and Consumer Services

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	$61,754,014		$61,754,014	

Legislative Changes

Department-wide

1 Cell Phones ($41,805) R ($41,805) R

Reduces General Fund appropriation for cell phones across the Department by 25%. The Department is to reduce the actual number of phones by this percentage as well.

2 Longevity ($25,000) R ($25,000) R

Reduces General Fund appropriation for longevity across the Department to reflect expected longevity needs.

3 Motor Fleet Management ($127,726) R ($127,726) R

Reduces General Fund appropriation for Motor Fleet Management expenditures across the Department by 10%. The Department is to reduce the actual number of Motor Fleet Management vehicles by 10% as well.

4 Vacant Positions and Salary Reserve ($824,249) R ($824,249) R

-13.00 -13.00

Eliminates 12 vacant positions and fund shifts one position. Of the eliminated positions, 11 were proposed by the Department and one had been vacant for more than one year as of March 2011. The reduction includes salaries and benefits for these positions and salary reserve. Positions eliminated include:

60011803	Research Tech	$34,923
60011834	Technology Support Analyst	$77,114
60011858	Lithographic Press Operator III	$58,413
60011880	Food Compliance Officer I	$50,736
60011976	Food Inspector	$47,631
60012083	Veterinarian	$126,818
60012226	Veterinary Laboratory Asst I	$32,834
60012592	Research Spec	$49,593
60012527	Processing Assistant IV	$40,649
60012095	Veterinarian	$106,463
60012094	Livestock Compliance Officer	$67,706
60011911	Chemist	$42,294
	Salary Reserve	$12,111

Fund shifts one position to the Pesticide Environmental Trust Fund:

60012056	Environmental Toxicologist	$76,964

	FY 11-12		FY 12-13	
5 Forest Resources Transfers the Division of Forest Resources from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services.				
6 Soil & Water Conservation Transfers the Division of Soil and Water Conservation from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services.				
7 Sleep Products Section Transfers the Sleep Products Section of the Division of Environmental Health within the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services. The Sleep Products Section has eight FTE; the $630,337 budget is entirely supported by receipts.				
Reserves & Transfers				
8 S.B. 109 Funds Provides $2.4 million to the Department to restore funds taken to meet the requirements of S.L. 2011-15 (S.B. 109).	$2,400,000	NR		
9 Tobacco Trust Fund Provides General Fund appropriation for the operation of the Tobacco Trust Fund (TTF). Beginning in FY 2011-12, MSA funds are transferred to the General Fund, not directly to TTF. These funds shall be used for administration, grants, and all costs associated with the enforcement of the MSA formerly covered by payments from both TTF and the Health & Wellness Trust Fund.	$2,000,000	NR	$2,000,000	NR
Administration				
10 Ag. Development and Farmland Preservation Trust Fund Reduces funding for the Agricultural Development and Farmland Preservation Trust Fund by 15%. This leaves $1.7 million to be appropriated to the Trust Fund.	($300,000)	R	($300,000)	R
11 Cooperative Grading Service Charge Reduces General Fund support for the General Administration Division, replacing these funds with $20,000 paid by the Cooperative Grading Program for budgeting, accounting, and HR services provided by the Division.	($20,000)	R	($20,000)	R
12 Ag in the Classroom Transfers the appropriation for Ag in the Classroom to Commerce State-Aid. All nonprofits funded by the Natural and Economic Resources Subcommittee will now be funded out of Commerce State-Aid.	($22,077)	R	($22,077)	R

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
13 FFA Foundation Transfers the appropriation for the FFA Foundation to Commerce State-Aid. A 15% reduction will be taken when the funds are added into the Commerce State-Aid section, leaving $37,531. All nonprofits funded by the Natural and Economic Resources Subcommittee will now be funded out of Commerce State-Aid.	($44,154)	R	($44,154)	R
Agronomics				
14 Soil Testing Fees Implements two fees related to soil testing: (1) A fee for soil tests on samples sent to the Department from outside of North Carolina and (2) a fee for expedited soil testing. The fee for out-of-state soil tests shall not be less than $5. The expedited service will be for bulk samples and the fee shall not be less than $100.	($50,000)	R	($50,000)	R
15 Lime Tonnage Fee Replaces General Fund appropriation with an increase in the lime tonnage fee. The fee will be increased from $0.10 per ton to $0.50 per ton. All receipts from this increase will be used to support the soil testing program in the Agronomic Services Division. This fee has not been increased since 1979.	($250,000)	R	($250,000)	R
Food & Drug				
16 Antifreeze Registration Increases the fee for antifreeze registration from $250 to $500 for each brand of antifreeze. This fee has not been increased since 1979.	($75,000)	R	($75,000)	R
17 Grade "A" Milk Transfers the Grade "A" Milk program from the Division of Environmental Health within the Department of Environment and Natural Resources to the Division of Food & Drug Protection within the Department of Agriculture and Consumer Services.	$811,175 7.00	R	$811,175 7.00	R
Food Distribution				
18 Administrative Position Eliminates one administrative position within the Food Distribution Division. The reduction includes salaries and benefits for this position. 60012718 Office Assistant III $43,235	($43,235) -1.00	R	($43,235) -1.00	R
19 Position to Federal Receipts Transfers funding for one Storeroom Manager from General Fund support to federal receipts. The reduction includes salaries and benefits for this position. 60012736 Storeroom Manager $48,608	($48,608) -1.00	R	($48,608) -1.00	R

	FY 11-12		FY 12-13	
Markets				
20 **Piedmont Farmers Market** Eliminates General Fund support for the Piedmont Farmers Market. This market will now operate as a self-supporting enterprise budgeted in an Enterprise Fund like the Raleigh Farmers Market.	($22,000)	R	($22,000)	R
21 **Lumberton Ag Center and Farmers Market** Eliminates recurring funding for the Lumberton Agricultural Center and Farmers Market and makes the funding nonrecurring for FY 2011-12. The Fiscal Research Division will perform a Justification Review of this program.	($362,230) $362,230	R NR	($362,230) -6.00	R
22 **International Marketing** Provides $500,000 NR for international marketing of North Carolina agricultural products.	$500,000	NR		
Plant Industry				
23 **Over-realized License Revenue** Directs the Plant Industry Division to budget over-realized receipts from business licenses in the Seed and Fertilizer Section.	($50,000)	R	($50,000)	R
24 **Plant Conservation** Eliminates General Fund support for the Plant Conservation program and transfers the program to receipts provided by the Natural Heritage Trust Fund. This transfer fund shifts the salary and benefits of one position: 60012489 Plant Ecologist $68,481	($68,481) -1.00	R	($68,481) -1.00	R
Research Stations				
25 **Research Grant Funds** Reduces General Fund support for the research stations by $50,000 and directs the Division to increase receipts from University research grants accordingly. Currently few researchers provide funding to the research stations for the services they provide. Researchers are encouraged to include operating support for the research stations in grant proposals and to compensate the research stations for the services they provide.	($50,000)	R	($50,000)	R
Vet Services				
26 **Administrative Position** Eliminates one administrative position from the Division of Veterinary Services. The Division is to determine which position to eliminate. The reduction reflects the average salary and benefits of an administrative position within the Division.	($51,990) -1.00	R	($51,990) -1.00	R

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
27 **License Fees** Increases the license fee for pet shops, public auctions, boarding kennels, and dealers as defined in G.S. 19A-23 from $50 to $75. This fee was last increased in 1989.	($10,000)	R	($10,000)	R
28 **Animal Welfare Services** Provides two positions and funds for the Animal Welfare Services program to support operations.	$120,000 2.00	R	$120,000 2.00	R
Total Legislative Changes	**($1,555,380)**	**R**	**($1,555,380)**	**R**
	$5,262,230	**NR**	**$2,000,000**	**NR**
Total Position Changes	-8.00		-14.00	
Revised Budget	**$65,460,864**		**$62,198,634**	

Labor

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	$16,842,679		$16,842,679	
Legislative Changes				
Department-Wide				
29 **Cell Phones** Reduces General Fund appropriation for cell phones across the Department by 25%. The Department is to reduce the actual number of phones by this percentage as well.	($10,074)	R	($10,074)	R
30 **Motor Fleet Management** Reduces General Fund appropriation for Motor Fleet Management expenditures across the Department by 10%. The Department is to reduce the actual number of Motor Fleet Management vehicles by this percentage as well.	($22,635)	R	($22,635)	R
Administration				
31 **Operating Budget** Reduces the operating budget for the Administration Division.	($81,241)	R	($81,241)	
32 **IT Operating Budget** Reduces the IT operating budget for the Administration Division.	($255,000)	R	($255,000)	R
33 **Vacant Position** Eliminates the salary and benefits of 1.0 vacant position: 60012904 Labor Library Assistant $48,414	($48,414) -1.00	R	($48,414) -1.00	R
Occupational Safety and Health				
34 **Agricultural Safety & Health Vacant Position and Salary Reserve** Eliminates the salary and benefits of 1.0 vacant Agricultural Safety & Health position and department-wide salary reserve: 60013261 Agricultural Safety & Health Officer $53,579 Department-wide salary reserve $25,760	($79,339) -1.00	R	($79,339) -1.00	R
Standards and Inspections				
35 **Apprenticeship Bureau** Transfers $350,000 in Workforce Investment Act funds from the Department of Commerce to the Department of Labor to be used for the recurring operating costs of the Apprenticeship Program.				

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
36 Mine & Quarry Vacant Position and Salary Reserve	($81,560)	R	($81,560)	R
Eliminates salary and benefits of 1.0 vacant position in the Mine & Quarry Bureau and department-wide salary reserve:	-1.00		-1.00	
60012967 Mine Safety & Health Representative $69,900				
Department-wide salary reserve $11,660				
37 Employment Discrimination Bureau Vacant Position	($83,622)	R	($83,622)	R
Eliminates the salary, benefits, salary reserve, and operating costs associated with 1.0 vacant position:	-1.00		-1.00	
60013056 Employment Discrimination Investigator $70,116				
Salary reserve $7,981				
Operating costs $5,525				
38 Positions to Receipts and Reduction to Department-wide Salary Reserve	($343,907)	R	($343,907)	R
Shifts the salary and benefits of 5.0 positions to receipt support:	-5.00		-5.00	
60013001 Executive Assistant I $56,190				
60012894 Accounting Technician $45,991				
60012897 Administrative Assistant I $53,488				
60012899 Accounting Technician $52,688				
60012982 Deputy Commissioner Standards & Insp. $114,402				
Department-wide Salary Reserve $21,148				
Total Legislative Changes	**($1,005,792)**	R	**($1,005,792)**	R
Total Position Changes	-9.00		-9.00	
Revised Budget	**$15,836,887**		**$15,836,887**	

Environment & Natural Resources

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	$188,972,401		$188,972,401	

Legislative Changes

(1.0) Department-wide

39 Cell Phones ($112,250) R ($112,250) R

Reduces General Fund appropriation for cell phones across the Department by 25%. The Department is to reduce the actual number of phones by this percentage as well.

40 Longevity ($100,000) R ($100,000) R

Reduces General Fund appropriation for longevity across the Department to reflect expected longevity needs.

41 Filled and Vacant Positions ($1,099,424) R ($1,099,424) R

Eliminates funding for the salaries and benefits of 11.22 positions and associated operating costs across the Department of Environment and Natural Resources: -11.22 -11.22

60035980	Artist Illustrator II	(1.00)	$53,067
60035995	Personnel Analyst I	(1.00)	$50,036
60035987	Workers' Comp Program Manager	(1.00)	$69,074
60035072	Environmental Program Supv II	(0.22)	$20,436
60035963	Environmental Specialist	(1.00)	$57,919
60035956	Environmental Specialist	(1.00)	$71,954
60036076	GIS Specialist	(1.00)	$89,804
60035006	Nat. Science Curator I	(1.00)	$42,294
60033392	Design Tech.	(1.00)	$42,498
60036022	Business Officer	(1.00)	$59,883
60032483	Engineer	(1.00)	$61,444
60032572	Deputy CIO	(1.00)	$116,417
	Operating Costs		$364,598

42 Motor Fleet Management ($265,029) R ($265,029) R

Reduces General Fund appropriation for Motor Fleet Management expenditures across the Department by 15%. The Department is to reduce the actual number of Motor Fleet Management vehicles by 15% as well.

43 Funds for S.B. 709

Provides $100,000 NR for FY 2011-12 to the Department, contingent upon the adoption of S.B. 709, "Energy Jobs Act," in order to fulfill the requirements of the bill. These funds shall come from the Mercury Pollution Prevention Fund in the Department of Environment and Natural Resources.

	FY 11-12		FY 12-13	
44 Funds for H.B. 242 Provides $100,000 NR for FY 2011-12 to the Department, contingent upon the adoption of H.B. 242; "Nat'l Gas/ Bonds/ Fees/ Studies," in order to fulfill the requirements of the bill. These funds shall come from the Mercury Pollution Prevention Fund in the Department of Environment and Natural Resources.				
(1.0) Reserves & Transfers				
45 Clean Water State Revolving Fund Directs the Department to use $5,567,165 of its loan origination fee fund to provide the 20% State match needed to draw down the maximum available federal funds for the Clean Water State Revolving Fund for FY 2011-12. The US EPA has given the Department permission to use these funds for FY 2011-12 only.				
46 Drinking Water State Revolving Fund Provides funding to meet the 20% State match requirement for drawing down the maximum available federal funds for the Drinking Water State Revolving Fund for FY 2011-12.	$7,118,600	NR		
47 Nature Research Center Operating Reserve Provides funds for the operations of the Nature Research Center building. The Center is scheduled to open in the spring of 2012. These funds are to be transferred to the Department of Administration for utilities, custodial services, maintenance, pest control, etc.	$417,498	R	$1,253,590	R
48 Nature Research Center Program Operating Reserve Provides the operating funds and staff required to open the Nature Research Center in the spring of 2012.	$1,465,460 22.00	R	$2,269,798 22.00	R
49 Green Square Office Building Operating Reserve Provides funds for the operations of the Green Square office building, which DENR plans to move into during the summer of 2011. These funds are to be transferred to the Department of Administration for utilities, custodial services, maintenance, pest control, etc.	$956,408	R	$1,056,408	R
50 Plains Barn Operating Reserve Provides the operating funds and staff needed to operate the plains barn and paddock at the North Carolina Zoo.	$128,409 1.50	R	$128,409 1.50	R
51 State Park System Operating Reserve Provides the operating funds and staff for a new boat ramp at Kerr Lake State Recreation Area and new facilities and trails at Grandfather Mountain, Gorges, and Deep River State Parks. Since the projects for Kerr Lake State Recreation Area and Gorges State Park will not be complete until later in 2011, positions included for these locations shall have an effective date of April 1, 2012.	$143,030 5.00	R	$364,812 5.00	R

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
52 Grassroots Science Museums Collaborative Transfers the appropriation for the Grassroots Science Museums Collaborative to Commerce State-Aid. A 15% reduction will be taken when the funds are added into the Commerce State-Aid section, leaving $2,899,885. All nonprofits funded by the Natural and Economic Resources Subcommittee will now be funded out of Commerce State-Aid.	($3,411,713)	R	($3,411,713)	R
53 Partnership for the Sounds Transfers the appropriation for the Partnership for the Sounds to Commerce State-Aid. A 15% reduction will be taken when the funds are added into the Commerce State-Aid section, leaving $409,326 recurring. All nonprofits funded by the Natural and Economic Resources Subcommittee will now be funded out of Commerce State-Aid.	($481,560)	R	($481,560)	R
(1.0) Administration				
54 Vacant Positions Eliminates two positions within the administrative area of the Department. These two positions had been vacant for more than a year as of March 2011. The reduction includes salaries and benefits for these positions. 60036049 Departmental Purchasing Agent II $63,832 60036070 Networking Specialist $95,219	($159,051) -2.00	R	($159,051) -2.00	R
55 Office of Environmental Education and Public Affairs Reduces the environmental education responsibilities of the Office of Environmental Education and Public Affairs, with two positions to remain to administer the environmental teacher certification program and serve as a liaison with the Department of Public Instruction. 60036088 Edu. Dev. Consultant $65,772 60036090 Edu. Dev. Consultant $75,019 60036091 Edu. Dev. Consultant $63,925	($246,134) -3.00	R	($246,134) -3.00	
(1.0) Aquariums				
56 Gate Admissions Reduces General Fund support for the aquariums and budgets $2 million in gate admissions collected by the three aquariums. Currently, all gate admissions are budgeted in a special fund and are used for capital projects, repairs, maintenance, exhibits, etc. Over $7.5 million from the General Fund will continue to be used to support the aquariums.	($2,000,000)	R	($2,250,000)	R
(1.0) Conservation Planning & Comm. Affairs				
57 Working Lands Program Eliminates the Working Lands Program and the position associated with this program. 60036193 Program Development Coordinator $78,195	($78,195) -1.00	R	($78,195) -1.00	R

	FY 11-12		FY 12-13	
58 Program Staff	($279,271)	R	($279,271)	R
Eliminates all remaining General Fund support for the Office of Conservation Planning & Community Affairs and replaces these funds with receipts from the Natural Heritage Trust Fund. All operating expenses and the salaries and benefits associated with three positions are transferred to receipts.	-3.00		-3.00	

60036191 Program Dev Coordinator $80,859
60036192 Program Dev Coordinator $84,110
60036213 Edu. Dev. Consultant $79,213

(1.0) Forest Resources

59 Positions to Receipt Support	($485,148)	R	($485,148)	R
Reduces General Fund support for 13 positions, replacing these funds with receipts. Several of the positions shifted are partial positions; in total, 8.8 FTE are transferred to receipts. Positions and the amount shifted to receipts are listed below:	-8.80		-8.80	

60031721	Office Assistant III	$16,635 (0.4 FTE)
60031762	Office Assistant III	$14,260 (0.4 FTE)
60031781	Office Assistant III	$16,918 (0.4 FTE)
60031786	Office Assistant III	$16,584 (0.4 FTE)
60031808	Office Assistant III	$16,182 (0.4 FTE)
60031919	Office Assistant III	$14,273 (0.4 FTE)
60031944	Office Assistant III	$15,085 (0.4 FTE)
60031995	Forester III	$80,712 (1.0 FTE)
60032202	Extension Educ & Training Spec.	$64,914 (1.0 FTE)
60032214	Forester III	$73,953 (1.0 FTE)
60032220	Forestry Technician	$55,449 (1.0 FTE)
60032221	Forestry Technician	$50,847 (1.0 FTE)
60032224	Accounting Clerk V	$49,336 (1.0 FTE)

60 Operating Reduction	($2,448,094)	R	($2,548,094)	R
Reduces operating expenses of the Division.				

61 Vacant Position	($31,504)	R	($31,504)	R
Eliminates one vacant position in the Division that had been vacant for more than one year as of March 2011.	-1.00		-1.00	

60031683 Cook $31,504

62 Turnbull Educational State Forest	($87,317)	R	($87,317)	R
Replaces General Fund appropriation for the Turnbull Educational State Forest with receipts generated by the Turnbull forest.	-1.00		-1.00	

63 Aviation Base System	($40,000)	R	($40,000)	R
Directs the Division to transition to a three base system for aircraft. Currently the Division operates nine bases across the State. The Conklin & de Decker report issued in late 2010 recommended the three base system.				

	FY 11-12		FY 12-13	
64 Forest Resources Transfers the Division of Forest Resources from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services.				
(1.0) Marine Fisheries				
65 Operating Expenses Reduces operating expenses across the Division.	($168,910)	R	($168,910)	R
66 Operating Expenses to Receipt Support Transfers operating expenses within the Division to commercial fishing receipts.	($200,000)	R	($200,000)	R
67 Position Changes Eliminates three permanent positions within the Division: one vacant, two filled, and one temporary position.	($202,937) -3.00	R	($202,937) -3.00	R
Filled 60032651 M.F. Biologist II $67,900 60032556 M.F. Biologist II $56,225 Vacant 60032552 Processing Asst IV $38,761 Temporary Position $40,051				
68 Positions to Receipt Support Transfers the salaries and benefits of six positions to federal grant funds.	($297,116) -6.00	R	($297,116) -6.00	R
60032644 Marine Fisheries Biologist II $52,330 60032649 Marine Fisheries Technician II $38,586 60032560 Marine Fisheries Biologist II $62,495 60032650 Marine Fisheries Technician III $52,789 60032645 Marine Fisheries Technician II $38,586 60032642 Marine Fisheries Biologist II $52,330				
69 Columbia Office Closes the Columbia Office of the Division of Marine Fisheries. This reduction includes rent and operating expenses associated with the office.	($55,902)	R	($55,902)	R
70 River Herring Program Reduces funding for river herring research. This reduction leaves approximately $65,000 and one position to continue to monitor river herring.	($85,000)	R	($85,000)	R
71 Oyster Sanctuary Program Eliminates funding for the Oyster Sanctuary Program.	($1,451,778)	R	($1,451,778)	R

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
72 Shellfish Rehabilitation Program Reduces funding for the Shellfish Rehabilitation program, leaving $315,000 to support the Oyster Shell Recycling program and oyster sanctuary construction projects. This reduction reduces operating funds.	($260,000)	R	($260,000)	R
73 Shellfish Mapping Program Reduces operating funds as well as the salaries and benefits for five positions associated with the Shellfish Mapping Program. Four of these positions are filled and one is vacant.	($281,168) -5.00	R	($281,168) -5.00	R
Filled 60032712 M.F. Technician II $ 40,200 60032771 M.F. Technician II $ 40,200 60032713 M.F. Technician II $ 39,328 60032774 M.F. Technician II $ 38,586 Vacant 60032773 M.F. Technician II $ 38,896				
74 Fishery Resource Grant Program Reduces the Fishery Resource Grant Program. This program is funded by the Division of Marine Fisheries but is operated by the SeaGrant program at North Carolina State University.	($200,000)	R	($200,000)	R
75 Shellfish Sanitation and Recreational Water Quality Moves the Shellfish Sanitation and Recreational Water Quality program from the Division of Environmental Health to the Division of Marine Fisheries.	$1,772,789 24.75	R	$1,772,789 24.75	R
(1.0) Museum of Natural Sciences				
76 Position Changes Eliminates five filled positions within the Division. This reduction includes the salaries and benefits of these positions.	($245,180) -5.00	R	($245,180) -5.00	R
60035038 Natural Science Curator I $47,502 60035013 Art Exhibit Design Technician $48,617 60034968 Art Exhibit Design Technician $46,310 60034980 Natural Science Research Curator II $62,733 60034966 Maintenance Mechanic II $40,018				
77 Temporary Wages Reduces temporary wages in the Division.	($189,732)	R	($189,732)	R
(1.0) North Carolina Zoo				
78 Operating Expenses Reduces General Fund operating expenses at the NC Zoo by approximately 6.5%. The NC Zoo may offset this reduction by increasing fees for gate admissions by $2.	($806,396)	R	($806,396)	R

	FY 11-12		FY 12-13	
79 Operations to Receipt Support Budgets $493,604 in receipts generated by the NC Zoo from revenue sources such as gate admissions, carousel rides, and stroller rentals. These receipts are over-realized and are currently deposited into the Special Zoo Fund.	($493,604)	R	($493,604)	R
80 Gift Shops Outsources at least three gift shops operated by the North Carolina Zoo. Outsourcing the NC Zoo's gift shops will eliminate six filled positions and one vacant position.	($603,198) -7.00	R	($603,198) -7.00	R
60033433 Sales Manager I $33,260 60033304 Sales Manager I $32,505 60033404 Sales Manager I $34,235 60033403 Sales Manager II $35,133 60033402 Sales Manager II $36,506 60033459 Stock Clerk I $34,203 60033405 Sales Manager I $32,505				
81 Vacant Positions Eliminates two positions in the Division that had been vacant for more than one year as of March 2011. This reduction includes the salaries and benefits for these positions.	($68,846) -2.00	R	($68,846) -2.00	R
60033308 Grounds Worker $32,505 60033295 Vehicle Operator II $36,341				
(1.0) Parks & Recreation				
82 Vacant Positions Eliminates 18 vacant positions within the Division of Parks & Recreation. The Department shall determine which 18 vacant positions shall be eliminated, and may reduce operating funds to reach the exact reduction required by this item.	($856,447) -18.00	R	($856,447) -18.00	R
83 Operating Expenses Transfers $6 million in Parks and Recreation Trust Fund receipts to the Division of Parks and Recreation to support park operations for the biennium.	($6,000,000)	NR	($6,000,000)	NR
84 Operation Reduction Reduces operating expenses for the Division of Parks and Recreation.	($1,012,500)	R	($1,012,500)	R
(1.0) Soil & Water Conservation				
85 Operating Reduction Reduces operating expenses in the Division.	($28,719)	R	($28,719)	R
86 Filled Positions Eliminates the salary and benefits of two filled positions in the Division.	($105,990) -2.00	R	($105,990) -2.00	R
60032335 Environmental Specialist $53,355 60032377 Info & Communication Spec. I $52,635				

	FY 11-12		FY 12-13	
87 Soil & Water Conservation Districts	($68,000)	R	($68,000)	R
Reduces funding for soil and water conservation districts by $708 per district. This reduction cuts local matching funds by 10%, or $400 per district. The remainder of the reduction is from funds provided for subsistence expenses for local Supervisors. This reduction means that lunch will no longer be reimbursed on days when the local district boards meet.				
88 Routine Animal Operating Inspections	($421,076)	R	($421,076)	R
Ends the routine operating inspections of animal operations performed by the Division. Both the Division of Soil & Water Conservation and the Division of Water Quality inspect these operations. This reduction eliminates six positions, their salaries and benefits, and associated operating costs. Three positions remain to provide technical assistance, conduct voluntary inspections, and respond to critical emergencies.	-6.00		-6.00	
60032353 Env. Specialist $60,358 60032354 Env. Specialist $51,649 60032355 Env. Program Supervisor II $83,575 60032358 Engineer $61,444 60032366 Env. Specialist $53,698 60032356 Env. Specialist $56,222				
89 Cooperative Soil Survey Program	($157,001)	R	($157,001)	R
Reduces operating funds and positions that support the Cooperative Soil Survey Program. This program conducts soil surveys that show the nature and distribution of various kinds of soil within a county and are used on a technical basis for land use decisions. This activity will now be carried out by local governments and the USDA Natural Resource Conservation Service. Two position remain to provide technical assistance to local governments.	-3.00		-3.00	
60032322 Soil Specialist $52,676 60032324 Soil Specialist $52,676 60032341 Soil Scientist $51,649				
90 Animal Waste Pilot Program	($51,880)	R	($51,880)	R
Ends the Animal Waste Pilot Program extended in S.L.2009-84. The pilot program currently operates in four counties (Pender, Jones, Columbus, and Brunswick) and is scheduled to sunset in September of 2011. There is one position associated with this program. This reduction includes salary and benefits for this position.	-1.00		-1.00	
60032357 Environmental Specialist $51,880				
91 Soil & Water Conservation				
Transfers the Division of Soil and Water Conservation from the Department of Environment and Natural Resources to the Department of Agriculture and Consumer Services.				

	FY 11-12		FY 12-13	
(2.0) Coastal Management				
92 Positions to Receipt Support	($314,075)	R	($314,075)	R
Shifts the salary and benefits of 5.0 positions to receipt support:	-5.00		-5.00	
60031539 Office Assistant IV $47,372				
60031553 District Planner $61,397				
60031533 Asst Major Permit Coordinator $63,651				
60031546 Rule Making & Policy Analyst $68,840				
60031601 Compliance & Enforcement Field Rep. $72,815				
93 Raleigh Office	($109,523)	R	($109,523)	R
Closes the Raleigh Office of the Division of Coastal Management and eliminates 1.0 filled receipt-supported position. The Department shall fund shift other positions and operating costs within the Division to be supported by these federal receipts.	-1.00		-1.00	
60031545 Asst Dir For Policy & Planning $109,523				
(2.0) Environmental Assistance and Outreach				
94 Filled Position	($113,994)	R	($113,994)	R
Eliminates the salary and benefits of 1.0 filled position:	-1.00		-1.00	
60035066 Environmental Program Manager $113,994				
95 Customer Service Liaisons				
Directs the Division of Environmental Assistance and Outreach to provide a minimum of one Customer Service Liaison for each of the Department's Regional Offices in order to address customer services issues, complaints, information requests, and the like.				
(2.0) Environmental Health				
96 Private Well Program	($278,129)	R	($348,372)	R
Eliminates operating funding for the Private Well Program and 4.0 filled positions in FY 2011-12:	-4.00		-5.00	
60034257 Environmental Program Supervisor II $73,531				
60034539 Environmental Health Regional Specialist $63,332				
60034541 Environmental Health Regional Specialist $58,246				
60034305 Processing Assistant IV $38,180				
and eliminates the program's remaining position in FY 2012-13:				
60034542 Environmental Health Regional Specialist $55,275				

	FY 11-12		FY 12-13	
97 Vector Control Program	($391,311)	R	($391,311)	R
Eliminates operating funding for the Vector Control Program and its 4.50 filled positions:	-4.50		-4.50	

60034360	Enviro. Senior Specialist	(1.0 FTE)	$72,644
60034361	Enviro. Senior Specialist	(1.0 FTE)	$59,798
60034359	Enviro. Program Consultant	(1.0 FTE)	$84,637
60034363	Enviro. Program Consultant	(1.0 FTE)	$88,214
60034358	Pub. Health Pest Mgmt Sec. Chief	(0.5 FTE)	$45,433

Mosquito control grant funds will be administered by existing staff within the Division of Public Health.

98 Positions Eliminated and Shifted to Receipt Support	($389,938)	R	($389,938)	R
Eliminates the salary and benefits of 3.0 positions:	-6.50		-6.50	

Filled:

60034261	Administrative Assistant I	$49,013
60034543	Administrative Assistant I	$41,867

Vacant:

60034466	Extension Educ & Training Spec III	$56,780

and fund shifts 3.50 positions to receipt support:

60034300	Nurse Consultant	(1.0 FTE)	$74,315
60034293	Enviro. Health Regional Spec.	(1.0 FTE)	$65,844
60034495	Enviro. Program Supervisor	(0.25 FTE)	$19,821
60034298	Technology Support Analyst	(1.0 FTE)	$61,118
60034254	EHS Section Chief	(0.25 FTE)	$21,180

99 Public Water Supply Positions	($202,628)	R	($202,628)	R
Eliminates the salary and benefits of 2.0 vacant positions in the Public Water Supply Section:	-3.00		-3.00	

60034405	Environmental Senior Specialist	$59,750
60034392	Engineer	$98,022

and 1.0 filled position in the Division Finance Office:

60034413	Accounting Technician	$44,856

100 Public Water Supply Program	($759,217)	R	($759,217)	R
Transfers the Public Water Supply Program to the Division of Water Resources.	-8.80		-8.80	

101 Food and Lodging Program

Directs the Division to change the use of the $400,000 appropriation originally intended for aid to counties for local food and lodging programs. The Division is to use those funds to pay for the costs to operate the State elements of the program. Counties will receive a higher percentage of the food and lodging fee that will more than offset not receiving these grant funds.

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
102 On-Site Quality Assurance Program	($69,792)	R	($69,792)	R
Eliminates funding for the On-Site Quality Assurance Program and its 1.0 position:	-1.00		-1.00	
60034368 Environmental Health Regional Specialist $69,792				
103 Wastewater Discharge Elimination Program	($160,594)	R	($160,594)	R
Eliminates operating funding for the Wastewater Discharge Elimination Program and its 2.0 filled positions:	-2.00		-2.00	
60034370 Environmental Senior Specialist $55,541 60034306 Environmental Program Supervisor I $75,547				
104 Tick Control Program	($139,499)	R	($139,499)	R
Eliminates operating funding for the Tick Control Program and its 1.0 filled position:	-1.00		-1.00	
65001605 Environmental Senior Specialist $58,072				
105 Sleep Products Program				
Transfers the Sleep Products Program to the Department of Agriculture and Consumer Services. This program's expenditures of $630,337 and 8.0 positions are fully supported by receipts.				
106 Grade "A" Milk Sanitation Branch	($811,175)	R	($811,175)	R
Transfers the Grade "A" Milk Sanitation Branch to the Department of Agriculture and Consumer Services. The Department shall transfer the full General Fund amount shown and fund shift other divisional expenses to receipts as necessary.	-7.00		-7.00	
107 Shellfish Sanitation and Recreational Water Quality	($1,772,789)	R	($1,772,789)	R
Transfers the Shellfish Sanitation and Recreational Water Quality Program to the Division of Marine Fisheries.	-24.75		-24.75	
108 Transfer to DHHS - Division of Public Health	($173,397)	R	($173,397)	R
Eliminates salary and benefits of 2.0 filled positions that will be eliminated as part of the transfer of the Division of Environmental Health to the Division of Public Health in the Department of Health and Human Services:	-2.00		-2.00	
60034382 Division Deputy Director $116,617 60034417 Information & Communications Spec. I $56,780				
(2.0) Regional Offices				
109 Filled Positions	($111,424)	R	($111,424)	R
Eliminates the salary and benefits of 3.0 filled positions:	-3.00		-3.00	
60036122 Office Assistant $37,614 60036157 Office Assistant $37,455 60036154 Office Assistant $36,355				

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
110 Regional Offices Eliminates and/or fund shifts three positions at each of DENR's seven Regional Offices and operating for a total reduction of 21.0 positions.	($1,238,874) -21.00	R	($1,238,874) -21.00	R
111 Asheville Regional Office Eliminates the salaries and benefits of 6.0 positions and operating costs in the Asheville Regional Office:	($479,674) -6.00	R	($479,674) -6.00	R
60032508 Tech Support Analyst $68,894 60032509 Hydrogeologist $60,272 60032510 Hydrogeologist $54,115 60032511 Hydrogeologist $54,115 60032512 Hydrogeologist $76,301 60032513 Hydrogeologist $84,265 Operating Costs $81,712				
112 Regional Offices Justification Review Eliminates recurring funding for the Regional Offices and makes the funding nonrecurring for FY 2011-12. The Fiscal Research Division will perform a Justification Review of this program.	($12,624,378) $12,624,378	R NR	($12,624,378) -134.96	R
(2.0) Waste Management				
113 Operating Budget Reduces the operating budget of the Division of Waste Management.	($23,819)	R	($23,819)	R
114 Positions Eliminated and Shifted to Receipt Support Eliminate the salary and benefits of 3.0 vacant and 2.0 filled positions:	($482,878) -6.90	R	($482,878) -6.90	R
Vacant 60034588 Hydrogeologist (1.0 FTE) $72,226 60095583 Engineer (1.0 FTE) $83,171 60034613 Environmental Sr Specialist (1.0 FTE) $59,273 Filled 60034616 Hydrogeologist (1.0 FTE) $65,806 60034607 Environmental Sr Specialist (1.0 FTE) $65,101 and fund shifts 1.9 positions to receipt support: 60034617 Engineer (0.5 FTE) $43,137 60034596 Environmental Sr Specialist (0.2 FTE) $13,644 60034589 Environmental Sr Specialist (0.2 FTE) $14,245 60034595 Environmental Sr Specialist (0.25 FTE) $15,438 60034602 Environmental Supervisor III (0.25 FTE) $21,475 60034608 Environmental Sr Specialist (0.25 FTE) $14,681 60034594 Environmental Sr Specialist (0.25 FTE) $14,681				

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
115 Vacant Position	($63,764)	R	($63,764)	R
Eliminates the salary and benefits of 1.0 position that has been vacant for over a year as of March 2011:	-1.00		-1.00	
60034774 Hydrogeologist $63,764				
(2.0) Water Quality				
116 Vacant Positions	($84,333)	R	($84,333)	R
Eliminates the salary and benefits of 1.59 positions vacant for over one year:	-1.59		-1.59	
60035518 Environmental Senior Specialist (0.59 FTE) $39,110 60035240 Environmental Senior Technician (1.0 FTE) $45,223				
117 Operating Budget	($442,880)	R	($442,880)	R
Reduces General Fund support of the operating budget of the Division of Water Quality by 15%.				
118 Positions Eliminated and Shifted to Receipt Support	($1,217,921)	R	($1,217,921)	R
Eliminates the salary and benefits of 6.0 vacant and 2.0 filled positions:	-22.50		-22.50	

60035140	Processing Assistant IV	(1.0 FTE)	$40,481
60035166	Chemist III	(1.0 FTE)	$74,824
60035160	Chemistry Technician III	(1.0 FTE)	$47,705
60035141	Chemistry Technician I	(1.0 FTE)	$46,684
60035489	Environmental Senior Tech.	(1.0 FTE)	$48,425
60035466	Environmental Specialist	(1.0 FTE)	$58,201
60035229	Environmental Technician	(1.0 FTE)	$45,887
60035347	Environmental Senior Tech.	(1.0 FTE)	$48,594

and shifts 14.5 positions to receipt support:

60035164	Chemistry Technician III	(1.0 FTE)	$46,684
60035161	Chemistry Technician III	(0.5 FTE)	$24,752
60035186	Processing Assistant IV	(1.0 FTE)	$40,400
60035139	Enviro. Prog. Supv. IV	(0.5 FTE)	$50,193
60035424	Environmental Engineer	(1.0 FTE)	$70,530
60035104	Accounting Clerk IV	(1.0 FTE)	$38,672
60035398	Environmental Specialist	(1.0 FTE)	$66,022
60035170	Chemistry Technician III	(1.0 FTE)	$50,432
60035099	Processing Assistant IV	(1.0 FTE)	$38,043
60035414	Environmental Engineer	(1.0 FTE)	$66,250
60035381	Environmental Senior Tech.	(1.0 FTE)	$45,181
60035270	Enviro. Prog. Supv. III	(0.5 FTE)	$42,999
60035490	Environmental Specialist	(1.0 FTE)	$58,350
60035231	Environmental Specialist	(1.0 FTE)	$55,793
60035467	Environmental Senior Tech.	(1.0 FTE)	$49,798
60035472	Environmental Engineer	(1.0 FTE)	$63,021

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
(2.0) Water Resources				
119 **Funds for H.B. 609 "Promote Water Supply Development"** Provides $83,000 in recurring funding to the Department in order to fulfill the requirements of H.B. 609, contingent upon the passage of H.B. 609. If the bill is not enacted, then these funds shall revert to the General Fund.	$83,000	R	$83,000	R
120 **Public Water Supply Section from Environmental Health** Transfers the Public Water Supply Section from the Division of Environmental Health to the Division of Water Resources.	$759,217 8.80	R	$759,217 8.80	R
121 **Transfer from Capital Improvement Funds** Transfers $564,227 from Division of Water Resources Capital Improvement funds to Division of Water Resources on a nonrecurring basis for FY 2011-12 and reduces the General Fund operating budget in a like amount.	($564,227)	NR		
Total Legislative Changes	**($36,366,265)** **$13,178,751**	R NR	**($34,824,296)** **($6,000,000)**	R NR
Total Position Changes	-160.51		-296.47	
Revised Budget	**$165,784,887**		**$148,148,105**	

DENR-Clean Water Management Trust Fund

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	$100,000,000		$100,000,000	
Legislative Changes				
Department-wide				
122 **Operating Reduction** Provides $11.25 million to the Clean Water Management Trust Fund. In addition, the bill repeals G.S. 113A-253.1, which set the Trust Fund's annual appropriation at $100 million.	($88,750,000)	R	($88,750,000)	R
Total Legislative Changes	($88,750,000)	R	($88,750,000)	R
Total Position Changes				
Revised Budget	$11,250,000		$11,250,000	

Commerce

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	$38,907,381		$38,907,381	
Legislative Changes				
Department-wide				
123 **Employment Security Commission Merger** Reduces expenditures due to the merger of the Employment Security Commission with the Department of Commerce. This reduction is based on an effective date of November 1, 2011 for the transfer. This transfer shall be done in accordance with S.B. 532.	($251,376)	R	($377,064)	R
124 **Governor's Office Transfer** Eliminates funding from various account codes (1x-5x) across the Department which have been used to transfer funds to the Governor's Office to pay for salary and benefits for one position. The Department shall not transfer funds to the Governor's Office for this purpose.	($192,354)	R	($192,354)	R
125 **Salary and Operating Reductions to Align Budget** Reduces various accounts (1x-5x) across the Department such that the Department may properly budget contracts with the Attorney General's Office, rather than using lapsed salary and operating line items for this purpose.	($235,558)	R	($235,558)	R
126 **Cell Phones** Reduces cell phones expenditures across the Department by 30%. The Department is to reduce the actual number of cell phones by this percentage as well.	($7,000)	R	($7,000)	R
127 **Motor Fleet Management** Reduces Motor Fleet Management expenses by 10%. The Department is to reduce the actual number of Motor Fleet Management vehicles by 10% as well.	($27,647)	R	($27,647)	R
Department-wide Reserves and Transfers				
128 **Rural Electrification Authority** Appropriates $150,000 to be transferred to the Rural Electrification Authority (budget code 54600 5241). In section 2.2(g) of S.L. 2009-451, $210,240 was transferred from this fund to General Fund availability.	$150,000	NR		
Administration				
129 **Administrative Assistant** Eliminates the salary and benefits for one filled administrative assistant position (60077162).	($54,640) -1.00	R	($54,640) -1.00	R

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
130 **Attorney General Contracts** Directs the Department to properly budget its Attorney General contracts as a separate 2x account line.	$235,558	R	$235,558	R
131 **Assistant Secretary for Community Development** Transfers the salary and benefits for the Assistant Secretary for Community Development position (60077156) from the Administration fund code (1111) to the Division of Community Assistance fund code (1620) so that the funding can be properly aligned in the correct division. The Department shall physically locate the Assistant Secretary in the same building as the majority of the division's employees.	($125,101) -1.00	R	($125,101) -1.00	R
132 **Assistant Secretary for Policy, Research, and Strategic Planning (PRSP)** Transfers the Assistant Secretary position (60077183) from the Administration fund code (1111) to the PRSP fund code (1130) so that the funding can be properly aligned in the correct division.	($125,720) -1.00	R	($125,720) -1.00	R
133 **Director of Rural Development Programs** Eliminates the salary and benefits for the position of Director of Rural Development Programs (60077188). This position oversees the 21st Centuries Communities Program, which is eliminated, and administers Community Development Block Grant (CDBG) programs which can be handled by existing CDBG staff. The Certified Retirement Communities Program shall be transferred to the Division of Tourism, Film, and Sports Development and administered by existing staff.	($99,308) -1.00	R	($99,308) -1.00	R
134 **Public Affairs Staff Reduction** Eliminates the salary and benefits for one filled position (60077186) in the Secretary's Office, Public Affairs section.	($42,289) -1.00	R	($42,289) -1.00	R
BLNC - Business Link North Carolina				
135 **Director Position** Eliminates the salary and benefits for the director position (60080987) for BLNC. Employees in this division will report to the Director of Business and Industry.	($131,110) -1.00	R	($131,110) -1.00	R
Business and Industry				
136 **Transfer to Biotechnology Center** Eliminates the transfer to the Biotechnology Center. The Department and the Biotechnology Center are encouraged to continue the Memorandum of Understanding but without the use of Commerce funds to pay for Biotechnology Center expenses.	($64,125)	R	($64,125)	R
137 **Trade Shows** Reduces funding for trade shows.	($50,000)	R	($50,000)	R

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
138 **Vacant Position** Eliminates the salary and benefits for one vacant position - 60080979 Client Development Manager.	($83,314) -1.00	R	($83,314) -1.00	R
Commerce Finance Center				
139 **Vacant Position** Eliminates the salary and benefits for one vacant position - 60081011, Financial Specialist.	($58,413) -1.00	R	($58,413) -1.00	R
140 **Industrial Development Fund** Eliminates the General Fund appropriation for the Industrial Development Fund. Funding will remain available from loan repayments and in the fund balance to fulfill existing obligations.	($320,107)	R	($320,107)	R
141 **Jobs Maintenance and Capital Development Fund (JMAC)** Appropriates $6,000,000 for Bridgestone/Firestone and Goodyear agreements for the 2010 grant year.	$6,000,000	NR		
142 **One North Carolina Fund** Provides additional funding for the One North Carolina Fund.	$10,000,000	NR		
143 **Broadband Mapping** Provides funding for the CDBG Economic Development section to contract out for the North Carolina mapping and planning project currently titled NC BRIM, Broadband-Rigor in Mapping.	$375,730	R	$375,730	R
144 **Broadband Connectivity** Provides $1 million non-recurring for the CDBG-Economic Development section to incent private businesses to provide broadband connectivity. Priority shall be given to unserved areas in mixed urban-rural counties and then to unserved areas in mainly rural counties. The Department shall work with the Rural Economic Development Center in developing and implementing this grant program.	$1,000,000	NR		
Community Assistance				
145 **Assistant Secretary Position** Transfers the salary and benefits for the Assistant Secretary for Community Development position (60077156) from the Administration fund code (1111) into the Division of Community Assistance fund code (1620) so that the funding can be properly aligned in the correct division. The Department shall physically locate the Assistant Secretary in the same building as the majority of the division's employees.	$125,101 1.00	R	$125,101 1.00	R
146 **Senior Advisor/Director Position** Eliminates the salary and benefits for the position of director (60081167). This division also has an Assistant Secretary, and thus the director position is eliminated to more properly align span of control.	($117,624) -1.00	R	($117,624) -1.00	R

	FY 11-12		FY 12-13	
147 Vacant Position	($71,536)	R	($71,536)	R
Eliminates the salary and benefits for one Planner position (60081202) vacant for more than one year as of March 2011.	-1.00		-1.00	
148 21st Century Communities	($244,699)	R	($244,699)	R
Eliminates operating funding for the 21st Century Communities program and the salaries and benefits for three filled positions. This program was designed to certify counties to be ready for the 21st Century and is no longer needed.	-3.00		-3.00	
60081236 Planner $58,074 60081237 Planner $55,541 60081238 Planner $63,013				
149 Filled Positions	($296,177)	R	($296,177)	R
Eliminates the salaries and benefits for five filled positions and associated operating costs within the Division. Funding will still be sufficient to meet Community Development Block Grant (CDBG) match requirements.	-5.00		-5.00	
60081178 Office Assistant IV $31,634 60081182 Comm Dev Planner I $57,511 60081198 Comm Dev Planner II $62,238 60081205 Office Assistant IV $34,305 60089504 Comm Dev Planner I $74,135 Operating Expenses $36,354				

Energy

150 Pass-through Funding to Universities	($1,855,500)	R	($1,466,090)	R
Reduces pass-through funding to the Energy Centers at North Carolina A&T State University, North Carolina State University, and Appalachian State University. Provides $500,000 in FY 2011-12 and $617,603 in FY 2012-13 for the Solar Center at North Carolina State University to continue energy programs. $200,000 of this funding shall be used for the Energy Management Program within the Energy Efficiency and Environmental Research Program in the Department of Mechanical & Aerospace Engineering. Provides $50,000 in FY 2011-12 and $261,215 in FY 2012-13 to the Appalachian Energy Center at Appalachian State University. Provides $100,000 in FY 2011-12 and $210,592 in FY 2012-13 to the Center for Energy Research and Technology at North Carolina A&T State University.				
151 Operating Reduction	($21,120)	R	($21,120)	R
Reduces operating expenses (2x-5x) in the division by $21,120, leaving $154,716 for these purposes.				

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
152 **Filled Position** Eliminates the salary and benefits for one filled Engineer position (60014891) who currently is assigned to the Utility Savings Initiative program.	($78,880) -1.00	R	($78,880) -1.00	R
Industrial Commission				
153 **Over-realized Receipts** Directs the Industrial Commission to budget over-realized receipts.	($736,861)	R	($736,861)	R
International Trade				
154 **Trade Shows** Reduces funding for trade shows.	($50,000)	R	($50,000)	R
Management Information Systems				
155 **Division Director** Eliminates the salary and benefits for the director position (60080825) for the Management Information Systems division.	($153,218) -1.00	R	($153,218) -1.00	R
156 **Operating Funds** Reduces operating expenses (2x-5x) in the division by $18,552, leaving $163,790 for these purposes.	($18,552)	R	($18,552)	R
Office of Science and Technology				
157 **Continuation Review** Eliminates recurring funding for the Office of Science and Technology and makes the funding nonrecurring for FY 2011-12. This program is subject to continuation review.	($215,599) $215,599	R NR	($215,599) -2.00	R
Policy, Research, and Strategic Planning				
158 **Assistant Secretary Position** Transfers the Assistant Secretary position (60077183) from the Administration fund code (1111) into the Policy, Research, and Strategic Planning fund code (1130) so that the funding can be properly aligned in the correct division.	$125,720 1.00	R	$125,720 1.00	R
159 **Operating Expenses** Reduces operating expenses (2x-5x) in the division by $10,000, leaving $200,753 for these purposes.	($10,000)	R	($10,000)	R
Tourism, Film, and Sports Development				
160 **Welcome Centers Position** Eliminates the salary and benefits for an Office Assistant IV position (60080870) which has been vacant for more than a year as of March 2011.	($39,102) -1.00	R	($39,102) -1.00	R

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
161 **NC Wineries & Tourism** Provides $500,000 NR for North Carolina wineries and tourism. $250,000 shall be allocated to the Vinifera Group and $250,000 to the Muscadines Group for the purpose of promoting North Carolina wineries and tourism related to the wineries. The funds shall be used for advertising and State winery maps.	$500,000	NR		
162 **Wine and Grape Grower's Council** Eliminates funding for the Wine and Grape Grower's Council, including the salary and benefits for one filled position (60080945).	($732,380) -1.00	R	($732,380) -1.00	R
Wanchese Seafood Industrial Park				
163 **Capital and Operating Funds** Eliminates funding most recently used for capital projects and operating expenses.	($248,327)	R	($248,327)	R
164 **Operating Reduction** Reduces the budget for Wanchese by 15%.	($25,112)	R	($25,112)	R
Workforce Development				
165 **Workforce Investment Act Funds** Transfers $350,000 in Workforce Investment Act funds from the Department of Commerce to the Department of Labor to be used for the recurring operating costs of the Apprenticeship Program.				
Total Legislative Changes	**($5,920,640)** **$17,865,599**	R NR	**($5,656,918)**	R
Total Position Changes	-20.00		-22.00	
Revised Budget	**$50,852,340**		**$33,250,463**	

Commerce - State Aid

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	$31,169,289		$31,169,289	
Legislative Changes				
166 **Ag in the Classroom** Transfers the appropriation for Ag in the Classroom from Agriculture to Commerce State-Aid. All nonprofits funded by the Natural and Economic Resources Subcommittee will now be funded out of Commerce State-Aid.	$22,077	R	$22,077	R
167 **Association of Community Development Corporations (CDCs)** Reduces the recurring pass-through appropriation for the Association of CDCs by 20% for FY 2011-12 and by 15% in FY 2012-13.	($196,137)	R	($147,103)	R
168 **Biofuels Center** Reduces the recurring pass-through appropriation for the Biofuels Center by 10%, leaving $4,500,000 recurring.	($500,000)	R	($500,000)	R
169 **Community Development Initiative** Reduces the recurring pass-through appropriation for the Community Development Initiative by 20% for FY 2011-12 and by 15% for FY 2012-13.	($936,548)	R	($702,411)	R
170 **Councils of Government (COGs)** Reduces the recurring pass-through appropriation for the COGs.	($60,563)	R	($60,563)	R
171 **Defense & Security Technology Accelerator** Provides funding to the Defense & Security Technology Accelerator for FY 2011-12 and FY 2012-13.	$700,000	NR	$700,000	NR
172 **e-NC Authority** Eliminates all funding to the e-NC Authority.	($442,035)	R	($442,035)	R
173 **FFA Foundation** Transfers the appropriation for the FFA Foundation from Agriculture to Commerce State-Aid. A 15% reduction is taken, leaving $37,531 recurring. All nonprofits funded by the Natural and Economic Resources Subcommittee will now be funded out of Commerce State-Aid.	$37,531	R	$37,531	R

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
174 **Grassroots Science Museums** Transfers the appropriation for the Grassroots Science Museums Collaborative from DENR to Commerce State-Aid. A 15% reduction is taken, leaving $2,899,885 recurring. All nonprofits funded by the Natural and Economic Resources Subcommittee will now be funded out of Commerce State-Aid.	$2,899,885	R	$2,899,885	R
175 **High Point Furniture Market** Reduces the recurring pass-through appropriation for the High Point Furniture Market by 15%, leaving $685,507 recurring.	($120,972)	R	($120,972)	R
176 **Indian Economic Development Initiative** Provides recurring funding to the Indian Economic Development Initiative.	$90,000	R	$90,000	R
177 **Institute for Regenerative Medicine** Reduces the recurring pass-through appropriation for the Institute for Regenerative Medicine.	($2,000,000)	R	($2,000,000)	R
178 **Institute of Minority Economic Development** Reduces the recurring pass-through appropriation for the Institute of Minority Economic Development by 15%, leaving $2,139,793 recurring.	($377,612)	R	($377,612)	R
179 **Johnson & Wales** Appropriates $500,000 to Johnson & Wales University for FY 2011-12.	$500,000	NR		
180 **Land Loss Prevention Project** Reduces the recurring pass-through appropriation for the Land Loss Prevention Project by 20% for FY 2011-12 and by 15% for FY 2012-13.	($139,492)	R	($106,119)	R
181 **Minority Support Center** Reduces the recurring pass-through appropriation for the Minority Support Center by 20% for FY 2011-12 and by 15% for FY 2012-13.	($625,746)	R	($469,309)	R
182 **Partnership for the Sounds** Transfers the appropriation for the Partnership for the Sounds from DENR to Commerce State-Aid. A 15% reduction is taken, leaving $409,326 recurring. All nonprofits funded by the Natural and Economic Resources Subcommittee will now be funded out of Commerce State-Aid.	$409,326	R	$409,326	R
183 **Regional Economic Development Commissions** Reduces the recurring pass-through appropriation for the Regional Economic Development Commissions by 10%, leaving $2,250,000 recurring and provides $2,172,022 in non-recurring funds for FY 2011-12.	($250,000) $2,172,022	R NR	($250,000)	R
184 **RTI International** Provides $500,000 NR for RTI to match US Department of Energy grant funds.	$500,000	NR		

Senate Subcommittee on Natural and Economic Resources	FY 11-12		FY 12-13	
Total Legislative Changes	($2,190,286)	R	($1,717,305)	R
	$3,872,022	NR	$700,000	NR
Total Position Changes				
Revised Budget	$32,851,025		$30,151,984	

N.C. Biotechnology Center

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	$19,501,900		$19,501,900	
Legislative Changes				
185 **Operating Funds** Reduces the recurring pass-through appropriation for the Biotechnology Center by 10%, leaving $17,551,710 recurring.	($1,950,190)	R	($1,950,190)	R
Total Legislative Changes	($1,950,190)	R	($1,950,190)	R
Total Position Changes				
Revised Budget	$17,551,710		$17,551,710	

Rural Economic Development Center

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	$22,640,814		$22,640,814	
Legislative Changes				
186 **Operating Reductions** Reduces the recurring pass-through appropriation for the Rural Center by 10%, leaving $20,376,729 in recurring funding.	($2,264,085)	R	($2,264,085)	R
187 **Emergency Rural Jobs Infrastructure Fund** Provides nonrecurring funding for FY 2011-12 and FY 2012-13 to establish the Emergency Rural Jobs Infrastructure Fund.	$5,000,000	NR	$5,000,000	NR
Total Legislative Changes	($2,264,085)	R	($2,264,085)	R
	$5,000,000	NR	$5,000,000	NR
Total Position Changes				
Revised Budget	$25,376,729		$25,376,729	

Wildlife Resources Commission

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	$0		$0	
Legislative Changes				
188 **Operating Funds** Transfers the Wildlife Resource Commission to General Fund support. The expected sales tax transfer of $22.97 million is changed to a $18 million General Fund appropriation. Of the $18 million appropriated to the Commission, $250,000 shall be used to supplement the Beaver Management Assistance Program. These funds shall be in addition to the $349,000 of Commission funds currently obligated for the program.	$18,000,000	R	$18,000,000	R
Conservation Education				
189 **Conservation Education** Eliminates recurring funding for the Conservation Education Division and makes the funding nonrecurring for FY 2011-12. This program is subject to Continuation Review.	($778,821) $778,821	R NR	($778,821)	R
Total Legislative Changes	**$17,221,179** **$778,821**	**R** **NR**	**$17,221,179**	**R**
Total Position Changes				
Revised Budget	**$18,000,000**		**$17,221,179**	

Commerce – Enterprise

Budget Code: 54600

	FY 2011-12		FY 2012-13	
Beginning Unreserved Fund Balance	**$9,069,749**		**$8,190,899**	
Recommended Budget				
Requirements	**$4,479,458**		**$4,479,458**	
Receipts	**$4,100,608**		**$4,100,608**	
Positions	**46.00**		**46.00**	
Legislative Changes				
Requirements:				
Transfer to General Fund	$0	R	$0	R
Directs the ABC Commission to transfer $500,000 in cash balance to the General Fund for general availability.	$500,000	NR	$0	NR
	0.00		0.00	
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$500,000	NR	**$0**	NR
	0.00		0.00	
Receipts:				
ABC Commission	$0	R	$0	R
	$0	NR	$0	NR
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$0	NR	**$0**	NR

Subcommittee on Natural and Economic Resources

	FY 2011-12	FY 2012-13
Revised Total Requirements	**$4,979,458**	**$4,479,458**
Revised Total Receipts	**$4,100,608**	**$4,100,608**
Change in Fund Balance	**($878,850)**	**($378,850)**
Total Positions	**46.00**	**46.00**
Unappropriated Balance Remaining	**$8,190,899**	**$7,812,049**

DENR - Special

Budget Code: 24300

	FY 2011-12		FY 2012-13	
Beginning Unreserved Fund Balance	**$2,291,385**		**$1,841,385**	
Recommended Budget				
Requirements	**$1,029,288**		**$1,029,288**	
Receipts	**$1,029,288**		**$1,029,288**	
Positions	**0.00**		**0.00**	
Legislative Changes				
Requirements:				
Mercury Pollution Prevention Funds for H.B. 242 Provides $100,000 to the Department of Environment and Natural Resources, contingent upon the adoption of H.B. 242, "Nat'l Gas/ Bonds/ Fees/ Studies," in order to fulfill the requirements of the bill. These funds shall come from the Mercury Pollution Prevention Fund in the Department of Environment and Natural Resources.	$0 R $100,000 NR 0.00		$0 R $0 NR 0.00	
Mercury Pollution Prevention Funds for S.B. 709 Provides $100,000 to the Department of Environment and Natural Resources, contingent upon the adoption of S.B. 709, "Energy Jobs Act," in order to fulfill the requirements of the bill. These funds shall come from the Mercury Pollution Prevention Fund in the Department of Environment and Natural Resources.	$0 R $100,000 NR 0.00		$0 R $0 NR 0.00	
Mercury Pollution Prevention Fund Transfers $250,000 from the cash balance of the Mercury Pollution Prevention Fund to the General Fund for general availability.	$0 R $250,000 NR 0.00		$0 R $0 NR 0.00	
Subtotal Legislative Changes	**$0** R **$450,000** NR 0.00		**$0** R **$0** NR 0.00	

	FY 2011-12		FY 2012-13	
Receipts:				
Mercury Prevention Transfer to General Fund	$0	R	$0	R
	$0	NR	$0	NR
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$0	NR	**$0**	NR
Revised Total Requirements	**$1,479,288**		**$1,029,288**	
Revised Total Receipts	**$1,029,288**		**$1,029,288**	
Change in Fund Balance	**($450,000)**		**$0**	
Total Positions	**0.00**		**0.00**	
Unappropriated Balance Remaining	**$1,841,385**		**$1,841,385**	

DENR - PART F

Budget Code: 24309

	FY 2011-12	FY 2012-13
Beginning Unreserved Fund Balance	**$13,599,484**	**$4,419,353**
Recommended Budget		
Requirements	**$45,793,981**	**$45,793,981**
Receipts	**$36,613,850**	**$36,613,850**
Positions	**0.00**	**0.00**

Legislative Changes

Requirements:

Transfer to General Fund	$0 R	$0 R
Diverts $8.435 million in Deed Stamp tax revenue to the General Fund for general availability.	$8,435,000 NR	$0 NR
	0.00	0.00
Parks and Recreation Trust Fund Expenditures	$0 R	$0 R
Reduces expenditures by the Parks and Recreation Trust Fund due to the diversion of tax revenue to the General Fund.	($8,435,000) NR	$0 NR
	0.00	0.00
Subtotal Legislative Changes	**$0** R	**$0** R
	$0 NR	**$0** NR
	0.00	0.00

Receipts:

Transfer to General Fund	$0 R	$0 R
	$0 NR	$0 NR
Subtotal Legislative Changes	**$0** R	**$0** R
	$0 NR	**$0** NR

	FY 2011-12	FY 2012-13
Revised Total Requirements	**$45,793,981**	**$45,793,981**
Revised Total Receipts	**$36,613,850**	**$36,613,850**
Change in Fund Balance	**($9,180,131)**	**($9,180,131)**
Total Positions	**0.00**	**0.00**
Unappropriated Balance Remaining	**$4,419,353**	**($4,760,778)**

DENR - Recreational/ Natural Heritage Trust Fund

Budget Code: 64302

	FY 2011-12	FY 2012-13
Beginning Unreserved Fund Balance	**$12,900,000**	**$13,491,000**
Recommended Budget		
Requirements	**$31,750,487**	**$31,750,487**
Receipts	**$20,149,825**	**$20,149,825**
Positions	**0.00**	**0.00**

Legislative Changes

Requirements:

Continuation Budget Expenditures	($20,341,487)	R	($20,341,487)	R
Reduces expenditures in the Continuation Budget to reflect actual planned expenditures.	$0	NR	$0	NR
	0.00		0.00	
Transfer to General Fund	$0	R	$0	R
Diverts $8 million in Deed Stamp tax revenue to the General Fund for general availability.	$8,000,000	NR	$0	NR
	0.00		0.00	
Natural Heritage Trust Fund Expenditures	$0	R	$0	R
Reduces expenditures by the Natural Heritage Trust Fund due to the diversion of tax revenue to the General Fund.	($8,000,000)	NR	$0	NR
	0.00		0.00	
Subtotal Legislative Changes	**($20,341,487)**	R	**($20,341,487)**	R
	$0	NR	**$0**	NR
	0.00		0.00	

Receipts:

Continuation Budget Revenue	($8,149,825)	R	($8,149,825)	R
Reduces the revenue budgeted in the Continuation Budget to reflect actual expected deed stamp tax collections directed to the Natural Heritage Trust Fund.	$0	NR	$0	NR

	FY 2011-12		FY 2012-13	
Subtotal Legislative Changes	($8,149,825)	R	($8,149,825)	R
	$0	NR	$0	NR
Revised Total Requirements	$11,409,000		$11,409,000	
Revised Total Receipts	$12,000,000		$12,000,000	
Change in Fund Balance	$591,000		$591,000	
Total Positions	0.00		0.00	
Unappropriated Balance Remaining	$13,491,000		$14,082,000	

Solid Waste Management Trust Fund

Budget Code: 64303

	FY 2011-12	FY 2012-13
Beginning Unreserved Fund Balance	**$6,399,207**	**$6,377,207**
Recommended Budget		
Requirements	**$3,836,277**	**$3,836,277**
Receipts	**$3,814,277**	**$3,814,277**
Positions	**1.00**	**1.00**

Legislative Changes

Requirements:

Scrap Tire Expenditures	$0 R	$0 R
Reduces expenditures in the Scrap Tire fund to reflect the diversion of tax revenue to the the General Fund.	($2,268,989) NR	$0 NR
	0.00	0.00
Scrap Tire Transfer to General Fund	$0 R	$0 R
Diverts Scrap Tire tax revenue to the General Fund for general availability.	$2,268,989 NR	$0 NR
	0.00	0.00
White Goods Expenditures	$0 R	$0 R
Reduces expenditures in the White Goods fund to reflect the diversion of tax revenue to the General Fund.	($1,951,465) NR	$0 NR
	0.00	0.00
White Goods Transfer to General Fund	$0 R	$0 R
Diverts White Goods tax revenue to the General Fund for general availability.	$1,951,465 NR	$0 NR
	0.00	0.00
Subtotal Legislative Changes	**$0** R	**$0** R
	$0 NR	**$0** NR
	0.00	0.00

Receipts:

	FY 2011-12		FY 2012-13	
White Goods Transfer to General Fund	$0	R	$0	R
	$0	NR	$0	NR
Scrap Tire Transfer to General Fund	$0	R	$0	R
	$0	NR	$0	NR
Subtotal Legislative Changes	**$0**	R	**$0**	R
	$0	NR	**$0**	NR
Revised Total Requirements	**$3,836,277**		**$3,836,277**	
Revised Total Receipts	**$3,814,277**		**$3,814,277**	
Change in Fund Balance	**($22,000)**		**($22,000)**	
Total Positions	**1.00**		**1.00**	
Unappropriated Balance Remaining	**$6,377,207**		**$6,355,207**	

Wildlife Receipts - Non-Interest Earning

Budget Code: 24353

	FY 2011-12		FY 2012-13	
Beginning Unreserved Fund Balance	**$0**		**$0**	
Recommended Budget				
Requirements	**$21,500,000**		**$21,500,000**	
Receipts	**$21,500,000**		**$21,500,000**	
Positions	**0.00**		**0.00**	
Legislative Changes				
Requirements:				
Sales Tax Transfer	($21,500,000)	R	($21,500,000)	R
Eliminates the sales tax transfer to the Wildlife Resources Commission. The Commission will now be funded through the General Fund.	$0	NR	$0	NR
	0.00		0.00	
Subtotal Legislative Changes	**($21,500,000)**	R	**($21,500,000)**	R
	$0	NR	**$0**	NR
	0.00		0.00	
Receipts:				
Sales Tax Transfer	($21,500,000)	R	($21,500,000)	R
Eliminates the sales tax transfer to the Wildlife Resources Commission. The Commission will now be funded through the General Fund.	$0	NR	$0	NR
Subtotal Legislative Changes	**($21,500,000)**	R	**($21,500,000)**	R
	$0	NR	**$0**	NR

	FY 2011-12	FY 2012-13
Revised Total Requirements	**$0**	**$0**
Revised Total Receipts	**$0**	**$0**
Change in Fund Balance	**$0**	**$0**
Total Positions	**0.00**	**0.00**
Unappropriated Balance Remaining	**$0**	**$0**

JUSTICE
&
PUBLIC SAFETY
Section I

Senate Subcommittee on Justice and Public Safety

Judicial

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$477,189,575**		**$477,189,575**	
Legislative Changes				
1 Eliminate VRIF Positions Eliminates 194.5 full-time equivalent positions within the Judicial Branch. These positions became vacant effective March 1, 2011, through a voluntary reduction in force implemented by the Administrative Office of the Courts.	($12,935,761) -194.50	R	($12,935,761) -194.50	R
2 Freeze Statutory Pay Plans Eliminates a recurring reserve in the continuation budget for statutory pay plans for Deputy Clerks and Magistrates. These pay increases will be frozen for the 2011-13 fiscal biennium.	($6,390,013)	R	($6,390,013)	R
3 Reduce Continuation Budget Increases Reduces restored funds in the Administrative Office of the Courts' continuation budget. The AOC budget included a non-recurring reduction in FY 2010-11; the AOC eliminated positions to comply with this reduction, so the restorations to Personal Services line items can be eliminated as the positions they were associated with no longer exist.	($5,282,000)	R	($5,282,000)	R
4 Freeze Field Vacancies for Two Years Implements a hiring freeze on 35 vacant positions for the 2011-13 fiscal biennium. The freeze includes the following positions: 18 Deputy Clerks 3 Assistant District Attorneys 7 Superior Court Judicial Assistants 4 District Court Judicial Assistants 3 Court Reporters	($1,681,000)	NR	($1,681,000)	NR
5 Discretionary Position Reduction Allows the Administrative Office of the Courts to identify positions, either vacant or filled, to eliminate to achieve required savings level of $256,122. The agency will report on the positions eliminated to the Chairs of the Justice and Public Safety Appropriations Subcommittee.	($256,122)	R	($256,122)	R

	FY 11-12		FY 12-13	
6 Eliminate Dispute Resolution	($1,139,513)	R	($1,139,513)	R
Eliminates all State funding for the non-profit mediation centers. The State appropriation accounts for 19% of the combined budgets for mediation centers on average. Because these centers are not-for-profit, non-State entities, they are able to charge a fee for any service provided to cover their costs.				
7 Eliminate Juvenile Court Coordinator Pilot Program	($108,678)	R	($108,678)	R
Eliminates two Juvenile Court Coordinator positions associated with a court improvement pilot initiative that is ending.	-2.00		-2.00	
8 Reduce Access to Civil Justice Pass-Through	($112,500)	R	($112,500)	R
Reduces the direct appropriation to the State Bar for Access to Civil Justice by $112,500, leaving $600,000 in the pass-through.				
Office-District Attorney				
9 Reduce District Attorney Support Staff	($2,576,145)	R	($2,576,145)	R
Reduces the number of support staff in District Attorneys' offices. There are currently 599 Assistant District Attorney positions and 550 support staff positions - a ratio of 1:1.08. The Administrative Office of the Courts is directed to take reductions based on a blended ratio/workload approach, but in no case will any office be reduced by more than 25% of their support staff positions, nor will any office receive additional support positions.	-55.00		-55.00	
Technology Services				
10 Reduce AOC Technology Services	($4,918,000)	R	($4,918,000)	R
Reduces the budget for technology within the Judicial Branch. It is the intent of the General Assembly that new application development projects should be funded on a case-by-case basis by the legislature with clear timetables and budget projections.				
Trial Courts				
11 Eliminate Vacant Magistrate Positions	($826,272)	R	($1,739,520)	R
Eliminates vacant magistrate positions based on workload. The Administrative Office of the Courts' workload formula for magistrates indicates that there are over 60 more magistrates than necessary for the workload. Eliminates 19 positions currently vacant and an additional 42 vacancies occurring on January 1, 2013.	-19.00		-61.00	
12 Eliminate Drug Treatment Court	($2,043,523)	R	($2,043,523)	R
Eliminates all State funding for the Drug Treatment Court program.	-32.00		-32.00	
13 Continuation Review of Family Court	($2,865,693)	R	($2,865,693)	R
Eliminates recurring funding for the Family Court Program pending the outcome of a Continuation Review.	$2,865,693	NR	-44.00	

Senate Subcommittee on Justice and Public Safety	FY 11-12		FY 12-13	
Total Legislative Changes	**($39,454,220)**	**R**	**($40,367,468)**	**R**
	$1,184,693	**NR**	**($1,681,000)**	**NR**
Total Position Changes	-302.50		-388.50	
Revised Budget	**$438,920,048**		**$435,141,107**	

Judicial - Indigent Defense

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$122,770,246**		**$122,770,246**	
Legislative Changes				
14 Reduce Private Assigned Counsel Funds Reduces funding to the Private Assigned Counsel fund. The Office of Indigent Defense Services is directed to use its statutory authorization to set reimbursement rates based on projected utilization to minimize potential shortfalls in the fund, including setting differential rates for District and Superior Court work and setting fixed costs for high-volume, standard case types. The Office is also authorized to create regional public defender offices, which is expected to contain costs further.	($7,897,882) ($2,657,207)	R NR	($7,897,882)	R
15 Eliminate Sentencing Services Eliminates all State funding for the Sentencing Services Program. Pre-sentencing assessment and referral services may be provided by probation officers and by the Treatment Accountability for Safer Communities (TASC) program in the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services at the request of the court.	($2,123,631) -11.40	R	($2,123,631) -11.40	R
Total Legislative Changes	**($10,021,513)** **($2,657,207)**	R NR	**($10,021,513)**	R
Total Position Changes	-11.40		-11.40	
Revised Budget	**$110,091,526**		**$112,748,733**	

Justice

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$89,670,944**		**$89,670,944**	

Legislative Changes

A. Department-wide

16 Vacant Position Reduction ($2,527,438) R ($2,527,438) R

Eliminates vacant positions throughout the Department.

-40.31 -40.31

17 Miscellaneous Operating Reductions ($1,325,000) R ($1,325,000) R

Makes recurring operating reductions that were taken on a non-recurring basis in FY 2010-11.

B. Administration

18 Executive Staff ($551,993) R ($551,993) R

Eliminates the following executive staff positions:

-5.00 -5.00

Position Number	Title	Total Position Cost
60010114	Chief Deputy II	$136,803
60010136	Chief Deputy II	$138,294
60010135	Administrative Secretary	$ 55,436
60010111	Special Cnsl for Dev.	$117,057
60010141	Special Counsel	$104,403

19 Information Technology Administration ($250,347) R ($250,347) R

Reorganizes the information technology section administration by eliminating two IT director positions (60011101 and 60011154).

-2.00 -2.00

20 Administrative Efficiencies ($654,404) R ($654,404) R

Reduces administrative positions based on the following ratios:

-10.00 -10.00

Human Resources:	1 position for every 150 full-time equivalent (FTE) employees.
Fiscal/Budgeting:	1 position for every $8 million of total budget requirements.
Purchasing:	1 position for every $11 million of goods or services purchased.

21 Finance Staff Receipts ($100,681) R ($100,681) R

Shifts two finance staff positions to receipt support.

-2.00 -2.00

	FY 11-12		FY 12-13	
22 Postage Budget Reduces the postage budget for the Department.	($93,000)	R	($93,000)	R
C. Legal Services				
23 Consumer Protection Receipts Shifts nine consumer protection staff to receipt support.	($482,105) -9.00	R	($482,105) -9.00	R
24 NC LEAF Eliminates the pass-through appropriation for the NC Legal Education Assistance Foundation.	($356,250)	R	($356,250)	R
25 Legal Services Division Transfers the following positions to the General Assembly:	($259,019) -3.00	R	($259,019) -3.00	R

Position Number	Title	Total Position Cost
60010185	Asst. Attorney General	$115,875
60010191	Asst. Attorney General	$ 94,904
60010189	Administrative Assistant	$ 48,240

D. State Bureau of Investigation				
26 Criminal Background Check Receipts Shifts eight Criminal Background staff to receipt support.	($396,189) -8.00	R	($396,189) -8.00	R
27 SBI Personal Services Reduces the personal services line in the SBI budget to more accurately reflect actual expenditures.	($141,797) ($160,125)	R NR	($141,797)	R
28 SBI Workload Reduction Reduces State Bureau of Investigation staff based on actual workloads.	($1,123,812) -18.00	R	($1,123,812) -18.00	R
29 Sale of Aircraft Requires the SBI to sell one of its three aircraft in accordance with the Program Evaluation Division's recommendation in Report #2010-04, and reduces the SBI's operating budget to eliminate funding for insurance and maintenance costs for that aircraft.	($16,835)	R	($16,835)	R
E. Training and Standards				
30 Academy Bookstore Receipts Shifts three bookstore staff positions to receipt support.	($137,487) -3.00	R	($137,487) -3.00	R

	FY 11-12		FY 12-13	
31 Academy Staff Efficiencies	($390,449)	R	($390,449)	R
Consolidates administration of the two training academies and increases receipts for the use of facilities by non-law enforcement agencies. The following positions are eliminated:	-5.00		-5.00	

Position Number	Title	FTE	Total Position Cost
60011295	CJ Training Coord I	1.0	$62,010
60011353	CJ Training Coord I	0.5	$46,471
60011397	CJ Training Coord I	1.0	$71,173
60011369	Housekeeping Team Ldr	1.0	$37,204

The following positions are shifted to receipt support:

Position Number	Title	FTE	Total Position Cost
60011372	Housekeeper	0.5	$35,459
60011377	Security Guard	1.0	$38,132

Total Legislative Changes	**($8,806,806)**	R	**($8,806,806)**	R
	($160,125)	NR		
Total Position Changes	-105.31		-105.31	
Revised Budget	**$80,704,013**		**$80,864,138**	

Juvenile Justice & Delinquency Prevention

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$151,295,187**		**$151,295,187**	

Legislative Changes

A. Department-wide

32 Longevity ($138,777) R ($138,777) R

Makes a reduction to the budgeted amount for longevity to more accurately reflect actual expenditures.

33 Equipment ($197,563) R ($197,563) R

Makes a reduction to the budgeted amount for equipment to more accurately reflect actual expenditures.

34 Computer Services ($472,649) R ($472,649) R

Reduces the budget for computer services throughout the Department.

35 Art, Artifacts, and Literature ($100,000) R ($100,000) R

Reduces the budget for art, artifacts, and literature to more accurately reflect actual expenditures.

36 Utilities ($114,701) R ($114,701) R

Reduces the budget for utilities to more accurately reflect actual expenditures.

37 Repair Services ($154,671) R ($154,671) R

Reduces the budget for repair services to more accurately reflect actual expenditures.

38 Facility and Hardware Supplies ($25,367) R ($25,367) R

Reduces the budget for facility and hardware supplies.

39 Vacant Positions ($222,448) R ($222,448) R

Eliminates the following vacant positions:

-3.00 -3.00

Position Number	Title	Total Position Cost
60001018	Business Services Coord.	$ 52,194
60089025	Administrative Officer I	$ 65,489
60000894	Quality Assurance Specialist	$104,765

	FY 11-12		FY 12-13	
B. Administration				
40 Administrative Efficiencies	($1,281,235)	R	($1,281,235)	R
Reduces administrative positions based on the following ratios:	-20.00		-20.00	

Human Resources:	1 position for every 150 full-time equivalent (FTE) employees.
Fiscal/Budgeting:	1 position for every $8 million of total budget requirements.
Purchasing:	1 position for every $11 million of goods or services purchased.

41 Consolidation Reduction	($591,228)	R	($1,182,455)	R
Eliminates executive level positions as a result of consolidation of the Departments of Juvenile Justice and Delinquency Prevention, Crime Control and Public Safety, and Correction. Position eliminations are effective December 31, 2011. The following positions are eliminated in DJJDP:	-11.00		-11.00	

Position Number	Title	Total Position Cost
60000889	Secretary	$146,310
60000900	Chief Operating Officer	$141,425
60000890	Deputy Secretary	$131,110
60000968	Controller	$117,886
60000964	Dir. of Budget Operations	$ 96,241
60000893	Communications Director	$ 79,945
60000896	Human Resources Director	$125,296
60000916	Technical Services Manager	$125,651
60001485	Legislative Liaison	$ 97,686
60001049	Asst. to Human Resources Dir.	$ 50,325
60000892	Executive Assistant	$ 70,582

42 Staff Development	($300,338)	R	($300,338)	R
Eliminates five staff development positions. The Department can work with the Training Academies in the Department of Justice or the NC Community College System to provide this service.	-5.00		-5.00	
43 IT Help Desk	($172,390)	R	($172,390)	R
Eliminates two IT help desk positions. These positions are a duplication of services provided through the State's Office of Information Technology Services.	-1.60		-1.60	
C. Detention Center Services				
44 Detention Centers	($1,143,137)	R	($1,143,137)	R
Eliminates four Staff Psychologists at Wake, Richmond, New Hanover, and Cumberland Detention Centers. Eliminates 14 Youth Counselor Technicians from Perquimans, Pitt, Alexander, Cumberland, Richmond, Gaston, and Wake Detention Centers. Eliminates three Housing Unit Supervisors from Pitt, Alexander, and Cumberland.	-21.00		-21.00	

	FY 11-12		FY 12-13	
45 Detention Center Receipts Eliminates the continuation budget increase for Detention Center receipts. G.S. 143B-530 requires that any county placing a juvenile in a detention facility in another county shall pay fifty percent of the total cost of caring for the juvenile to the Department.	($2,000,000)	R	($2,000,000)	R
D. Youth Development Centers				
46 Swannanoa Youth Development Center Eliminates funding and positions at Swannanoa Youth Development Center. The Department closed Swannanoa effective March 1, 2011.	($5,000,703) -87.00	R	($5,000,703) -87.00	R
47 DHHS Security Contract Eliminates funding for a contract with the Department of Health and Human Services (DHHS) for security services at Swannanoa Youth Development Center.	($137,989)	R	($137,989)	R
48 Samarkand Youth Development Center Eliminates funding and positions at the Samarkand Youth Development Center (YDC). Bed capacity at the remaining seven YDCs is sufficient to house the juveniles currently committed to Samarkand. The Department is encouraged to increase the use of community-based alternatives to commitment to continue to reduce the need for YDCs across the State.	($3,164,764) -57.00	R	($3,164,764) -57.00	R
49 Repair and Renovation Funds Provides repair and renovation funds for Stonewall Jackson Youth Development Center ($2,330,900) and C.A. Dillon Youth Development Center ($1,531,000). Funds are to be used on repairs or renovations that increase the operational capacity of these youth development centers in order to provide more bed space at a lower cost.	$3,861,900	NR		
E. Education and Treatment Services				
50 School Superintendent Eliminates the Superintendent position in DJJDP (position number 60000978). Superintendent responsibilities can be handled by the Chief Deputy Secretary for Juvenile Justice or the head of Education and Treatment Services.	($113,637) -1.00	R	($113,637) -1.00	R
51 Education Directors Eliminates two education directors (position numbers 60001052, 60001058). The Director for Exceptional Children remains, along with one education director that is 50% receipt supported and one education director that is 100% receipt supported. In addition, the Department of Public Instruction is available to provide consultation and assistance to all public education entities in the State.	($155,550) -2.00	R	($155,550) -2.00	R

Senate Subcommittee on Justice and Public Safety	FY 11-12		FY 12-13	
52 Youth Development Center Principals Reduces the number of youth development center principals and assistant principals by four. Two vacant principal positions are eliminated (position numbers 60001614 and 60001205). The Department has discretion to determine which two remaining principal positions to eliminate.	($336,275) -4.00	R	($336,275) -4.00	R
53 Camp Woodson Eliminates funding for Camp Woodson. This therapeutic wilderness program was closed by the Department on March 1, 2011.	($973,570) -19.00	R	($973,570) -19.00	R
F. Community Programs				
54 Juvenile Assessment Center Eliminates the pass-through appropriation to the Juvenile Assessment Center in Cumberland County. This program may continue to receive funding through Juvenile Crime Prevention Council (JCPC) grants.	($124,075)	R	($124,075)	R
55 Project Challenge Eliminates the direct pass-through appropriation for Project Challenge. Project Challenge receives funding through the Juvenile Crime Prevention Council (JCPC) allotment.	($121,600)	R	($121,600)	R
G. Court Services				
56 District Consolidation Reduces the number of districts for the Department from 39 to 30. Eliminates funding for eight chief court counselors (two districts currently share a chief), leaving one chief court counselor for each district.	($563,240) -8.00	R	($563,240) -8.00	R
57 Court Counselor Allotment Reduces the Court Counselor workload to one court counselor for every 32 complaints. This reduction is based on 2005 workload data. The Department is developing a new allotment formula that takes into account workloads and travel requirements. This new formula will be used to distribute court counselors among the 30 districts.	($1,957,488) -39.00	R	($1,957,488) -39.00	R
Total Legislative Changes	**($19,563,395)** **$3,861,900**	R NR	**($20,154,622)**	R
Total Position Changes	-278.60		-278.60	
Revised Budget	**$135,593,692**		**$131,140,565**	

Correction

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$1,421,644,768**		**$1,418,867,332**	

Legislative Changes

A. Department-wide

58 Administrative Efficiencies ($2,983,860) R ($2,983,860) R

Reduces administrative positions based on the following ratios: -60.00 -60.00

Human Resources: 1 position for every 150 full-time equivalent (FTE) employees.
Fiscal/Budgeting: 1 position for every $8 million of total budget requirements.
Purchasing: 1 position for every $11 million of goods or services purchased.

59 Consolidation Reduction ($707,238) R ($1,414,476) R

Eliminates executive level positions as a result of consolidation of the Departments of Juvenile Justice and Delinquency Prevention, Crime Control and Public Safety, and Correction. Position eliminations are effective December 31, 2011. -12.00 -12.00 The following positions are eliminated in DOC:

Position Number	Title	Total Position Cost
60056032	Secretary	$146,309
60056034	Administrative Assistant III	$ 68,516
60058360	Deputy Secretary/Commissioner IV	$141,424
60056033	Chief Operating Officer	$151,109
60056048	Executive Assistant I	$ 51,797
60056384	Accounting Director	$136,885
60056393	Accounting Manager	$117,836
60056146	Information Technology Executive	$156,996
60056264	Agency/University HR Director III	$136,464
60056255	DOC Special Assistant	$ 91,556
60056040	Director of Public Affairs	$ 87,770
60056051	Deputy Secretary/Commissioner II	$127,815

60 Reduce Temporary and Contractual Positions ($1,650,000) R ($1,650,000) R

Reduces the use of temporary and contractual staff department wide.

61 Reduce Longevity Pay ($2,009,625) R ($2,009,625) R

Reduces the longevity pay line item to more accurately reflect actual expenditures.

	FY 11-12		FY 12-13	
62 Reduce the Motor Vehicle Continuation Budget Reduces the Motor Vehicle Continuation Budget.	($950,000) ($1,500,000)	R NR	($950,000)	R
63 Reduce Clothing Budget Reduces the clothing budget for inmate clothing and officer uniforms.	($1,000,000)	R	($1,000,000)	R
64 Reduce PC Equipment Reduces the budget for personal computers replacement schedule.	($300,000)	R	($300,000)	R
65 Reduce Equipment Budget Reduces the equipment budget.	($1,600,000)	R	($1,600,000)	R
66 Reduce Data Processing Equipment Reduces the funding for data processing equipment.	($300,000)	R	($300,000)	R
67 Reduce Supplies Continuation Budget Reduces the Supplies Continuation Budget.	($1,422,052)	R	($1,422,052)	R
68 Reduce Salary Reserve Reduces funds budgeted for salaries in excess of actual salaries of employees.	($1,000,000)	R	($1,000,000)	R
69 Miscellaneous Contractual Services Reduces the Miscellaneous Contractual Services Continuation Budget.	($750,000)	R	($750,000)	R
70 Reduce Travel Budget Reduces the Department's travel budget.	($500,000)	R	($500,000)	R
71 Reduce Utility Budget Reduces the Department's utility budget.	($2,000,000)	R	($2,000,000)	R
72 Reduce the Fringe Benefit Continuation Budget Reduces the continuation budget increases for various fringe benefits accounts across the Department.	($5,429,410)	R	($5,429,410)	R
73 Eliminate Domestic Violence Rehabilitation Reserve Eliminates the Domestic Violence Rehabilitation Reserve, which was funded in 2008. The Department was able to establish the domestic violence programs without ever making use of the appropriation. The domestic violence programs will continue to serve inmates at the same level.	($100,000)	R	($100,000)	R
74 Eliminate Parole Commission Support Position Eliminates a Parole Commission administrative support position (position number 60076645). This reduction will have minimal impact on the Commission.	($87,369) -1.00	R	($87,369) -1.00	R

Senate Subcommittee on Justice and Public Safety	FY 11-12		FY 12-13	
75 Vacant Positions Eliminates up to 255 vacant positions throughout the Department.	($14,132,696) -255.00	R	($14,132,696) -255.00	R
76 Eliminate Restoration Budget Reserve Eliminates a continuation budget increase that restores a non-recurring reduction to the Department's budget for a lower than expected inmate population.	($10,042,999) ($11,957,001)	R NR	($10,042,999) ($11,957,001)	R NR
B. Department Management				
77 Legal, License, and Permit Reduces the Legal, License, and Permit Continuation Budget.	($30,000)	R	($30,000)	R
78 Shift Accountants to Receipts Funds accounting positions that support Correction Enterprise with receipts, eliminates the reimbursement from Correction Enterprise, and transfers the positions to the Correction Enterprise fund.	($110,829) -8.00	R	($110,829) -8.00	R
C. Prisons				
79 Eliminate Maintenance Positions at Central Prison Eliminates five maintenance positions that manage the boiler operation at Central Prison. This reduction is possible due to facility improvements related to the Central Prison Hospital addition.	($221,696) -5.00	R	($221,696) -5.00	R
80 Reduce Inmate Costs Reduces inmate costs by enabling inmates with shorter sentences to be rewarded for positive conduct and good behavior. These inmates would otherwise not be able to benefit from sentence reduction credits for program completion. No inmate would serve less than their minimum sentence.	($2,500,000)	R	($2,500,000)	R
81 Establish Two Release Dates Per Month Establishes two release dates per month for inmates leaving prison. Inmates would still be required to serve their mandatory sentence, but would enable the Department of Correction to reduce the costs associated with transportation and processing inmates by improved coordination.	($571,000)	R	($571,000)	R
82 Shift Inmate Medical Costs to Medicaid Shifts medical costs for Medicaid eligible inmates. The Department of Correction and the Department of Health and Human Services have developed a Memorandum of Understanding related to establishing the Medicaid eligibility of qualified inmates who receive inpatient services at a hospital and are away from the prison housing unit for 24 hours or longer. The Department of Correction will pay the State share of Medicaid.	($3,000,000)	R	($3,000,000)	R

	FY 11-12		FY 12-13	
83 Transfer Inmate Welfare Funds Transfers a one-time payment of $1 million from the Inmate Welfare Fund to the General Fund.	($1,000,000)	NR		
84 Transfer Correction Enterprise Funds Transfers a one-time payment of $1 million from the Correction Enterprise Fund to the General Fund.	($1,000,000)	NR		
85 Correction Enterprise Buy Back Directs Correction Enterprise to buy back items currently held in the Department's Central Supply Warehouse. This reduction would shift the responsibility for storing excess supplies from the Department to the receipt-supported Correction Enterprise Fund.	($1,300,000)	R	($1,300,000)	R
86 Eliminate Community Work Crews Eliminates Community Work Crews, which were partially restored in 2010 after a complete elimination in 2009. The Department was authorized to charge local government entities a $150 per day fee to offset part of the cost of the eight-person crew plus one Correctional Officer. No local entity has ever paid the Work Crew fee.	($1,602,094) -39.00	R	($1,602,094) -39.00	R
87 Reduces Chaplains Reduces Chaplain positions at minimum and medium custody prisons, and maintains at least one Chaplain position at each of the 14 close custody prisons. Each prison facility has a designated staff member responsible for coordinating the involvement and supervision of the Community Volunteer Program. This designee will coordinate the community volunteers, including the religious volunteers, at the minimum and medium custody prisons.	($1,386,653) -25.00	R	($1,386,653) -25.00	R
88 Eliminate Double Celling at Pamlico CI Eliminates funding for double celling of inmates at Pamlico Correctional Institution. Implementation of double celling has been cancelled due to county waste water treatment capacity issues.	($2,395,452) -57.00	R	($2,395,452) -57.00	R
89 Eliminate Correctional Officer Positions Eliminates 39 Correctional Officer positions associated with the Inmate Litter Crews. This reduction will eliminate positions that are not supported by receipts received from the Department of Transportation.	($1,560,000) -39.00	R	($1,560,000) -39.00	R
90 Eliminate Funding For Our Children's Place Eliminates the pass-through appropriation for Our Children's Place, which has yet to become operational.	($104,025)	R	($104,025)	R
91 Justice Reinvestment Act: Prison Closures Closes four minimum custody prisons and eliminates up to 203 positions, effective January 1, 2012. These prisons are closing as part of the Justice Reinvestment Act reforms.	($5,379,669) -203.00	R	($10,759,336) -203.00	R

	FY 11-12		FY 12-13	
92 Justice Reinvestment Act: Diagnostic Center	($616,884)	R	($822,513)	R
Eliminates 18 diagnostic center positions at Neuse Correctional Institution and Fountain Correctional Center for Women. These positions are being eliminated as part of the Justice Reinvestment Act reforms.	-18.00		-18.00	
93 Justice Reinvestment Act: Remove Misdemeanants	($3,980,368)	R	($3,980,368)	R
Removes misdemeanants with sentences of six months or less from State prisons and houses them in county facilities. Structured Sentencing misdemeanants with sentences longer than six months and Driving While Impaired misdemeanants will remain in the custody of the State. This change is part of the Justice Reinvestment Act reforms. The fee section of the budget proposes increasing the following court costs to offset the costs of housing misdemeanants: the District Criminal Court Facility court cost, which will generate an estimated $19 million; and the Service of Civil Process court cost, which will generate an estimated $3.3 million. In addition, the fee section establishes a new court cost for Improper Equipment dispositions, which will generate an estimated $12 million, and increases the daily jail fee and jail inmate medical co-pay. It is unknown how much the daily jail fee and co-pay increase will generate. These court cost increases are contingent upon passage of legislation increasing the number of days misdemeanants are housed in county jails.				
94 Operating Reserves For New Hospital Facilities	($299,859)	R	($299,859)	
Reduces the operating reserves for the new hospitals at Central Prison and NC Correctional Institution for Women Mental Health Facility.	($1,164,417) -3.00	NR	 -3.00	
95 Operating Reserves For New Facilities	$5,874,102	R	$24,196,611	R
Provides funding to operate and staff new add-on facilities at Swannanoa Correctional Center for Women, Lanesboro Correctional Institution, Maury Correctional Institution, and Tabor Correctional Institution. These facilities will become operational in 2011 and 2012.	$4,125,898 280.00	NR	$803,389 340.00	NR

	FY 11-12		FY 12-13	
D. DACDP				
96 Reduce DACDP Administration	($405,875)	R	($405,875)	R
Reduces the Division of Alcoholism and Chemical Dependency Programs (DACDP) administration and eliminates six positions.	-6.00		-6.00	

Position Number	Title	Total Position Cost
60056812	Dep. Dir. Substance Abuse Serv.	$127,095
60056814	Personnel Technician	$ 62,921
60056770	SA Counselor Clinician	$ 53,124
60056816	Administrative Secretary III	$ 46,780
60056769	Accounting Technician	$ 46,736
60056771	Processing Assistant	$ 36,594
	Reduces Lease Savings Projection	$26,355
	Reduces Rent/Lease Motor Vehicles	$6,270

97 Eliminate DACDP Private Treatment Beds	($5,233,354)	R	($5,233,354)	R
Eliminates funding for two private contractual providers of minimum custody level treatment beds.				
E. Community Corrections				
98 Eliminate Women at Risk	($249,375)	R	($249,375)	R
Eliminates all State funding for the Women at Risk program, a substance abuse treatment program for female probationers mainly serving Buncombe and Henderson counties.				
99 Eliminate Summit House	($1,052,756)	R	($1,052,756)	R
Eliminates all State funding for Summit House, a residential facility for female probationers at risk of revocation and their children. The program accepts women from any part of the State, but operates in Guilford and Mecklenburg counties.				
100 Eliminate Harriet's House	($195,937)	R	($195,937)	R
Eliminates all State funding for Harriet's House, a residential facility serving women upon release from prison and their children.				

	FY 11-12		FY 12-13	
101 Broaden Access to Community Treatment Captures funds currently directed through non-profit pass-throughs and contracts into a fund within the Division of Community Corrections to provide community treatment services through fee-for-service contracts with local providers. The Department shall use money from this fund to continue existing contracts with Mary Frances and Evergreen for one additional month to insure orderly transition of inmates back into the prison system. The Department shall further use money from this fund to continue pass-through funding for Harriet's House, Summit House, and Women at Risk for three additional months to complete services for existing populations and to shut down operations. The Department shall also use up to $300,000 of this fund to pay the NC Sheriff's Association, Inc. to manage the assignment of misdemeanants held in county jails.	$4,138,260	R	$4,138,260	R
102 Interstate Compact Receipts Funds the non-personnel operating costs of the Interstate Compact with receipts so the Division of Community Corrections can reduce the appropriations used to fund the Compact. This will have no impact on services. The fee is increasing from $150 to $250.	($125,000)	R	($125,000)	R
103 Reorganization of Victim Services Eliminates four victim service positions in the Community Corrections regional offices. The services provided by these positions can be managed within existing resources at the DOC Office of Victim Services.	($201,873) -4.00	R	($201,873) -4.00	R
104 DCC Reduction in Support Positions Eliminates 21 positions associated with middle management at the Division of Community Corrections that have become redundant due to district reorganization.	($880,727) -21.00	R	($880,727) -21.00	R
105 Eliminate DCC Personnel Tech Positions Eliminates the Personnel Technician position at each of the four Community Corrections division offices.	($156,215) -4.00	R	($156,215) -4.00	R
106 Outsource Electronic Monitoring Eliminates positions in the Community Corrections Technology Center overseeing offenders on house arrest with electronic monitoring. The service will be provided through a lower-cost contract with the provider of the monitoring equipment. The contract shall including monitoring services for the Department of Juvenile Justice and Delinquency Prevention to maximize cost savings.	($475,331) -11.00	R	($475,331) -11.00	R
107 Consolidate DCC Drug Lab Functions Closes at least three Community Corrections drug labs. Developments in the products for drug testing have reduced the need for labs.	($345,043) -8.00	R	($345,043) -8.00	R

Senate Subcommittee on Justice and Public Safety	FY 11-12		FY 12-13	
Total Legislative Changes	**($71,332,902)**	**R**	**($59,302,927)**	**R**
	($12,495,520)	**NR**	**($11,153,612)**	**NR**
Total Position Changes	-499.00		-439.00	
Revised Budget	**$1,337,816,346**		**$1,348,410,793**	

Crime Control and Public Safety

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$34,175,427**		**$34,175,427**	

Legislative Changes

A. Department-wide

108 Janitorial Services ($47,794) R ($47,794) R

Reduces the line item for janitorial services throughout the Department to more accurately reflect actual expenditures.

109 Waste Removal Services ($64,411) R ($64,411) R

Reduces the line item for waste removal services throughout the Department to more accurately reflect actual expenditures.

110 Utilities ($56,103) R

Reduces the line item for utilities throughout the Department in the second year of the biennium.

B. Administration

111 Criminal Justice Information Network (CJIN) ($154,423) R ($154,423)

Transfers two positions assigned to provide support for CJIN to ITS. The following positions are transferred: -2.00 -2.00

Position Number	Title	Total Position Cost
60084100	Admin. Assistant II	$ 50,559
60084125	CJIN Director	$103,864

112 Consolidation Reduction ($620,241) R ($1,240,482) R

Eliminates executive level positions as a result of consolidation of the Departments of Juvenile Justice and Delinquency Prevention, Crime Control and Public Safety, and Correction. Position eliminations are effective December 31, 2011. The following positions are eliminated in CCPS: -11.00 -11.00

Position Number	Title	Total Position Cost
60084098	Secretary	$146,310
60084129	Chief Operating Officer	$136,740
60084134	Assistant Secretary	$131,349
60084686	Deputy Secretary	$133,225
60084138	Controller	$122,290
60084158	Dir. of Human Resources	$119,565
60084127	Director of IT	$131,028
60084159	Leg. Affairs Program Mgr.	$ 87,747
60084130	Special Assistant to the Sec.	$103,608
60084132	Administrative Assistant	$ 68,473
60084133	Administrative Assistant	$ 60,147

	FY 11-12		FY 12-13	
C. National Guard				
113 Reorganization of National Guard Support Reduces staffing costs in the Adjutant General's Office.	($200,000)	R	($200,000)	R
D. Butner Public Safety				
114 Butner Public Safety (BPS) Increases the receipts for Butner Public Safety. The Department will contract with the Town of Butner to provide fire and police service to the Town and to the Butner Fire and Police District. Receipts that were previously directed through the General Fund will now go directly to the Department for the support of BPS. The appropriation for BPS is also reduced by 10% in the first year and 15% in the second year.	($1,422,700)	R	($1,527,432)	R
F. State Capitol Police				
115 Reorganize State Capitol Police Reorganizes State Capitol Police to focus on security in and around State-owned buildings in Wake County.	($2,267,303) -40.00	R	($2,267,303) -40.00	R
G. Alcohol Law Enforcement				
116 ALE Administration Eliminates five positions in Alcohol Law Enforcement administration. Increases Lottery receipts by $200,000 and makes other reductions to operating costs.	($1,064,210) -5.00	R	($1,064,210) -5.00	R
H. Division of Emergency Management				
117 Shift Positions to Receipt Support Makes 16 positions in the Division of Emergency Management 50% receipt supported.	($539,974) -8.00	R	($539,974) -8.00	R
J. Law Enforcement Support Services				
118 General Fund Appropriation for LESS Eliminates the General Fund appropriation for LESS and transfers the evidence and DNA storage warehouse to the NC Crime Lab. The Secretary of the Department shall appoint a designee to coordinate the surplus federal property and first-responder purchasing programs for local law enforcement agencies. The following positions are eliminated:	($203,257) -5.00	R	($203,257) -5.00	R

Position Number	Title	Total Position Cost
60084103	Director LESS	$95,410
65011786	Processing Assistant V	$37,553
65011787	Processing Assistant V	$37,553
65011788	Processing Assistant V	$37,553
65011789	Processing Assistant V	$37,553

	FY 11-12		FY 12-13	
K. Highway Patrol				
119 Highway Patrol	$196,849,542	R	$188,209,049	R
Appropriates funds for the Highway Patrol in a new fund code in Budget Code 14900. In previous years, the budget for the Highway Patrol has been budgeted directly from the Highway Fund. Beginning in FY 2011-12, funds will be transferred from the Highway Fund to the General Fund for the support of the Highway Patrol. Reductions to the Highway Patrol's budget for FY 2011-13 have been itemized in the Transportation section of the Committee Report. Non-Highway Fund receipts collected by the Highway Patrol will also be budgeted in the new fund code.	2,368.50		2,368.50	
L. Department of Public Safety				
120 Consolidation Reserve	$818,139	R	$1,563,124	R
Creates 13 new positions for the new Department of Public Safety. These positions are effective January 1, 2012, except for the secretary position, which is effective October 1, 2011. The following positions are created:	13.00		13.00	

Title	FTE	Total Position Cost
Secretary	1.0	$146,310
Administrative Assistant	2.0	$130,620
Controller	1.0	$136,947
Chief Financial Officer	1.0	$118,364
Dir. of Human Resources	1.0	$136,387
Director of IT	1.0	$157,100
Public Information Officer	1.0	$ 87,771
Legislative Liaison	1.0	$ 97,686
Chief Deputy Secretary	3.0	$416,071
Deputy Secretary	1.0	$135,870

121 Anticipated Consolidation Savings			($1,417,693)	R
Creates a reserve for savings that will be realized as a result of consolidation of the Departments of Juvenile Justice and Delinquency Prevention, Crime Control and Public Safety, and Correction. Savings are anticipated from bulk purchasing, the merger of regional offices in the Law Enforcement Division, and the elimination of duplicative administrative positions identified by the new Department. These savings will be taken from the consolidated budget for the Department of Public Safety, and are not limited to funds currently appropriated to the Department of Crime Control and Public Safety.				

Senate Subcommittee on Justice and Public Safety	FY 11-12		FY 12-13	
Total Legislative Changes	**$191,083,368**	R	**$180,989,091**	R
Total Position Changes	2,310.50		2,310.50	
Revised Budget	**$225,258,795**		**$215,164,518**	

Highway Patrol

Budget Code: 24960

	FY 2011-12		FY 2012-13	
Beginning Unreserved Fund Balance	**$0**		**$0**	
Recommended Budget				
Requirements	**$221,219,607**		**$221,219,607**	
Receipts	**$221,190,127**		**$221,190,127**	
Positions	**2,384.50**		**2,384.50**	
Legislative Changes				
Requirements:				
Transfer SHP Funds to General Fund Support Transfers the budget for the Highway Patrol from Budget Code 24960 to a new fund code in Budget Code 14900 - Crime Control and Public Safety. A corresponding item in the Justice and Public Safety section of the Committee report appropriates funds from the General Fund to the Highway Patrol.	($221,219,607)	R	($221,219,607)	R
	$0	NR	$0	NR
	-2,384.50		-2,384.50	
Subtotal Legislative Changes	**($221,219,607)**	R	**($221,219,607)**	R
	$0	NR	**$0**	NR
	-2,384.50		-2,384.50	
Receipts:				
Transfer Highway Fund Receipts Transfers Highway Fund receipts for the Highway Patrol to General Fund availability. The Transportation section of the Committee Report reduces the transfer for the Highway Patrol by $24 million. The total amount transferred to General Fund availability will be $193,585,434 in FY 2011-12 and $189,859,507 in FY 2012-13.	($217,567,328)	R	($217,567,328)	R
	$0	NR	$0	NR
Transfer Highway Patrol Receipts Transfers non-Highway Fund Highway Patrol receipts to a new fund code in Budget Code 14900 - Crime Control and Public Safety.	($3,622,799)	R	($3,622,799)	R
	$0	NR	$0	NR

	FY 2011-12		FY 2012-13	
Subtotal Legislative Changes	($221,190,127)	R	($221,190,127)	R
	$0	NR	$0	NR
Revised Total Requirements	$0		$0	
Revised Total Receipts	$0		$0	
Change in Fund Balance	$0		$0	
Total Positions	0.00		0.00	
Unappropriated Balance Remaining	$0		$0	

GENERAL GOVERNMENT
Section J

Administration

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$69,700,026**		**$69,700,026**	
Legislative Changes				
1111 Office of the Secretary				
1 Consolidate Environmental Clearing House Function	($74,144)	R	($74,144)	R
Eliminates Environmental Clearing House Function and position (Community Development Specialist 660013846) and benefits.	-1.00		-1.00	
1121 Fiscal Management				
2 Increase Receipt Support for Positions	($188,907)	R	($188,907)	R
Increases receipt support for the following positions within Fiscal Management (60014119, 60014102, 60014118, 60014100, 60014112, 60014114, 60014107).	-2.44		-2.44	
1122 Human Resources				
3 Reduce Operating Costs	($116,612)	R	($116,612)	R
Reduces operating accounts within the Human Resources Office.				
1123 Historically Underutilized Businesses				
4 Program Reduction	($81,820)	R	($81,820)	R
Eliminates salary ($65,074) and benefits of one filled position: 60014897.	-1.00		-1.00	
1241 Management Information Systems				
5 Move Position to Receipts Support	($83,455)	R	($83,455)	R
Moves a State Construction Office related position (Business and Technology Applications Analyst 60014137) to receipts support.	-0.85		-0.85	

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
1264 Agency for Public Telecommunications				
6 Transfer Agency for Public Telecommunications to Receipt Support	($617,497)	R	($617,497)	R
Requires the APT division to become fully receipt supported. In addition to operating costs, the following positions will be receipt supported:	-7.71		-7.71	
Executive Director (60014546) Administrative Assistant II (60014548) Television Engineer III (60014554) Television Producer/Director III (60014564) Television Producer Director II (60014556) Television Producer Director III (60014555) Administrative Officer III (60014547)				

1311 Office of State Personnel

	FY 11-12		FY 12-13	
7 Eliminate Positions and Reduce Operating Expenses	($1,159,596)	R	($1,159,596)	R
Eliminates salaries and benefits of 8.25 vacant and 6 filled positions, and transfers .27 position to receipts; and reduces operating expenses.	-14.52		-14.52	

Vacant Positions
60013785 HR Consultant ($65,000)
60013823 HR Consultant ($65,000)
60013793 HR Consultant ($65,124)
60013838 HR Associate ($46,335)
60013764 Adm. Support ($31,889)
60013777 Division Director ($91,500)
60013742 Division Director ($57,010) - .50 FTE
65012021 HR Partner ($40,250) - .75 FTE
60013784 HR Consultant ($50,932)

531211 SPA Reg Salary ($513,040)
531511 Soc Sec ($39,248)
531521 Retirement ($47,910)
531561 Medical ($39,440)
SUBTOTAL Vacant Positions ($639,638)

Filled Positions
60013804 HR Partner Per. Officer ($68,303)
60013744 HR Associate ($47,432)
60013790 HR Manager ($97,353)
60013782 Associate Position ($38,851)
60013798 Partner Position ($70,046)
60013836 Adm. Support Assoc ($26,208)
60013818 HR Manager ($28,300) - .27 FTE

531211 SPA Reg Salary ($376,493)
531511 Soc Sec ($ 28,802)
531521 Retirement ($ 36,780)
531561 Medical ($ 27,100)
SUBTOTAL Filled/Receipted Pos ($469,175)

Operating Expenses
532140 Data Processing ($3,404)
532150 Academic Services ($1,500)
532700 Travel($1,500)
532930 Registration Fees ($5,000)
535830 Member Dues&Subs ($5,000)
536905 OJT Incentive Program ($10,000)
5328XX IT Costs ($24,379)
SUBTOTAL Operating Expenses ($50,783)

8 Human Resources Development

Provides $1.5 million to support the Learning Management System, which is a component of a comprehensive Human Capital Management (HCM) System. Funds from the NCFlex FICA Fund will be used to support the program components. The Office of State Controller will transfer funds from the NCFlex FICA Fund to the Office of State Personnel.

	FY 11-12		FY 12-13	
1411 State Construction				
9 Move Positions to Receipt Support	($750,012)	R	($750,012)	R
Uses a portion of the 5% Contingency Reserve for all capital projects under the State Construction Office's control to fund nine positions. The positions are as follows:	-9.00		-9.00	
60014589 Mechanical Engineer				
60014582 Engineer				
60014588 Engineer				
60014614 Engineer				
60014580 Engineer				
60014608 Construction Contracts Administrator				
60014700 Control System Technician				
60014590 Engineer				
60089475 Engineer				
1412 State Property				
10 Consolidate Position	($89,028)	R	($89,028)	R
Consolidates Plan Review position with Code Review. One Management Engineer III position (60014636) and benefits will be eliminated.	-1.00		-1.00	
11 Move Positions to Receipt Support	($66,047)	R	($66,047)	R
Increases support from the Land Fund for a portion of four positions:	-1.07		-1.07	
60014639 Real Property Agent II				
60014635 Real Property Manager				
60014637 Real Property Agent III				
60014640 Real Property Agent III				
1421 Building Reserves				
12 Fund Building Reserve for the Department of Health and Human Services	$1,473,580	R	$3,377,710	R
Funds the Public Health Lab and Office of the Medical Examiner Building that will come online during FY 2011-12.				

	FY 11-12		FY 12-13	
1421 Facilities Management				
13 Eliminate Positions in Facility Management	($544,533)	R	($544,533)	R
Eliminates the following positions in the Facilities Management division. The positions are as follows:	-10.75		-10.75	
60014761 Facilities Maintenance Tech.				
60014822 Building and Environmental Tech.				
60014824 Building and Environmental Tech.				
60014737 Plasterer				
65011759 Facilities Maintenance Tech.				
65011754 Building and Environmental Tech.				
65011755 Building and Environmental Supervisor				
60014721 Housekeeping Contract Admin.				
60014784 Housekeeping Procurement Asst.				
60014708 Painter				
60014781 Housekeeping Supervisor				
1421 Facility Management				
14 Consolidate Position	($41,232)	R	($41,232)	R
Consolidates a position within Pest Control and Greenhouse Management. One position (Facilities Maintenance Tech 60014763) and benefits will be eliminated.	-1.00		-1.00	
15 Move Position to Receipts	($51,644)	R	($51,644)	R
Moves a carpenter position (60014730) to receipts support.	-1.00		-1.00	
1511 Purchase and Contract				
16 Eliminate Purchase and Contract Positions	($480,268)	R	($480,268)	R
Eliminates seven vacant purchase and contract positions. Positions affected are as follows:	-7.00		-7.00	
State Procurement Specialist III 60013871				
Administrative Assistant III 60013904				
Engineer 60013872				
Auditor 65011990				
State Procurement Specialist 65011994				
Auditor 65011991				
State Procurement Specialist III 65011993				
1731 NC Council for Women				
17 Program Reduction	($101,839)	R	($101,839)	R
Eliminates regional office and redistributes oversight responsibilities for local grantees.	-2.00		-2.00	
1732 Displaced Homemakers Program				
18 Program Reduction	($15,247)	R	($15,247)	R
Reduces appropriation for Displaced Homemakers grant funding and administrative costs by 5%. The remaining appropriation for Displaced Homemakers is $289,700 each year.				

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
1734 Rape Crisis Program				
19 Program Reduction Reduces appropriation for Sexual Assault grant funding and administrative costs by 5%, which provides an appropriation of $2,871,270 each year.	($151,120)	R	($151,120)	R
1742 Martin Luther King Commission				
20 Eliminate Grant Funding Eliminates funding for the grants managed by the Commission.	($42,465)	R	($42,465)	R
1761 Youth Advocacy & Involvement Office				
21 Personnel Adjustment and Operations Reduction Reduces the program with the elimination of salaries and benefits of three vacant and two filled positions ($277,750) and reduces funds for operations ($44,952). Vacant Positions: 60014505 Advocacy Specialist II/Assistant Director ($53,879) 60014504 Advocacy Specialist ($40,624) 60014063 Administrative Officer II ($39,078) Filled Positions 60014503 Advocacy Specialist ($39,190) 60014507 Advocacy Specialist ($41,429)	($322,702) -5.00	R	($322,702) -5.00	R
1771 Veterans Affairs - Administration				
22 Program Reduction Reduces the appropriation by realigning the budget to more closely reflect actual expenditures, and leaves $73,545 in the account. Eliminates salary and benefits of one filled position: #60014249 531211 SPA Reg Salary ($48,415) 531511 Soc Sec ($ 3,704) 531521 Retirement ($ 5,088) 531561 Medical ($ 4,930)	($562,135) -1.00	R	($562,135) -1.00	R
23 Reduces Program Funding Reduces funding for the Aid to Counties Program.	($50,000)	R	($50,000)	R

	FY 11-12		FY 12-13	
1810 State Ethics Commission				
24 Adjust Personnel and Reduce Operating Budget	($219,519)	R	($219,519)	R
Eliminates salaries and benefits of a vacant Program Assistant V position at $33,582, and an Attorney II position at $85,241 that is filled. Additionally reduces IT Services.	-2.00		-2.00	
Vacant Position 60088569 Program Assistant V ($33,582) 531211 SPA Reg Salary ($33,582) 531511 Soc Sec ($2,569) 531521 Retirement ($3,529) 531561 Medical ($4,930) Subtotal Vacant Position ($44,610)				
Filled Position 65012031 Attorney II ($85,241) 531211 SPA Reg Salary ($ 85,241) 531511 Soc Sec ($ 6,521) 531521 Retirement ($ 8,959) 531561 Medical ($ 4,930) Subtotal Vacant Position ($105,651)				
Operating Budget Reductions 532140 IT Services ($64,408) IT 5% Reduction ($ 4,850) Subtotal Operating Budget ($72,479)				
2401 E-Commerce Reserve				
25 Reduce E-Commerce Reserve				
Reduces the E-Commerce Reserve by eliminating SL. 2010-31, Sec. 6.19 for the purchase of $1,000,0000 in Smart Cards and $3,483,526 in funds to be used in FY 2012 for E-Procurement system upgrades for a total reduction of $4,483,526. Funds in the Reserve may be used for E-Procurement Contracts in effect on May 1, 2011. Funds are being transferred to General Fund availability.				
Department-wide				
26 Eliminate Vacant Positions	($793,948)	R	($793,948)	R
Eliminates up to 15.50 vacant positions and associated benefits at the Department of Administration that have been vacant for more than 100 days.	-15.50		-15.50	
27 Reduce Payments to ITS	($58,871)	R	($58,871)	R
Reduce payments to ITS by 5% (532800).				

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
Department-wide				
28 Reduce Longevity and Fringe Benefits to Actual Reduces Longevity and Fringe Benefits to actual.	($62,022)	R	($62,022)	R
Total Legislative Changes	**($5,251,083)**	R	**($3,346,953)**	R
Total Position Changes	-83.84		-83.84	
Revised Budget	**$64,448,943**		**$66,353,073**	

Auditor

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$13,063,656**		**$13,063,656**	
Legislative Changes				
1110 - Administration				
29 Reduce Payments to ITS Reduces IT payments to reflect a reduction in Community College and UNC Audits (532800).	($41,992)	R	($41,992)	R
1210 Field Audit Division				
30 Reduce Audits at Community Colleges and University of North Carolina Reduces the number of audits at the North Carolina Community College System (NCCCS) campuses to the statutory minimum of once every five years. The University of North Carolina (UNC) will receive a fiscal control audit every three years. Both UNC and NCCCS campuses will be allowed to use State appropriated funds for private audits as necessary and may contract with the Office of State Auditor for such services. In FY 2011-12, four positions will be eliminated. In FY 2012-13, it is the intention for positions related to UNC and NCCCS audits to become receipt supported. The four positions with associated benefits for elimination are as follows: 60008883 Adm. Support Spec. ($58,496) 60008950 Assistant State Auditor ($96,274) 60008961 Assistant State Auditor ($84,096) 60008811 Assistant State Auditor ($90,595)	($329,461) -4.00	R	($1,511,000) -17.00	R
1210 Field Audit Division				
31 Reduce Performance Audit Division Reduces half of the Performance Audit Division and transfers funding for up to 5 positions to the Program Evaluation Division at the North Carolina General Assembly.	($771,994) -9.00	R	($771,994) -9.00	R
1210 Field Office Division				
32 Lease Reduction Eliminates leases in Asheville, Charlotte, Fayetteville, Edenton, and Greensboro.	($62,635)	R	($62,635)	R

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
Total Legislative Changes	($1,206,082)	R	($2,387,621)	R
Total Position Changes	-13.00		-26.00	
Revised Budget	**$11,857,574**		**$10,676,035**	

Cultural Resources

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$72,664,633**		**$72,664,633**	
Legislative Changes				
1110 Office of the Secretary				
33 Personnel Adjustment	($194,721)	R	($194,721)	R
Eliminates salaries and benefits of three vacant positions - 2 in the Cultural Heritage Tourism Program and a Personnel Analyst III.	-3.00		-3.00	
Vacant Positions 60083263 Deputy HR Director ($65,451) 65011686 Multi-Cultural and Development Officer ($38,174) 65011687 Community Development Director ($48,654)				
531211 SPA Reg Salary ($152,279) 531511 Soc Sec ($ 11,650) 531521 Retirement ($ 16,005) 531561 Medical ($ 14,787)				
1230 Archives & Records				
34 Personnel Adjustment	($59,541)	R	($59,541)	R
Eliminates salary and benefits of a vacant position: 60083352 (Local Records Supervisor).	-1.00		-1.00	
531211 SPA Reg Salary ($46,219) 531511 Soc Sec ($3,535) 531521 Retirement ($4,858) 531561 Medical ($4,929)				
35 Personnel Adjustment	($191,368)	R	($191,368)	R
Transfers four positions to Archives and Records Management (ARM) receipts.	-4.00		-4.00	
#60083376 - Processing Assistant IV #60083348 - Accounting Technician #60083346 - Archives and Records Professional #60083353 - Archives and Records Professional				
531211 SPA Reg Salary ($145,271) 531511 Soc Sec ($11,113) 531521 Retirement ($15,268) 531561 Medical ($19,716)				

	FY 11-12		FY 12-13	
1241 State Historic Sites				
36 Transfer Functions and Positions to Receipts	($576,258)	R	($1,152,515)	R
Transfers the Transportation Museum to 50% receipts-support in FY 2011-12 and total receipts-support in FY 2012-13.	-8.00		-20.50	

FY 2011-12
#60083524 Electrician II
#60083520 Museum Specialist
#60083528 Carpenter II
#60083521 Historic interpreter II
#60083530 Historic interpreter II
#60083533 Security Guard
#60083529 & #60083536 Building Environmental Technician

531211 SPA Reg Salary ($228,999)
531511 Soc Sec ($ 17,518)
531521 Retirement ($ 24,068)
531561 Medical ($ 39,432)
532188 Lawn & Garden Service Agreement ($40,262)
532199 Misc Contractual Service ($43,642)
532210 Enrg Ser - Electrical ($62,338)
532220 Enrg Ser - Nat Gas/ Propane ($26,742)
532230 Enrg Ser - Water & Sewer ($8,123)
532331 Repairs - Motor Vehicles($195)
532333 Repairs - Other Equip ($ 18,460)
532390 Repairs- Other ($40,262)
532430 Maint - Equip ($3,292)
532490 Maint Agreement - Other ($385)
532714 Transp - Grnd -In state ($6,825)
532811 Telephone Service ($5,708)
532840 Postage, Freight, Delivery ($3,241)
532911 Property - Insurance ($3,335)
532919 Other Insurance ($235)
532942 Other Emp Educ Expense ($40)
533320 Diesel Fuel ($860)
533900 Other Materials & Supplies ($2,060)
535830 Membership, Dues, & Subscrip ($236)
TOTAL FY 2011-12 ($576,258)

FY 2012-13
#60083531 NC Transportation History Museum Director
#60083522 Facility Maintenance Supervisor III
#60083527 Maintenance Mechanic V
#60083524 Electrician II
#60083523 and #60083525 Historic Sites Manager II
#60083520 Museum Specialist
#60083519 Information & Communication Specialist I
#60083528 Carpenter II
#60083535 Office Assistant IV
#60083526 and #60083534 Historic Interpreter III
#60083521 and #60083530 Historic interpreter II
#60083529 and #60083536 Building Environmental Technician
#60083532 and #60083533 Security Guard

1241 State Historic Sites

#60083404 Historic Sites Specialist I

531211 SPA Reg Salary ($662,320)
531511 Soc Sec ($50,667)
531521 Retirement ($69,610)
531561 Medical ($101,045)
532188 Lawn & Garden Service Agreement ($40,262)
532199 Misc Contractual Service ($43,642)
532210 Enrg Ser - Electrical ($62,338)
532220 Enrg Ser - Nat Gas/ Propane ($26,742)
532230 Enrg Ser - Water & Sewer ($8,123)
532331 Repairs - Motor Vehicles ($195)
532333 Repairs - Other Equip ($18,460)
532390 Repairs- Other ($40,262)
532430 Maint - Equip ($3,292)
532490 Maint Agreement - Other ($385)
532714 Transp - Grnd -In state ($6,825)
532811 Telephone Serv ($5,708)
532840 Postage, Freight, Delivery ($3,241)
532911 Property - Insurance ($3,335)
532919 Other Insurance ($235)
532942 Other Emp Educ Expense ($40)
533320 Diesel Fuel ($860)
533900 Other Materials & Supplies ($4,692)
535830 Membership, Dues, & Subscrip ($236)
Total FY 2012-13 ($1,152,515)

1242 Tryon Palace

37 Transfers Positions to Receipts-support	($375,075)	R	($375,075)	R
Transfers the historic site's maintenance program to receipts-support.	-10.00		-10.00	

#60083572 Painter
#60083563 Carpenter II
#65011462 and 60083559 Maintenance Mechanic IV
#60083568, 60083571, 65011458, 65011459, and 60083567 Building Environmental Technicians
#65011430 Assistant Special Events Coordinator

531211 SPA Reg Salary ($275,715)
531511 Soc Sec ($21,092)
531521 Retirement ($28,978)
531561 Medical ($49,290)

38 Changes to Historic Site's Funding	($346,951)	R	($1,693,902)	R

Reduces remaining operating budget each year.

	FY 11-12		FY 12-13	
1245 NC Maritime Museum				
39 Transfer to Receipts-support	($59,265)	R	($59,265)	R
Transfers support for the Cape Lookout Studies Program and .75 FTE of position to receipts available from private partnership funds.	-0.75		-0.75	
#60083652 Natural Science Curator				
531211 SPA Reg Salary ($31,834)				
531511 Soc Sec ($2,435)				
531521 Retirement ($3,346)				
531561 Medical ($3,697)				
532199 Misc Contractual Serv ($7,500)				
532333 Repairs- Other Equip ($863)				
532714 Transp - Grnd, In State ($1,500)				
532715 Transp - Grnd, Out State, In U.S. ($225)				
532721 Lodging - In State ($1,275)				
532724 Meals- In State ($1,013)				
532930 Registration Fees ($750)				
533110 General Office Supplies ($375)				
533720 Educ Supplies ($137)				
534539 Other Equip ($4,315)				
1247 Office of State Archaeology				
40 Program Reductions	($171,242)	R	($171,242)	
Suspends the operations of the Archaeology Laboratory and Curation Facility and eliminates salaries and benefits of 3.24 filled positions:	-3.24		-3.24	
#60083679 Archaeological Technician ($27,544)				
#60090495 Archaeologist I ($41,100)				
#60083676 Archaeologist II ($54,341)				
#60083688 Archaeological Technician ($6.972) - (.24 FTE)				
531211 SPA Reg Salary ($129,957)				
531461 Longevity ($2,446)				
531511 Soc Sec ($10,129)				
531521 Retirement ($13,916)				
531561 Medical ($14,790)				
Operating Budget Reductions				
53XXXX ($5)				

	FY 11-12		FY 12-13	
1250 Historic Preservation Office				
41 Transfer to Receipts-support	($71,106)	R	($71,106)	R
Transfers 1.5 positions to federal grant receipts.				
	-1.50		-1.50	

#60083622 Office Assistant III
#60083629 Historic Preservation/Restoration Specialist I (.5FTE)

531211 SPA Reg Salary ($53,921)
531511 Soc Sec ($ 4,124)
531521 Retirement ($ 5,667)
531561 Medical ($ 7,394)

	FY 11-12		FY 12-13	
1320 Museum of Art				
42 Operating Reductions	($471,601)	R	($673,925)	R
Reorganizes and consolidates Museum of Art operations by eliminating salaries and benefits of three vacant positions and 7.25 filled positions; and transfers .25 position to receipts-support.	-10.50		-10.50	

Vacant Positions
SPA
#65011450 Maintenance Mechanic II ($27,544)
#60083791 Office Assistant III ($34,319)

EPA
#65011451 Art Museum Curator ($50,400)
SUBTOTAL Vacant Positions ($112,263)

Filled Positions
#60083795 Security Guard ($24,861)
#65005187 Security Guard ($24,861)
#60083773 Processing Assistant III ($8,119) - (.25 FTE)
#60083774 Processing Assistant III ($34,319)
#60083772 Program Assistant IV ($29,783)
#60083754 Processing Assistant IV ($31,389)
#65005027 Art Handler ($32,411)
#60083769 Library Technician ($36,378)
SUBTOTAL Filled Positions ($222,121)

Receipts-support Position
#60090505 Associate Director ($15,412) - (.25 FTE)

531111 EPA- Reg Salaries- Approp ($ 65,812)
531211 SPA- Reg Salaries- Appropr ($283,984)
531511 Soc Sec ($26,759)
535121 Retirement ($36,764)
531561 Medical ($50,333)

Operating Budget Reduction
FY 11-12
53XXXX ($7,750)

FY 12-13
53XXXX ($210,074)

1330 NC Arts Council

43 Grant Program Reduction	($581,000)	R	($581,000)	R
Reduces funding for the Basic Grants Program, which provides $3,292,320 for each year of the 2011-2013 Biennium.				

	FY 11-12		FY 12-13	
1330 NC Arts Council				
44 Operating Reductions Eliminates 1.75 vacant positions and 1 filled position by reassigning duties and consolidating grant categories. Vacant Positions #60083908 Arts Development Consultant ($40,856) #60083931 Information & Communication Specialist I (.75 FTE) ($27,734) Filled Position #60083927 Information & Communication Specialist II ($38,767) 531211 SPA- Reg Salaries- Appropr ($107,357) 531511 Soc Sec ($8,213) 535121 Retirement ($11,283) 531561 Medical ($13,555)	($140,408) -2.75	R	($140,408) -2.75	R
45 Grant Program Reduction Reduces funding for Grassroots Arts Program which provides $2,303,708 for each year of the 2011-2013 Biennium.	($406,537)	R	($406,537)	R
46 Eliminate Non-Competitive Funding Eliminates funding for the Vagabond School of Drama.	($40,957)	R	($40,957)	R
47 Reduce Non-Competitive Funding Reduces funding for the Lost Colony.	($50,000)	R	($50,000)	R
48 Eliminate Non-Competitive Funding Eliminates funding for the Shakespeare Festival.	($218,957)	R	($218,957)	R
1340 NC Symphony				
49 Reduce Grant Funding Reduces grant funding for statewide concerts by 10%.	($217,310)	R	($217,310)	R

1410 State Library Services

50 Personnel Adjustment	($499,423)	R	($499,423)	R
Consolidates and eliminates two layers of management in the State Library of NC. Transfers a position to federal receipts.	-9.00		-9.00	

Filled Positions
#60083815 Office Assistant V ($36,434)
#60083867 Library Technician ($32,029)
#60083850 Library Technician ($32,758)
#60083853 Library Technician ($28,327)
#60083861 Processing Assistant IV ($35,575)

Vacant Positions
60083822 Assistant State Librarian ($58,701)
#60083844 Library Supervisor ($54,692)
#60083904 Office Assistant III ($26,646)

Transferred to Federal Receipts Position
#60083901 Library Professional ($79,963)

531211 SPA Reg Salary ($385,125)
531511 Soc Sec ($ 29,460)
531521 Retirement ($ 40,477)
531561 Medical ($ 44,361)

1480 Statewide Programs & Grants

51 Program Reduction	($1,980,543)	R	($1,980,543)	R
Reduces State-Aid to local libraries by 13%.				

1500 Museum of History

52 Program Reductions

	FY 11-12		FY 12-13	
	($383,505)	R	($585,829)	R
	-9.00		-13.00	

Reorganizes and consolidates the museum and its regional branches in the areas of administration, program, and operating functions. Eliminates salaries and benefits of 5 vacant positions and 4 filled positions in FY 11-12 and 6 vacant and 7 filled positions in FY 12-13; and reduces operating budget.

Vacant Positions
#60083949 Art Handler ($25,705)
#60083990 Curator of Furnishings & Decorative Arts ($42,860)
#60083981 Library Professional ($40,000)
#60084030 Museum Specialist ($33,229)
#60084043 Security Guard ($24,861)
#60083995 Museum Curator ($44,265)

Filled Positions
#60083942 Public Information Assistant IV ($27,615)
#60083957 Public Information Assistant III ($32,258)
#60084027 Museum Specialist ($32,796)
#60084035 Process Assistant IV ($27,615)
#60083956 Registrar ($44,086)
#60084008 Office Assistant ($28,611)
#60084028 Education Coordinator ($35,965)

531211 SPA Reg.Salary ($439,966)
531511 Soc Sec ($33,657)
531521 Retirement ($46,240)
531561 Medical ($64,090)

Operating Budget Reduction
FY 12-13
53XXXX ($1,875)

	FY 11-12		FY 12-13	
1500 Museum of History				
53 Reduce Operating Budget	($335,997)	R	($335,997)	R
Eliminates salaries and benefits of 1 vacant and 7.25 filled positions and reduces operating expenses of the Museum of the Cape Fear.	-8.25		-8.25	

Vacant Position
#60084056 Security Guard ($26,220)

Filled Positions
#60084055 Museum Specialist ($32,796)
#60084057 Historical Interpreter I ($24,861)
#60084051 Assoc. Museum Curator ($40,105)
#60084053 Bldg. Envir Tech. ($25,718)
#60084059 Historic Interpreter ($27,056)
#60084048 Museum Specialist ($38,824)
#60084050 Administrative Asst. ($8,278) - (.25 FTE)
#60084053 Bldg and Engineer Tech ($25,718)

531211 SPA Reg Salary ($249,576)
531511 Soc Sec ($19,093)
531521 Retirement ($26,230)
531561 Medical ($39,440)

Operating Expense Reduction
53XXXX ($1,658)

	FY 11-12		FY 12-13	
Department-wide				
54 Personnel Reductions	($1,212,827)	R	($1,212,827)	R
Eliminates salaries and benefits of 8.51 additional positions vacant 6 months or more since January 1, 2011; and 18 positions vacant 100 or more days since March 31, 2011.	-26.51		-26.51	
Positions vacant for 6 months or more				
#60083367 Archives & Records Professional ($1)				
#60083486 Office Assistant IV ($30,417)				
#65010790 Transportation Coordinator ($29,502)				
#60083569 Horticulture/grounds Technician (.38 FTE) ($1,329)				
#65010906 Administrative Officer III ($41,173)				
#65010907 Media Technician I ($25,705)				
#60083505 Historic Interpreter I ($24,861)				
#60090511 Museum Curator ($38,174)				
#60090513 Museum Specialist ($32,796)				
#60090514 Museum Exhibit Designer (.13 FTE) ($6,626)				
531211 SPA Reg Salary ($230,584)				
531511 Soc Sec ($17,640)				
531521 Retirement ($24,234)				
531561 Medical ($41,954)				
Positions vacant for 100 or more days				
#60080925 Heritage Tourism Officer ($38,543)				
#65011681 Maritime Heritage Tourism Officer ($35,337)				
#65011682 Heritage Tourism Officer ($35,337)				
#65011683 Heritage Tourism Officer ($35,337)				
#65011684 Heritage Tourism Officer ($35,337)				
#65011685 Regional Development Officer ($38,174)				
#60083349 Office Assistant IV ($29,656)				
#60090501 Records Management Analyst ($37,000)				
#60083465 Historic Sites Specialist II ($50,000)				
#60083470 Historic Site Assistant ($25,355)				
#60083585 Museum Specialist ($39,162)				
#65011433 Assistant Conservator ($27,942)				
#60083562 Exhibit Designer ($35,498)				
#65010801 Utility Worker Supervisor ($27,380)				
#65011464 Section Gardener ($26,584)				
#65011455 Museum Exhibits Assistant ($29,502)				
#65011424 Processing Assistant III ($24,092)				
#60083256 Deputy Secretary ($115,000)				
531211 SPA Reg Salary ($685,236)				
531511 Soc Sec ($52,421)				
531521 Retirement ($72,018)				
531561 Medical ($88,740)				
55 IT Reduction	($55,184)	R	($55,184)	R
Reduces IT by 5%.				

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
Total Legislative Changes	($8,639,776)	R	($10,967,632)	R
Total Position Changes	-97.50		-114.00	
Revised Budget	**$64,024,857**		**$61,697,001**	

Cultural Resources - Roanoke Island Commission

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$2,406,982**		**$2,406,982**	
Legislative Changes				
1584 Roanoke Island Commission				
56 Changes to Commission Funding Reduces General Fund appropriation by 25% in FY 2011-12 and 50% in FY 2012-13 with an additional 25% reduction to the appropriation through FY 2014-15 and the Commission becoming self-supporting by FY 2015-16.	($601,746)	R	($1,203,491)	R
Total Legislative Changes	**($601,746)**	**R**	**($1,203,491)**	**R**
Total Position Changes				
Revised Budget	**$1,805,236**		**$1,203,491**	

General Assembly

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$54,593,047**		**$54,593,047**	
Legislative Changes				
1213 Research Division				
57 Transfer of General Statutes Commission	$270,341	R	$270,341	R
Provides funding for positions and operations of the General statutes Commission that is transferred from the Department of Justice.	3.00		3.00	
1215 Building & maintenance				
58 Reduce Division Budget and Personnel	($292,980)	R	($212,565)	R
Reduces appropriations by funding Building & Maintenance Repairs from Carryforward Reserve each year. Additionally, eliminates salaries and benefits of 3.4 positions in FY 2012-13.			-3.40	
59 Continuation Review of Building & Maintenance Division	($2,572,506)	R	($2,572,506)	R
Conducts a Continuation Review of facility services in the General Assembly during the 2011-12 Interim. The budget for the division, minus reductions authorized for FY 2012-13, is included as non-recurring, pending the findings and recommendations that will be reported to the 2012 Session.	$2,572,506	NR	-31.60	
1216 Food Service				
60 Reduce Operating Budget	($103,648)	R	($210,348)	R
Increases prices in the cafeteria and snack bars by 10%. Additionally, eliminates salaries and benefits of 3.75 positions in FY 2012-13.			-3.75	
1217 Information Systems Division				
61 Various Reductions to Operations	($2,653,145)	R	($2,114,555)	R
Reduces the operating accounts in ISD and uses Carryforward Reserve to support non-personnel costs and 2 Temporary Time-Limited positions to work with Redistricting.				
1219 Program Evaluation Division				
62 Expand Division Staff	$345,000	R	$345,000	R
Expands staff in the Program Evaluation Division with the transfer of funding from the Performance Audit Division in the State Auditor's Office to support up to 5 positions.	5.00		5.00	

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
1900 Committees & Other Reserves				
63 Reduction to Reserves Reduces funding in the Reserves of Committees, Studies, and Contingencies (537195).	($888,527)	R	($636,435)	R
Department-wide				
64 Various Reductions to Operating Budget Reduces the budget each year in the following areas: Reduces the number of interim days budgeted for Legislative Assistants from 3.5 days to 3 days during the first year of the biennium. Both years will be budgeted at 3.0 days during the interim with a reduction of $691,223. Eliminates funding budgeted for the purchase of furniture (desk, chairs, tables & bookshelves)with a reduction of $55,000 in FY 2011-12 and $40,000 in FY 2012-13. Reduces funding for staff travel which includes travel reimbursements, registration fees and education reimbursement. However, funding is maintained for staff in the Program Evaluation Division and Fiscal Research Division to pursue studies and conduct routine visits to state agencies and facilities. The budget is reduced $84,250 in FY 2011-12 and $94,250 in FY 2012-13. Reduces some discretionary contracts and budgeted supplies within the Building & Maintenance and Food Services Sections with a reduction of $57,773 in FY 2011-12 and $81,810 in FY 2012-13. Reduces NCSL annual dues by 20% with a reduction of $51,097 each year. Reduces appropriations by funding the Legislative Library Learning Resources and subscriptions from Carryforward Reserve with a reduction of $188,000 in FY 2011-12 and $175,800 in FY 2012-13. Reduces Carryforward Reserve by $87,319 in FY 11-12.	($1,214,662)	R	($442,957)	R
65 Personnel Adjustments Eliminates salaries and benefits of 17 vacant permanent positions of which 2 are frozen from FY 2010-11 with a reduction of $1,033,504 each year. Also, eliminates salaries and benefits for 47 temporary positions of which 27 are frozen from FY 2010-11 at a reduction of $849,746 in FY 2011-12 and $881,310 in FY 2012-13.	($1,883,250) -17.00	R	($1,914,814) -17.00	R
66 Reserve Funds Appropriates funds for reserve to support security upgrades.	$3,000,000	NR		

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
Department-wide				
67 Reserve for Information Technology Study Provides funding for the General Assembly to conduct a comprehensive, two-year evaluation of information technology operations throughout State government.	$2,000,000	NR	$3,000,000	NR
Total Legislative Changes	($8,993,377)	R	($7,488,839)	R
	$7,572,506	NR	$3,000,000	NR
Total Position Changes	-9.00		-47.75	
Revised Budget	$53,172,176		$50,104,208	

Governor

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$6,189,478**		**$6,189,478**	
Legislative Changes				
Department-wide				
68 Reductions to Office of the Governor Requires the Governor's Office to reduce the operating budget $1,448,321 each year.	($1,448,321)	R	($1,448,321)	R
Total Legislative Changes	**($1,448,321)**	R	**($1,448,321)**	R
Total Position Changes				
Revised Budget	**$4,741,157**		**$4,741,157**	

Housing Finance Agency

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$13,877,996**		**$13,877,996**	
Legislative Changes				
8102 Housing Finance Agency				
69 Program Reduction Reduces funding for the Housing Trust Fund.	($2,123,245)	R	($2,123,245)	R
8104 Home Protection Program				
70 Program Reduction Reduces funding for the Home Protection Program.	($2,081,700)	R	($2,081,700)	R
Total Legislative Changes	**($4,204,945)**	R	**($4,204,945)**	R
Total Position Changes				
Revised Budget	**$9,673,051**		**$9,673,051**	

Insurance

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$33,458,756**		**$33,458,756**	
Legislative Changes				
1110 Administration				
71 Reduce Expenditures Reduces various expenditure accounts in the division to more closely match actual costs. 532199 Misc Contractual Svs ($15,957) 532814 Cellular Phone Svs ($ 4,346) 532942 Other Employees Ed Expense ($ 4,918)	($25,221)	R	($25,221)	R
1200 Company Services Group				
72 Reduce Expenditures Reduces various expenditure accounts in the division to more closely match actual costs. 532814 Cellular Phone Svs ($ 119) 532942 Other Employees Ed Expense ($50,569)	($50,688)	R	($50,688)	R
1300 Technical Services Group				
73 Reduce Employee Education Expense Reduces expenditures each fiscal year in 532942 - Employee Education Expense.	($11,589)	R	($11,589)	R
1400 Public Services				
74 Reduce Cellular Phone Service Reduces expenditures each fiscal year in 532814 - Cellular Phone Service.	($2,200)	R	($2,200)	R
1500 Office of State Fire Marshal				
75 Adjust Expenditures Reduces expenditures for cellular phone service and eliminates funding for the sale of Code Books as the sale of Code Books is transferred to the publisher. 532814 Cellular Phone Svs ($ 23,315) 532850 Print, Bind, & Duplication ($330,000) 532942 Other Employees Ed Expense ($ 2,950)	($356,265)	R	($356,265)	R

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
1500 Office State Fire Marshal				
76 Transfer of Fire Protection Grant Fund Transfers the Fire Protection Grant Fund from the Office of State Budget and Management to the Department of Insurance.	$3,677,513	R	$3,677,513	R
Department-wide				
77 Eliminate Vacant Positions and Reduce Expenditure Accounts Eliminates salaries and benefits of 3 vacant positions.	($139,612)	R	($139,612)	R
	-3.00		-3.00	
Vacant Positions 60013339 Processing Assistant III ($28,490) 60013607 Office Assistant IV ($25,705) 65004532 Insurance Company Examiner ($51,443)				
531211 SPA Reg Salary ($105,638) 531511 Soc Sec ($8,081) 531521 Retirement ($11,103) 531561 Medical ($14,790)				
78 Reduction to Consumer Protection Services Fund Reduces transfer to Consumer Protection Services Fund to more closely match actual expenditures.	($156,773)	R	($156,773)	R
531111 Salaries ($38,473) 531511 Social Security ($2,943) 531521 Retirement ($4,044) 532110 Legal Services ($111,313)				
Total Legislative Changes	**$2,935,165**	R	**$2,935,165**	R
Total Position Changes	-3.00		-3.00	
Revised Budget	**$36,393,921**		**$36,393,921**	

Insurance - Volunteer Safety Workers' Compensation Fund

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$4,500,000**		**$4,500,000**	
Legislative Changes				
1900 Reserves & transfers				
79 Reduce Volunteer Safety Workers' Compensation Fund Reduces funding for the Volunteer Safety Workers' Compensation Fund.	($706,000) ($1,500,000)	R NR	($1,876,346)	R
Total Legislative Changes	**($706,000)** **($1,500,000)**	**R** **NR**	**($1,876,346)**	**R**
Total Position Changes				
Revised Budget	**$2,294,000**		**$2,623,654**	

Lieutenant Governor

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$954,868**		**$954,868**	
Legislative Changes				
1110 Administration				
80 Management Flexibility Reserve Requires the Lt. Governor's Office to reduce the operating budget of the office by $105,000 the first year of the biennium and $191,398 the second.	($105,000)	R	($191,398)	R
81 Reduce Operating Expenses Reduces the following operating expense accounts and allows the Lt. Governor to retain a cellular phone for first fiscal year: FY 2011-12 532814 Cellular Phones ($5,829) 532870 Cable TV ($689) 532840 Postage ($575) FY 2012-13 532814 Cellular Phones ($6,750) 532870 Cable TV ($689) 532840 Postage ($575)	($7,093)	R	($8,014)	R
82 Eliminate Vacant Position and Benefits Eliminates Assistant Policy Director Position and benefits (60008622).	($45,695) -1.00	R	($45,695) -1.00	R
83 Reduce Salary, Benefits, and Longevity to Actual Reduces the following accounts to actual: 531111 Salaries ($8,327) 531511 Social Security ($67) 531521 Retirement ($875) 531521 Longevity ($5,168)	($14,437)	R	($14,437)	R
Total Legislative Changes	**($172,225)**	R	**($259,544)**	R
Total Position Changes	-1.00		-1.00	
Revised Budget	**$782,643**		**$695,324**	

Office of Administrative Hearings

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$4,328,822**		**$4,328,822**	
Legislative Changes				
1100 Administration and Operations				
84 Reduce Payments to ITS Reduces data and communications (532800) by 5%.	($7,612)	R	($7,612)	R
1100 Civil Rights Division				
85 Eliminate Vacant Position Eliminates vacant Civil Rights Investigator Position (60088595) and benefits.	($57,710) -1.00	R	($57,710) -1.00	R
1100 Hearings Division				
86 Eliminate Administrative Law Judge Position Eliminates one Administrative Law Judge position and benefits.	($121,242) -1.00	R	($121,242) -1.00	R
Administrative Hearings				
87 Funding from DHHS for Medicaid Mediation Transfers $1 million in General Funds for each year of the biennium from the Department of Health and Human Services (DHHS) to the Office of Administrative Hearings (OAH) for the purpose of providing Medicaid mediation services. OAH shall continue the Memorandum of Agreement with DHHS and provide invoices to DHHS for covered services in order for DHHS to transfer the federal share of funds drawn down for this purpose.				
Total Legislative Changes	**($186,564)**	R	**($186,564)**	R
Total Position Changes	-2.00		-2.00	
Revised Budget	**$4,142,258**		**$4,142,258**	

Revenue

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$88,370,399**		**$88,370,399**	

Legislative Changes

1700 Motor Fuels Division

88 Eliminate Vacant Positions

Eliminates 15 vacant positions in the Motor Fuels Division funded by the Highway Fund.

1900 Reserves and Transfers

89 Remaining Resolution Initiative Funding ($760,075) R ($760,075) R

Reduces the remaining funds appropriated for the Resolution Initiative. The funds were originally appropriated in FY 2010-11.

Department-wide

90 Reduce General Fund Supported Operating Expenditures ($371,495) R ($371,495)

Reduces additional eight positions and associated benefits that are vacant at the Department -8.00 -8.00

60082603 Processing Assistant IV ($37,560)
60081507 Revenue Tax Technician ($55,395)
60081800 Processing Assistant III ($34,306)
60081505 Information Processing Technician ($54,583)
60093429 Processing Assistant IV ($41,527)
60082584 Processing Assistant V ($39,907)
60081612 Revenue Tax Technician ($52,675)
60082692 Information Processing Technician ($50,861)

91 Management Flexibility Reserve ($124,054) R ($124,054) R

Requires the Department of Revenue to reduce the operating budget of the Department by 124,054 recurring in such a way that maintains the operations of the Department in Winston-Salem and Rocky Mount.

Department-wide

92 Eliminate Vacant Positions	($3,498,026)	R	($3,498,026)	R
Eliminates 61 vacant positions throughout the Department and related benefits. Positions are as follows:	-61.00		-61.00	

60081469 Program Assistant V
60081535 Information Processing Technician
60081540 Team Leader
60082951 Processing Assistant V
60082846 Administrative Officer II
60082953 Processing Assistant IV
60082759 Processing Assistant III
60081588 Processing Assistant III
60082668 Data Entry Specialist
60082564 Information Processing Technician
60081675 Information Processing Technician
60081494 Information Processing Technician
60081482 Information Processing Technician
60082949 Processing Assistant IV
60081660 Revenue Officer I
60081781 Law Enforcement Agent
60082835 Processing Assistant IV
60082685 Revenue Officer II
60081633 Processing Assistant IV
60081597 Processing Assistant III
60081637 Information Processing Technician
60082570 Processing Assistant III
60082756 Processing Assistant III
60081566 Auditor
60082502 Processing Assistant III
60082553 Processing Assistant IV
60082661 Data Entry Specialist
60082599 Administrative Officer II
60082966 Administrative Assistant III
60081512 Processing Assistant V
60082682 Data Entry Specialist
60082569 Processing Assistant IV
60082758 Processing Assistant IV
60081520 Processing Assistant III
60082537 Accounting Manager
60081779 Law Enforcement Agent
60081657 Manager
60081434 Audit Director
60081748 Revenue Officer I
60082594 Processing Assistant V
60083099 Office Assistant V
60081531 Revenue Officer I
60081635 Administrative Assistant II
60081548 Administrative Assistant III
60081579 Administrative Assistant II
60081311 ETM Administrator
60082396 Revenue Administrative Officer
60082169 Field Auditor SCCI
60083224 Special Agent
60082057 Revenue Officer I

Department-wide

60081837 Interstate Field Officer
60081337 DTAX/Audit Workbench/Taxmaster Admin
60081405 ETM Developer
60081803 Interstate Field Auditor
60083098 Audit Manager
60082033 Field Auditor
60081817 Interstate Field Auditor
60081399 ETAX/Audit Workbench/Taxmaster Developer
60082444 Revenue Officer Trainee
60082440 Revenue Officer
60082059 Revenue Officer Trainee

93 Convert Collections Positions to Receipt Supported Converts 30 collections positions to receipt support. The source of the receipt is the Collection Assistance Fee. Positions numbers are as follows: 60082149, 60082449, 60082041, 60082129, 60082154, 60082165, 60082243, 60082244, 60081863, 60081493, 60081550, 60081747, 60082435, 60082132, 60082136, 60082137, 60082451, 60082445, 60082455, 60082047, 60082053, 60082452, 60082148, 60082162, 60082163, 60082152, 60082176, 60082454, 60082077, 60082081.	($1,896,157) -30.00	R	($1,896,157) -30.00	R
94 Reduce Supplemental Wages to FY 2010 Actual Reduces supplemental wages to FY 2009-10 actual. 531411 - OT Pay ($39,766) 531421 - Holiday Perm Pay - ($2,121)	($41,887)	R	($41,887)	R
95 Reduce Temporary Wages Reduce Temporary Wages and benefits in the following areas: 1600 - Administration ($5,018) 1603 - Human Resources ($33,784) 1605 - IT ($39,922) 1621 - Corporate ($18,488) 1643 - TPA (316,547) 1660 - Collections ($286,799) 1670 - USUB ($14,328) 1681 - Administrative Services ($97,025) 1685 - DPPD ($966,912)	($1,778,823)	R	($1,778,823)	R
96 Reduce Budgeted Longevity Reduces budgeted longevity (521461).	($32,459)	R	($32,459)	R
97 Reduce Payments to ITS Reduces payments to Information Technology Services by 5% (532800).	($602,867)	R	($602,867)	R

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
Information Technology				
98 Imaging System License Corrects error, a non-recurring expenditure for an imaging system license was mistakenly coded as recurring in FY 2010-11. This reduction corrects the error.	($613,440)	R	($613,440)	R
Local Government Unit				
99 Local Government Unit to Receipts Moves positions to the Local Government Unit within the Department to receipt support to create a point of contact regarding tax distributions. Over $200 million per year is distributed to local governments each year.	($451,578) -7.00	R	($451,578) -7.00	R
Total Legislative Changes	**($10,170,861)**	R	**($10,170,861)**	R
Total Position Changes	-106.00		-106.00	
Revised Budget	**$78,199,538**		**$78,199,538**	

Secretary of State

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$11,076,972**		**$11,076,972**	
Legislative Changes				
1120 Publications				
100 Reduce Printing Budget Eliminates the printing of the NC Directory of County and State Officials, which is available electronically, and the free distribution of the NC Manual. Budget code affected is 532850.	($77,268)	R	($77,268)	R
1150 Lobbyist Registration				
101 Eliminate Four Positions in Lobbyist Registration Eliminates four positions and benefits in Lobbyist Registration Division. 60008804 Registrar/Examiner ($42,295) 60008805 Registrar/Examiner ($50,469) 65004907 Office Assistant ($36,176) 60008807 Attorney I ($71,851)	($200,791) -4.00	R	($200,791) -4.00	R
Department-wide				
102 Reduce Operating Expenditures and Eliminate Cell Phones Reduces operating expenditures in a variety of accounts and eliminates budget for cellular phones. 532700 Travel and Other Employee Expense ($25,423) 532814 Cellular Phone Service ($9,809) 532900 Other Services ($7,342) 533100 General And Administrative Supplies ($26,100 533900 Other Materials and Supplies 534500 Equipment ($42,966) 534700 Intangible Assets ($17,000)	($136,290)	R	($136,290)	R
103 Reduce Payments to ITS Reduces payments to ITS (532800) by 5%.	($8,060)	R	($8,060)	R
Total Legislative Changes	**($422,409)**	R	**($422,409)**	R
Total Position Changes	-4.00		-4.00	
Revised Budget	**$10,654,563**		**$10,654,563**	

State Board of Elections

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$6,189,011**		**$6,189,011**	
Legislative Changes				
1100 Administration				
104 Correct Error in Base Budget Corrects error, a non-recurring expenditure was miscoded as recurring (532700) related to a move into office space.			($60,000)	R
105 Administrative Services Reduces expenditures for workshops and conferences (532181) and administrative services (532170).	($23,000)	R	($23,000)	R
1200 Campaign Reporting				
106 Reduce Administrative Services Reduces Administrative Services (532170).	($45,110)	R	($45,110)	R
1300 Voter Registration and Systems				
107 Eliminate Positions in Voter Registration and Systems Eliminates all 8 District Elections Technicians ($510,610),Voting Systems Project Manager (60088251 - $65,191), Technology Support Analyst (65006606 - $64,010), and associated benefits.	($637,706) -10.00	R	($637,706) -10.00	R
108 Reduce Assigned Vehicles Reduces payments to Motor Fleet Management for vehicles from 8 District Elections Technicians (532700).	($32,634)	R	($32,634)	R
Department-wide				
109 ITS Reduction Reduces data and procurement purchases by 5% (532800).	($28,787)	R	($28,787)	R
110 Eliminate Vacant Positions Eliminates four vacant positions and benefits in the State Board of Elections 65012228 - Elections Investigator 65005662 - Business Officer 60088258 - Compliance Specialist 65012227 - Attorney II	($235,171) -4.00	R	($235,171) -4.00	R

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
Total Legislative Changes	($1,002,408)	R	($1,062,408)	R
Total Position Changes	-14.00		-14.00	
Revised Budget	**$5,186,603**		**$5,126,603**	

State Budget & Management

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$6,963,796**		**$6,963,796**	

Legislative Changes

1310 Office of State Budget & Management

111 Personnel Adjustment and IT Reduction ($546,454) R ($546,454) R

Eliminates 6 vacant positions and reduces salary reserves.

-6.00 -6.00

#60008592 State Budget Management Analyst ($62,463)
#60008553 State Budget Management Analyst ($64,383)
#60008582 State Budget Management Analyst ($102,163)
#60008577 Human Resources Director ($62,429)
#60008585 State Budget Management Analyst ($57,000)
#60008609 State Budget Management Analyst ($71,925)

531211 Salaries	($420,363)
531511 Social Security	($32,158)
531521 Retirement	($44,180)
531561 Medical Insurance	($29,580)
531211 Salary Reserves	($ 6,774)

Reduces funding for the Information Technology Services by 5% ($13,399).

112 Operating Reductions ($34,900) R ($34,900) R

Reduces operating expenses.

532145 Server Support Services	($29,100)
532840 Postage, Freight & Delivery	($ 3,800)
534530 Other DP Equipment	($ 1,500)
534534 PC/Printer Equipment	($ 500)

113 Longevity Reduction ($21,867) R ($21,867) R

Reduces longevity to actual.

114 Integrated Budget Information System (IBIS) Funding ($511,912) R ($511,912) R

Eliminates funding for the Integrated Budget Information System (IBIS) continuation request for software support, hardware, and databases.

532199 Miscellaneous Contractual Services	($250,000)
532800 Communication & Data Processing	($261,912)

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
Total Legislative Changes	($1,115,133)	R	($1,115,133)	R
Total Position Changes	-6.00		-6.00	
Revised Budget	**$5,848,663**		**$5,848,663**	

State Budget and Management - Special

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$5,934,311**		**$5,934,311**	
Legislative Changes				
1022 Special Appropriations				
115 Humanities Council Grant Reduces funding for NC Humanities Council(536G02).	($43,000)	R	($43,000)	R
1023 Fire Protection Grant Fund				
116 Transfer of Fire Protection Grant Fund Transfers management of the State Fire Protection Grant Fund to the Department of Insurance from the Office of State Budget and Management. The General Fund appropriation is reduced 10%.	($3,677,513)	R	($3,677,513)	R
1900 Reserves & Transfers				
117 NC Symphony Provides funding for the NC Symphony to leverage match to support the operation.	$1,500,000	NR		
118 Adjust Funds for Health Care Reform and Board of Elections Software Eliminates funding ($1,101,293) and positions each year for DOI Healthcare Reform Reserve (537122). Additionally, reduces budget for non-recurring ($671,893) expense that was classified as recurring in the 2010 Session for the State Board of Elections Software Purchase (to comply with HB 961).	($1,773,186) -13.00	R	($1,773,186) -13.00	R
Total Legislative Changes	**($5,493,699)** **$1,500,000**	R NR	**($5,493,699)**	R
Total Position Changes	-13.00		-13.00	
Revised Budget	**$1,940,612**		**$440,612**	

State Controller

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$32,517,077**		**$32,517,077**	

Legislative Changes

1000 Department-wide

119 Eliminate Vacant Positions ($1,172,321) R ($1,172,321) R

Eliminates salaries and benefits of 14 vacant positions and reduces IT costs by 5% or $197,689 each year in expenditure accounts 532800 - Communications/Data Processing. -14.00 -14.00

Vacant Positions

60015308 Information Processing Technician	($35,697)
60087149 State Controller Financial Specialist	($51,375)
60087175 Administrative Support Associate	($50,831)
60087196 Bus & Tech Applications Analyst	($80,145)
60090520 State Controller Risk Mitigation Spec	($61,274)
60091131 Information Processing Technician	($39,954)
60091133 Information Processing Technician	($29,502)
60091720 Information Processing Technician	($38,792)
60092194 Administrative Support Specialist	($39,400)
65009029 Business Systems Analyst III	($75,000)
65008979 Staff Development Specialist II	($47,791)
65008981 Staff Development Specialist II	($56,667)
65008996 Business & Technology Applications Spec.	($80,000)
65009030 Bus. Systems Analyst II	($80,000)

531211 SPA Reg Salary	($766,428)
531511 Soc Sec	($ 58,632)
531521 Retirement	($ 80,552)
531561 Medical	($ 69,020)
Subtotal Positions	($974,632)

120 Reduce BEACON Reserve

Reduces funding in BEACON Reserve that leaves a balance of $2,427,928 that will support operations in Reporting Support, Production Support, Security, and BASIS support for the biennium. ($536,036) NR ($536,036) NR

121 Reduce Account Balance

Reduces General Fund by transferring funding from the unclaimed property account. ($72,500) NR ($72,500) NR

Senate Subcommittee on General Government	FY 11-12		FY 12-13	
1000 Department-wide				
122 Personnel And Operating Budget Reductions to CJLEADS	($2,367,263)	R	($2,367,263)	R
Eliminates salaries and benefits of 4.50 vacant positions and reduces operating budget.	-4.50		-4.50	
Vacant Positions 65011662 Business Systems Analyst III ($75,000) 65011663 Staff Development Specialist II ($47,791) 65011667 Staff Development Specialist II ($56,667) 65011705 Business & Technology Applications Spec. ($80,000) 65011706 Bus. Systems Analyst II ($80,000)				
531211 SPA Reg Salary ($275,000) 531511 Soc Sec ($21,038) 531521 Retirement ($28,903) 531561 Medical ($22,185) SUBTOTAL Positions ($347,126)				
Operating Budget Reductions Reduces SAS Customized Services ($625,000) Reduces State Agency Development ($1,200,000) Reduces Other Technology Services ($192,879) Reduces IT by 5% ($2,262) SUBTOTAL Operating Budget Reductions ($2,620,141)				
Total Legislative Changes	($3,539,584)	R	($3,539,584)	R
	($608,536)	NR	($608,536)	NR
Total Position Changes	-18.50		-18.50	
Revised Budget	**$28,368,957**		**$28,368,957**	

Treasurer

	GENERAL FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$10,538,203**		**$10,538,203**	
Legislative Changes				
1300 Local Government Operations				
123 Integrated Document Management System Provides funding for the Integrated Document Management System, which is receipt supported. Requirements total $160,000 in FY 2011-12 of which $15,000 is recurring and $145,000 is non-recurring. The $15,000 is continued in FY 2012-13.				
1310 Local Government Operations				
124 Convert Division to Receipt Support Converts the State and Local Government Finance Division to receipt-support.	($3,324,834) -36.00	R	($3,324,834) -36.00	R
Department-wide				
125 Reduced Funding for Personnel and Operations Reduces funding for five positions that were converted to receipt support with a reduction each year of $526,910. Additionally, reduces Travel & Other Employee Expenses in FY 2011-12 ($23,624), Financial/Audit Services in FY 2012-13 ($58,905), and IT by 5% each year ($5,804).	($556,338)	R	($591,619)	--
Total Legislative Changes	**($3,881,172)**	R	**($3,916,453)**	R
Total Position Changes	-36.00		-36.00	
Revised Budget	**$6,657,031**		**$6,621,750**	

Treasurer - Retirement for Fire and Rescue

	GENERAL FUND	
	FY 11-12	FY 12-13
Recommended Continuation Budget	**$17,812,114**	**$17,812,114**
Legislative Changes		
126 NO LEGISLATIVE ACTION REPORTED		
Total Legislative Changes		
Total Position Changes		
Revised Budget	**$17,812,114**	**$17,812,114**

TRANSPORTATION
Section K

Senate Subcommittee on Transportation

Highway Fund

	HIGHWAY FUND			
	FY 11-12		FY 12-13	
Recommended Continuation Budget	$1,806,351,974		$1,812,408,831	
Legislative Changes				
Administration				
1 General Administration - Cuts	($4,507,486)	R	($4,507,486)	R
Decreases funds to the General Administration budget. This includes the elimination of seven (7) vacant positions funded through General Administration funds.	-7.00		-7.00	
2 General Administration - Internal Consolidations	($1,071,606)	R	($1,071,606)	R
Reduces budget through internal consolidations and eliminations to the General Administration budget.	-41.00		-41.00	
3 Eliminate Aeronautics Council and Funding	($14,435)	R	($14,435)	R
Eliminates funding for the Aeronautics Council. The Council is funded through General Administration fund code 84210-0041.				
4 Eliminate Bicycle Committee and Funding	($2,070)	R	($2,070)	R
Eliminates funding for the North Carolina Bicycle Committee. The Committee is funded through General Administration fund code 84210-0035.				
5 Eliminate Vacant Ferry Division Position	($39,327)	R	($39,327)	R
Eliminates funding for one vacant Administrative Secretary II position in the Ferry Division's Morehead City office. This position is funded through General Administration fund code 84210-7040.	-1.00		-1.00	
6 Transfer One Public Transportation Employee to Receipt Support	($63,528)	R	($63,528)	R
Transfers funding for one position (position number 60029757) in the Public Transportation Division to receipt support. This position is funded through General Administration fund code 84210-0036.	-1.00		-1.00	
7 Highway Administration - Eliminate Keep America Beautiful Transfer	($40,000)	R	($40,000)	R
Eliminates funding for the Keep America Beautiful grant (non-profit operating grant) in the Highway Administration budget.				
Construction				
8 Access and Public Service Roads	($101,115)	R	($101,115)	R
Reduces funding to the Access and Public Service Roads. The total budget is $1,758,885 in both years of the biennium.				

Senate Subcommittee on Transportation	FY 11-12		FY 12-13	
9 Secondary Roads Reduces funding for secondary road construction in order to have greater flexibility to use funds across the State-maintained road network by shifting funds to the maintenance categories of contract resurfacing, system preservation, and to the general maintenance reserve. The total budget is $54,373,921 in FY 2011-12 and $53,480,182 in FY 2012-13.	($35,000,000)	NR	($35,000,000)	NR
10 Spot Safety Program Increases funding to the Spot Safety program to improve safety on State maintained roads. The total budget is $12,100,000 in both years of the biennium.	$3,000,000	R	$3,000,000	R
Department-wide				
11 Consolidate Call Center Functions Transfers funds to the new consolidated call center in FY 2012-13 to support the cost of the ferry reservations line. It is anticipated that the call center will be staffed by contracted employees, not State employees.			$556,074	R
Division of Motor Vehicles				
12 Driver License Continuation Review	($47,065,069)	R	($47,713,947)	R
Eliminates recurring funds for the Driver License program within the Division of Motor Vehicles and supplants with non-recurring funds for FY 2011-12. Program funding will be re-examined for FY 2012-13, per a Continuation Review.	$47,065,069	NR		
13 Reduce Driver & Vehicle Services Operating Funds Reduces operating funds per projected driver (license issuance) and vehicle services (contractor commission) transactions. Reductions are net of the expected increase in license production costs upon implementation of the New Generation Driver License System in FY 2011-12.	($4,224,000)	R	($4,224,000)	R
14 Shift Positions to Receipt-Support Increases budgeted emission inspection (electronic authorization) receipts to support half of the personnel costs for License & Theft Bureau law enforcement positions.	($800,319)	R	($800,319)	R
15 Consolidate Inspection Audits	($2,188,668)	R	($2,188,668)	R
Eliminates 39 non-sworn, Emission Specialist positions per a restructuring of the Division of Motor Vehicles Inspection Program. Presently, when an Emission Specialist audits an inspection station and detects a violation, a sworn law enforcement agent is notified for enforcement. Adjustments to Inspector's duties and technological upgrades permit this workflow to be streamlined.	-39.00		-39.00	
Receipts budgeted for these positions are reallocated to offset License & Theft Bureau personnel and operating expenses.				

Senate Subcommittee on Transportation	FY 11-12		FY 12-13	
16 Establish Per Record Fee for Bulk Data Establishes a fee of three cents ($.03) per partial license, registration, and accident report data record downloaded by third parties, principally for resale. Revenues are projected to increase by $5,049,796 recurring. Highway Fund appropriations are reduced per projected revenues.	($5,049,796)	R	($5,049,796)	R
17 Eliminate Vacant Positions Eliminates vacant positions within the Division of Motor Vehicles.	($343,990) -5.00	R	($417,117) -7.00	R
18 Implement Credit/Debit Payments at Driver License Offices Provides funds to offset transactional costs upon implementation of merchant card (credit/debit) point-of-sale processing at driver license offices. Pilot implementation is proposed for January 2012. Second year transactional costs are annualized. Point-of-sale terminal and other installation costs will be supported with existing funds.	$648,879	R	$1,297,757	R
Governor's Highway Safety Program				
19 GHSP - Cuts Eliminates a Public Relations Officer position supported by 50 percent highway funds and 50 percent federal funds, and shifts the employee into a vacant position fully supported by federal funds.	($28,233) -0.50	R	($28,233) -0.50	R
20 GHSP - Cuts Eliminates costs to Board in fund code 84210-0042.	($3,700)	R	($3,700)	R
Intermodal Divisions				
21 Division-wide Appropriates $24,000,000 of accumulated unencumbered fund balance from the five intermodal divisions. This balance resulted primarily from funds encumbered as the state matching component for grant applications for federal funds that were not awarded.				
22 Aviation Division - Cuts Reduces grant funds for commercial air carrier airports by $1,200,000, miscellaneous aviation programs by $1,100,000, and general aviation airports by $750,000.	($3,050,000)	R	($3,050,000)	R
23 Ferry Division - Cuts Reduces non-essential seasonal temporary employees; reduces fuel costs through engine RPM adjustments and from increasing hull cleanings from every two years to annually; eliminates non-essential overtime; and, reduces consumables used by operations and vessels.	($2,097,950)	R	($2,097,950)	R
24 Ferry Division - Tolling Raises tolling on existing routes and adds tolls to two untolled routes. Revenues will increase by $2,000,000 in FY 2011-12 and by $2,500,000 recurring in FY 2012-13.	($2,000,000)	R	($2,500,000)	R

Senate Subcommittee on Transportation	FY 11-12		FY 12-13	
25 **Ferry Division - Efficiencies** Reduces funds through division-wide efficiencies. In order to meet the reduction, the Department is authorized to reduce ferry schedules if reductions cannot be met through efficiencies.	($2,000,000)	R	($2,000,000)	R
26 **Ferry Division - Eliminate Vacant Positions** Eliminates 23 vacant positions that are determined to be non-critical positions. This includes one position associated with the closure of the Morehead City Office.	($1,115,490) -23.00	R	($1,115,490) -23.00	R
27 **Ferry Division - Close Morehead City Field Office** Closes the Morehead City Office on Feb. 1, 2012, eliminating four (4) permanent employees and six (6) temporary employees that are responsible for the ferry reservations line. The recurring reduction includes rent for the office. The ferry reservation line will be transferred outside of the Ferry Division so that call center functions may be merged across the Department in a manner selected by the Department to better coordinate communications. Funds transferred to the new call center to support ferry operations will come from existing funds within the ferry system budget for FY 2011-12.	($186,189) -4.00	R	($446,855) -4.00	R
28 **Ferry Division - Call Center** Transfers funds to the new consolidated call center in FY 2012-13 to support the cost of the ferry reservations line. It is anticipated the call center will be staffed by contracted employees, not State employees. Reservation line costs are anticipated to grow once the additional ferry routes become tolled.			$109,209	R
29 **Ferry Division - Replace Dredge Carolina** Replaces Dredge Carolina. The current dredge is over 40 years old and in need of replacement. The dredge is used to maintain channels and basins in order for the ferries to operate and keep navigable channels operational.			$10,000,000	NR
30 **Public Transportation Division - Cuts** Reduces all public transportation grant programs by six (6) percent.	($5,792,654)	R	($5,792,654)	R
31 **Public Transportation Division - Cuts** Reduces the Highpoint Furniture Market grants from $1,200,000 to $1,000,000.	($200,000)	R	($200,000)	R
32 **Rail Division - Transparency** Repeals G.S. 136-44.20(d) in order to bring transparency to the Rail Division budget. The funds associated are transferred from the Highway Trust Fund to the Highway Fund fund code 84210-7829 to pay for the Piedmont and Carolinian passenger rail operations. These funds are used to pay Amtrak for the cost to fully operate these trains, less fare receipts.	$5,000,000	R	$5,000,000	R

Senate Subcommittee on Transportation	FY 11-12		FY 12-13	
33 Rail Division - Cuts Reduces funds to the Rail Division's operating budget.	($800,000)	R	($800,000)	R
34 Rail Division - Grants to Short-Line Railroads Provides recurring funds to short-line railroads to fund rehabilitation projects that strengthen North Carolina's short-line infrastructure.	$400,000	R	$400,000	R
Maintenance				
35 Internal Consolidations Decreases funds to Maintenance through internal consolidations and eliminations in the pre-construction and administrative areas, and through the elimination of management layers. Within the Highway Fund, of the 75 positions identified for elimination, 29 positions are vacant and can be eliminated on July 1, 2011. Of the 46 filled positions, 24 positions will be eliminated December 31, 2011. The remaining 22 positions will be eliminated July 1, 2012. Within the Highway Trust Fund, of the 15 positions identified for elimination, nine (9) positions are eliminated immediately, and the remaining six (6) filled positions are eliminated December 31, 2011. Receipts for the Trust Fund positions are reduced $1,339,149 in FY 2011-12 and $1,394,531 in FY 2012-13.	($4,127,167) -53.00	R	($5,913,401) -75.00	R
36 Privatize and Outsource Functions Transfers funds within the Maintenance budget to outsource and further privatize existing functions. These functions include the pre-construction work to increase the amount of work privatized in preliminary engineering and project designs. Some general services functions, such as janitorial work, will be outsourced. Within the Highway Fund, of the positions to be eliminated, 57 positions are vacant and will be eliminated on July 1, 2011. Of the remaining 137 filled positions, 110 will be eliminated on December 31, 2011 and the remaining 27 positions will be eliminated on July 1, 2012. No funds are associated with these position reductions because the funds will be shifted to the costs of outsourcing and privatizing these functions. Within the Highway Trust Fund, of the 16 positions to be eliminated, three (3) positions are vacant and will be eliminated on July 1, 2011. The remaining 13 filled positions will be eliminated on July 1, 2012. No funds are associated with these position reductions because the funds will be shifted to the costs of outsourcing and privatizing these functions.	-167.00		-194.00	
37 Primary System Reduces funding to the primary system in order to have greater flexibility to use funds across the State-maintained road network by shifting funds to contract resurfacing, system preservation, and to the general maintenance reserve. The total budget is $184,459,157 in both years of the biennium.	($20,000,000)	NR	($20,000,000)	NR

	FY 11-12		FY 12-13	
38 Secondary System Reduces funding to the secondary system in order to have greater flexibility to use funds across the State-maintained road network by shifting funds to contract resurfacing, system preservation, and to the general maintenance reserve. The total budget is $267,356,761 in both years of the biennium.	($30,000,000)	NR	($30,000,000)	NR
39 Contract Resurfacing Increases funds for Contract Resurfacing. The contract resurfacing program provides funding for resurfacing the paved road system to improve ride quality. Contract resurfacing avoids costly patching and frequent maintenance. The total budget is $406,919,741 in FY 2011-12 and $427,682,126 in FY 2012-13.	$132,394,078	NR	$153,156,463	NR
40 System Preservation Increases funds for System Preservation in order to make improvements on structurally deficient bridges. 81.1 percent of structurally deficient bridges are located on the secondary road system. The total budget is $214,441,480 in FY 2011-12 and $235,293,865 in FY 2012-13.	$135,852,409	NR	$156,704,794	NR
41 General Maintenance Reserve Increases funds for the General Maintenance Reserve in order for the Department to have greater flexibility in programming funds to target the most critical maintenance needs. The total budget is $116,030,243 in FY 2011-12 and $140,636,243 in FY 2012-13.	$78,229,931	NR	$102,835,931	NR
Repairs and Renovations				
42 Funds for Facility Improvements and Repairs Provides funds for the Department to address critical life safety repairs, renovations, and replacement of its field facilities. Projects to be funded are critical to the success of the Department to effectively deliver its statutorily mandated programs and services. $250,000 non-recurring in receipts are used in FY 2011-12.	$15,250,000	NR	$15,000,000	NR
Reserves				
43 Reserve for Continuation Review Establishes a reserve for Highway Fund support of the Driver License Program within the Division of Motor Vehicles.			$47,713,947	R
44 Reserve for Global TransPark Authority Reduces funding for the Global TransPark Authority (fund code 84210-0869) by ten (10) percent. Highway Fund appropriations for the Authority total $1,152,000 recurring.	($128,000)	R	($128,000)	R
45 State Retirement System Contributions Increases the State's contribution to the Teachers' and State Employees' Retirement System for the 2011-2013 biennium to fund the Annual Required Contribution.	$11,200,000	R	$15,100,000	R

Senate Subcommittee on Transportation	FY 11-12		FY 12-13	
46 Compensation Adjustment and Performance Pay Reserve Provides funding for labor market and equity salary increases and funding for performance based pay plans to effectuate recommendations made in connection with the comprehensive review and reform of public employee compensation plans.			$4,906,715	R
47 State Health Plan Provides additional funding to continue health benefit coverage for enrolled active and retired employees supported by the Highway Fund for the 2011-2013 biennium.	$332,245	R	$4,767,052	R
48 Severance Expenditure Reserve Provides funding for severance salary continuation payments and health benefit coverage under the State Health Plan for employees reduced-in-force. Additional receipts for positions funded from the Highway Trust Fund total $149,083 in FY 2011-12 and $323,012 in FY 2012-13.	$2,552,553	NR	$626,316	NR
49 Reserve for Visitor Centers Eliminates Highway Fund appropriations to the Reserve for Visitor Centers (fund code 84210-0882). Budgets $400,000 of additional title fee receipts, per transfer from the Highway Trust Fund, to offset reductions for visitor center operating grants. Total grant funding remains $400,000 for the 2011-2013 biennium.	($400,000)	R	($400,000)	R
Statutory Adjustments				
50 Aid to Municipalities Adjusts funding for Aid to Municipalities based on revised projections for motor fuels tax consumption in accordance with G.S. 136-41.1. The total budget is $89,373,921 in FY 2011-12 and $90,187,224 in FY 2012-13.			$1,707,042	NR
Transfers				
51 Department of Agriculture - Standards Division Eliminates funds for three (3) vacant positions for a total position cost of $146,561, one (1) filled position (Chemical Tech II) for a total position cost of $58,101, and shifts funds for another position from Highway Fund receipts to other receipts within the Department of Agriculture budget (total $57,039). Reduces operating budget for equipment and supplies by $187.	($261,888)	R	($261,888)	R
52 Department of Revenue - Motor Fuels Division Eliminates funds for 15 vacant positions for a total personnel cost savings of $785,704, reduces the "other information technology services" budget by $207,346, and reduces the travel budget by $31,494.	($1,024,544)	R	($1,024,544)	R
53 DENR Lust Trust Fund Eliminates funding for the Leaking Underground Storage Tank (LUST) program through G.S. 119-18(b). The larger transfer to LUST from motor fuels taxes through G.S. 105-449.125, which totaled $17.7 million in FY 2009-10, is not impacted.	($2,171,898)	R	($2,261,898)	R

Senate Subcommittee on Transportation	FY 11-12		FY 12-13	
54 Department of Health and Human Services - Chemical Testing Unit Shifts a portion of funds for position number 60039654 from Highway Fund receipts to other receipts within the Department of Health and Human Services budget, and reduces funding for purchased services by $6,280.	($28,867)	R	($28,867)	R
55 Department of Public Instruction - Driver Education Program Authorizes local education agencies (LEAs) to assess fees of up to forty-five dollars ($45.00) to program participants. Highway Fund appropriations are reduced per projected revenues of $5,211,990 in FY 2011-12 and $5,265,585 in FY 2012-13. Estimates are based on projected ninth-grade average daily membership and reported enrollment from fiscal years 2007-08 through 2009-10. Highway Fund appropriations total $26,809,974 for FY 2011-12 and $26,756,379 for FY 2012-13.	($5,211,990)	R	($5,265,585)	R
56 State Highway Patrol - Freeze Step Increases Continues the freeze on salary step increases (five percent) for sworn members of the State Highway Patrol for the 2011-2013 biennium.	($3,373,932)	NR	($3,373,932)	NR
57 State Highway Patrol - Management Flexibility Reserve Establishes a management flexibility reserve for the State Highway Patrol.	($2,390,202)	R	($10,482,026)	R
58 State Highway Patrol - Administrative Consolidations Eliminates the Administrative Services Section and other administrative units within the State Highway Patrol, and reduces human resources staffing as follows: - General Counsel Office: $176,752 (2 FTE) - Public Information/Recruiting: $267,796 (3 FTE) - Administrative Services Section Management: $119,372 (1 FTE) - Assessment Office: $205,123 (3 FTE) - Benefits/Personnel and Performance/Promotion: $502,651 (6 FTE) $548,669 is budgeted on a non-recurring basis in FY 2011-12 for projected severance payments.	($1,271,694) $548,669	R NR	($1,271,694)	
59 State Highway Patrol - Reduce Operating Funds Reduces funding for purchased services, equipment, and supplies.	($1,450,000)	R	($1,450,000)	R
60 State Highway Patrol - Eliminate Highway Fund Transfer Eliminates Highway Fund appropriations (fund codes 84210-0866 and 84210-1010) for transfer to the Department of Crime Control and Public Safety (budget code 24960) for State Highway Patrol operations. Equivalent transfers to the General Fund offset this reduction. The Department of Transportation shall continue to administer and transfer matching funds for Motor Carrier Safety Assistance Program grants budgeted within fund code 84210-7834 for the State Highway Patrol.	($196,849,542)	R	($188,209,049)	R

Senate Subcommittee on Transportation	FY 11-12		FY 12-13	
61 **Transfer to General Fund** Transfers funds to the General Fund per the directed certification of the State Highway Patrol budget under a Department of Crime Control and Public Safety fund code within the General Fund. Including matching funds for Motor Carrier Safety Assistance Program grants budgeted within fund code 84210-7834, total budgeted transfers for the State Highway Patrol are $198,500,000 in FY 2011-12 and $189,859,507 in FY 2012-13.	$196,849,542	R	$188,209,049	R
Total Legislative Changes	**($80,670,751)**	**R**	**($29,905,445)**	**R**
	$323,518,777	**NR**	**$351,656,614**	**NR**
Total Position Changes	-341.50		-392.50	
Revised Budget	**$2,049,200,000**		**$2,134,160,000**	

Highway Trust Fund

	HIGHWAY TRUST FUND	
	FY 11-12	FY 12-13
Recommended Continuation Budget	$933,800,000	$982,400,000

Legislative Changes

Administration

62 Administration

Appropriates $25,000,000 of the accumulated unencumbered fund balance within the Highway Trust Fund Administration budget to Urban Loops.

Aid to Municipalities

63 Statutory Adjustment to Aid to Municipalities Allocation

Increases funds for State Aid to Municipalities for FY 2011-12 and FY 2012-13, consistent with new revenue estimates and G.S. 136-176(b)(3). The total budget is $51,216,036 in FY 2011-12 and $54,043,432 in FY 2012-13.

$6,365,050	NR	$6,371,287	NR

Construction

64 Intrastate System

Increases funds for the Intrastate System for FY 2011-12 and FY 2012-13, consistent with new revenue estimates and G.S. 136-176(b)(1). The total budget is $460,823,529 in FY 2011-12 and $487,503,034 in FY 2012-13.

$60,663,823	NR	$60,723,266	NR

65 Secondary Roads

Notwithstands G.S. 136-176(b)(4) and reduces funding to Secondary Roads. The total budget is $43,655,667 in FY 2011-12 and $49,320,944 in FY 2012-13.

($17,500,000)	NR	($17,500,000)	NR

	FY 11-12		FY 12-13	
66 Urban Loops	$550,000	R	$550,000	R
Increases funds for Urban Loops for FY 2011-12 and FY 2012-13, consistent with new revenue estimates and G.S. 136-176(b)(2). Also budgets $72,500,000 of non-recurring funds that are reallocated from the Garden Parkway project. Non-recurring increases in FY 2011-12 also include $25,000,000 of unencumbered administrative funds from prior years and $17,500,000 in funds reallocated from secondary road construction.	$130,907,485	NR	$71,350,039	NR
Budgets title fee revenues per a reduction in the amount statutorily transferred to the Mercury Switch Removal Account (budget code 24300-2119) in the Department of Environment and Natural Resources, per G.S. 20-85(a1). $550,000 of projected title fee revenues are budgeted for both years of the biennium.				
Transfers $5,223,642 in non-recurring funds to the General Fund to purchase replacement school buses for local school systems.				
The total Urban Loops budget is $263,587,722 in FY 2011-12 and $212,957,986 in FY 2012-13.				
67 Mobility Fund			($45,000,000)	R
Eliminates the transfer to the Mobility Fund beginning in FY 2012-13 and transfers the funds to a reserve.				
The total Mobility Fund budget is $31,000,000 in FY 2011-12.				
Reserves				
68 DOT Prioritization Reserve			$45,000,000	R
Pending finalization of the Mobility Fund project selection criteria and review of final outcomes, recurring funds to the Mobility Fund beginning in FY 2012-13 are placed in this reserve account.				
Transfers				
69 Transfer to General Fund			$115,408	R
Increases transfer to the General Fund by $35,223,642 in FY 2011-12 to purchase replacement school buses for local school systems, and by $115,408 in FY 2012-13 in accordance with G.S. 105-187.9(b)2. The total transfer is $76,720,918 in FY 2011-12 and $27,595,861 in FY 2012-13.	$35,223,642	NR		

Senate Subcommittee on Transportation	FY 11-12		FY 12-13	
70 Transfer to Highway Fund - Reserve for Visitor Centers Appropriates $400,000 for transfer to the Highway Fund Reserve for Visitor Centers for operating grants to nine visitor centers. Highway Trust Fund revenues are projected to increase by $950,000 recurring per a reduction in the amount of title fee receipts transferred to the Mercury Switch Removal Account (budget code 24300-2119) in the Department of Environment and Natural Resources. Of these revenues, $400,000 is appropriated to the Highway Fund Reserve for Visitor Centers and the remaining balance is appropriated to Urban Loops.	$400,000	R	$400,000	R
Turnpike Authority				
71 Mid-Currituck Bridge Project Reallocates $30,000,000 of unencumbered gap funds appropriated in FY 2009-10 and FY 2010-11 to the Mid-Currituck Bridge project for transfer to the General Fund to purchase replacement school buses for local school systems.				
72 Garden Parkway Project Reduces gap funding for debt service and related financing costs for the Garden Parkway project on a non-recurring basis and reallocates $20,000,000 of unencumbered gap funds appropriated in FY 2010-11 to Urban Loops.	($35,000,000)	NR	($17,500,000)	NR
Total Legislative Changes	**$950,000**	**R**	**$1,065,408**	**R**
	$180,660,000	**NR**	**$103,444,592**	**NR**
Total Position Changes				
Revised Budget	**$1,115,410,000**		**$1,086,910,000**	

Turnpike Authority

TURNPIKE AUTHORITY

	FY 11-12		FY 12-13	
Recommended Continuation Budget	$4,442,571		$4,442,571	
Legislative Changes				
North Carolina Turnpike Authority Administration				
73 **Reduce Operating Funds** Reduces operating funds for administration of the North Carolina Turnpike Authority by 18 percent. The total budget for Turnpike Authority administration is $3,642,571 for the 2011-2013 biennium.	($800,000)	R	($800,000)	R
Total Legislative Changes	($800,000)	R	($800,000)	R
Total Position Changes				
Revised Budget	$3,642,571		$3,642,571	

RESERVES/ DEBT SERVICE/ ADJUSTMENTS
Section L

Statewide Reserves

GENERAL FUND

	FY 11-12		FY 12-13	
Recommended Continuation Budget	**$747,761,563**		**$747,761,563**	
Legislative Changes				
A. Employee Benefits				
1 Severance Expenditure Reserve Provides funding for severance salary continuation payments and health benefit coverage under the State Health Plan for employees reduced-in-force.	$69,000,000	NR		
2 Comprehensive Review of Public Employee Compensation Plans Provides funding for a comprehensive review of public employee compensation plans as directed by this Act.	$2,000,000	NR		
3 Compensation Adjustment and Performance Pay Reserve Provides funding for labor market and equity salary increases and funding for performance based pay plans to effectuate recommendations made in connection with the comprehensive review and reform of public employee compensation plans.			$121,105,840	R
4 State Retirement System Contributions Increases the State's contribution to the Teachers' and State Employees' Retirement System for the 2011-2013 biennium to fund the Annual Required Contribution.	$248,100,000	R	$336,000,000	R
5 Judicial Retirement System Contributions Increases the State's contribution to the Consolidated Judicial Retirement System for the 2011-2013 biennium to fund the Annual Required Contribution.	$6,800,000	R	$7,800,000	R
6 Firemen's and Rescue Squad Workers' Pension Fund Contributions Increases contributions to the Firemen's and Rescue Squad Workers' Pension Fund for the 2011-2013 biennium to fund the Annual Required Contribution.	$4,318,042	R	$5,366,928	R
7 State Health Plan Provides additional funding to continue health benefit coverage for enrolled active and retired employees supported by the General Fund for the FY 2011-13 biennium.	$7,119,541	R	$102,151,104	R
B. Other Reserves				
8 Job Development Incentive Grants Reserve Reduces the funding for Job Development Investment Grants to amount needed to meet projected needs for FY 2011-12 grant payments.	($12,000,000)	NR		

Senate Committee on Appropriations/Base Budget	FY 11-12		FY 12-13	
9 Reserve for Controller Support for Automated Fraud Detection Provides funding to support the planning, development, and implementation of an automated fraud detection system by the Office of the State Controller.	$500,000	NR	$500,000	NR
10 Reserve for Automated Fraud Detection Development Provides funding to the Office of the State Controller to engage the services of a qualified vendor to plan, develop, and implement an enterprise-level, automated fraud detection system.	$1,000,000	NR	$7,000,000	NR
11 Information Technology Fund Eliminates funds for five positions from the IT Fund and adds two positions for the Criminal Justice Information Network. Provides funding for enterprise-level information technology operation and projects. Shifts enterprise identity management, plus email consolidation, information technology procurement, and archiving to agency fees. Begins process of shifting responsibility for enterprise agreements to participating agencies.	($1,537,574) ($1,844,284) -3.00	R NR	$162,426 ($1,844,284) -3.00	R NR
12 Continuation/Justification Review Reserve Creates a reserve to reinstate budgets of programs being reviewed by the General Assembly's Fiscal Research Division (Justification Reviews) or state agencies (Continuation Reviews). The FY 2012-13 budgets for programs under review have been eliminated. The General Assembly in the 2012 Session will determine whether to restore funding based on the results of these reviews.			$35,576,758	NR
C. Debt Service				
13 Adjust Debt Service Payments Adjusts debt service appropriations based on updated cash flow requirements.	($9,567,995)	R	$76,853,698	R
14 Adjust Debt Service - Canceled Projects Adjusts debt service appropriations due to the cancellation of projects in SB 464 (Debt Reduction Act of 2011).	($7,380,000)	R	($22,773,907)	R
Total Legislative Changes	**$247,852,014** **$58,655,716**	R NR	**$626,666,089** **$41,232,474**	R NR
Total Position Changes	-3.00		-3.00	
Revised Budget	**$1,054,269,293**		**$1,415,660,126**	

State Health Plan (Administration)

Budget Code: 28410

	FY 2011-12	FY 2012-13
Beginning Unreserved Fund Balance	$0	$0
Recommended Budget		
Requirements	$191,734,088	$191,734,088
Receipts	$191,734,088	$191,734,088
Positions	42.00	42.00

Legislative Changes

Requirements:

Medical Benefits/Claims Processing Contract Adjust budgeted amounts for the PPO Administrative Services Agreement based on anticipated contractual costs, changes in plan membership and on-going administrative services.	($1,311,263)	R	$3,622,105	R
	$0	NR	$0	NR
	0.00		0.00	
Pharmacy Benefits Management Contract Reduce budgeted amount for PPO PBM Contract based on anticipated contractual costs, changes in plan membership and on-going pharmacy benefit and utilization management programs.	($146,568)	R	($3,335,958)	R
	$0	NR	$0	NR
	0.00		0.00	
Disease & Case Management Contracts Reduce budgeted amount for Population Health Management Services contracts based on anticipated contractual costs, changes in plan membership and on-going disease and case management services.	($6,037,580)	R	($5,284,198)	R
	$0	NR	$0	NR
	0.00		0.00	
Wellness Initiatives and Programs Reduce budgeted amount for Wellness Initiatives contracts based on anticipated contractual costs, changes in plan membership and on-going wellness programs.	($3,130,234)	R	($3,119,350)	R
	$0	NR	$0	NR
	0.00		0.00	
Other Administrative Cost Reduce budgeted amounts for the Plan's other administrative costs to more accurately reflect anticipated expenditures.	($644,294)	R	($12,544)	R
	$0	NR	$0	NR
	0.00		0.00	

	FY 2011-12		FY 2012-13	
Subtotal Legislative Changes	**($11,269,939)**	R	**($8,129,945)**	R
	$0	NR	**$0**	NR
	0.00		0.00	
Receipts:				
Reduce Transfers from Trust Funds	($11,269,939)	R	($8,129,945)	R
Reduces the amount of transfer from the Plan's health benefit trust fund budget codes to support administrative costs authorized for the FY 2011-13 biennium.	$0	NR	$0	NR
Subtotal Legislative Changes	**($11,269,939)**	R	**($8,129,945)**	R
	$0	NR	**$0**	NR
Revised Total Requirements	**$180,464,149**		**$183,604,143**	
Revised Total Receipts	**$180,464,149**		**$183,604,143**	
Change in Fund Balance	**$0**		**$0**	
Total Positions	**42.00**		**42.00**	
Unappropriated Balance Remaining	**$0**		**$0**	

CAPITAL
Section M

Capital

	GENERAL FUND	
	FY 11-12	FY 12-13
Department of Environment and Natural Resources		
1 Water Resources Development Projects		
Provides funds for the State's share of Water Resources Development Projects. Funds will provide a State match for $23,449,000 in federal funds. Projects are specified in a special provision.	$4,535,000 NR	
Total Appropriation to Capital	**$4,535,000 NR**	

INFORMATION TECHNOLOGY SERVICES
Section N

Information Technology Fund

Budget Code: 24467

	FY 2011-12	FY 2012-13
Beginning Unreserved Fund Balance	**$792,000**	**$0**
Recommended Budget		
Requirements	**$5,685,609**	**$7,485,609**
Receipts	**$4,458,142**	**$6,158,142**
Positions	**35.00**	**35.00**

Legislative Changes

Requirements:

Center for Geographic Information and Analysis Provides funding to support the operations of the Center for Geographic Information and Analysis (CGIA), located in the Office of the State Chief Information Officer. The CGIA is the lead agency for geographic information systems (GIS) services and GIS coordination for the State of North Carolina. CGIA provides GIS services to state and local governments as well as the private sector. Two positions are eliminated, 60036161 and 60036176, for a total savings of $140,653.	$599,347	R	$599,347	R
	$0	NR	$0	NR
	-2.00		-2.00	
Enterprise Security and Risk Management Office Provides funding to support the operation of the Enterprise Security and Risk Management Office (ESRMO) in the Office of the State Chief Information Officer. The ESRMO supports the development, delivery, and maintenance of an information security and risk management program that safeguards the state's information assets and the supporting infrastructure against unauthorized use, disclosure, modification, damage or loss. Reduces position cost with retirement and replacement, resulting in savings of $37,148.	$864,148	R	$864,148	R
	$0	NR	$0	NR
	0.00		0.00	

	FY 2011-12		FY 2012-13	
Enterprise Project Management Office Provides funding to support the operation of the Enterprise Project Management Office (EPMO). The EPMO is responsible for coordinating and standardizing the management of IT projects over their life cycle, to include providing oversight during the design, development, and implementation process. Eliminates one position, 60087262, for a reduction of $121,715.	$1,473,285 $0 -1.00	R NR	$1,473,285 $0 -1.00	R NR
Architecture and Engineering Provides funding to support the State Chief Information Officer's efforts to establish and maintain statewide information technology standards, and to design technical solutions for executive branch agencies, as well as local governments, public libraries, and K-20 organizations.	$581,986 $0 0.00	R NR	$581,986 $0 0.00	R NR
Statewide Information Technology Procurement Allows the Statewide Information Technology Procurement Office to charge a fee to make up a $550,000 shortfall resulting from a reduction in supplemental staffing contracts. In the past, a 4.5% fee on information technology contracts has funded the Office. Reductions in supplemental staffing contracts have reduced the amount received from this fee.	($550,000) $0 0.00	R NR	($550,000) $0 0.00	R NR
State Portal Eliminates appropriation for the State Portal. The State Portal was funded at $500,000 last year, but the Department of Administration is converting it to a fee-supported function.	($500,000) $0 0.00	R NR	($500,000) $0 0.00	R NR
State Web Site Provides funding support to be used only for the State's current nc.gov website.	$0 $100,000 0.00	R NR	$0 $0 0.00	R NR

	FY 2011-12		FY 2012-13	
Information Technology Consolidation Provides funding for IT Consolidation to continue the State's efforts to consolidate information technology infrastructure within State agencies, coordinating the use of information technology infrastructure by focusing on the consolidation of local area network, voice, data center (servers), security, desktop, and service desk operations and services. Also begins the process of consolidating applications within the State. Eliminates two positions, 60087232 and 65000717, for a total savings of $218,201.	$776,440	R	$784,440	R
	$0	NR	$0	NR
	-2.00		-2.00	
Data Integration License Transfer to Agencies Transfers, as required by S.L. 2010-31, funding for data integration licenses from the Office of the State Chief Information Officer to State agencies using the licenses. The State Chief Information Officer is required to complete this transfer by September 1 of each State fiscal year and to report to the General Assembly upon completion of the transfer.	$0	R	$0	R
	$200,000	NR	$1,200,000	NR
	0.00		0.00	
Criminal Justice Information Network Provides funding to move two positions, 60084125 and 60084100, to the Office of the State Chief Information Officer from the Department of Crime Control and Public Safety. The Criminal Justice Information Network is responsible for providing the governmental and technical information systems necessary for accomplishing State and local governmental public safety and justice functions in the most efficient manner by appropriately and efficiently sharing criminal justice and juvenile justice information among law enforcement, judicial, and corrections agencies.	$166,422	R	$166,422	R
	$0	NR	$0	NR
	2.00		2.00	
Transfer to OSC for E Forms Initiative Transfers $500,000 from the Office of the State Chief Information Officer to the Office of the State Controller to support the planning and development of an enterprise e forms and digital signatures initiative.	$500,000	R	$500,000	R
	$0	NR	$0	NR
	0.00		0.00	

	FY 2011-12		FY 2012-13	
Transfer IT Analyst Funding to OSBM	$105,000	R	$105,000	R
Transfers funding from the Office of the State Chief Information Officer to the Office of State Budget and Management to be used only for the salary and benefits of an Information Technology Analyst for the Office of State Budget and Management.	$0	NR	$0	NR
	0.00		0.00	
Information Technology Fund Adjustment	$0	R	$0	R
Reduces appropriations to reflect adjustments in General Fund expenditures and receipts, and the use of the Unreserved Fund Balance.	($4,635,609)	NR	($6,435,609)	NR
	0.00		0.00	
Subtotal Legislative Changes	**$4,016,628**	R	**$4,024,628**	R
	($4,335,609)	NR	**($5,235,609)**	NR
	-3.00		-3.00	
Receipts:				
Information Technology Fund Interest	$25,000	R	$25,000	R
Accounts for the interest generated by the balance in the Information Technology Fund.	$0	NR	$0	NR
ITS Overhead	$91,486	R	$91,486	R
Reduces overhead billed to support the Office of Information Technology Services, based on rate reductions projected for the next State fiscal year.	$0	NR	$0	NR
Subtotal Legislative Changes	**$116,486**	R	**$116,486**	R
	$0	NR	**$0**	NR
Revised Total Requirements	**$5,366,628**		**$6,274,628**	
Revised Total Receipts	**$4,574,628**		**$6,274,628**	
Change in Fund Balance	**($792,000)**		**$0**	
Total Positions	**32.00**		**32.00**	
Ending Unreserved Fund Balance	**$0**		**$0**	

Information Technology Internal Service Fund

Budget Code: 74660

	FY 2011-12	FY 2012-13
Beginning Unreserved Fund Balance	**$32,445,864**	**$32,445,864**
Recommended Budget		
Requirements	**$196,263,192**	**$196,263,192**
Receipts	**$196,263,192**	**$196,263,192**
Positions	**592.00**	**592.00**

Legislative Changes

Requirements:

Reduction to IT Internal Service Fund Requires the Office of the State Chief Information Officer and the Office of Information Technology Services to limit requirements for the Information Technology Internal Service Fund to $190,000,000 each State fiscal year, and eliminates 61 positions, to include position numbers 60087678, 60087377, 60087386, 60087436, 60089620, 60090531, 60087478, 60093461, 60087389, 60087453, 65010101, 60087464, 60087472, 60087488, 60087490, 60090526, 60087530, 60087624, 60087512, 60087606, 60087532, 60093453, 65000536, 60087605, 60089810, 60087652, 60087648, 60087520, 60087674, 65010102, 60087727, 60087553, 65005226, 65000702, 65010802, 65010803, 60089805, 60087580, 60087726, 60089804, 60087413, 60087440, 60087414, 60087322, 60093458, 60087227, 60087230, 60087234, 60087246, 60087314, 60087299, 60087286, 60087239, 60087710, 60089801, 60087445, 60089785, 65000706, 60087586, 60087533, 60087544.	$0 R ($6,263,192) NR -61.00	$0 R ($6,263,192) NR -61.00
Subtotal Legislative Changes	**$0** R **($6,263,192)** NR -61.00	**$0** R **($6,263,192)** NR -61.00

Receipts:

Senate Report on Information Technology

	FY 2011-12		FY 2012-13	
Receipts for Internal Service Fund	$0	R	$0	R
Reduces receipts to Information Technology Internal Service Fund to reflect requirements.	($6,263,192)	NR	($6,263,192)	NR
Subtotal Legislative Changes	**$0**	R	**$0**	R
	($6,263,192)	NR	**($6,263,192)**	NR
Revised Total Requirements	**$190,000,000**		**$190,000,000**	
Revised Total Receipts	**$190,000,000**		**$190,000,000**	
Change in Fund Balance	**$0**		**$0**	
Total Positions	**531.00**		**531.00**	
Ending Unreserved Fund Balance	**$32,445,864**		**$32,445,864**	

ATTACHMENT 4

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

Thursday, June 16, 2011

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

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO SENATE COMMITTEE SUBSTITUTE BILL

H.B. **22** Vance-Granville Comm. Coll. Bond Funds.

Draft Number:	PCS50409
Recommended Referral:	None
Long Title Amended:	Yes

TOTAL REPORTED: 1

Committee Clerk Comments:
Senator Stevens

ATTACHMENT 5

VISITOR REGISTRATION SHEET

Appropriations — 6/16/11

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Matt Gross	NCC
Kevin FitzGerald	DNC
David Crawford	DTDNC
Matthew Gilman	DST
Leslie Hood	DST
Michael Hanson	NCPR
Brent Troxell	NCACC
Amy Baron	ncacc
Sarah Sanders	unc
Heather Beaty	unc
Michelle Frazier	MFS

VISITOR REGISTRATION SHEET

Name of Committee: _____ Date: 6/16/11

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Katherine Ross	RPAB
Tim Kent	NC Beer & Wine
Estelle Robinson	MERMA
Sarah Preston	ACLU-NC
Chip Killian	Nelson Mullins
Amy Whited	NCMS
Natalie Lavinus	NCDOC
Frank Rogers	NCDOC
Dave Horne	SA
Lynette Lee	NCALHD
Preston Harris	MCIC

VISITOR REGISTRATION SHEET

Name of Committee: _____ Date: 6/16/11

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Larry Bewley	NC GIC
Emily Grimm	MWC
Colleen Kochanek	KLG
David Ferrell	NCCTA
John Palumbo	NCBIA
Scott Palmer	LG
Caroline Valad	LG
Erica Nelson	NCCCP
Allison Waller	Nelson Mullins
John Burdeshi	Duke Energy
[illegible]	Sen. Apo.

VISITOR REGISTRATION SHEET

Name of Committee	Date
	6/16/11

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Pam Melton	CTL
Elizabeth Bise	Brooks Pierce
Brad Phillips	DNC
[illegible]	VCBOA
Steve Brewer	CTL
Jon Ryall	NC Family Policy Council
[illegible]	NCRLA
JAMIE KING	NCEL
Amy McConkey	NC Bev Assoc
Andrew Meehan	CapStrat
Corye Dunn	DR.NC
Anneliese Dolph	DRNC

VISITOR REGISTRATION SHEET

Name of Committee: _____ Date: 6/16/11

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Linda Dunlap	NCAE
Mike Forman	NCAE
Cathy Hardy	DENR
Kari Bargeron	DENR
Ann McCall	SBE
Robin Johnson	NCASA
Grant Norris	PSFAC
[illegible]	NC Medical
[illegible]	Work for Wilma Sherrill
[illegible]	Dixon & Son
Joyce Peters	JPAssoc

VISITOR REGISTRATION SHEET

Name of Committee: _____ Date: 6/16/11

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Whitney Christensen	Jordan Price
Thomas C. Caves, Jr.	NC Dept. of Crime Control & Public Safety
Jennifer Epperson	NC DOJ
Nicole Sullivan	DOC
John Mesa. H	mwc LLC
	PLA
	DCR
	DOA
	SEANC
Tom Cors	TNC
Beau Murphy	DOT

VISITOR REGISTRATION SHEET

Name of Committee: _____ Date: 6/16/11

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
R Rogers	CWMTF
Jennifer Haygood	NCCCS
Eddie Caldwell	NC Sheriffs' Assn.
[signature]	CSS
Andrew Cagle	NC Sheriffs' Assn.
Chris Hill	NC Justice Center
Robert Schiller	NC Symphony
[signature]	NCLM

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
Wednesday, May 16, 2012
4:30 PM
Room 643, Legislative Office Building
MINUTES

The Senate Appropriations/Base Budget Committee met at 4:35 PM on Wednesday, May 16, 2012, in Room 643 of the Legislative Office Building. Seventeen members of the Committee were present. Senator Richard Stevens presided.

Chairman Stevens introduced Senator Pete Brunstetter, the sponsor of **Senate Bill 797: AN ACT TO ENSURE ADEQUATE FUNDING IN THE STATE MEDICAID PROGRAM FOR THE 2011-2012 FISCAL YEAR; AND TO PROHIBIT THE DRAWING DOWN OR TRANSFERRING OF MEDICAID DISPROPORTIONATE SHARE RECEIPTS OR OTHER FUNDS IF DOING SO WOULD CREATE OR INCREASE A FINANCIAL OBLIGATION IN THE 2012-2013 FISCAL YEAR.**

Senator Brunstetter, in turn, introduced Andy Willis, State Budget Director, Office of State Budget and Management, to comment on the bill. Mr. Willis detailed the projected year-end shortfall in the state's Medicaid budget and explained that the additional 205 million dollars in the proposed bill would help offset the deficit and ensure sufficient cash is available to make payments to Medicaid service providers

Following a time of questions and answers, Senator Andrew Brock moved for a favorable report and the motion carried.

Chairman Stevens then introduced Senator Apodaca to explain the Proposed Committee Substitute for **Senate Bill 582: AN ACT TO AUTHORIZE ADDITIONAL CLASS III GAMING ON INDIAN LANDS PURSUANT TO A TRIBAL-STATE GAMING COMPACT, TO CREATE THE INDIAN GAMING EDUCATION REVENUE FUND, AND TO APPROPRIATE FUNDS.**

Following a time of questions and answers by the Committee concerning the "*Indian Gaming Education Revenue Fund,* Senator Stevens recognized the Reverend Mark Creech, Director of the Christian Action League. Reverend Creech stated the opposition of his organization to **SB582** because of the gambling component. He asked that the proposed legislation not be approved.

Senator Bob Rucho moved for a favorable report and the motion carried.
As there was no further business, the meeting adjourned at 4:55 PM.

Attachments: (8)
1. Committee notice
2. Agenda
3. SB 797
4. SB 797 Bill Summary
5. SB 582
6. SB 582 Bill Summary
7. Visitor's Log
8. Committee report

Senator Richard Y. Stevens, Presiding

Mary Marchman, Committee Clerk

ATTACHMENT 1

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 16, 2012	4:30 PM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
TBA		

Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

ATTACHMENT 2

Agenda

Senate Appropriations/Base Budget Committee

Legislative Office Building, Room 643
4:30 p.m.
May 16th, 2012

FY 2011/12 Medicaid Budget: *Andy Willis, State Budget Director*
Office of State Budget and Management

Senate Bill 797
Ensure Timely Payment of FY 2012 Medicaid Costs: *Senator Peter Brunstetter*

Senate Bill 582
Authorize Indian Gaming/Revenue: *Senator Jim Davis*

ATTACHMENT 3

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

S 1

SENATE BILL 797

Short Title:	Ensure Timely Payment of 2012 Medicaid Costs.	(Public)
Sponsors:	Senators Brunstetter, Hunt, and Stevens.	
Referred to:	Appropriations/Base Budget.	

May 16, 2012

A BILL TO BE ENTITLED

AN ACT TO ENSURE ADEQUATE FUNDING IN THE STATE MEDICAID PROGRAM FOR THE 2011-2012 FISCAL YEAR; AND TO PROHIBIT THE DRAWING DOWN OR TRANSFERRING OF MEDICAID DISPROPORTIONATE SHARE RECEIPTS OR OTHER FUNDS IF DOING SO WOULD CREATE OR INCREASE A FINANCIAL OBLIGATION IN THE 2012-2013 FISCAL YEAR.

The General Assembly of North Carolina enacts:

SECTION 1.(a) In order to ensure that there is adequate funding in the Medicaid budget for the 2011-2012 fiscal year, the General Assembly directs the Director of the Budget, in conjunction with the State Controller and other necessary State officials, to effectuate the following extraordinary budget adjustments in an amount not to exceed two hundred five million five hundred thousand dollars ($205,500,000). These adjustments are set forth in priority order and no adjustment shall be made until the preceding adjustment has been completely exhausted in the permissible amount. To the extent necessary to ensure payment to providers for the remainder of the 2011-2012 fiscal year, the following adjustments are authorized in priority order:

(1) Transfer a minimum of fifty million dollars ($50,000,000) of funds available within the Department of Health and Human Services. Neither the Director of the Budget nor any other State official, officer, or agency shall, pursuant to this subdivision, authorize any (i) transfer of unearned or borrowed Medicaid Disproportionate Share Receipts; (ii) delay of drug rebates; or (iii) transfer of any funds, if the action would create or increase a financial obligation in the 2012-2013 fiscal year or any subsequent fiscal year.

(2) Transfer funds from the Repairs and Renovations Reserve Account that are currently allocated to the Department of Health and Human Services in the amount of ten million five hundred thousand dollars ($10,500,000), notwithstanding G.S. 143C-4-3. If funds are transferred pursuant to this subdivision, then notwithstanding G.S. 143C-4-3, Section 30.5 of S.L. 2011-145, or any other provision of law, the Office of State Budget and Management shall not allocate or use funds in the Repairs and Renovations Reserve Account to replace those funds.

(3) Transfer of projected 2011-2012 General Fund reversions from all State agencies and departments, including debt service reversions, in the amount of one hundred five million dollars ($105,000,000). Neither the Director of the Budget nor any other State official, officer, or agency shall authorize any

such transfer that creates or increases a financial obligation in the 2012-2013 fiscal year or any subsequent fiscal year.

(4) Transfer of projected revenue overcollections for the 2011-2012 fiscal year in the amount of twenty million dollars ($20,000,000). These funds are hereby appropriated.

(5) Transfer funds from the Repairs and Renovations Reserve Account in the amount of twenty million dollars ($20,000,000), notwithstanding G.S. 143C-4-3. This transfer is in addition to the transfer authorized by subdivision (2) of this subsection.

SECTION 1.(b) Subsection (a) of this section applies only to funds required to cover the costs of paying Medicaid providers during the 2011-2012 fiscal year. Transfers under each subdivision of subsection (a) of this section shall be limited to the amounts actually required to pay providers through the end of the 2011-2012 fiscal year. To the extent that the full amount of any of these funds is not required to pay providers through the end of the 2011-2012 fiscal year, (i) the authority to transfer funds shall immediately lapse with respect to the unneeded portions and unneeded adjustments; and (ii) any excess funds transferred shall be transferred back to the source fund.

SECTION 1.(c) On or before October 1, 2012, the Office of State Budget and Management and the Department of Health and Human Services shall report on the measures taken pursuant to this section to the Appropriations/Base Budget Committee of the Senate, the Appropriations Committee of the House of Representatives, and the Joint Legislative Commission on Governmental Operations.

SECTION 2. Notwithstanding any other provision of law, neither the Director of the Budget nor any other State official, officer, or agency shall draw down or transfer unearned or borrowed Medicaid Disproportionate Share Receipts or other funds if doing so would create or increase a financial obligation in the 2012-2013 fiscal year.

SECTION 3. This act is effective when it becomes law.

S797:
Ensure Timely Payment of 2012 Medicaid Costs

2011-2013 General Assembly

SUMMARY: ***The bill directs the Governor to make up to $205,500,000 available in order to assure the timely payment of Medicaid providers during the 2012-2013 fiscal year.***

BILL ANALYSIS:

Section 1(a) of the bill directs the Governor, in conjunction with other State officials, to transfer up to $205,500,000 to the Medicaid program in order to ensure that Medicaid providers are paid on a timely basis during the 2011-2012 fiscal year.

Funds are directed to be used for this purpose in the following priority order, and only to the extent necessary to ensure timely Medicaid provider payments:

Source of Funds:	Amount:
Funds available within the Department of Health and Human Services (that will not create an obligation in subsequent fiscal years)	$50,000,000
Repairs and Renovations Funds Allocated to the Department of Health and Human Services	$10,500,000
2011-2012 General Fund reversions	$105,000,000
Projected revenue overcollections for the 2011-2012 fiscal year	$20,000,000
Repairs and Renovations Funds	$20,000,000

Section 1(b) limits fund transfers to amounts actually required to pay Medicaid providers through the end of the 2011-2012 fiscal year. To the extent that funds are not required for this purpose, the authority to transfer the funds lapses and any unspent portion of transferred funds must be returned to its source.

Section 1(c) requires that a report on the implementation of the act be filed with the House and Senate Appropriations committees and with the Joint Legislative Commission on Governmental Operations no later than October 1, 2012.

Section 2 prohibits the drawing down or transfer of unearned or borrowed Medicaid Disproportionate Share Receipts or other funds if doing so creates or increases a financial obligation in the 2012-2013 fiscal year.

EFFECTIVE DATE: The bill is effective when it becomes law.

Legislative Drafting Division *Gerry Cohen, Director* *(919) 733-6660*

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

S 2

SENATE BILL 582
Rules and Operations of the Senate Committee Substitute Adopted 5/16/12

Short Title:	Authorize Indian Gaming/Revenue.	(Public)
Sponsors:	Senators Apodaca, Nesbitt, and Davis.	
Referred to:		

April 14, 2011

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE ADDITIONAL CLASS III GAMING ON INDIAN LANDS PURSUANT TO A TRIBAL-STATE GAMING COMPACT, TO CREATE THE INDIAN GAMING EDUCATION REVENUE FUND, AND TO APPROPRIATE FUNDS.

Whereas, acting under her authority under the General Statutes, the Governor has negotiated on behalf of the State an Amended & Restated Tribal Gaming Compact (Compact) with the Eastern Band of Cherokee Indians that modifies the type of gaming activity authorized on Indian lands and generates revenue for the benefit of both the Eastern Band and the State; and

Whereas, the Compact is effective upon the General Assembly amending the General Statutes to authorize additional Class III gaming activities on Indian lands, as set out in the Compact and upon approval by the U.S. Department of Interior; and

Whereas, the Governor and the Eastern Band of Cherokee Indians intend for the State's portion of revenue derived from the Compact to be applied toward the improvement of classroom education in North Carolina by appropriation from a distinct fund, and have urged this General Assembly to consider making the necessary appropriations according to law to accomplish this goal; Now, therefore,

The General Assembly of North Carolina enacts:

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

"**§ 143C-9-7. Indian Gaming Education Revenue Fund.**

(a) The "Indian Gaming Education Revenue Fund" is established in the State Treasury. Funds shall be expended from the Indian Gaming Education Revenue Fund only by specific appropriation by the General Assembly.

(b) Funds received in the Indian Gaming Education Revenue Fund are hereby appropriated as received to the State Public School Fund for quarterly allotment by the State Board of Education to local school administrative units, charter schools, and regional schools on the basis of allotted average daily membership. The funds allotted by the State Board of Education pursuant to this section shall be nonreverting. Funds received pursuant to this section by local school administrative units shall be expended for classroom teachers, teacher assistants, classroom materials or supplies, or textbooks."

SECTION 2. Article 37 of Chapter 14 of the General Statutes is amended by adding a new section to read:

"**§ 14-292.2. Class III gaming on Indian lands.**

(a) Except as otherwise provided in this section, and notwithstanding any laws which make Class III gaming, as defined by the federal Indian Gaming Regulatory Act, 25 U.S.C. §

2701, et seq., unlawful in this State, the Class III gaming activities listed in subsection (b) of this section may legally be conducted on Indian lands that are held in trust by the United States government for and on behalf of federally recognized Indian tribes, if all the following apply:

(1) The Class III games are conducted in accordance with a valid Class III Tribal-State Gaming Compact or an amendment to a compact, applicable to the tribe, that has been negotiated and entered into by the Governor under the authority provided in G.S. 147-12(a)(14) and G.S. 71A-8.

(2) The Tribal-State Gaming Compact has been approved by the U.S. Department of the Interior.

(3) The Tribal-State Gaming Compact requires that all monies paid by the tribe under the Compact be paid to the Indian Gaming Education Revenue Fund established by law.

(b) The following Class III games may lawfully be conducted pursuant to subsection (a) of this section:

(1) Gaming machines.

(2) Live table games.

(3) Raffles, as defined in G.S. 14-309.15(b).

(4) Video games, as defined in G.S. 14-306 and G.S. 14-306.1A.

(c) Nothing in this section shall modify or affect laws applicable to persons or entities other than federally recognized Indian tribes operating games in accordance with subsection (a) of this section.

(d) As used in this section, the following terms mean:

(1) Gaming machine. – A machine that meets the definition of any of the following:

a. As set forth in G.S. 14-306.

b. "Gaming machine" as set forth in 25 C.F.R. § 542.2.

c. "Gambling device" as set forth in 15 U.S.C. § 1171.

(2) Live table games. – Games that utilize real nonelectronic cards, dice, chips, or equipment in the play and operation of the game."

SECTION 3. G.S. 14-306.1A(e) is repealed.

SECTION 4. This act is effective when it becomes law.

SENATE BILL 582:
Clarify Indian Gaming Authority

2011-2012 General Assembly

Committee:	Senate Appropriations/Base Budget	**Date:**	May 16, 2012
Introduced by:	Sen. Apodaca	**Prepared by:**	Hal Pell
Analysis of:	Second Edition		Staff Attorney

SUMMARY: ***This act makes specified Class III gaming activities lawful if conducted on Indian lands pursuant to a Tribal-State Compact; establishes an Indian Gaming Education Revenue Fund, with funds appropriated to the State Public School Fund as received from revenue paid pursuant to a Tribal-State Compact; and provides that funds are to be allotted quarterly to local school administrative units, charter schools, and regional schools on the basis of average daily membership.***

CURRENT LAW:

The federal Indian Gaming Regulatory Act (IGRA) allows federally-recognized Indian tribes to conduct certain gaming activities only in conformance with a valid compact between the tribe and the State in which the gaming activities are located. The IGRA divides gaming into three Classes, with Class III gaming being those games that are typically deemed "casino style" games, but also includes electronic facsimiles of any game of chance. (see Attachment for description of gaming classes).

Under federal and State law, a Class III gaming activity may only be conducted if it (1) is located in a state that permits such gaming for any purpose by any person, organization, or entity [has been made lawful], and (2) is conducted pursuant to a Tribal State compact. The federal courts have held that a state law authorizing gaming only by Indian tribes on Indian lands complies with the IGRA, and does not violate the Equal Protection Clause of the United States Constitution.

BACKGROUND:

In 1994, Governor Hunt entered into a Tribal-State Compact with the Eastern Band of Cherokee Indians (Tribe). The Compact has been amended, with the last amendments signed in 2000, again by Governor Hunt. The Compact provided that the Tribe may conduct raffles and video games. "Video Games" was defined as

> any electronic video game or amusement device that allows a player to play a game of amusement involving the use of skill or dexterity as allowed under NCGS 14-306(b) and 14-306.1, or as subsequently amended by the North Carolina General Assembly.

The 2000 Compact was for a term of 30 years, and had no revenue sharing provision, i.e., no percentage of revenue received by the Tribe from video gaming went to the State. When the General Assembly made video gaming unlawful in 2006, it excepted video gaming conducted by a federally-recognized Indian Tribe on Indian lands, pursuant to a lawful Tribal-State Compact.

On November 28, 2011, Governor Perdue entered into a "First Amended & Restated Tribal State Compact" with the Eastern Band of Cherokee Indians. In addition to raffles and video games, the Compact would authorize the Tribe to conduct "all Class III gaming activities as defined by the Act that are customary in other gaming jurisdictions in the United States as of the Execution Date, including, without limitation, Live Table Gaming on Eastern Cherokee Lands."

Because North Carolina law only authorizes the Governor to enter into Compacts that "are consistent with State law," the 2011 Compact includes a requirement, in order for the Compact to become

effective, that there is "passage of authorizing legislation by the North Carolina General Assembly." Absent legislation by the General Assembly which makes the proposed Class III gaming activities lawful for the Tribe, any Compact "authorizing" such activities cannot be deemed lawful and will not be approved by the Secretary of the Interior—which is necessary for the conduct of Class III gaming on Indian lands.

BILL ANALYSIS:

Section 1

- Establishes a non-reverting "Indian Gaming Education Revenue Fund" (IGERF) in the State Treasury. Funds shall only be expended from the Fund by specific appropriation.
- Funds received by the IGERF are deemed appropriated as received to the State Public School Fund for quarterly allotment by the State Board of Education to: local school administrative units; charter schools; and regional schools.
- Funds received by local school administrative units are directed to be spent for classroom teachers; teacher assistants; classroom materials or supplies, or textbooks.

Section 2

- Provides that a described list of Class III games may be legally conducted on Indian lands if: the gaming is pursuant to a valid Tribal-State Compact that has been approved by the U.S. Department of the Interior, and the Compact requires that all monies paid by the tribe [revenue sharing] are to be paid to the IGERF.
- The act would authorize the following Class III games:

  (1) Gaming Machines. A Gaming Machine is defined as one that meets the definition of the "slot machine" under State law; or a "gaming machine" or "gambling device" under federal law. (see Attachment for the federal definitions).

  (2) Live table games. Live table games are defined as games that utilize non-electric cards, dice, chips or equipment in the play and operation of the games. In that the definition of "gambling device" at 15 U.S.C. 1171(a)(2)(Attachment) may include non-electric equipment, it is unclear how such games would be categorized (*i.e.*, are they "gaming devices" or "live table games").

  (3) Raffles, as defined by State law.

  (4) Video games, as defined by State law. The referenced statutes define "video games" as ones that allow a player to play a game of amusement involving the use of skill or dexterity, or those that are not dependent on the skill or dexterity of the player. The current Compact only authorizes "video games" to be conducted on Indian lands that allow a player to play a game of amusement involving the use of skill or dexterity.

Section 3 -- Repeals the current law that exempts video gaming, if conducted pursuant to a valid Tribal-State Compact, from State statutes which makes operating or possessing certain video games unlawful.

EFFECTIVE DATE: The act would be effective when it becomes law.

ATTACHMENT

IGRA Classifications of Tribal Gaming

Class I: Social gaming, such as traditional Indian games played as part of tribal ceremonies and celebrations. Tribes have exclusive authority to regulate Class I gaming.

Class II: Bingo, pull-tabs and other similar games, including non-banking card games not prohibited by state law. Expressly excluded from Class II gaming are banking card games, such as blackjack, or slot machines of any kind. Tribes have authority to regulate Class II gaming under the jurisdiction of the National Indian Gaming Commission. Self-regulatory ordinances adopted by tribal governments must be approved by the Commission.

Class III: All forms of gaming that are not included under Class I or Class II, such as blackjack and slot machines. Class III games are legal on tribal lands only if the games are authorized by the governing body of the tribe; the games are located in a state that permits gaming for any purpose by any person, organization or entity; and the games are conducted in conformance with a tribal-state compact entered into by the tribe and the state in which the gaming is conducted. Class III gaming compacts negotiated under the IGRA include stringent provisions ranging from application of criminal and civil laws regarding licensing and regulation of gaming, to standards for the operation of gaming activities, and financial assessments by the state to defray the costs of background investigations or other expenses associated with enforcement of the compacts.

http://www.indiangaming.com/industry/

Gaming Machine, 25 C.F.R. §542.2

Gaming machine means an electronic or electromechanical machine that allows a player to play games of chance, some of which may be affected by skill, which contains a microprocessor with random number generator capability for outcome selection or computer terminal that accesses an outcome that is subsequently and randomly selected in drawings that are electronically conducted by central computer or other such methods of chance selection, whether mechanical or electronic. The machine is activated by the insertion of cash or cash equivalents and which awards cash, cash equivalents, merchandise, or a written statement of the player's accumulated credits, which written statements may be redeemable for cash.

Gambling Device, 15 U.S.C. §1171

(a) The term "gambling device" means—

(1) any so-called "slot machine" or any other machine or mechanical device an essential part of which is a drum or reel with insignia thereon, and

(A) which when operated may deliver, as the result of the application of an element of chance, any money or property, or

(B) by the operation of which a person may become entitled to receive, as the result of the application of an element of chance, any money or property; or

(2) any other machine or mechanical device (including, but not limited to, roulette wheels and similar devices) designed and manufactured primarily for use in connection with gambling, and

(A) which when operated may deliver, as the result of the application of an element of chance, any money or property, or

(B) by the operation of which a person may become entitled to receive, as the result of the application of an element of chance, any money or property; or

(3) any subassembly or essential part intended to be used in connection with any such machine or mechanical device, but which is not attached to any such machine or mechanical device as a constituent part.

ATTACHMENT 7

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — May 16, 2012

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
David Huskins	EBCI
Bob Blankenship	EBCI
Birdie Harlan	EBCI
Vickie Bradley	EBCI
Kimberly Peone	EBCI
Mike Hoyt	HH
Meredith Swindell	The Policy Group
Jeremy Hyatt	EBCI
Michell Hicks	Principal Chief, Eastern Band of Cherokee
Jordan McBride	The Policy Group
Margaret Matrone	NCHFA

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — May 16, 2012

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
[signature]	DST
[signature]	OSP
[signature]	NCCCC
Jaime King	NCEL
[signature]	BSK
JOE ZANGER	NELSON MULLINS
[signature]	NC Family Policy Council
Matt Gross	NLPL
[signature]	[illegible]
George Smith	Williams Mullen
[signature]	City of Wilmington

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — May 16, 2012

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
Laurie Orario	Joint Legislative Ed Oversight Comm
Bo Taylor	EBCI
Bill Taylor	EBCI
Jim Owle	EBCI
Wilfred Crowe	EBCI
Annette Tarnavsky	EBCI
Peter D. Weaver	LCPP / APPCNC
Pam Kilpatrick	OSBM
David Brown	OSBM
Patrick Landy	OSBM
[illegible]	OSBM

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — May 16, 2012
Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
Susanne Davis	Gov Office
Karen Bestman	TSS
Elise Quick	TSS
Leanne Winner	NCSBA
Pearl Newson	SEZ
Ed Regan	NCRGEA
Heather Barnett	Williams Mullen
Sarah Wolfe	McGuireWoods
Sam Taylor	NCBIO
Cameron Hanby	Electricities
Thomas Moore	FTLW
Erica Nelson	NCHA

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — May 16, 2012

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
Stephen Kouba	Compass NC
J Thomas Broughton	Womble Carlyle

ATTACHMENT 8

NORTH CAROLINA GENERAL ASSEMBLY

SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT

Senator Peter S. Brunstetter, Co-Chair

Senator Neal Hunt, Co-Chair

Senator Richard Stevens, Co-Chair

CORRECTED REPORT Short title change for SB582

Wednesday, May 16, 2012

Senator STEVENS,

submits the following with recommendations as to passage:

FAVORABLE

S.B.(CS #1) **582** Authorize Indian Gaming / Revenue

Sequential Referral: None

Recommended Referral: None

S.B. **797** Ensure Timely Payment of 2012 Medicaid Costs.

Sequential Referral: None

Recommended Referral: None

TOTAL REPORTED: 2

Committee Clerk Comments:

SB582 Senator Apodaca

SB797 Senator Brunstetter

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
Wednesday, May 30, 2012 at 9:00 AM
Room 643, Legislative Office Building

MINUTES

The Senate Appropriations/Base Budget Committee met at 9:15 AM on May 30, 2012, in Room 643 of the Legislative Office Building. 20 members of the committee were present. Senator Neal Hunt presided. Senator Hunt called the meeting to order and recognized the Pages and the Senate Sergeant at Arms' staff.

Prior to the arrival of Senator Phil Berger, Sponsor of **S.B. 795; Excellent Public Schools Act.** Chairman Hunt recognized Senator Tillman to assist in explaining the bill: **AN ACT TO MAKE CHANGES TO IMPROVE K-3 LITERACY; PROVIDE LITERACY VOLUNTEER LEAVE TIME; ASSIGN SCHOOL PERFORMANCE GRADES; MAXIMIZE INSTRUCTIONAL TIME; ADJUST SCHOOL CALENDAR; FUND FIVE ADDITIONAL INSTRUCTIONAL DAYS WITHIN THE EXISTING SCHOOL CALENDAR; ESTABLISH AN NC TEACHER CORPS; STRENGTHEN TEACHER LICENSURE REQUIREMENTS; PROVIDE PROOF OF STATE-FUNDED LIABILITY INSURANCE; ESTABLISH PLANS FOR PAY FOR EXCELLENCE; CLARIFY NC PRE-K PROGRAM ELIGIBILITY AND ADD SLOTS; REPEAL PROHIBITION ON TEACHER PREPAYMENT; PROVIDE A TAX DEDUCTION FOR EDUCATIONAL SUPPLIES; ESTABLISH TEACHER CONTRACTS; AND ELIMINATE PUBLIC FINANCING FOR THE OFFICE OF SUPERINTENDENT OF PUBLIC INSTRUCTION.**

After a series of questions, Senator Tillman introduced his amendment which further explained the proposed revenues in Section 1.(i) and a tax reduction for eligible educators in Section 13.(a). The amendment was adopted. Further discussion on the bill followed with responses from Senator Phil Berger, Research Staff and Fiscal Research Staff.

Senator Apodaca moved for a favorable report as amended. The motion carried.

ATTACHMENTS:

1. Committee Notice
2. Corrected & Updated Committee Notice
3. Agenda
4. SB 795
5. Bill Summary
6. Fiscal Analysis Memorandum
7. Amendment
8. Visitor's Log
9. Committee Report

The meeting adjourned at 9:50.

Senator Neal Hunt, Presiding

Kathy Davis, Committee Clerk

ATTACHMENT 1

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 30, 2012	9:00 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
TBA		

Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

ATTACHMENT 2

Principal Clerk ____
Reading Clerk ____

Corrected: Updated Notice

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 30, 2012	9:00 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
**SB 795	Excellent Public Schools Act.	Senator Tillman Senator Berger Senator Apodaca

****S.B. 795 Pending Referral**

Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

ATTACHMENT 3

Agenda

Senate Appropriations/Base Budget Committee

Legislative Office Building, Room 643
9:00 a.m.
May 30th, 2012

Comments from Appropriations Chairs

Senate Bill 795
Excellent Public Schools Act:

Senator Phil Berger,
Senate President Pro Tempore

Adjourn

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 795

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

S795-ATC-113 [v.4]

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

Date _____,2012

Senator _____

moves to amend the bill on page 8, lines 43-47, by rewriting those lines to read:

"**SECTION 1.(i)** There is appropriated from the General Fund to the Department of Public Instruction the sum of thirty three million nine hundred and fourteen thousand five hundred three dollars ($33,914,503) for the 2012-2013 fiscal year to implement the requirements of this section. It is the intent of the General Assembly to increase this appropriation for the 2013-2014 fiscal year to implement additional requirements in that fiscal year.";

and on page 19, lines 24-31, by rewriting the lines to read:

"**SECTION 13.(a)** G.S. 105-134.6(d) is amended by adding a new subdivision to read:

'(d) Other Adjustments. – The following adjustments to taxable income shall be made in calculating North Carolina taxable income:

...

(9) To the extent a deduction has not been claimed for educator expenses in determining federal adjusted gross income, an eligible educator may deduct an amount not to exceed two hundred fifty dollars ($250.00) paid or incurred in connection with items listed in this'".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

SENATE BILL 795
Education/Higher Education Committee Substitute Adopted 5/29/12

Short Title: Excellent Public Schools Act. (Public)

Sponsors:

Referred to:

April 25, 2012

A BILL TO BE ENTITLED

AN ACT TO MAKE CHANGES TO IMPROVE K-3 LITERACY; PROVIDE LITERACY VOLUNTEER LEAVE TIME; ASSIGN SCHOOL PERFORMANCE GRADES; MAXIMIZE INSTRUCTIONAL TIME; ADJUST SCHOOL CALENDAR; FUND FIVE ADDITIONAL INSTRUCTIONAL DAYS WITHIN THE EXISTING SCHOOL CALENDAR; ESTABLISH AN NC TEACHER CORPS; STRENGTHEN TEACHER LICENSURE REQUIREMENTS; PROVIDE PROOF OF STATE-FUNDED LIABILITY INSURANCE; ESTABLISH PLANS FOR PAY FOR EXCELLENCE; CLARIFY NC PRE-K PROGRAM ELIGIBILITY AND ADD SLOTS; REPEAL PROHIBITION ON TEACHER PREPAYMENT; PROVIDE A TAX DEDUCTION FOR EDUCATIONAL SUPPLIES; ESTABLISH TEACHER CONTRACTS; AND ELIMINATE PUBLIC FINANCING FOR THE OFFICE OF SUPERINTENDENT OF PUBLIC INSTRUCTION.

The General Assembly of North Carolina enacts:

PART I. IMPROVE K-3 LITERACY

SECTION 1.(a) G.S. 115C-81.2 is repealed.

SECTION 1.(b) Article 8 of Chapter 115C of the General Statutes is amended by adding a new Part to read:

"Part 1A. North Carolina Read to Achieve Program.

"**§ 115C-83.1A. State goal.**

The goal of the State is to ensure that every student read at or above grade level by the end of third grade and continue to progress in reading proficiency so that he or she can read, comprehend, integrate, and apply complex texts needed for secondary education and career success.

"**§ 115C-83.1B. Purposes.**

(a) The purposes of this Part are to ensure that (i) difficulty with reading development is identified as early as possible; (ii) students receive appropriate instructional and support services to address difficulty with reading development and to remediate reading deficiencies; and (iii) each student and his or her parent or guardian be continuously informed of the student's academic needs and progress.

(b) In addition to the purposes listed in subsection (a) of this section, the purpose of this Part is to determine that progression from one grade to another be based, in part, upon proficiency in reading.

"**§ 115C-83.1C. Definitions.**

The following definitions apply in this Part:

(1) "Accelerated reading class" means a class where focused instructional supports and services are provided to increase a student's reading level at least two grades in one school year.

(2) "Alternative assessment" means a valid and reliable standardized assessment of reading comprehension, approved by the State Board of Education, that is not the same test as the State approved standardized test of reading comprehension administered to third grade students.

(3) "Instructional supports and services" mean intentional strategies used with a majority of students to facilitate reading development and remediate emerging difficulty with reading development. Instructional supports and services include, but are not limited to, small group instruction, reduced teacher-student ratios, frequent progress monitoring, and extended learning time.

(4) "Difficulty with reading development" means not demonstrating appropriate developmental abilities in any of the major reading areas, including, but not limited to, oral language, phonological or phonemic awareness, vocabulary, fluency, or comprehension, according to observation-based, diagnostic, or formative assessments.

(5) "Reading interventions" mean evidence-based strategies frequently used to remediate reading deficiencies and include, but are not limited to, individual instruction, tutoring, or mentoring that target specific reading skills and abilities.

(6) "Reading proficiency" means reading at or above the third grade level by the end of a student's third grade year, demonstrated by the results of the State-approved standardized test of reading comprehension administered to third grade students.

(7) "Reading deficiency" means not reading at the third grade level by the end of the student's third grade year, demonstrated by the results of the State-approved standardized test of reading comprehension administered to third grade students.

(8) "Student reading portfolio" means a compilation of independently produced student work selected by the student's teacher, and signed by the teacher and principal, as an accurate picture of the student's reading ability. The student reading portfolio shall include an organized collection of evidence of the student's mastery of the State's reading standards that are assessed by the State-approved standardized test of reading comprehension administered to third grade students. For each benchmark, there shall be three examples of student work demonstrating mastery by a grade of seventy percent (70%) or above.

(9) "Summer reading camp" means an additional educational program outside of the instructional calendar provided by the local school administrative unit to any student who does not demonstrate reading proficiency. Parents or guardians of the student not demonstrating reading proficiency shall make the final decision regarding the student's summer camp attendance. Summer camps shall (i) be six to eight weeks long, four or five days per week; (ii) include at least three hours of instructional time per day; (iii) be taught by compensated, licensed teachers selected based on demonstrated student outcomes in reading proficiency; and (iv) allow volunteer mentors to read with students.

(10) "Transitional third and fourth class combination" means a classroom specifically designed to produce learning gains sufficient to meet fourth grade performance standards while continuing to remediate areas of reading deficiency.

"**§ 115C-83.1D. Comprehensive plan for reading achievement.**

(a) The State Board of Education shall develop, implement, and continuously evaluate a comprehensive plan to improve reading achievement in the public schools. The plan shall be based on reading instructional practices with strong evidence of effectiveness in current empirical research in reading development. The plan shall be developed with the active involvement of teachers, college and university educators, parents and guardians of students, and other interested parties. The plan shall, when appropriate to reflect research, include revision of the standard course of study or other curricular standards, revision of teacher licensure and renewal standards, and revision of teacher education program standards.

(b) The State Board of Education shall report biennially to the Joint Legislative Education Oversight Committee by October 1 of each even-numbered year on the implementation, evaluation, and revisions to the comprehensive plan for reading achievement and shall include recommendations for legislative changes to enable implementation of current empirical research in reading development.

"**§ 115C-83.1E. Developmental screening and kindergarten entry assessment.**

(a) The State Board of Education shall ensure that every student entering kindergarten shall be administered a developmental screening of early language, literacy, and math skills within 30 days of enrollment.

(b) The State Board of Education shall ensure that every student entering kindergarten shall complete a kindergarten entry assessment within 60 days of enrollment.

(c) The developmental screening instrument may be composed of subsections of the kindergarten entry assessment.

(d) The kindergarten entry assessment shall address the five essential domains of school readiness: language and literacy development, cognition and general knowledge, approaches toward learning, physical well-being and motor development, and social and emotional development.

(e) The kindergarten entry assessment shall be (i) administered at the classroom level in all local school administrative units; (ii) aligned to North Carolina's early learning and development standards and to the standard course of study; and (iii) reliable, valid, and appropriate for use with all children, including those with disabilities and those who are English language learners.

(f) The results of the developmental screening and the kindergarten entry assessment shall be used to inform the following:

(1) The status of children's learning at kindergarten entry.

(2) Instruction of each child.

(3) Efforts to reduce the achievement gap at kindergarten entry.

(4) Continuous improvement of the early childhood system.

"**§ 115C-83.1F. Facilitating early grade reading proficiency.**

(a) Kindergarten, first, second, and third grade students shall be assessed with valid, reliable, formative, and diagnostic reading assessments made available to local school administrative units by the State Board of Education pursuant to G.S. 115C-174.11(a). Difficulty with reading development identified through administration of formative and diagnostic assessments shall be addressed with instructional supports and services. To the greatest extent possible, kindergarten through third grade reading assessments shall yield data that can be used with the Education Value Added Assessment System (EVAAS), or a compatible and comparable system approved by the State Board of Education, to analyze

student data to identify root causes for difficulty with reading development and to determine actions to address them.

(b) Formative and diagnostic assessments and resultant instructional supports and services shall address oral language, phonological and phonemic awareness, phonics, vocabulary, fluency, and comprehension using developmentally appropriate practices.

(c) Local school administrative units are encouraged to partner with community organizations, businesses, and other groups to provide volunteers, mentors, or tutors to assist with the provision of instructional supports and services that enhance reading development and proficiency.

"**§ 115C-83.1G. Elimination of social promotion.**

(a) The State Board of Education shall require that a student be retained in the third grade if the student fails to demonstrate reading proficiency appropriate for a third grade student, as demonstrated on a State-approved standardized test of reading comprehension administered to third grade students. The test may be re-administered once prior to the end of the school year.

(b) Students may be exempt from mandatory retention in third grade for good cause but shall continue to receive instructional supports and services and reading interventions appropriate for their age and reading level. Good cause exemptions shall be limited to the following:

(1) Limited English Proficient students with less than two years of instruction in an English as a Second Language program.

(2) Students with disabilities, as defined in G.S. 115C-106.3(1), whose individualized education program indicates the use of alternative assessments and reading interventions.

(3) Students who demonstrate reading proficiency appropriate for third grade students on an alternative assessment approved by the State Board of Education. Teachers may administer the alternative assessment following the administration of the State-approved standardized test of reading comprehension typically given to third grade students at the end of the school year, or after a student's participation in the local school administrative unit's summer reading camp.

(4) Students who demonstrate, through a student reading portfolio, reading proficiency appropriate for third grade students. Teachers may submit the student reading portfolio at the end of the school year, or after a student's participation in the local school administrative unit's summer reading camp. The student reading portfolio and review process shall be established by the State Board of Education.

(5) Students who have (i) received reading intervention and (ii) previously been retained more than once in kindergarten, first, second or third grades.

(c) The superintendent shall determine whether a student may be exempt from mandatory retention on the basis of a good cause exemption. The following steps shall be taken in making the determination:

(1) The teacher of a student eligible for a good cause exemption shall submit documentation of the relevant exemption and evidence that promotion of the student is appropriate based on the student's academic record to the principal. Such evidence shall be limited to the student's personal education plan, individual education program, if applicable, alternative assessment, or student reading portfolio.

(2) The principal shall review the documentation and make an initial determination whether the student should be promoted. If the principal determines the student should be promoted, the principal shall make a

written recommendation of promotion to the superintendent for final determination. The superintendent's acceptance or rejection of the recommendation shall be in writing.

"**§ 115C-83.1H. Successful reading development for retained students.**

(a) Students not demonstrating reading proficiency shall be enrolled in a summer reading camp provided by the local school administrative unit prior to being retained. Students who demonstrate reading proficiency on an alternative assessment of reading comprehension or student reading portfolio after completing a summer reading camp shall be promoted to the fourth grade. Students who do not demonstrate reading proficiency on these measures after completing a summer reading camp shall be retained under G.S. 115C-83.1G(a) and provided with the instruction listed in subsection (b) of this section during the retained year.

(b) Students retained under G.S. 115C-83.1G(a) shall be provided with a teacher selected based on demonstrated student outcomes in reading proficiency and placed in an accelerated reading class or a transitional third and fourth grade class combination, as appropriate. Classroom instruction shall include at least 90 minutes of daily, uninterrupted, evidence-based reading instruction, not to include independent reading time, and other appropriate instructional supports and services and reading interventions.

(c) The State Board of Education shall establish a midyear promotion policy for any student retained under G.S. 115C-83.1G(a) who, by November 1, demonstrates reading proficiency through administration of the alternative assessment of reading comprehension, or student reading portfolio review.

(d) Parents or guardians of students who have been retained once under the provisions of G.S. 115C-83.1G(a) shall be provided with a plan for reading at home, including participation in shared and guided reading workshops for the parent or guardian, and outlined in a parental or guardian contract.

(e) Parents or guardians of students who have been retained twice under the provisions of G.S. 115C-83.1G(a) shall be offered supplemental tutoring for the retained student in evidence-based reading services outside the instructional day.

"**§ 115C-83.1I. Notification requirements to parents and guardians.**

(a) Parents or guardians shall be notified in writing, and in a timely manner, that the student shall be retained, unless he or she is exempt from mandatory retention for good cause, if the student is not demonstrating reading proficiency by the end of third grade. Parents or guardians shall receive this notice when a kindergarten, first, second or third grade student (i) is demonstrating difficulty with reading development; (ii) is not reading at grade level; or (iii) has a personal education plan under G.S. 115C-105.41.

(b) Parents or guardians of any student who is to be retained under the provisions of G.S. 115C-83.1G(a) shall be notified in writing of the reason the student is not eligible for a good cause exemption as provided in G.S. 115C-83.1G(b). Written notification shall also include a description of proposed reading interventions that will be provided to the student to remediate identified areas of reading deficiency.

(c) Parents or guardians of students retained under G.S. 115C-83.1G(a) shall receive at least monthly written reports on student progress towards reading proficiency. The evaluation of the student's progress shall be based upon the student's classroom work, observations, tests, assessments, and other relevant information.

(d) Teachers and principals shall provide opportunities to discuss with parents and guardians the notifications listed in this section.

"**§ 115C-83.1J. Accountability measures.**

(a) Each local board of education shall publish annually on a Web site maintained by that local school administrative unit and report in writing to the State Board of Education by September 1 of each year the following information on the prior school year:

(1) The number and percentage of third grade students demonstrating and not demonstrating reading proficiency on the State-approved standardized test of reading comprehension administered to third grade students.

(2) The number and percentage of third grade students who take and pass the alternative assessment of reading comprehension.

(3) The number and percentage of third grade students retained for not demonstrating reading proficiency.

(4) The number and percentage of third grade students exempt from mandatory third grade retention by category of exemption as listed in G.S. 115C-83.1G(b).

(b) Each local board of education shall report annually in writing to the State Board of Education by September 1 of each year a description of all reading interventions provided to students who have been retained under G.S. 115C-83.1G(a).

(c) The State Board of Education shall establish a uniform format for local boards of education to report the required information listed in subsections (a) and (b) of this section and shall provide the format to local boards of education no later than 90 days prior to the annual due date. The State Board of Education shall compile annually this information and submit a State-level summary to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Joint Legislative Education Oversight Committee by October 1 of each year, beginning with the 2014-2015 school year.

(d) The State Board of Education and the Department of Public Instruction shall provide technical assistance as needed to aid local school administrative units to implement all provisions of this Part."

SECTION 1.(c) G.S. 115C-105.27(b)(1a) is repealed.

SECTION 1.(d) G.S. 115C-105.41 reads as rewritten:

"**§ 115C-105.41. Students who have been placed at risk of academic failure; personal education plans.**

In order to implement Part 1A of Article 8 of this Chapter, ~~Local~~ local school administrative units shall identify students who are at risk for academic failure and who are not successfully progressing toward grade promotion and graduation, beginning ~~no later than the fourth grade.~~in kindergarten. Identification shall occur as early as can reasonably be done and can be based on grades, observations, diagnostic and formative assessments, State assessments, and other factors, including reading on grade level, that impact student performance that teachers and administrators consider appropriate, without having to await the results of end-of-grade or end-of-course tests. No later than the end of the first quarter, or after a teacher has had up to nine weeks of instructional time with a student, a personal education plan for academic improvement with focused intervention and performance benchmarks shall be developed or updated for any student at risk of academic failure who is not performing at least at grade level, as identified by the State end-of-grade test and other factors noted above. Focused instructional supports and services, reading ~~intervention~~ interventions and accelerated activities should include ~~research-based best~~ evidence-based practices that meet the needs of students and may include coaching, mentoring, tutoring, summer school, Saturday school, and extended days. Local school administrative units shall provide these activities free of charge to students. Local school administrative units shall also provide transportation free of charge to all students for whom transportation is necessary for participation in these activities.

Local school administrative units shall give notice of the personal education plan and a copy of the personal education plan to the student's parent or guardian. Parents should be included in the implementation and ongoing review of personal education plans.

Local school administrative units shall certify that they have complied with this section annually to the State Board of Education. The State Board of Education shall periodically

review data on the progress of identified students and report to the Joint Legislative Education Oversight Committee.

No cause of action for monetary damages shall arise from the failure to provide or implement a personal education plan under this section."

SECTION 1.(e) G.S. 115C-174.11(a) reads as rewritten:

"(a) Assessment Instruments for ~~First and Second Grades.~~Kindergarten, First, Second, and Third Grades. – The State Board of Education shall ~~adopt~~ develop, adopt, and provide to the local school administrative units developmentally appropriate individualized assessment instruments consistent with the Basic Education Program and Part 1A of Article 8 of this Chapter for the ~~first and second grades, rather than standardized tests.~~ kindergarten, first, second, and third grades. Local school administrative units ~~may~~ shall use these assessment instruments provided to them by the State Board for ~~first and second grade students,~~ kindergarten, first, second, and third grade students to assess progress, diagnose difficulties, and to inform instruction and remediation needs. ~~and~~ Local school administrative units shall not use standardized tests for summative assessment of kindergarten, first, and second grade students except as required as a condition of receiving federal grants."

SECTION 1.(f) G.S. 115C-238.29F is amended by adding a new subsection to read:

"(d1) Reading Proficiency and Student Promotion. –

(1) Students in the third grade shall be retained if the student fails to demonstrate reading proficiency by reading at or above the third grade level as demonstrated by the results of the State-approved standardized test of reading comprehension administered to third grade students. The charter school shall provide reading interventions to retained students to remediate reading deficiency, which may include 90 minutes of daily, uninterrupted, evidence-based reading instruction, accelerated reading classes, transition classes containing third and fourth grade students, and summer reading camps.

(2) Students may be exempt from mandatory retention in third grade for good cause but shall continue to receive instructional supports and services and reading interventions appropriate for their age and reading level. Good cause exemptions shall be limited to the following:

a. Limited English Proficient students with less than two years of instruction in an English as a Second Language program.

b. Students with disabilities, as defined in G.S. 115C-106.3(1), whose individualized education program indicates the use of alternative assessments and reading interventions.

c. Students who demonstrate reading proficiency appropriate for third grade students on an alternative assessment of reading comprehension. The charter school shall notify the State Board of Education of the alternative assessment used to demonstrate reading proficiency.

d. Students who demonstrate, through a student reading portfolio, reading proficiency appropriate for third grade students.

e. Students who have (i) received reading intervention and (ii) previously been retained more than once in kindergarten, first, second or third grades.

(3) The charter school shall provide notice to parents and guardians when a student is not reading at grade level. The notice shall state that if the student's reading deficiency is not remediated by the end of third grade, the student shall be retained unless he or she is exempt from mandatory

retention for good cause. Notice shall also be provided to parents and guardians of any student who is to be retained under this subsection of the reason the student is not eligible for a good cause exemption, as well as a description of proposed reading interventions that will be provided to the student to remediate identified areas of reading deficiency.

(4) The charter school shall annually publish on the charter school's Web site and report in writing to the State Board of Education by September 1 of each year the following information on the prior school year:

a. The number and percentage of third grade students demonstrating and not demonstrating reading proficiency on the State-approved standardized test of reading comprehension administered to third grade students.

b. The number and percentage of third grade students not demonstrating reading proficiency and who do not return to the charter school for the following school year.

c. The number and percentage of third grade students who take and pass the alternative assessment of reading comprehension.

d. The number and percentage of third grade students retained for not demonstrating reading proficiency.

e. The number and percentage of third grade students exempt from mandatory third grade retention by category of exemption as listed in subdivision (2) of this subsection."

SECTION 1.(g) G.S. 115C-288(a) reads as rewritten:

"(a) To Grade and Classify Pupils. – The principal shall have authority to grade and classify ~~pupils~~pupils, except as provided in G.S. 115C-83.1G(a). In determining the appropriate grade for a pupil who is already attending a public school, the principal shall consider the pupil's classroom work and grades, the pupil's scores on standardized tests, and the best educational interests of the pupil. The principal shall not make the decision solely on the basis of standardized test scores. If a principal's decision to retain a child in the same grade is partially based on the pupil's scores on standardized tests, those test scores shall be verified as accurate.

A principal shall not require additional testing of a student entering a public school from a school governed under Article 39 of this Chapter if test scores from a nationally standardized test or nationally standardized equivalent measure that are adequate to determine the appropriate placement of the child are available."

SECTION 1.(h) G.S. 130A-440(b) reads as rewritten:

"(b) A health assessment shall include a medical history and physical examination with screening for vision and hearing and, if appropriate, testing for anemia and tuberculosis. Vision screening shall be conducted in accordance with G.S. 130A-440.1. The health assessment may also include dental screening and developmental screening for cognition, language, and motor function. The developmental screening of cognition and language abilities may be conducted in accordance with G.S. 115C-83.1E(a)."

SECTION 1.(i) There is appropriated from the General Fund to the Department of Public Instruction the sum of thirty-four million eighty-seven thousand six hundred fifty dollars ($34,087,650) for the 2012-2013 fiscal year to implement the requirements of this section. It is the intent of the General Assembly to increase this appropriation for the 2013-2014 fiscal year to implement additional requirements in that fiscal year.

SECTION 1.(j) This section is effective when it becomes law and applies beginning with the 2013-2014 school year. The developmental screening and kindergarten entry assessment required by this section shall be administered beginning with the 2014-2015 school year

PART II. STATE EMPLOYEE LITERACY VOLUNTEER LEAVE TIME

SECTION 2.(a) G.S. 126-4 reads as rewritten:

"**§ 126-4. Powers and duties of State Personnel Commission.**

Subject to the approval of the Governor, the State Personnel Commission shall establish policies and rules governing each of the following:

...

(5b) A leave program that allows employees to volunteer in a literacy program in a public school for up to five hours each month.

...."

SECTION 2.(b) This section is effective when it becomes law.

PART III. SCHOOL PERFORMANCE GRADES

SECTION 3.(a) G.S. 115C-12(9)c1. reads as rewritten:

"c1. To issue an annual "report card" for the State and for each local school administrative unit, assessing each unit's efforts to improve student performance based on the growth in performance of the students in each school and taking into account progress over the previous years' level of performance and the State's performance in comparison with other states. This assessment shall take into account factors that have been shown to affect student performance and that the State Board considers relevant to assess the State's efforts to improve student performance. As a part of the annual "report card" for each local school administrative unit, the State Board shall award an overall numerical school performance score on a scale of zero to 100 and a corresponding letter grade of A, B, C, D, or F earned by each school within the local school administrative unit. The school performance score and grade shall reflect student performance on annual subject specific assessments, college and workplace readiness measures, and graduation rates. For schools serving students in any grade from kindergarten to eighth grade, separate performance scores and grades shall also be awarded based on the school performance in reading and mathematics respectively. The annual "report card" for schools serving students in third grade also shall include the number and percentage of third grade students who (i) take and pass the alternative assessment of reading comprehension; (ii) were retained in third grade for not demonstrating reading proficiency as indicated in G.S. 115C-83.1G(a); and (iii) were exempt from mandatory third grade retention by category of exemption as listed in G.S. 115C-83.1G(b)."

SECTION 3.(b) G.S. 115C-47(58) reads as rewritten:

"(58) 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.~~ is otherwise provided to the public. Each local board of education shall ensure that the overall school performance score and grade earned by each school in the local school administrative unit for the current and previous four school years is prominently displayed on the Web site of the local school

administrative unit. If any school in the local school administrative unit is awarded a grade of D or F, the local board of education shall provide notice of the grade in writing to the parent or guardian of all students enrolled in that school."

SECTION 3.(c) G.S. 115C-238.29F is amended by adding a new subsection to read:

"(l) North Carolina School Report Cards. – A charter school shall ensure that the report card issued for it by the State Board of Education receives wide distribution to the local press or is otherwise provided to the public. A charter school shall ensure that the overall school performance score and grade earned by the charter school for the current and previous four school years is prominently displayed on the school Web site. If a charter school is awarded a grade of D or F, the charter school shall provide notice of the grade in writing to the parent or guardian of all students enrolled in that school."

SECTION 3.(d) G.S. 115C-238.66 is amended by adding a new subdivision to read:

"(11) North Carolina School Report Cards. – A regional school shall ensure that the report card issued for it by the State Board of Education receives wide distribution to the local press or is otherwise provided to the public. A regional school shall ensure that the overall school performance score and grade earned by the regional school for the current and previous four school years is prominently displayed on the school Web site. If a regional school is awarded a grade of D or F, the regional school shall provide notice of the grade in writing to the parent or guardian of all students enrolled in that school."

SECTION 3.(e) The State Board of Education shall award school performance scores and grades as required by G.S. 115C-12(9)c1. as follows:

(1) The State Board of Education shall calculate school performance scores by totaling the sum of points earned by the school and converting the sum of points to a 100 point scale. Subsections (2) and (3) of this section provide the school performance elements for schools serving students in kindergarten through eighth grade. Subsection (4) of this section provides the school performance elements for schools serving grades nine through twelve. The school performance score shall be used to determine the school performance grade based on the following scale:
   a. At least 90 performance grade points for an overall school performance grade of A.
   b. At least 80 performance grade points for an overall school performance grade of B.
   c. At least 70 performance grade points for an overall school performance grade of C.
   d. At least 60 performance grade points for an overall school performance grade of D.
   e. A school that accumulates less than 60 points shall be assigned an overall school performance grade of F.

(2) For schools serving students in kindergarten through eighth grade the overall school performance score shall be calculated based on the sum of three school performance elements.
   a. The score shall be calculated as follows:
      1. One point for each percent of students who score at or above proficient on annual assessments for mathematics in grades three through eight.

2. One point for each percent of students who score at or above proficient on annual assessments for reading in grades three through eight.
3. One point for each percent of students who score at or above proficient on annual assessments for science in grades five and eight.

(3) For schools serving students in kindergarten through eighth grade, the school performance scores in reading and mathematics, respectively, shall be earned as follows:

a. The literacy school performance score shall be based on the percent of students who score at or above proficient on annual assessments for reading assessments in grades three through eight.
b. The mathematics school performance score shall be based on the percent of students who score at or above proficient on annual assessments for mathematics in grades three through eight.

(4) The school performance score earned by schools serving students in ninth through twelfth grade shall be calculated based on the sum of seven school performance elements.

a. The score shall be calculated as follows:
1. One point for each percent of students who score at or above proficient on annual assessments for mathematics.
2. One point for each percent of students who score at or above proficient on annual assessments for English.
3. One point for each percent of students who score at or above proficient on annual assessments for biology.
4. One point for each percent of students who complete a higher-level mathematics class with a passing grade.
5. One point for each percent of students who score at or above a level demonstrating college readiness on a nationally normed test of college readiness.
6. One point for each percent of students who graduate within four years of entering high school.
7. One point for each percent of students who demonstrate workplace readiness on a nationally normed test of workplace readiness.

(5) In calculating the overall school performance score earned by schools, the State Board of Education shall proportionally adjust the scale to account for the absence of a school performance element for award of scores to a school that does not have a measure of one of the school performance elements annually assessed for the grades taught at that school.

(6) The State Board of Education shall report to the Joint Legislative Education Oversight Committee annually by January 15 on recommended adjustments to the school performance grade elements and scales for award of scores and grades.

SECTION 3.(f) This section is effective when it becomes law and applies beginning with the 2012-2013 school year.

PART IV. MAXIMIZE INSTRUCTIONAL TIME

SECTION 4.(a) G.S. 115C-174.12(a) reads as rewritten:

"(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 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.~~year.

(4) All annual assessments of student achievement adopted by the State Board of Education pursuant to G.S. 115C-174.11(c)(1) and (3) and all final exams for courses shall be administered within the final 10 instructional days of the school year for year-long courses and within the final five instructional days of the semester for semester courses. Exceptions shall be permitted to accommodate a student's individualized education program and section 504 (29 U.S.C. § 794) plans, and for the administration of final exams for courses with national or international curriculums required to be held at designated times.

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~~ students with disabilities shall (i) provide broad accommodations and alternate methods of assessment that are consistent with a ~~child's~~ student'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~~student'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."

SECTION 4.(b) This section is effective when it becomes law and applies beginning with the 2012-2013 school year.

PART V. ADJUSTMENTS TO SCHOOL CALENDAR

SECTION 5.(a) G.S. 115C-84.2 reads as rewritten:

"**§ 115C-84.2. School calendar.**

(a) School Calendar. – Each local board of education shall adopt a school calendar consisting of 215 days all of which shall fall within the fiscal year. A school calendar shall include the following:

(1) A minimum of 185 days ~~and~~ or 1,025 hours of instruction covering at least nine calendar months. The local board shall designate when the ~~185~~ instructional days shall occur. The number of instructional hours in an instructional day may vary according to local board policy and does not have to be uniform among the schools in the administrative unit. Local boards may approve school improvement plans that include days with varying

amounts of instructional time. If school is closed early due to inclement weather, the day and the scheduled amount of instructional hours may count towards the required minimum to the extent allowed by State Board policy. The school calendar shall include a plan for making up days and instructional hours missed when schools are not opened due to inclement weather.

...

(4a) Three days, as designated by the local board, for use as teacher workdays. These days shall be protected to allow teachers to complete instructional and classroom administrative duties. The local school administrative unit shall not impose any additional tasks on these days. The local board shall schedule at least one of these days at the beginning of the school year and at least one at the end of the school year.

(5) The remaining days scheduled by the local board in consultation with each school's principal for use as teacher workdays, additional instructional days, or other lawful purposes: Before consulting with the local board, each principal shall work with the school improvement team to determine the days to be scheduled and the purposes for which they should be scheduled. Days may be scheduled and planned for different purposes for different personnel and there is no requirement to schedule the same dates for all personnel. In order to make up days for school closing because of inclement weather, the local board may designate any of the days in this subdivision as additional make-up days to be scheduled after the last day of student attendance.

~~If the State Board of Education finds that it will enhance student performance to do so, the State Board may grant a local board of education a waiver to use up to five of the instructional days required by subdivision (1) of this subsection as teacher workdays. For each instructional day waived, the State Board shall waive an equivalent number of instructional hours.~~

Local boards and individual schools are encouraged to use the calendar flexibility in order to meet the annual performance standards set by the State Board. Local boards of education shall consult with parents and the employed public school personnel in the development of the school calendar.

Local boards shall designate at least two days scheduled under subdivision (5) of this subsection as days on which teachers may take accumulated vacation leave. Local boards may designate the remaining days scheduled in subdivision (5) of this subsection as days on which teachers may take accumulated vacation leave, but local boards shall give teachers at least 14 calendar days' notice before requiring a teacher to work instead of taking vacation leave on any of these days. A teacher may elect to waive this notice requirement for one or more of these days.

...

"(d) Opening and Closing Dates. – Local boards of education shall determine the dates of opening and closing the public schools under subdivision (a)(1) of this section. Except for year-round schools, the opening date for students shall ~~not be before August 25,~~be no earlier than the Monday closest to August 26, and the closing date for students shall ~~not be after June 10.~~be no later than the Friday closest to June 11. On a showing of good cause, the State Board of Education may waive ~~this requirement~~ the requirement that the opening date for students be no earlier than the Monday closest to August 26 and may allow the local board of education to set an opening data no earlier than the Monday closest to August 19, to the extent that school calendars are able to provide sufficient days to accommodate anticipated makeup days due to school closings. A local board may revise the scheduled closing date if necessary in order to comply with the minimum requirements for instructional days or instructional time. For

purposes of this subsection, the term "good cause" means ~~either that:~~that schools in any local school administrative unit in a county have been closed eight days per year during any four of the last 10 years because of severe weather conditions, energy shortages, power failures, or other emergency situations.

~~(1) Schools in any local school administrative unit in a county have been closed eight days per year during any four of the last 10 years because of severe weather conditions, energy shortages, power failures, or other emergency situations; or~~

~~(2) Schools in any local school administrative unit in a county have been closed for all or part of eight days per year during any four of the last 10 years because of severe weather conditions. For purposes of this subdivision, a school shall be deemed to be closed for part of a day if it is closed for two or more hours.~~

~~The State Board also may waive this requirement for an educational purpose. The term "educational purpose" means a local school administrative unit establishes a need to adopt a different calendar for (i) a specific school to accommodate a special program offered generally to the student body of that school, (ii) a school that primarily serves a special population of students, or (iii) a defined program within a school. The State Board may grant the waiver for an educational purpose for that specific school or defined program to the extent that the State Board finds that the educational purpose is reasonable, the accommodation is necessary to accomplish the educational purpose, and the request is not an attempt to circumvent the opening and closing dates set forth in this subsection. The waiver requests for educational purposes shall not be used to accommodate system-wide class scheduling preferences.~~

The required opening and closing dates under this subsection shall not apply to any school that a local board designated as having a modified calendar for the 2003-2004 school year or to any school that was part of a planned program in the 2003-2004 school year for a system of modified calendar schools, so long as the school operates under a modified calendar.

..."

SECTION 5.(b) G.S. 115C-238.29F(d)(1) reads as rewritten:

"(1) The school shall provide instruction each year for at least 185 ~~days.~~days or 1,025 hours over nine calendar months. ~~If the State Board of Education finds that it will enhance student performance to do so, the State Board may grant a charter school a waiver to use up to five of these instructional days as teacher workdays.~~"

SECTION 5.(c) G.S. 115C-238.53 is amended by adding a new subsection to read:

"(g) The requirements of G.S. 115C-84.2 shall not apply to a program approved under this Part, however, the program shall provide instruction each year for at least 185 days or 1,025 hours over nine calendar months."

SECTION 5.(d) G.S. 115C-238.66(1)(d) reads as rewritten:

"d. The board of directors shall adopt a school calendar consisting of a minimum of 185 days or 1,025 hours of instruction covering at least nine calendar months."

SECTION 5.(e) This section is effective when it becomes law and applies beginning with the 2013-2014 school year.

PART VI. funding for the addition of five instructional days within the existing school calendar

SECTION 6.(a) To fully provide for the expansion of five additional instructional days in accordance with S.L. 2011-145, Section 7.29 for those days for which a local school

administrative unit has not requested and received a waiver from the State Board of Education for the 2012-2013 school year:

(1) There is appropriated from the General Fund to the Department of Public Instruction the sum of forty thousand one hundred sixty-eight dollars ($40,168) for the 2012-2013 fiscal year to increase the amount appropriated for the noninstructional support personnel allotment.

(2) There is appropriated from the General Fund to the Department of Public Instruction the sum of three hundred fifty-one thousand four hundred sixty-nine dollars ($351,469) for the 2012-2013 fiscal year to increase the amount appropriated for the transportation allotment.

SECTION 6.(b) This section becomes effective July 1, 2012.

PART VII. ESTABLISH NC TEACHER CORPS

SECTION 7.(a) Article 20 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-296.7. North Carolina Teacher Corps.**

(a) There is established the North Carolina Teacher Corps (NC Teacher Corps) to recruit and place recent graduates of colleges and universities and mid-career professionals as teachers in high needs public schools.

(b) The State Board of Education, in consultation with the Board of Governors of The University of North Carolina and the North Carolina Independent Colleges and Universities, shall develop and administer the NC Teacher Corps. In the development of the NC Teacher Corps, the State Board of Education shall consider examples of other successful teacher recruitment models used nationally and in other states.

(c) Applications shall be received annually for admission to the NC Teacher Corps. The State Board of Education shall establish application criteria, including, at a minimum, an award of a bachelor's degree from an accredited college or university. The State Board of Education may establish a committee to annually evaluate and select candidates for admission to the NC Teacher Corps.

(d) The State Board of Education shall identify local school administrative units with unmet recruitment needs and high needs schools and shall coordinate placement of NC Teacher Corps members in those schools.

(e) The State Board of Education, in coordination with the Board of Governors, shall develop an intensive summer training institute for NC Teacher Corps members to provide coursework and training on essential teaching frameworks, curricula, and lesson planning skills, as well as identification and education of students with disabilities, positive management of student behavior, effective communication for defusing and deescalating disruptive and dangerous behavior, and safe and appropriate use of seclusion and restraint. The intensive summer training institute also shall address identification of difficulty with reading development and of reading deficiencies, and the provision of reading instruction, intervention, and remediation strategies.

(f) The State Board of Education, in coordination with the Board of Governors, shall provide ongoing support to NC Teaching Corps members through coaching, mentoring, and continued professional development.

(g) NC Teaching Corps members shall be granted lateral entry teaching licenses pursuant to G.S. 115C-296(c)."

SECTION 7.(b) This section is effective when it becomes law. The State Board of Education shall recruit and place an initial cohort of NC Teacher Corps members no later than the 2012-2013 school year.

PART VIII. STRENGTHEN TEACHER LICENSURE

SECTION 8.(a) G.S. 115C-296 reads as rewritten:

"**§ 115C-296. Board sets licensure requirements; reports; lateral entry and mentor programs.**

(a) The State Board of Education shall have entire control of licensing all applicants for teaching positions in all public elementary and high schools of North Carolina; and it shall prescribe the rules and regulations for the renewal and extension of all licenses and shall determine and fix the salary for each grade and type of license which it authorizes.

The State Board of Education may require an applicant for an initial bachelors degree certificate or graduate degree certificate to demonstrate the applicant's academic and professional preparation by achieving a prescribed minimum score on a standard examination appropriate and adequate for that purpose. Elementary Education (K-6) teachers shall also achieve a prescribed minimum score on subtests or standard examinations specific to teaching reading and mathematics. The State Board of Education shall permit an applicant to fulfill any such testing requirement before or during the applicant's second year of teaching provided the applicant took the examination at least once during the first year of teaching. The State Board of Education shall make any required standard initial licensure exam ~~sufficiently~~ rigorous and raise the prescribed minimum score as necessary to ensure that each applicant has ~~adequate~~ received high quality academic and professional preparation to ~~teach.~~teach effectively.

...

(b) It is the policy of the State of North Carolina to maintain the highest quality teacher education programs and school administrator programs in order to enhance the competence of professional personnel licensed in North Carolina. To the end that teacher preparation programs are upgraded to reflect a more rigorous course of study, the State Board of Education, as lead agency in coordination and cooperation with the University Board of Governors, the Board of Community Colleges and such other public and private agencies as are necessary, shall continue to refine the several licensure requirements, standards for approval of institutions of teacher education, standards for institution-based innovative and experimental programs, standards for implementing consortium-based teacher education, and standards for improved efficiencies in the administration of the approved programs. The licensure program shall provide for initial licensure after completion of preservice training, continuing licensure after three years of teaching experience, and license renewal every five years thereafter, until the retirement of the teacher. The last license renewal received prior to retirement shall remain in effect for five years after retirement. The licensure program shall also provide for lifetime licensure after 50 years of teaching.

The State Board of Education, as lead agency in coordination with the Board of Governors of The University of North Carolina and any other public and private agencies as necessary, shall continue to raise standards for entry into teacher education programs.

The State Board of Education, in consultation with local boards of education and the Board of Governors of The University of North Carolina, shall evaluate and modify, as necessary, the academic requirements for students preparing to teach science in middle and high schools to ensure that there is adequate preparation in issues related to science laboratory safety.

The State Board of Education, in consultation with the Board of Governors of The University of North Carolina, shall evaluate and develop enhanced requirements for continuing licensure. The new requirements shall reflect more rigorous standards for continuing licensure and to the extent possible shall be aligned with quality professional development programs that reflect State priorities for improving student achievement. Standards for continuing licensure shall include at least three continuing education credits related to literacy for elementary and middle school teachers. Literacy renewal credits shall include assessment, diagnosis, and intervention strategies for students not demonstrating reading proficiency. Oral language,

phonemic and phonological awareness, phonics, vocabulary, fluency, and comprehension shall be addressed in literacy-related activities leading to certification renewal for elementary school teachers.

The State Board of Education, in consultation with local boards of education and the Board of Governors of The University of North Carolina, shall reevaluate and enhance the requirements for renewal of teacher licenses. The State Board shall consider modifications in the license renewal achievement and to make it a mechanism for teachers to renew continually their knowledge and professional skills. ~~The State Board shall adopt new standards for the renewal of teacher licenses by May 15, 1998.~~

The standards for approval of institutions of teacher education shall require that teacher education programs for all students include demonstrated competencies in (i) the identification and education of children with disabilities and (ii) positive management of student behavior and effective communication techniques for defusing and deescalating disruptive or dangerous behavior. The standards for approval of institutions of teacher education shall require that elementary teacher education programs include demonstrated competencies in (i) teaching of reading, including a substantive understanding of reading as a process involving oral language, phonological and phonemic awareness, phonics, fluency, vocabulary, and comprehension; (ii) evidence-based assessment and diagnosis of specific areas of difficulty with reading development and of reading deficiencies; and (iii) appropriate application of instructional supports and services and reading interventions to ensure reading proficiency for all students. The State Board of Education shall incorporate the criteria developed in accordance with G.S. 116-74.21 for assessing proposals under the School Administrator Training Program into its school administrator program approval standards.

All North Carolina institutions of higher education that offer teacher education programs, masters degree programs in education, or masters degree programs in school administration shall provide performance reports to the State Board of Education. The performance reports shall follow a common format, shall be submitted according to a plan developed by the State Board, and shall include the information required under the plan developed by the State Board.

...

(c) It is the policy of the State of North Carolina to encourage lateral entry into the profession of teaching by skilled individuals from the private sector. To this end, before the 1985-86 school year begins, the State Board of Education shall develop criteria and procedures to accomplish the employment of such individuals as classroom teachers. Beginning with the 2006-2007 school year, the criteria and procedures shall include preservice training in (i) the identification and education of children with disabilities and (ii) positive management of student behavior, effective communication for defusing and deescalating disruptive or dangerous behavior, and safe and appropriate use of seclusion and restraint. Skilled individuals who choose to enter the profession of teaching laterally may be granted a ~~provisional~~lateral entry teaching license for no more than three years and shall be required to obtain licensure before contracting for a fourth year of service with any local administrative unit in this State.

...."

SECTION 8.(b) This section is effective when it becomes law and applies beginning with the 2013-2014 school year.

PART IX. PROOF OF STATE-FUNDED LIABILITY INSURANCE

SECTION 9.(a) G.S. 115C-12 reads as rewritten:

"**§ 115C-12. Powers and duties of the Board generally.**

The general supervision and administration of the free public school system shall be vested in the State Board of Education. The State Board of Education shall establish policy for the

system of free public schools, subject to laws enacted by the General Assembly. The powers and duties of the State Board of Education are defined as follows:

...

(9) Miscellaneous Powers and Duties. – All the powers and duties exercised by the State Board of Education shall be in conformity with the Constitution and subject to such laws as may be enacted from time to time by the General Assembly. Among such duties are:

...

f. To annually notify public school employees of the availability and coverage of professional liability insurance.

...."

SECTION 9.(b) This section is effective when it becomes law and applies beginning with the 2012-2013 school year.

PART X. PAY FOR EXCELLENCE

SECTION 10.(a) Each local board of education shall develop a plan of performance pay for all licensed personnel employed by the local board. Under the performance pay plan, licensed employees should be eligible to receive bonuses or adjustments to base salary for meeting certain performance criteria. Criteria for award of bonuses or adjustments to base salary should include, but are not limited to, the following factors:

(1) Annual growth in student achievement of students assigned to a teacher's classroom, when applicable.

(2) Annual growth in student achievement of students assigned to a specific school.

(3) Assignment of additional academic responsibilities.

(4) Assignment to a hard-to-staff school.

(5) Assignment to a hard-to-staff subject area.

Local boards of education shall submit plans to the State Board of Education no later than March 1, 2013. The State Board of Education shall report on these plans and the achievement-based compensation models developed as part of the federal Race to the Top grant and shall submit the report and all plans to the Fiscal Research Division, the Joint Legislative Commission on Governmental Operations, and the respective Subcommittees on Education Appropriations of the Senate and House of Representatives no later than April 15, 2013. Members of the public may also submit plans for performance pay no later than April 15, 2013 to the Fiscal Research Division, the Joint Legislative Commission on Governmental Operations, and the respective Subcommittees on Education Appropriations of the Senate and House of Representatives.

SECTION 10.(b) This section is effective when it becomes law.

PART XI. CLARIFY NC PRE-K PROGRAM ELIGIBILITY

SECTION 11.(a) Section 10.7(f) of S.L. 2011-145 is rewritten to read:

"**SECTION 10.7.(f)** ~~The prekindergarten program may continue to serve at-risk children identified through the existing "child find" methods in which at-risk children are currently served within the Division of Child Development. The Division of Child Development shall serve at-risk children regardless of income. However, the total number of at-risk children served shall constitute no more than twenty percent (20%) of the four-year-olds served within the prekindergarten program. Any~~ The Division of Child Development and Early Education 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 who is a child of either of the following shall be eligible for the program: (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 was ordered to active duty by the proper authority within the last 18 months or is 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. Eligibility determinations for prekindergarten participants may continue through local education agencies and local North Carolina Partnership for Children, Inc., partnerships."

SECTION 11.(b) Section 10.7(h) of S.L. 2011-145 is repealed.

SECTION 11.(c) There is appropriated from the General Fund to the Department of Health and Human Services, Division of Child Development and Early Education, the sum of eleven million three hundred eight thousand three hundred sixty three dollars ($11,308,363) for the 2012-2013 fiscal year to add two thousand two hundred sixty one (2,261) slots to be used in the NC Pre-K program.

SECTION 11.(d) This section is effective when it becomes law.

PART XII. REPEAL PROHIBITION ON TEACHER PREPAYMENT

SECTION 12.(a) Section 5 of S.L. 2011-379 is repealed.

SECTION 12.(b) This section becomes effective July 1, 2012.

PART XIII. TAX DEDUCTION FOR EDUCATIONAL SUPPLIES

SECTION 13.(a) G.S. 105-134.6(b) is amended by adding a new subdivision to read:

"(b) Other Deductions. – In calculating North Carolina taxable income, a taxpayer may deduct any of the following items to the extent those items are included in the taxpayer's adjusted gross income.

...

(23) An amount not to exceed two hundred fifty dollars ($250.00) paid or incurred by an eligible educator in connection with items listed in this subdivision. For purposes of this subdivision, the term "eligible educator" has the same meaning as defined in section 62 of the Code, as it existed on December 31, 2011. In the case of a married couple filing a joint return where both spouses are eligible educators, the maximum dollar amount is five hundred dollars ($500.00).

a. Books.

b. Supplies, other than nonathletic supplies for courses of instruction in health or physical education.

c. Computer equipment, including related software and services.

d. Supplementary materials used by the eligible educator in the classroom."

SECTION 13.(b) This section becomes effective for taxable years beginning on or after January 1, 2012.

PART XIV. TEACHER CONTRACTS

SECTION 14.(a) G.S. 115C-325 is repealed.

SECTION 14.(b) Part 3 of Article 22 of Chapter 115C of the General Statutes is amended by adding new sections to read:

"**§ 115C-325.1. Definitions.**

As used in this Part, the following definitions apply:

(1) "Day" means calendar day. In computing any period of time, Rule 6 of the North Carolina Rules of Civil Procedure shall apply.

(2) "Demote" means to reduce the salary of a person who is classified or paid by the State Board of Education as a classroom teacher or as a school administrator. The word "demote" does not include (i) a suspension without pay pursuant to G.S. 115C-325.5(a); (ii) the elimination or reduction of bonus payments, including merit-based supplements, or a systemwide modification in the amount of any applicable local supplement; or (iii) any reduction in salary that results from the elimination of a special duty, such as the duty of an athletic coach or a choral director.

(3) "Disciplinary suspension" means a final decision to suspend a teacher or school administrator without pay for no more than 60 days under G.S. 115C-325.5(b).

(4) "School administrator" means a principal, assistant principal, supervisor, or director whose major function includes the direct or indirect supervision of teaching or any other part of the instructional program as provided in G.S. 115C-287.1(a)(3).

(5) "Teacher" means a person meeting each of the following requirements:

a. Who holds at least one of the following licenses issued by the State Board of Education:

1. A current standard professional educator's license.
2. A current lateral entry teaching license.
3. A regular, not expired, vocational license.

b. Whose major responsibility is to teach or directly supervise teaching or who is classified by the State Board of Education or is paid either as a classroom teacher or instructional support personnel.

c. Who is employed to fill a full-time, permanent position.

"**§ 115C-325.2. Personnel files.**

(a) Maintenance of Personnel File. – The superintendent shall maintain in his or her office a personnel file for each teacher that contains any complaint, commendation, or suggestion for correction or improvement about the teacher's professional conduct, except that the superintendent may elect not to place in a teacher's file (i) a letter of complaint that contains invalid, irrelevant, outdated, or false information or (ii) a letter of complaint when there is no documentation of an attempt to resolve the issue. The complaint, commendation, or suggestion shall be signed by the person who makes it and shall be placed in the teacher's file only after five days' notice to the teacher. Any denial or explanation relating to such complaint, commendation, or suggestion that the teacher desires to make shall be placed in the file. Any teacher may petition the local board of education to remove any information from the teacher's personnel file that the teacher deems invalid, irrelevant, or outdated. The board may order the superintendent to remove said information if it finds the information is invalid, irrelevant, or outdated.

(b) Inspection of Personnel Files. – The personnel file shall be open for the teacher's inspection at all reasonable times but shall be open to other persons only in accordance with such rules and regulations as the board adopts. Any preemployment data or other information obtained about a teacher before the teacher's employment by the board may be kept in a file separate from the teacher's personnel file and need not be made available to the teacher. No data placed in the preemployment file may be introduced as evidence at a hearing on the dismissal or demotion of a teacher, except the data may be used to substantiate G.S. 115C-325.4(a)(7) or G.S. 115C-325.4(a)(14) as grounds for dismissal or demotion.

"**§ 115C-325.3. Teacher contracts.**

(a) Length of Contract. – A contract between the local board of education and a teacher who has been employed by the local board of education for less than three years shall be for a term of one school year. A contract or renewal of contract between the local board of education and a teacher who has been employed by the local board of education for three years or more shall be for a term of one, two, three, or four school years.

(b) Superintendent Recommendation to Local Board. – Local boards of education shall employ teachers upon the recommendation of the superintendent. If a superintendent intends to recommend to the local board of education that a teacher be offered a new or renewed contract, the superintendent shall submit the recommendation to the local board for action and shall include in the recommendation the length of the term of contract. A superintendent shall only recommend a teacher for a contract of a term longer than one school year if the teacher has shown effectiveness as demonstrated on the teacher evaluation instrument. The local board may approve the superintendent's recommendation, may decide not to offer the teacher a new or renewed contract, or may decide to offer the teacher a renewed contract for a different term than recommended by the superintendent.

(c) Dismissal During Term of Contract. – A teacher shall not be dismissed or demoted during the term of the contract except for the grounds and by the procedure set forth in G.S. 115C-325.4.

(d) Recommendation on Nonrenewal. – If a superintendent decides not to recommend that the local board of education offer a renewed contract to a teacher, the superintendent shall give the teacher written notice of the decision no later than May 15.

(e) Right to Petition for Hearing. – A teacher shall have the right to petition the local board of education for a hearing no later than June 1. The local board may, in its discretion, grant a hearing regarding the superintendent's recommendation for nonrenewal. The local board of education shall notify the teacher making the petition of its decision whether to grant a hearing. If the request for a hearing is granted, the local board shall conduct a hearing pursuant to the provisions of G.S. 115C-45(c) and make a final decision on whether to offer the teacher a renewed contract. The board shall notify a teacher whose contract will not be renewed for the next school year of its decision by June 15; provided, however, if a teacher submits a request for a hearing, the board shall provide the nonrenewal notification by July 1 or such later date upon the written consent of the superintendent and teacher. A decision not to offer a teacher a renewed contract shall not be on any basis prohibited by State or federal law.

(f) Local boards of education and teachers employed by the local board may mutually modify the terms of the contract to permit part-time employment.

"**§ 115C-325.4. Dismissal or demotion for cause.**

(a) Grounds. – No teacher shall be dismissed or demoted or reduced to employment on a part-time basis for disciplinary reasons during the term of the contract except for one or more of the following:

(1) Inadequate performance. In determining whether the professional performance of a teacher is adequate, consideration shall be given to regular and special evaluation reports prepared in accordance with the published policy of the employing local school administrative unit and to any published standards of performance which shall have been adopted by the board. Inadequate performance for a teacher shall mean (i) the failure to perform at a proficient level on any standard of the evaluation instrument or (ii) otherwise performing in a manner that is below standard.

(2) Immorality.

(3) Insubordination.

(4) Neglect of duty.

(5) Physical or mental incapacity.

(6) Habitual or excessive use of alcohol or nonmedical use of a controlled substance as defined in Article 5 of Chapter 90 of the General Statutes.
(7) Conviction of a felony or a crime involving moral turpitude.
(8) Advocating the overthrow of the government of the United States or of the State of North Carolina by force, violence, or other unlawful means.
(9) Failure to fulfill the duties and responsibilities imposed upon teachers or school administrators by the General Statutes of this State.
(10) Failure to comply with such reasonable requirements as the board may prescribe.
(11) Any cause which constitutes grounds for the revocation of the teacher's teaching license or the school administrator's administrator license.
(12) Failure to maintain his or her license in a current status.
(13) Failure to repay money owed to the State in accordance with the provisions of Article 60 of Chapter 143 of the General Statutes.
(14) Providing false information or knowingly omitting a material fact on an application for employment or in response to a preemployment inquiry.

(b) Dismissal Procedure. – The procedures provided in G.S. 115C-325.6 shall be followed for dismissals, demotions, or reductions to part-time employment for disciplinary reasons for any reason specified in subsection (a) of this section.

"**§ 115C-325.5. Teacher suspension.**

(a) Immediate Suspension Without Pay. – If a superintendent believes that cause exists for dismissing a teacher for any reason specified in G.S. 115C-325.4 and that immediate suspension of the teacher is necessary, the superintendent may suspend the teacher without pay. Before suspending a teacher without pay, the superintendent shall meet with the teacher and give him or her written notice of the charges against the teacher, an explanation of the basis for the charges, and an opportunity to respond. Within five days after a suspension under this paragraph, the superintendent shall initiate a dismissal, demotion, or disciplinary suspension without pay as provided in this section. If it is finally determined that no grounds for dismissal, demotion, or disciplinary suspension without pay exist, the teacher shall be reinstated immediately, shall be paid for the period of suspension, and all records of the suspension shall be removed from the teacher's personnel file.

(b) Disciplinary Suspension Without Pay. – A teacher recommended for disciplinary suspension without pay may request a hearing before the board. If no request is made within 15 days, the superintendent may file his or her recommendation with the board. If, after considering the recommendation of the superintendent and the evidence adduced at the hearing if one is held, the board concludes that the grounds for the recommendation are true and substantiated by a preponderance of the evidence, the board, if it sees fit, may by resolution order such suspension.

(1) Board hearing for disciplinary suspensions for more than 10 days or for certain types of intentional misconduct. – The procedures for a board hearing under G.S. 115C-325.8 shall apply if any of the following circumstances exist:
a. The recommended disciplinary suspension without pay is for more than 10 days; or
b. The disciplinary suspension is for intentional misconduct, such as inappropriate sexual or physical conduct, immorality, insubordination, habitual or excessive alcohol or nonmedical use of a controlled substance as defined in Article 5 of Chapter 90 of the General Statutes, any cause that constitutes grounds for the revocation of the teacher's or school administrator's license, or providing false information.

(2) Board hearing for disciplinary suspensions of no more than 10 days. – The procedures for a board hearing under G.S. 115C-325.7 shall apply to all disciplinary suspensions of no more than 10 days that are not for intentional misconduct as specified in G.S. 115C-325.5(b)(1).

(c) Suspension with Pay. – If a superintendent believes that cause may exist for dismissing or demoting a teacher for any reasons specified in G.S. 115C-325.4 but that additional investigation of the facts is necessary and circumstances are such that the teacher should be removed immediately from the teacher's duties, the superintendent may suspend the teacher with pay for a reasonable period of time, not to exceed 90 days. The superintendent shall notify the board of education within two days of the superintendent's action and shall notify the teacher within two days of the action and the reasons for it. If the superintendent has not initiated dismissal or demotion proceedings against the teacher within the 90-day period, the teacher shall be reinstated to the teacher's duties immediately and all records of the suspension with pay shall be removed from the teacher's personnel file at the teacher's request. However, if the superintendent and the teacher agree to extend the 90-day period, the superintendent may initiate dismissal or demotion proceedings against the teacher at any time during the period of the extension.

"**§ 115C-325.6. Procedure for dismissal or demotion of a teacher for cause.**

(a) Recommendation of Dismissal or Demotion. – A teacher may not be dismissed, demoted, or reduced to part-time employment for disciplinary reasons during the term of the contract except upon the superintendent's recommendation based on one or more of the grounds in G.S. 115C-325.4.

(b) Notice of Recommendation. – Before recommending to a board the dismissal or demotion of a teacher, the superintendent shall give written notice to the teacher by certified mail or personal delivery of the superintendent's intention to make such recommendation and shall set forth as part of the superintendent's recommendation the grounds upon which he or she believes such dismissal or demotion is justified. The superintendent also shall meet with the teacher and provide written notice of the charges against the teacher, an explanation of the basis for the charges, and an opportunity to respond if the teacher has not done so under G.S. 115C-325.5(a). The notice shall include a statement to the effect that the teacher, within 14 days after the date of receipt of the notice, may request a hearing before the board on the superintendent's recommendation. A copy of Part 3 of Article 22 of Chapter 115C shall also be sent to the teacher.

(c) Request for Hearing. – Within 14 days after receipt of the notice of recommendation, the teacher may file with the superintendent a written request for a hearing before the board on the superintendent's recommendation. The superintendent shall submit his or her recommendation to the board. Within five days after receiving the superintendent's recommendation and before taking any formal action, the board shall set a time and place for the hearing and shall notify the teacher by certified mail or personal delivery of the date, time, and place of the hearing. The time specified shall not be less than 10 nor more than 30 days after the board has notified the teacher, unless both parties agree to an extension. The hearing shall be conducted as provided in G.S. 115C-325.7.

(d) No Request for Hearing. – If the teacher does not request a hearing before the board within the 14 days provided, the superintendent may submit his or her recommendation to the board. The board, if it sees fit, may by resolution (i) reject the superintendent's recommendation or (ii) accept or modify the superintendent's recommendation and dismiss, demote, reinstate, or suspend the teacher without pay.

"**§ 115C-325.7. Hearing before board.**

(a) Board Hearing. – The following procedures shall apply to a hearing conducted by the board:

(1) The hearing shall be private.

(2) The board shall receive the following:
a. Any documentary evidence the superintendent intends to use to support the recommendation. The superintendent shall provide the documentary evidence to the teacher seven days before the hearing.
b. Any documentary evidence the teacher intends to use to rebut the superintendent's recommendation. The teacher shall provide the superintendent with the documentary evidence three days before the hearing.
c. The superintendent's recommendation and the grounds for the recommendation.
(3) The superintendent and teacher may submit a written statement not less than three days before the hearing.
(4) The superintendent and teacher shall be permitted to make oral arguments to the board based on the record before the board.
(5) The board shall make findings of fact based upon a preponderance of the evidence.
(6) Within two days following the hearing, the board shall send a written copy of its findings and determination to the teacher and the superintendent.
(7) If the board elects to make a transcript, the teacher may request and shall receive at no charge a transcript of the proceedings. A teacher may have the hearing transcribed by a court reporter at the teacher's expense.

(b) The procedures of this section shall not apply to board hearings for disciplinary suspensions without pay. Board hearings for G.S. 115C-325.5(b), disciplinary suspensions without pay, shall be conducted as provided in G.S. 115C-325.8.

"**§ 115C-325.8. Board hearing for certain disciplinary suspensions.**

(a) The following procedures shall apply for a board hearing under G.S. 115C-325.5(b), disciplinary suspensions without pay:
(1) The hearing shall be private.
(2) The hearing shall be conducted in accordance with reasonable rules adopted by the State Board of Education to govern such hearings.
(3) At the hearing, the teacher and the superintendent shall have the right to be present and to be heard, to be represented by counsel, and to present through witnesses any competent testimony relevant to the issue of whether grounds exist for a disciplinary suspension without pay.
(4) Rules of evidence shall not apply to a hearing under this subsection and the board may give probative effect to evidence that is of a kind commonly relied on by reasonably prudent persons in the conduct of serious affairs.
(5) At least eight days before the hearing, the superintendent shall provide to the teacher a list of witnesses the superintendent intends to present, a brief statement of the nature of the testimony of each witness, and a copy of any documentary evidence the superintendent intends to present.
(6) At least six days before the hearing, the teacher shall provide the superintendent a list of witnesses the teacher intends to present, a brief statement of the nature of the testimony of each witness, and a copy of any documentary evidence the teacher intends to present.
(7) No new evidence may be presented at the hearing except upon a finding by the board that the new evidence is critical to the matter at issue and the party making the request could not, with reasonable diligence, have discovered and produced the evidence according to the schedule provided in this section.

(8) The board may subpoena and swear witnesses and may require them to give testimony and to produce records and documents relevant to the grounds for suspension without pay.

(9) The board shall decide all procedural issues, including limiting cumulative evidence, necessary for a fair and efficient hearing.

(10) The superintendent shall provide for making a transcript of the hearing. The teacher may request and shall receive at no charge a transcript of the proceedings.

"**§ 115C-325.9. Teacher resignation.**

(a) Teacher Resignation Following Recommendation for Dismissal. – If a teacher has been recommended for dismissal under G.S. 115C-325.4 and the teacher chooses to resign without the written agreement of the superintendent, then:

(1) The superintendent shall report the matter to the State Board of Education.

(2) The teacher shall be deemed to have consented to (i) the placement in the teacher's personnel file of the written notice of the superintendent's intention to recommend dismissal and (ii) the release of the fact that the superintendent has reported this teacher to the State Board of Education to prospective employers, upon request. The provisions of G.S. 115C-321 shall not apply to the release of this particular information.

(3) The teacher shall be deemed to have voluntarily surrendered his or her license pending an investigation by the State Board of Education in a determination whether or not to seek action against the teacher's license. This license surrender shall not exceed 45 days from the date of resignation. Provided further that the cessation of the license surrender shall not prevent the State Board of Education from taking any further action it deems appropriate. The State Board of Education shall initiate investigation within five working days of the written notice from the superintendent and shall make a final decision as to whether to revoke or suspend the teacher's license within 45 days from the date of resignation.

(b) 30 Days' Notice Resignation Requirement. – A teacher who is not recommended for dismissal should not resign during the term of the contract without the consent of the superintendent unless he or she has given at least 30 days' notice. If a teacher who is not recommended for dismissal does resign during the term of the contract without giving at least 30 days' notice, the board may request that the State Board of Education revoke the teacher's license for the remainder of that school year. A copy of the request shall be placed in the teacher's personnel file.

"**§ 115C-325.10. Application to certain institutions.**

Notwithstanding any law or regulation to the contrary, this Part shall apply to all persons employed in teaching and related educational classes in the schools and institutions of the Departments of Health and Human Services, Public Instruction, Correction, or the Division of Juvenile Justice of the Department of Public Safety, regardless of the age of the students.

"**§ 115C-325.11. Dismissal of school administrators and teachers employed in low-performing residential schools.**

(a) Notwithstanding any other provision of this section or any other law, this section shall govern the dismissal by the State Board of Education of teachers, principals, assistant principals, directors, supervisors, and other licensed personnel assigned to a residential school that the State Board has identified as low-performing and to which the State Board has assigned an assistance team. The State Board shall dismiss a teacher, principal, assistant principal, director, supervisor, or other licensed personnel when the State Board receives two consecutive evaluations that include written findings and recommendations regarding that person's

inadequate performance from the assistance team. These findings and recommendations shall be substantial evidence of the inadequate performance of the teacher or school administrator.

(b) The State Board may dismiss a teacher, principal, assistant principal, director, supervisor, or other licensed personnel when:

(1) The State Board determines that the school has failed to make satisfactory improvement after the State Board assigned an assistance team to that school.

(2) That assistance team makes the recommendation to dismiss the teacher, principal, assistant principal, director, supervisor, or other licensed personnel for one or more grounds established in G.S. 115C-325.4 for dismissal or demotion of a teacher.

Within 30 days of any dismissal under this subsection, a teacher, principal, assistant principal, director, supervisor, or other licensed personnel may request a hearing before a panel of three members designated by the State Board. The State Board shall adopt procedures to ensure that due process rights are afforded to persons recommended for dismissal under this subsection. Decisions of the panel may be appealed on the record to the State Board.

(c) Notwithstanding any other provision of this section or any other law, this subsection shall govern the dismissal by the State Board of licensed staff members who have engaged in a remediation plan under G.S. 115C-105.38A(c) but who, after one retest, fail to meet the general knowledge standard set by the State Board. The failure to meet the general knowledge standard after one retest shall be substantial evidence of the inadequate performance of the licensed staff member.

Within 30 days of any dismissal under this subsection, a licensed staff member may request a hearing before a panel of three members designated by the State Board. The State Board shall adopt procedures to ensure that due process rights are afforded to licensed staff members recommended for dismissal under this subsection. Decisions of the panel may be appealed on the record to the State Board.

(d) The State Board or the superintendent of a residential school may terminate the contract of a school administrator dismissed under this section. Nothing in this section shall prevent the State Board from refusing to renew the contract of any person employed in a school identified as low-performing.

(e) Neither party to a school administrator or teacher contract is entitled to damages under this section.

(f) The State Board shall have the right to subpoena witnesses and documents on behalf of any party to the proceedings under this section.

"**§ 115C-325.12. Procedure for dismissal of Principals employed in low-performing schools.**

(a) Dismissal of Principals Assigned to Low-Performing Schools With Assistance Teams. – Notwithstanding any other provision of this Part or any other law, this section governs the State Board's dismissal of principals assigned to low-performing schools to which the State Board has assigned an assistance team.

(b) Authority of State Board to Dismiss Principal. – The State Board through its designee may, at any time, recommend the dismissal of any principal who is assigned to a low-performing school to which an assistance team has been assigned. The State Board through its designee shall recommend the dismissal of any principal when the State Board receives from the assistance team assigned to that principal's school two consecutive evaluations that include written findings and recommendations regarding the principal's inadequate performance.

(c) Procedures for Dismissal of Principal. –

(1) If the State Board through its designee recommends the dismissal of a principal under this section, the principal shall be suspended with pay pending a hearing before a panel of three members of the State Board. The

purpose of this hearing, which shall be held within 60 days after the principal is suspended, is to determine whether the principal shall be dismissed.

(2) The panel shall order the dismissal of the principal if it determines from available information, including the findings of the assistance team, that the low performance of the school is due to the principal's inadequate performance.

(3) The panel may order the dismissal of the principal if (i) it determines that the school has not made satisfactory improvement after the State Board assigned an assistance team to that school; and (ii) the assistance team makes the recommendation to dismiss the principal for one or more grounds established in G.S. 115C-325.4 for dismissal or demotion of a teacher.

(4) If the State Board or its designee recommends the dismissal of a principal before the assistance team assigned to the principal's school has evaluated that principal, the panel may order the dismissal of the principal if the panel determines from other available information that the low performance of the school is due to the principal's inadequate performance.

(5) In all hearings under this section, the burden of proof is on the principal to establish that the factors leading to the school's low performance were not due to the principal's inadequate performance. In all hearings under this section, the burden of proof is on the State Board to establish that the school failed to make satisfactory improvement after an assistance team was assigned to the school and to establish one or more of the grounds established for dismissal or demotion of a teacher under G.S. 115C-325.4.

(6) In all hearings under this section, two consecutive evaluations that include written findings and recommendations regarding that principal's inadequate performance from the assistance team are substantial evidence of the inadequate performance of the principal.

(7) The State Board shall adopt procedures to ensure that due process rights are afforded to principals under this section. Decisions of the panel may be appealed on the record to the State Board.

(d) The State Board of Education or a local board may terminate the contract of a principal dismissed under this section.

(e) Neither party to a school administrator contract is entitled to damages under this section.

(f) The State Board shall have the right to subpoena witnesses and documents on behalf of any party to the proceedings under this section.

"**§ 115C-325.13. Procedure for dismissal of teachers employed in low-performing schools.**

(a) Notwithstanding any other provision of this Part or any other law, this section shall govern the State Board's dismissal of teachers, assistant principals, directors, and supervisors assigned to schools that the State Board has identified as low-performing and to which the State Board has assigned an assistance team under Article 8B of this Chapter. The State Board shall dismiss a teacher, assistant principal, director, or supervisor when the State Board receives two consecutive evaluations that include written findings and recommendations regarding that person's inadequate performance from the assistance team. These findings and recommendations shall be substantial evidence of the inadequate performance of the teacher, assistant principal, director, or supervisor.

(b) The State Board may dismiss a teacher, assistant principal, director, or supervisor when:

(1) The State Board determines that the school has failed to make satisfactory improvement after the State Board assigned an assistance team to that school under G.S. 115C-105.38; and

(2) That assistance team makes the recommendation to dismiss the teacher, assistant principal, director, or supervisor for one or more grounds established in G.S. 115C-325.4 for dismissal or demotion for cause.

A teacher, assistant principal, director, or supervisor may request a hearing before a panel of three members of the State Board within 30 days of any dismissal under this section. The State Board shall adopt procedures to ensure that due process rights are afforded to persons recommended for dismissal under this section. Decisions of the panel may be appealed on the record to the State Board.

(c) Notwithstanding any other provision of this Part or any other law, this section shall govern the State Board's dismissal of licensed staff members who have engaged in a remediation plan under G.S. 115C-105.38A(c) but who, after one retest, fail to meet the general knowledge standard set by the State Board. The failure to meet the general knowledge standard after one retest shall be substantial evidence of the inadequate performance of the licensed staff member.

(d) A licensed staff member may request a hearing before a panel of three members of the State Board within 30 days of any dismissal under this section. The State Board shall adopt procedures to ensure that due process rights are afforded to licensed staff members recommended for dismissal under this section. Decisions of the panel may be appealed on the record to the State Board.

(e) The State Board of Education or a local board may terminate the contract of a teacher, assistant principal, director, or supervisor dismissed under this section.

(f) Neither party to a school administrator or teacher contract is entitled to damages under this section.

(g) The State Board shall have the right to subpoena witnesses and documents on behalf of any party to the proceedings under this section."

SECTION 14.(c) G.S. 115C-45(c) reads as rewritten:

"(c) Appeals to Board of Education and to Superior Court. – An appeal shall lie to the local board of education from any final administrative decision in the following matters:

(1) The discipline of a student under G.S. 115C-390.7, 115C-390.10, or 115C-390.11;

(2) An alleged violation of a specified federal law, State law, State Board of Education policy, State rule, or local board policy, including policies regarding grade retention of students;

(3) The terms or conditions of employment or employment status of a school employee; and

(4) Any other decision that by statute specifically provides for a right of appeal to the local board of education and for which there is no other statutory appeal procedure.

As used in this subsection, the term "final administrative decision" means a decision of a school employee from which no further appeal to a school administrator is available.

Any person aggrieved by a decision not covered under subdivisions (1) through (4) of this subsection shall have the right to appeal to the superintendent and thereafter shall have the right to petition the local board of education for a hearing, and the local board may grant a hearing regarding any final decision of school personnel within the local school administrative unit. The local board of education shall notify the person making the petition of its decision whether to grant a hearing.

In all appeals to the board it is the duty of the board of education to see that a proper notice is given to all parties concerned and that a record of the hearing is properly entered in the records of the board conducting the hearing.

The board of education may designate hearing panels composed of not less than two members of the board to hear and act upon such appeals in the name and on behalf of the board of education.

An appeal of right brought before a local board of education under subdivision (1), (2), ~~(3),~~ or (4) of this subsection may be further appealed to the superior court of the State on the grounds that the local board's decision is in violation of constitutional provisions, is in excess of the statutory authority or jurisdiction of the board, is made upon unlawful procedure, is affected by other error of law, is unsupported by substantial evidence in view of the entire record as submitted, or is arbitrary or capricious. ~~However, the right of a noncertified employee to appeal decisions of a local board under subdivision (3) of this subsection shall only apply to decisions concerning the dismissal, demotion, or suspension without pay of the noncertified employee. A noncertified employee may request and shall be entitled to receive written notice as to the reasons for the employee's dismissal, demotion, or suspension without pay. The notice shall be provided to the employee prior to any local board of education hearing on the issue. This subsection shall not alter the employment status of a noncertified employee.~~"

SECTION 14.(d) G.S. 115C-105.26(b)(2) reads as rewritten:

"(2) State rules and policies, except those pertaining to public school State salary schedules and employee benefits for school employees, the instructional program that must be offered under the Basic Education Program, the system of employment for public school teachers and administrators set out in G.S. 115C-287.1 and ~~G.S. 115C-325,~~in Part 3 of Article 22 of this Chapter, health and safety codes, compulsory attendance, the minimum lengths of the school day and year, and the Uniform Education Reporting System."

SECTION 14.(e) G.S. 115C-105.37B(a)(2) reads as rewritten:

"(2) Restart model, in which the State Board of Education would authorize the local board of education to operate the school with the same exemptions from statutes and rules as a charter school authorized under Part 6A of Article 16 of this Chapter, or under the management of an educational management organization that has been selected through a rigorous review process. A school operated under this subdivision remains under the control of the local board of education, and employees assigned to the school are employees of the local school administrative unit with the protections provided by ~~G.S. 115C-325.~~Part 3 of Article 22 of this Chapter."

SECTION 14.(f) G.S. 115C-105.38A(d) reads as rewritten:

"(d) Retesting; Dismissal. – Upon completion of the remediation plan required under subsection (c) of this section, the certified staff member shall take the general knowledge test a second time. If the certified staff member fails to acquire a passing score on the second test, the State Board shall begin a dismissal proceeding under ~~G.S. 115C-325(q)(2a).~~G.S. 115C-325.13."

SECTION 14.(g) G.S. 115C-105.38A(f) reads as rewritten:

"(f) Other Actions Not Precluded. – Nothing in this section shall be construed to restrict or postpone the following actions:

(1) The dismissal of a principal under ~~G.S. 115C-325(q)(1);~~G.S. 115C-325.12.

(2) The dismissal of a teacher, assistant principal, director, or supervisor under ~~G.S. 115C-325(q)(2);~~G.S. 115C-325.13.

(3) The dismissal or demotion of ~~a career~~ an employee for any of the grounds listed under ~~G.S. 115C-325(e);~~G.S. 115C-325.4.

(4) The nonrenewal of a school administrator's or ~~probationary~~ teacher's contract of ~~employment; or~~employment.

~~(5) The decision to grant career status.~~"

SECTION 14.(h) G.S. 115C-105.39 reads as rewritten:

"**§ 115C-105.39. Dismissal or removal of personnel; appointment of interim superintendent.**

(a) Within 30 days of the initial identification of a school as low-performing, whether by the local school administrative unit under G.S. 115C-105.37(a1) or by the State Board under G.S. 115C-105.37(a), the superintendent shall take one of the following actions concerning the school's principal: (i) recommend to the local board that the principal be retained in the same position, (ii) recommend to the local board that the principal be retained in the same position and a plan of remediation should be developed, (iii) recommend to the local board that the principal be transferred, or (iv) proceed under ~~G.S. 115C-325~~G.S. 115C-325.4 to dismiss or demote the principal. The principal may be retained in the same position without a plan for remediation only if the principal was in that position for no more than two years before the school is identified as low-performing. The principal shall not be transferred to another principal position unless (i) it is in a school classification in which the principal previously demonstrated at least 2 years of success, (ii) there is a plan to evaluate and provide remediation to the principal for at least one year following the transfer to assure the principal does not impede student performance at the school to which the principal is being transferred; and (iii) the parents of the students at the school to which the principal is being transferred are notified. The principal shall not be transferred to another low-performing school in the local school administrative unit. If the superintendent intends to recommend demotion or dismissal, the superintendent shall notify the local board. Within 15 days of (i) receiving notification that the superintendent intends to proceed under ~~G.S. 115C-325,~~G.S. 115C-325.4 or (ii) its decision concerning the superintendent's recommendation, but no later than September 30, the local board shall submit to the State Board a written notice of the action taken and the basis for that action. If the State Board does not assign an assistance team to that school or if the State Board assigns an assistance team to that school and the superintendent proceeds under ~~G.S. 115C-325~~G.S. 115C-325.4 to dismiss or demote the principal, then the State Board shall take no further action. If the State Board assigns an assistance team to the school and the superintendent is not proceeding under ~~G.S. 115C-325~~G.S. 115C-325.4 to dismiss or demote the principal, then the State Board shall vote to accept, reject, or modify the local board's recommendations. The State Board shall notify the local board of its action within five days. If the State Board rejects or modifies the local board's recommendations and does not recommend dismissal of the principal, the State Board's notification shall include recommended action concerning the principal's assignment or terms of employment. Upon receipt of the State Board's notification, the local board shall implement the State Board's recommended action concerning the principal's assignment or terms of employment unless the local board asks the State Board to reconsider that recommendation. The State Board shall provide an opportunity for the local board to be heard before the State Board acts on the local board's request for a reconsideration. The State Board shall vote to affirm or modify its original recommended action and shall notify the local board of its action within five days. Upon receipt of the State Board's notification, the local board shall implement the State Board's final recommended action concerning the principal's assignment or terms of employment. If the State Board rejects or modifies the local board's action and recommends dismissal of the principal, the State Board shall proceed under ~~G.S. 115C-325(q)(1).~~G.S. 115C-325.12.

(b) The State Board shall proceed under ~~G.S. 115C-325(q)(2)~~G.S. 115C-325.13 for the dismissal of teachers, assistant principals, directors, and supervisors assigned to a school identified as low-performing in accordance with ~~G.S. 115C-325(q)(2).~~G.S. 115C-325.13.

...."

SECTION 14.(i) G.S. 115C-238.29F(e)(3) reads as rewritten:

"(3) If a teacher employed by a local school administrative unit makes a written request for a leave of absence to teach at a charter school, the local school administrative unit shall grant the leave for one year. For the initial year of a charter school's operation, the local school administrative unit may require that the request for a leave of absence be made up to 45 days before the teacher would otherwise have to report for duty. After the initial year of a charter school's operation, the local school administrative unit may require that the request for a leave of absence be made up to 90 days before the teacher would otherwise have to report for duty. A local board of education is not required to grant a request for a leave of absence or a request to extend or renew a leave of absence for a teacher who previously has received a leave of absence from that school board under this subdivision. A teacher who has ~~career status under G.S. 115C-325 prior to receiving~~received a leave of absence to teach at a charter school may return to a public school in the local school administrative unit ~~with career status~~ at the end of the leave of absence or upon the end of employment at the charter school if an appropriate position is available. ~~If an appropriate position is unavailable, the teacher's name shall be placed on a list of available teachers and that teacher shall have priority on all positions for which that teacher is qualified in accordance with G.S. 115C-325(e)(2).~~"

SECTION 14.(j) G.S. 115C-238.68(3) reads as rewritten:

"(3) ~~Career status.~~Leave of absence from local school administrative unit. – ~~Employees of the board of directors shall not be eligible for career status.~~ If a teacher employed by a local school administrative unit makes a written request for a leave of absence to teach at the regional school, the local school administrative unit shall grant the leave for one year. For the initial year of the regional school's operation, the local school administrative unit may require that the request for a leave of absence be made up to 45 days before the teacher would otherwise have to report for duty. After the initial year of the regional school's operation, the local school administrative unit may require that the request for a leave of absence be made up to 90 days before the teacher would otherwise have to report for duty. A local board of education is not required to grant a request for a leave of absence or a request to extend or renew a leave of absence for a teacher who previously has received a leave of absence from that school board under this subdivision. A teacher who has ~~career status under G.S. 115C-325 prior to receiving~~received a leave of absence to teach at the regional school may return to a public school in the local school administrative unit ~~with career status~~ at the end of the leave of absence or upon the end of employment at the regional school if an appropriate position is available. ~~If an appropriate position is unavailable, the teacher's name shall be placed on a list of available teachers in accordance with G.S. 115C-325(e)(2).~~"

SECTION 14.(k) G.S. 115C-276(l) reads as rewritten:

"(l) To Maintain Personnel Files and to Participate in Firing and Demoting of Staff. – The superintendent shall maintain in his or her office a personnel file for each teacher that contains complaints, commendations, or suggestions for correction or improvement about the teacher and shall participate in the firing and demoting of staff, as provided in ~~G.S. 115C-325.~~Part 3 of Article 22 of this Chapter."

SECTION 14.(l) G.S. 115C-285(7) reads as rewritten:

"(7) All persons employed as principals in the schools and institutions listed in ~~subsection (p) of G.S. 115C-325~~ G.S. 115C-325.10 shall be compensated at the same rate as are teachers in the public schools in accordance with the salary schedule adopted by the State Board of Education."

SECTION 14.(m) G.S. 115C-287.1 reads as rewritten:

"**§ 115C-287.1. Method of employment of principals, assistant principals, supervisors, and directors.**

(a) (1) ~~Beginning July 1, 1995, all~~All persons employed as school administrators shall be employed pursuant to this section.

~~(2) Notwithstanding G.S. 115C-287.1(a)(1), the following school administrators shall be employed pursuant to G.S. 115C-325:~~

~~a. School administrators who, as of July 1, 1995, are serving in a principal or supervisor position with career status in that position; and~~

~~b. School administrators who, as of July 1, 1995, are serving in a principal or supervisor position and who are eligible to achieve career status on or before June 30, 1997.~~

~~A school administrator shall cease to be employed pursuant to G.S. 115C-325 if the school administrator: (i) voluntarily relinquishes career status or the opportunity to achieve career status through promotion, resignation, or otherwise; or (ii) is dismissed or demoted or whose contract is not renewed pursuant to G.S. 115C-325.~~

(3) For purposes of this section, school administrator means a:

a. Principal;

b. Assistant principal;

c. Supervisor; or

d. Director,

whose major function includes the direct or indirect supervision of teaching or of any other part of the instructional program.

~~(4) Nothing in this section shall be construed to confer career status on any assistant principal or director, or to make an assistant principal eligible for career status as an assistant principal or a director eligible for career status as a director.~~

(b) Local boards of education shall employ school administrators ~~who are ineligible for career status as provided in G.S. 115C-325(c)(3),~~ upon the recommendation of the superintendent. The initial contract between a school administrator and a local board of education shall be for two to four years, ending on June 30 of the final 12 months of the contract. In the case of a subsequent contract between a principal or assistant principal and a local board of education, the contract shall be for a term of four years. In the case of an initial contract between a school administrator and a local board of education, the first year of the contract may be for a period of less than 12 months provided the contract becomes effective on or before September 1. A local board of education may, with the written consent of the school administrator, extend, renew, or offer a new school administrator's contract at any time after the first 12 months of the contract so long as the term of the new, renewed, or extended contract does not exceed four years. Rolling annual contract renewals are not allowed. Nothing in this section shall be construed to prohibit the filling of an administrative position on an interim or temporary basis.

(c) The term of employment shall be stated in a written contract that shall be entered into between the local board of education and the school administrator. The school administrator shall not be dismissed or demoted during the term of the contract except for the

grounds and by the procedure by which a ~~career~~ teacher may be dismissed or demoted for cause as set forth in ~~G.S. 115C-325.~~G.S. 115C-325.4.

(d) If a superintendent intends to recommend to the local board of education that the school administrator be offered a new, renewed, or extended contract, the superintendent shall submit the recommendation to the local board for action. The local board may approve the superintendent's recommendation or decide not to offer the school administrator a new, renewed, or extended school administrator's contract.

If a superintendent decides not to recommend that the local board of education offer a new, renewed, or extended school administrator's contract to the school administrator, the superintendent shall give the school administrator written notice of his or her decision ~~and the reasons for his or her decision~~ no later than May 1 of the final year of the contract. ~~The superintendent's reasons may not be arbitrary, capricious, discriminatory, personal, or political.~~ No action by the local board or further notice to the school administrator shall be necessary unless the school administrator files with the superintendent a written request, within 10 days of receipt of the superintendent's decision, for a hearing before the local board. ~~Failure to file a timely request for a hearing shall result in a waiver of the right to appeal the superintendent's decision.~~ If a school administrator files a timely request for a hearing, the local board shall conduct a hearing pursuant to the provisions of G.S. 115C-45(c) and make a final decision on whether to offer the school administrator a new, renewed, or extended school administrator's contract.

If the local board decides not to offer the school administrator a new, renewed, or extended school administrator's contract, the local board shall notify the school administrator of its decision by June 1 of the final year of the contract. A decision not to offer the school administrator a new, renewed, or extended contract may not be for any cause ~~that is not arbitrary, capricious, discriminatory, personal, or political.~~ prohibited by State or federal law. ~~The local board's decision not to offer the school administrator a new, renewed, or extended school administrator's contract is subject to judicial review in accordance with Article 4 of Chapter 150B of the General Statutes.~~

(e) Repealed by Session Laws 1995, c. 369, s. 1.

(f) If the superintendent or the local board of education fails to notify a school administrator by June 1 of the final year of the contract that the school administrator will not be offered a new school administrator's contract, the school administrator shall be entitled to 30 days of additional employment or severance pay beyond the date the school administrator receives written notice that a new contract will not be offered.

~~(g) If, prior to appointment as a school administrator, the school administrator held career status as a teacher in the local school administrative unit in which he or she is employed as a school administrator, a school administrator shall retain career status as a teacher if the school administrator is not offered a new, renewed, or extended contract by the local board of education, unless the school administrator voluntarily relinquished that right or is dismissed or demoted pursuant to G.S. 115C-325.~~

(h) An individual who holds a provisional assistant principal's certificate and who is employed as an assistant principal under G.S. 115C-284(c) shall be considered a school administrator for purposes of this section. Notwithstanding subsection (b) of this section, a local board may enter into one-year contracts with a school administrator who holds a provisional assistant principal's certificate. ~~If the school administrator held career status as a teacher in the local school administrative unit prior to being employed as an assistant principal and the State Board for any reason does not extend the school administrator's provisional assistant principal's certificate, the school administrator shall retain career status as a teacher unless the school administrator voluntarily relinquished that right or is dismissed or demoted under G.S. 115C-325.~~ Nothing in this subsection or G.S. 115C-284(c) shall be construed to

require a local board to extend or renew the contract of a school administrator who holds a provisional assistant principal's certificate."

SECTION 14.(n) G.S. 115C-288(g) reads as rewritten:

"(g) To Report Certain Acts to Law Enforcement and the Superintendent. – When the principal has personal knowledge, a reasonable belief, or actual notice from school personnel that an act has occurred on school property involving assault resulting in serious personal injury, sexual assault, sexual offense, rape, kidnapping, indecent liberties with a minor, assault involving the use of a weapon, possession of a firearm in violation of the law, possession of a weapon in violation of the law, or possession of a controlled substance in violation of the law, the principal shall immediately report the act to the appropriate local law enforcement agency.

A principal who willfully fails to make a report to law enforcement required by this subsection may be subject to demotion or dismissal pursuant to ~~G.S. 115C-325.~~G.S. 115C-325.4.

Notwithstanding any other provision of law, the State Board of Education shall not require the principal to report to law enforcement acts in addition to those required to be reported by this subsection.

For purposes of this subsection, "school property" shall include any public school building, bus, public school campus, grounds, recreational area, or athletic field, in the charge of the principal.

The principal or the principal's designee shall notify the superintendent or the superintendent's designee in writing or by electronic mail regarding any report made to law enforcement under this subsection. This notification shall occur by the end of the workday in which the incident occurred when reasonably possible but not later than the end of the following workday. The superintendent shall provide the information to the local board of education.

Nothing in this subsection shall be interpreted to interfere with the due process rights of school employees or the privacy rights of students."

SECTION 14.(o) G.S. 115C-304 is repealed.

SECTION 14.(p) G.S. 115C-333 reads as rewritten:

"**§ 115C-333. Evaluation of licensed employees including certain superintendents; mandatory improvement plans; State board notification upon dismissal of employees.**

(a) Annual Evaluations; Low-Performing Schools. – Local school administrative units shall evaluate at least once each year all licensed employees assigned to a school that has been identified as low-performing. The evaluation shall occur early enough during the school year to provide adequate time for the development and implementation of a mandatory improvement plan if one is recommended under subsection (b) of this section. If the employee is a teacher as defined under ~~G.S. 115C-325(a)(6),~~G.S. 115C-325.1(5), either the principal, the assistant principal who supervises the teacher, or an assistance team assigned under G.S. 115C-105.38 shall conduct the evaluation. If the employee is a school administrator as defined under G.S. 115C-287.1(a)(3), either the superintendent or the superintendent's designee shall conduct the evaluation.

All teachers in low-performing schools who have ~~not attained career status~~been employed for less than three consecutive years shall be observed at least three times annually by the principal or the principal's designee and at least once annually by a teacher and shall be evaluated at least once annually by a principal. This section shall not be construed to limit the duties and authority of an assistance team assigned to a low-performing school under G.S. 115C-105.38.

A local board shall use the performance standards and criteria adopted by the State Board and may adopt additional evaluation criteria and standards. All other provisions of this section shall apply if a local board uses an evaluation other than one adopted by the State Board.

(b) Mandatory Improvement Plans. –

(1) Repealed by Session Laws 2011-348, s. 2, effective July 1, 2011, and applicable to persons recommended for dismissal or demotion on or after that date.

(1a) A mandatory improvement plan is an instrument designed to improve a teacher's performance or the performance of any licensed employee in a low-performing school by providing the individual with notice of specific performance areas that have substantial deficiencies and a set of strategies, including the specific support to be provided to the individual, so that the individual, within a reasonable period of time, should satisfactorily resolve such deficiencies.

(2) Repealed by Session Laws 2011-348, s. 2, effective July 1, 2011, and applicable to persons recommended for dismissal or demotion on or after that date.

(2a) If a licensed employee in a low-performing school receives a rating on any standard on an evaluation that is below proficient or otherwise represents unsatisfactory or below standard performance in an area that the licensed employee was expected to demonstrate, the individual or team that conducted the evaluation shall recommend to the superintendent that (i) the employee receive a mandatory improvement plan designed to improve the employee's ~~performance or~~ performance, (ii) the superintendent recommend to the local board that the ~~employee be dismissed or demoted.~~employee's contract not be recommended for renewal, or (iii) if the employee engaged in inappropriate conduct or performed inadequately to such a degree that such conduct or performance causes substantial harm to the educational environment that a proceeding for immediate dismissal or demotion be instituted. If the individual or team that conducted the evaluation elects not to make ~~either~~ any of the above recommendations, the said individual or team shall notify the superintendent of this decision. The superintendent shall determine whether to develop a mandatory improvement ~~plan~~plan, to not recommend renewal of the employee's contract, or to recommend a dismissal proceeding.

(3) If at any time a licensed employee engages in inappropriate conduct or performs inadequately to such a degree that such conduct or performance causes substantial harm to the educational environment, and immediate dismissal or demotion is not appropriate, then the principal may immediately institute a mandatory improvement plan regardless of any ratings on previous evaluations. The principal shall document the exigent reason for immediately instituting such a plan.

(4) Mandatory improvement plans shall be developed by the person who evaluated the licensed employee or the employee's supervisor unless the evaluation was conducted by an assistance team. If the evaluation was conducted by an assistance team, that team shall develop the mandatory improvement plan in collaboration with the employee's supervisor. Mandatory improvement plans shall be designed to be completed within 90 instructional days or before the beginning of the next school year. The State Board shall develop guidelines that include strategies to assist local boards in evaluating licensed employees and developing effective mandatory improvement plans within the time allotted under this section. Local boards may adopt policies for the development and implementation of mandatory

improvement plans and policies for the implementation of monitored and directed growth plans.

(c) Reassessment of Employee in a Low-Performing School. – After the expiration of the time period for the mandatory improvement plan under subdivision (2a) of subsection (b) of this section, the superintendent, the superintendent's designee, or the assistance team shall assess the performance of the employee of the low-performing school a second time. If the superintendent, superintendent's designee, or assistance team determines that the employee has failed to become proficient in any of the performance standards articulated in the mandatory improvement plan or demonstrate sufficient improvement toward such standards, the superintendent shall recommend that the ~~employee~~ employee's contract not be renewed, or that the employee be immediately dismissed or demoted under ~~G.S. 115C-325.~~G.S. 115C-325.4. The results of the second assessment shall constitute substantial evidence of the employee's inadequate performance.

(d) State Board Notification. – If a local board dismisses an employee of a low-performing school ~~for any reason~~for cause or elects to not renew an employee's contract as a result of a superintendent's recommendation under subsection (b) or (c) of this section, ~~except a reduction in force under G.S. 115C-325(e)(1)l.,~~ it shall notify the State Board of the action, and the State Board annually shall provide to all local boards the names of those individuals. If a local board hires one of these individuals, within 60 days the superintendent or the superintendent's designee shall observe the employee, develop a mandatory improvement plan to assist the employee, and submit the plan to the State Board. The State Board shall review the mandatory improvement plan and may provide comments and suggestions to the superintendent. If on the next evaluation the employee receives a rating on any standard that was identified as an area of concern on the mandatory improvement plan that is again below proficient or otherwise represents unsatisfactory or below standard performance, the local board shall notify the State Board and the State Board shall initiate a proceeding to revoke the employee's license under G.S. 115C-296(d). If on this next evaluation the employee receives at least a proficient rating on all of the performance standards that were identified as areas of concern on the mandatory improvement plan, the local board shall notify the State Board that the employee is in good standing and the State Board shall not continue to provide the individual's name to local boards under this subsection unless the employee is subsequently dismissed under ~~G.S. 115C-325 except for a reduction in force.~~ G.S. 115C-325.4.

...."

SECTION 14.(q) G.S. 115C-333.1 reads as rewritten:

"**§ 115C-333.1. Evaluation of teachers in schools not identified as low-performing; mandatory improvement plans; State Board notification upon dismissal of teachers.**

(a) Annual Evaluations. – All teachers who are assigned to schools that are not designated as low-performing and who have not ~~attained career status~~been employed for at least three consecutive years shall be observed at least three times annually by the principal or the principal's designee and at least once annually by a teacher and shall be evaluated at least once annually by a principal. All teachers ~~with career status~~who have been employed for three or more years who are assigned to schools that are not designated as low-performing shall be evaluated annually unless a local board adopts rules that allow teachers ~~with career status~~employed for three or more years to be evaluated more or less frequently, provided that such rules are not inconsistent with State or federal requirements. Local boards also may adopt rules requiring the annual evaluation of nonlicensed employees. A local board shall use the performance standards and criteria adopted by the State Board and may adopt additional evaluation criteria and standards. All other provisions of this section shall apply if a local board uses an evaluation other than one adopted by the State Board.

(b) Mandatory Improvement Plans for Teachers. – If, in an observation report or year-end evaluation, a teacher receives a rating that is below proficient or otherwise represents unsatisfactory or below standard performance on any standard that the teacher was expected to demonstrate, the principal may place the teacher on a mandatory improvement plan as defined in G.S. 115C-333(b)(1a). The mandatory improvement plan shall be utilized only if the superintendent or superintendent's designee determines that an individual, monitored, or directed growth plan will not satisfactorily address the deficiencies.

If at any time a teacher engages in inappropriate conduct or performs inadequately to such a degree that such conduct or performance causes substantial harm to the educational environment, and immediate dismissal or demotion is not appropriate, then the principal may immediately institute a mandatory improvement plan regardless of any ratings on previous evaluations. The principal shall document the exigent reason for immediately instituting such a plan. The mandatory improvement plan shall be developed by the principal in consultation with the teacher. The teacher shall have five instructional days from receipt of the proposed mandatory improvement plan to request a modification of such plan before it is implemented, and the principal shall consider such suggested modifications before finalizing the plan. The teacher shall have at least 60 instructional days to complete the mandatory improvement plan. The State Board shall develop guidelines that include strategies to assist local boards in evaluating teachers and developing effective mandatory improvement plans. Local boards may adopt policies for the implementation of mandatory improvement plans under this section.

(c) Observation by a Qualified Observer. –

(1) The term "qualified observer" as used in this section is any administrator or teacher who is licensed by the State Board of Education and working in North Carolina; any employee of the North Carolina Department of Public Instruction who is trained in evaluating licensed employees; or any instructor or professor who teaches in an accredited North Carolina school of education and holds an educator's license.

(2) The local board of education shall create a list of qualified observers who are employed by that board and available to do observations of employees on mandatory improvement plans. This list shall be limited to names of administrators and teachers selected by the local board of education. The local board of education shall strive to select administrators and teachers with excellent reputations for competence and fairness.

(3) Any teacher, other than a teacher assigned to a school designated as low-performing, who has been placed on a mandatory improvement plan shall have a right to be observed by a qualified observer in the area or areas of concern identified in the mandatory improvement plan. The affected teacher and the principal shall jointly choose the qualified observer within 20 instructional days after the commencement of the mandatory improvement plan. If the teacher and the principal cannot agree on a qualified observer within this time period, they each shall designate a person from the list of qualified observers created pursuant to subdivision (2) of this subsection, and these two designated persons shall choose a qualified observer within five instructional days of their designation. The qualified observer shall draft a written report assessing the teacher in the areas of concern identified in the mandatory improvement plan. The report shall be submitted to the principal before the end of the mandatory improvement plan period. If a teacher or administrator from the same local school administrative unit is selected to serve as the qualified observer, the administration of the local school administrative unit shall provide such qualified observer with the time necessary to conduct the observation and

prepare a report. If someone who is not employed by the same local school administrative unit is selected to serve as the qualified observer, the teacher who is the subject of the mandatory improvement plan will be responsible for any expenses related to the observations and reports prepared by the qualified observer. The qualified observer shall not unduly disrupt the classroom when conducting an observation.

(4) No local board of education or employee of a local board of education shall discharge, threaten, or otherwise retaliate against another employee of the board regarding that employee's compensation, terms, conditions, location, or privileges of employment because of the employee's service or completion of a report as an objective observer pursuant to this subsection, unless the employee's report contained material information that the employee knew was false.

(d) Reassessment of the Teacher. – Upon completion of a mandatory improvement plan under subsection (b) of this section, the principal shall assess the performance of the teacher a second time. The principal shall also review and consider any report provided by the qualified observer under subsection (c) of this section if one has been submitted before the end of the mandatory improvement plan period. If, after the second assessment of the teacher and consideration of any report from the qualified observer, the superintendent or superintendent's designee determines that the teacher has failed to become proficient in any of the performance standards identified as deficient in the mandatory improvement plan or demonstrate sufficient improvement toward such standards, the superintendent may recommend that the teacher's contract not be renewed, or if the teacher has engaged in inappropriate conduct or performed inadequately to such a degree that such conduct or performance causes substantial harm to the educational environment, that the teacher be immediately dismissed or demoted under ~~G.S. 115C-325.~~G.S. 115C-325.4. The results of the second assessment produced pursuant to the terms of this subsection shall constitute substantial evidence of the teacher's inadequate performance.

(e) Dismissal Proceedings Without a Mandatory Improvement Plan. – The absence of a mandatory improvement plan as described in this section shall not prohibit a superintendent from initiating a dismissal proceeding against a teacher under the provisions of ~~G.S. 115C-325.~~G.S. 115C-325.4. However, the superintendent shall not be entitled to the substantial evidence provision in subsection (d) of this section if such mandatory improvement plan is not utilized.

(f) State Board Notification. – If a local board dismisses a teacher for cause or elects to not renew an employee's contract as a result of a superintendent's recommendation under subsection (d) of this section, ~~for any reason except a reduction in force under G.S. 115C-325(e)(1)l.,~~ it shall notify the State Board of the action, and the State Board annually shall provide to all local boards the names of those teachers. If a local board hires one of these teachers, within 60 days the superintendent or the superintendent's designee shall observe the teacher, develop a mandatory improvement plan to assist the teacher, and submit the plan to the State Board. The State Board shall review the mandatory improvement plan and may provide comments and suggestions to the superintendent. If on the next evaluation the teacher receives a rating on any standard that was an area of concern on the mandatory improvement plan that is again below proficient or a rating that otherwise represents unsatisfactory or below standard performance, the local board shall notify the State Board, and the State Board shall initiate a proceeding to revoke the teacher's license under G.S. 115C-296(d). If on the next evaluation the teacher receives at least a proficient rating on all of the overall performance standards that were areas of concern on the mandatory improvement plan, the local board shall notify the State Board that the teacher is in good standing, and the State Board shall not continue to provide the teacher's name to local boards under this subsection unless the teacher is subsequently

dismissed under ~~G.S. 115C-325~~G.S. 115C-325.4. ~~except for a reduction in force.~~ If, however, on this next evaluation the teacher receives a developing rating on any standards that were areas of concern on the mandatory improvement plan, if the local board elects to renew the teacher's contract and ~~the teacher shall have one more year to bring the rating to proficient. If,~~ by the end of this second year, the teacher is not proficient in all standards that were areas of concern on the mandatory improvement plan, the local board shall notify the State Board, and the State Board shall initiate a proceeding to revoke the teacher's license under G.S. 115C-296(d).

...."

SECTION 14.(r) G.S. 115C-335(b) reads as rewritten:

"(b) Training. – The State Board, in collaboration with the Board of Governors of The University of North Carolina, shall develop programs designed to train principals and superintendents in the proper administration of the employee evaluations developed by the State Board. The Board of Governors shall use the professional development programs for public school employees that are under its authority to make this training available to all principals and superintendents at locations that are geographically convenient to local school administrative units. The programs shall include methods to determine whether an employee's performance has improved student learning, the development and implementation of appropriate professional growth and mandatory improvement plans, the process for contract nonrenewal, and the dismissal process under ~~G.S. 115C-325.~~Part 3 of Article 22 of this Chapter. The Board of Governors shall ensure that the subject matter of the training programs is incorporated into the masters in school administration programs offered by the constituent institutions. The State Board, in collaboration with the Board of Governors, also shall develop in-service programs for licensed public school employees that may be included in a mandatory improvement plan created under G.S. 115C-333(b) or G.S. 115C-333.1(b). The Board of Governors shall use the professional development programs for public school employees that are under its authority to make this training available at locations that are geographically convenient to local school administrative units."

SECTION 14.(s) Article 23 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-344. Employment benefits for exchange teachers.**

An exchange teacher is a nonimmigrant alien teacher participating in an exchange visitor program designated by the United States Department of State pursuant to 22 C.F.R. Part 62 or by the United States Department of Homeland Security pursuant to 8 C.F.R. Part 214.2(q). For purposes of determining eligibility to receive employment benefits under this Chapter, including personal leave, annual vacation leave, and sick leave, an exchange teacher shall be considered a permanent teacher if employed with the expectation of at least six full consecutive monthly pay periods of employment and if employed at least 20 hours per week. An exchange teacher is not a teacher for purposes of the Teachers' and State Employees' Retirement System of North Carolina as provided in G.S. 135-1(25)."

SECTION 14.(t) G.S. 115C-404(b) reads as rewritten:

"(b) Documents received under this section shall be used only to protect the safety of or to improve the education opportunities for the student or others. Information gained in accordance with G.S. 7B-3100 shall not be the sole basis for a decision to suspend or expel a student. Upon receipt of each document, the principal shall share the document with those individuals who have (i) direct guidance, teaching, or supervisory responsibility for the student, and (ii) a specific need to know in order to protect the safety of the student or others. Those individuals shall indicate in writing that they have read the document and that they agree to maintain its confidentiality. Failure to maintain the confidentiality of these documents as required by this section is grounds for the dismissal ~~of an employee who is not a career~~

~~employee and is grounds for dismissal of an employee who is a career employee,~~ in accordance with ~~G.S. 115C-325(e)(1)i.~~G.S. 115C-325.4(a)(9)."

SECTION 14.(u) G.S. 143B-146.7(b) reads as rewritten:

"(b) At any time after the State Board identifies a school as low-performing under this Part, the ~~Secretary~~ State Board shall proceed under ~~G.S. 115C-325(p1)~~G.S. 115C-325.11 for the dismissal of certificated instructional personnel assigned to that school."

SECTION 14.(v) G.S. 143B-146.8 reads as rewritten:

"**§ 143B-146.8. Evaluation of ~~certificated~~ licensed personnel and principals; action plans; State Board notification.**

(a) Annual Evaluations; Low-Performing Schools. – The principal shall evaluate at least once each year all ~~certificated~~ licensed personnel assigned to a participating school that has been identified as low-performing but has not received an assistance team. The evaluation shall occur early enough during the school year to provide adequate time for the development and implementation of an action plan if one is recommended under subsection (b) of this section. If the employee is a teacher as defined under ~~G.S. 115C-325(a)(6),~~G.S. 115C-325.1(5), either the principal or an assessment team assigned under G.S. 143B-146.9 shall conduct the evaluation. If the employee is a school administrator as defined under G.S. 115C-287.1(a)(3), the Superintendent shall conduct the evaluation.

Notwithstanding this subsection or any other law, the principal shall observe at least three times annually, a teacher shall observe at least once annually, and the principal shall evaluate at least once annually, all teachers who have ~~not attained career status.~~been employed for less than three consecutive years. All other employees who have been employed for three or more years and are defined as teachers under ~~G.S. 115C-325(a)(6)~~G.S. 115C-325.1(5) who are assigned to participating schools that are not designated as low-performing shall be evaluated annually unless the Secretary adopts rules that allow specified categories of teachers with ~~career status~~three or more years of employment to be evaluated more or less frequently. The Secretary also may adopt rules requiring the annual evaluation of ~~noncertificated~~ nonlicensed personnel. This section shall not be construed to limit the duties and authority of an assistance team assigned to a low-performing school.

The Secretary shall use the State Board's performance standards and criteria unless the Secretary develops an alternative evaluation that is properly validated and that includes standards and criteria similar to those adopted by the State Board. All other provisions of this section shall apply if an evaluation is used other than one adopted by the State Board.

(b) Action Plans. – If a ~~certificated~~ licensed employee in a participating school that has been identified as low-performing receives an unsatisfactory or below standard rating on any function of the evaluation that is related to the employee's instructional duties, the individual or team that conducted the evaluation shall recommend to the principal that: (i) the employee receive an action plan designed to improve the employee's performance; (ii) the employee's contract not be recommended for renewal, or (iii) if the employee engages in inappropriate conduct or performs inadequately to such a degree that such conduct or performance causes substantial harm to the educational environment that a proceeding for immediate dismissal or demotion be instituted. ~~or (ii) the principal recommend to the Secretary that the employee be dismissed or demoted.~~ The principal shall determine whether to develop an action ~~plan~~plan, to not recommend renewal of the employee's contract, or to recommend a dismissal proceeding. The person who evaluated the employee or the employee's supervisor shall develop the action plan unless an assistance team or assessment team conducted the evaluation. If an assistance team or assessment team conducted the evaluation, that team shall develop the action plan in collaboration with the employee's supervisor. Action plans shall be designed to be completed within 90 instructional days or before the beginning of the next school year. The State Board, in consultation with the Secretary, shall develop guidelines that include strategies to assist in evaluating ~~certificated~~ licensed personnel and developing effective action plans within the time

allotted under this section. The Secretary may adopt policies for the development and implementation of action plans or professional development plans for personnel who do not require action plans under this section.

(c) Reevaluation. – Upon completion of an action plan under subsection (b) of this section, the principal or the assessment team shall evaluate the employee a second time. If on the second evaluation the employee receives one unsatisfactory or more than one below standard rating on any function that is related to the employee's instructional duties, the principal shall recommend that the employee's contract not be renewed, or if the employee engages in inappropriate conduct or performs inadequately to such a degree that such conduct or performance causes substantial harm to the educational environment, that the employee be dismissed or demoted under ~~G.S. 115C-325.~~G.S. 115C-325.4. The results of the second evaluation shall constitute substantial evidence of the employee's inadequate performance.

(d) State Board Notification. – If the Secretary dismisses an employee for cause or elects to not renew an employee's contract as a result of a superintendent's recommendation under subsection (b) or (c) of this section, ~~any reason except a reduction in force under G.S. 115C-325(e)(1)l.,~~ the Secretary shall notify the State Board of the action, and the State Board annually shall provide to all local boards of education the names of those individuals. If a local board hires one of these individuals, that local board shall proceed under G.S. 115C-333(d).

...."

SECTION 14.(w) Notwithstanding the requirements for terms of contracts in G.S. 115C-325.3, for the 2012-2013 school year all teachers shall be employed on a contract for a term of one year. This section becomes effective July 1, 2012, and applies to all school employees employed on or after that date.

PART XV. ELIMINATION OF PUBLIC FINANCING FOR SUPERINTENDENT OF PUBLIC INSTRUCTION

SECTION 15.(a) 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,~~Auditor and Commissioner of Insurance in elections to be held in 2008 and thereafter."

SECTION 15.(b) G.S. 163-278.96(12) reads as rewritten:

"(12) Office. – The Council of State offices of ~~Auditor, Superintendent of Public Instruction,~~ Auditor and Commissioner of Insurance."

SECTION 15.(c) Within five business days of the effective day of this act, the State Board of Elections shall notify any individual who is a candidate for Superintendent of Public Instruction and who has filed a declaration of intent to participate in the program for public financing through the North Carolina Voter-Owned Elections Fund that the candidate is no longer eligible to participate in the program.

SECTION 15.(d) This section is effective when it becomes law and applies to elections held on or after that date.

PART XVI. EFFECTIVE DATE

SECTION 16. Except as otherwise provided, this act is effective when it becomes law.

SENATE BILL 795:
Excellent Public Schools Act

2011-2012 General Assembly

Committee:	Senate Re-ref to Appropriations/Base Budget. If fav, re-ref to Finance	**Date:**	May 30, 2012
Introduced by:	Sens. Apodaca, P. Berger, Tillman	**Prepared by:**	Drupti Chauhan, Kara McCraw, and Patsy Pierce
Analysis of:	Second Edition		

SUMMARY: SB 795 would: (i) enact the "North Carolina Read to Achieve Program" which makes numerous changes regarding K-3 literacy; (ii) provide volunteer leave time for State employees to help with literacy; (iii) assign "A-F" grades to schools based on performance; (iv) require annual assessments and final exams to be given within a certain time frame at the end of the course or school year; (v) change the school calendar to be a minimum of 185 days or 1025 hours; provide for 3 days to be designated as protected teacher workdays; eliminate the waiver option to use 5 instructional days for teacher workdays; change the school start and stop dates; modify "good cause" weather waivers; and eliminate educational purpose waivers; (vi) provide funding for five additional instructional days within the existing school calendar; (vii) establish the NC Teacher Corps; (viii) set additional standards for teacher licensure; (ix) require notice of proof of State funded liability insurance; (x) require local boards of education to develop a plan for performance pay; (xi) clarify eligibility for NC Pre-K program and add slots to NC Pre-K; (xii) repeal prohibition on teacher prepayment; (xiii) provide a tax deduction for educators for the purchase of educational supplies; (xiv) eliminate career status and establish teacher contracts that may be for up to 4 years; and (xv) eliminate public financing for candidates for the Office of Superintendent of Public Instruction.

BILL ANALYSIS FOR SB 795:

Part I: K-3 Literacy

Section 1.(a)

Current Law: The State Board of Education (SBE) is charged with developing a comprehensive reading achievement plan. The SBE can require modifications to the standard course of study, teacher licensure and teacher education program standards.

Analysis: Repeals the current statute requiring the SBE to develop a comprehensive reading achievement plan.

Section 1.(b) North Carolina Read to Achieve Program

Analysis:

- Goal, Purposes, and Definitions: Creates "NC Read to Achieve Program" to ensure every child reads at or above grade level by 3rd grade through early identification and services for reading difficulties, increased parental notification of academic need and progress, and grade promotion based partly on reading proficiency.
- Comprehensive Plan for Reading Achievement: Requires the SBE to develop, implement and evaluate a comprehensive reading achievement plan including research-based practices, appropriate modification of the standard course of study, and teacher licensure and education program standards. Requires SBE to report biennially on plan and recommended legislative changes to the Joint Legislative Education Oversight Committee (JLEOC) by October 1.
- Developmental Screening and Kindergarten Entry Assessment: Requires the SBE to ensure that each kindergarten student's language, literacy, and math skills be screened within 30 days of enrollment and kindergarten entry assessment be completed within 60 days of enrollment. Results must be used to inform children's instruction, reduction of the achievement gap, and improvement of the early childhood system.
- Facilitating Early Grade Reading Proficiency: Mandates that K-3 students be assessed to determine difficulty with reading development, and requires difficulties be addressed with instructional supports and services. Local school administrative units (LEAs) are encouraged to partner with community organizations and businesses for volunteers to help enhance reading development and proficiency.

- Elimination of Social Promotion: Requires the SBE to mandate students be retained in 3rd grade if the student fails to demonstrate 3rd grade reading proficiency on a State-approved standardized test of reading comprehension. The local superintendent may determine that a student meets one of the good cause exemptions to the retention requirement (limited English proficiency, disability, demonstrated proficiency on alternative measures, or multiple retentions).
- Successful Reading Development For Retained Students: Requires enrollment of retained students in summer reading camps. Students showing reading proficiency on an alternative assessment after completing the camp would be promoted to 4th grade. Students not demonstrating proficiency must be retained and provided with a successful reading teacher in an accelerated or transitional classroom where specific reading instruction takes place. The SBE must establish a mid-year promotion policy for students demonstrating reading proficiency by November 1. Parents of retained students will be provided with reading training and supplemental tutoring for the student.
- Notification Requirements To Parents: Requires that K-3 parents receive written notification that a student will be retained if the student is not demonstrating reading proficiency by the end of the 3rd grade, absent a good cause exemption. For retained students, parents must be given monthly written reports regarding student progress.
- Accountability Measures: Directs local boards of education to annually report to the SBE and publish on their websites information about numbers and percentages of 3rd graders demonstrating reading proficiency, retained, or exempt from retention for good cause.

  The SBE shall submit a summary of this information to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the JLEOC by October 1, beginning with the 2014-2015 school year. The SBE and the Department of Public Instruction must provide technical assistance as needed to assist LEAs to implement the provisions of this Part.

Section 1.(c): School Improvement Plans

Current Law and Analysis: Repeals current requirement that school improvement plans for schools serving kindergarten and 1st grade must include a reading plan to prepare students to read at grade level by 2nd grade.

Section 1.(d): Risk of Academic Failure

Current Law and Analysis: Requires identification of students who are at risk of academic failure and not progressing toward grade promotion beginning in kindergarten. Current law requires identification by 4th grade.

Section 1.(e): K-3 Assessments

Current Law: Optional developmentally appropriate assessments must be provided to LEAs for 1st and 2nd grades. Standardized tests cannot be used except as required as a condition of a federal grant.

Analysis: Requires LEAs to use SBE provided reading assessments for K-3 students to assess progress, diagnose difficulties, and inform instruction and remediation needs. LEAs would be prohibited from using standardized tests for summative assessments in grades K-3, except as required as a condition of a federal grant.

Section 1.(f): New K-3 Literacy Requirements for Charter Schools

Analysis:

- Requires charter schools to retain students in 3rd grade if the student fails to demonstrate 3rd grade reading proficiency on a State approved test of reading comprehension unless the student meets a good cause exemption.
- Requires charter schools to provide notice to parents that a student will be retained if not demonstrating reading proficiency by the end of 3rd grade, unless there is a good cause exemption. Parents must be given information on reading interventions to be provided.
- Requires charter schools to publish annually on their websites and report to the SBE the number and percentage of 3rd graders who are reading proficiently, who are not reading proficiently who do not return during the following year, and who were exempt from retention for good cause.

Section 1.(g): Principal's Authority to Grade and Classify Students

Current Law: Principals have the authority to grade and classify students.

Analysis: Limits principals' authority to grade and classify students when a student must be mandatorily retained in the 3rd grade for failing to demonstrate 3rd grade reading proficiency.

Sections 1.(h) and 1.(i): Conforming Changes and Appropriations

Analysis: Makes conforming changes regarding the kindergarten developmental screenings. Appropriates $34,087,650 to the Department of Public Instruction for 2012-2013 to implement the new requirements and states that it is the intent of the General Assembly to increase the appropriation in 2013-2014.

Effective Date: Section 1 would be effective when it becomes law and would apply beginning with the 2013-2014 school year. The developmental screening and kindergarten entry assessment would be administered beginning with the 2014-2015 school year.

Part II: State Employee Literacy Volunteer Leave Time

Current Law: Under the Community Service Leave Policy, employees may use one hour of leave each week for helping in a school, up to 36 hours for the weeks that schools are in session.

Analysis: Directs the State Personnel Commission to establish a leave program that allows employees to volunteer in a literacy program in a public school for up to 5 hours each month.

Effective Date: This section would become effective when it becomes law.

Part III: School Performance Grades

Sections 3.(a) and 3.(b): Annual Report Cards

Current Law: The SBE must issue an annual "report card" for the State and each LEA. Local boards of education must ensure that their report cards are distributed widely to the local press and public.

Analysis: Directs the SBE to award to each school an overall numerical school performance grade (on a scale of zero to 100) and corresponding letter grade of A, B, C, D, or F as a part of the LEA's annual report card. These performance grades must be placed on the LEA's website for the current year and the previous 4 years. The grades must reflect student performance on annual subject-specific assessments, college and workplace readiness measures, and graduation rates. The annual report card for schools with 3rd grade students must include information about reading proficiency and retention. Written notice must be provided to parents of students enrolled in schools that obtain a D or F grade.

Sections 3.(c) and 3.(d): Charter Schools and Regional Schools

Analysis: Requires charter schools and regional schools to ensure that the report cards issued to them by the SBE are publicized widely. The performance scores and grades for the current year and previous 4 years must be placed prominently on each school's website and if a school receives a D or F, written notice must be provided to parents of all enrolled students.

Section 3.(e): Calculation of School Performance Grades

Analysis:

- For schools serving grades K-8, the ***overall*** school performance grade would be calculated based on the sum of the percentage of students scoring at or above proficient on annual assessments in math, reading, and science. Reading and math grades would be separately reported.
- For schools serving grades 9-12, the ***overall*** school performance grade would be calculated based on a number of measures including measures of math, English, biology, college/workplace readiness, higher level math completers, and graduation rates.

A scale of points yielding letter grades is provided. The SBE would be required to make proportional adjustments to account for the absence of a school performance grade element if the school does not have a measure for that element. The SBE must annually report to the JLEOC by January 15 on recommended adjustments to the school performance grade elements and scale.

Effective Date: This section would become effective when it becomes law and applies beginning with the 2012-2013 school year.

Part IV: Instructional Time and Testing

Current Law: The SBE must establish a policy to minimize time spent taking tests through State and local testing programs, including limits on practice and field tests. Schools can participate in no more than 2 field tests in any one grade level in a school year unless the school improvement teams vote to participate in an expanded number of field tests.

Analysis: Prohibits schools from participating in more than 2 field tests. Annual tests adopted by the SBE and all final exams for courses must be administered within the final 10 instructional days of the school year for year-long courses and within the final 5 instructional days of the semester for semester courses. Exceptions would be allowed for individualized education plans and Section 504 plans and final exams for courses with national or international curriculums given on a schedule set by a national organization.

Effective Date: This section would become effective when it becomes law and applies beginning with the 2012-2013 school year.

Part V: Adjustments to School Calendar Start and End Dates

Current Law: School calendars must include 185 instructional days and 1,025 instructional hours. The SBE may grant waivers to allow an LEA to use up to 5 instructional days and corresponding instructional hours as teacher workdays upon a finding that the waiver will enhance student performance. Current law does not require the inclusion of protected teacher workdays in the school calendar.

Except for certain limited exceptions, the opening date for students cannot be before August 25 and the closing date cannot be after June 10. The SBE may grant 2 types of waivers to the opening and closing date requirements. A "good cause" waiver may be granted to schools if the school either:

- Has been closed 8 days per year in 4 of the last 10 years due to severe weather, energy shortages, power failures, or other emergency situations, or
- Has been closed for all or part of 8 days per year in 4 of the last 10 years due to severe weather conditions. Schools are deemed closed part of a day if closed for 2 or more hours.

The SBE may also grant an educational purpose waiver to the start and close dates. An educational purpose is the need to adopt a different calendar for:

- A specific school to accommodate a special program for the student body of that school.
- A school primarily serving a special population of students.
- A defined program within a school.

The SBE may grant the waiver if it finds the educational purpose is reasonable, the accommodation is necessary for the educational purpose, and the request is not to circumvent the opening and close date requirements.

Analysis:

- Provides that a school calendar shall include a minimum of 185 days or 1025 hours of instruction.
- Designates 3 teacher workdays as "protected" for instructional and classroom administrative duties with at least 1 of the days at the beginning of the school year and at least 1 at the end.
- Eliminates the authority of the SBE to grant a waiver for up to 5 instructional days to be used as teacher workdays.
- Provides that opening dates for students cannot be earlier than the Monday closest to August 26 and the closing dates cannot be later than the Friday closest to June 11. On a showing of good cause, the SBE may allow a local board of education to set an opening date no earlier than the Monday closest to August 19.

- Allows the SBE to grant "good cause" waivers from the opening and closing dates for weather only when schools were closed for 8 days per year during any 4 of the last 10 years. Part day closures could not count in the calculation.
- Eliminates the SBE's authority to grant calendar waivers for educational purposes and clarifies that cooperative innovative high schools are not subject to the general calendar law.

Effective Date: This section would become effective when it becomes law and applies beginning with the 2013-2014 school year.

Part VI: Funding for Addition of 5 Instructional Days Within the Existing School Calendar

Current Law: S.L. 2011-145 added five additional instructional days to the school calendar, resulting in a requirement for 185 days and 1025 hours of instruction.

Analysis: Revises funding for the additional instructional days to provide funding only for days for which schools have not received waivers from the SBE for the 2012-2013 school year. Appropriates $40,168 for the 2012-2013 fiscal year to increase the non-instructional support personnel allotment and $351,469 for the 2012-2013 fiscal year to increase the transportation allotment.

Effective Date: This section would become effective July 1, 2012.

Part VII: NC Teacher Corps

Analysis: Establishes the NC Teacher Corps (Corps) to recruit and place recent college graduates and mid-career professionals as teachers in high-needs public schools. The SBE would be directed to develop and administer the Corps including provision of an intensive summer training institution, ongoing support and professional development. Corps members would be given lateral entry teaching licenses.

Effective Date: This section would become effective when it becomes law and the SBE must recruit and place an initial cohort of Corps members no later than the 2012-2013 school year.

Part VIII: Teacher Licensure

Current Law: The SBE sets the licensure requirements for teaching position applicants and may require a minimum score on a standard exam. The SBE, collaborating with the Board of Governors of The University of North Carolina, must develop requirements for continuing licensure, align them with quality professional development programs, and sets the standards for approval for teacher education programs.

Analysis: Provides that elementary education (K-6) teachers be required to achieve a prescribed minimum score on subtests or standard exams specific to reading and language arts and mathematics. For continuing licensure, at least 3 continuing education credits related to literacy must be taken by elementary and middle school teachers. Teacher education program approval standards would require elementary education program completers to demonstrate competencies in assessment and intervention strategies to teach all children to read.

Effective Date: This section would become effective when it becomes law and applies beginning with the 2013-2014 school year.

Part IX: Proof of State-Funded Liability Insurance

Current Law: Professional liability insurance coverage is provided to all public school employees.

Analysis: Directs the SBE to annually notify public school employees of the availability and coverage of the professional liability insurance.

Effective Date: This section would become effective when it becomes law and applies beginning with the 2012-2013 school year.

Part X: Performance Pay

Analysis: Directs local boards of education to develop a plan of performance pay for all licensed personnel. The licensed employees would be eligible to receive bonuses or adjustments to base salary for meeting certain

performance criteria. The plans must be submitted to the SBE no later than March 1, 2013. The SBE must report on these plans and the achievement-based compensation models developed as a part of RttT to the Fiscal Research Division, the Joint Legislative Commission on Governmental Operations, and the House and Senate Subcommittees on Education Appropriations by April 15, 2013. Members of the public may also submit plans to these entities by April 15, 2013.

Effective Date: This section would become effective when it becomes law.

Part XI: Clarify NC Pre-K Program Eligibility

Current Law: Section 10.7(f) of S.L. 2011-145 (Budget) states that the NC prekindergarten program (NC Pre-K) may continue to serve at-risk children identified through existing "child find" methods in which at-risk children are currently served within the Division of Child Development. The Division of Child Development is directed to serve at-risk children regardless of income. However, the total number of at-risk children can constitute no more than twenty percent (20%) of the four-year olds served within the NC Pre-K program. Section 10.7(h) requires parent co-payments for the NC Pre-K program which are the same as those required of parents receiving regular child care subsidy.

Analysis: Clarifies the relevant section of S.L. 2011-145 (Budget) regarding NC Pre-K eligibility standards and removes the parent co-pay requirement for the NC Pre-K program. Appropriates $11,308,363 to the Department of Health and Human Services, Division of Child Development and Early Education, to add 2,261 slots to the NC Pre-K program for the 2012-2013 fiscal year.

Effective Date: This section would become effective when it becomes law.

Part XII: Repeal Prohibition on Teacher Prepayment

Current Law: G.S.115C-302.1(b) details how teachers are paid. Teachers may be prepaid on the monthly pay date for days not yet worked. However, if they fail to attend scheduled workdays, do not work the number of days for which they have been paid and resign, are dismissed, or do not receive a renewed contract, they must repay the local board any salary received for days not yet worked. Teachers who have been prepaid and continue to work for a local board but fail to attend scheduled work days are subject to dismissal or other disciplinary actions.

Section 5 of S.L. 2011-379 (HB 720) removed the ability for local boards of education to pre-pay for days not yet worked and provided that teachers may only be paid for days employed as of the set pay date. Payment for a full month when days employed are less than a full month would be prohibited. This prohibition on prepayment will become effective July 1, 2012.

Analysis: Repeals the prohibition on teacher prepayment which was enacted by Section 5 of S.L. 2011-379 (HB 720). Under Section 5 of S.L. 2011-379, the prohibition on prepayment does not become effective until July 1, 2012. This section would allow prepayment as is currently allowed under G.S. 115C-302.1(b) to continue as it is currently being implemented by local boards of education without any changes.

Effective date: This section would become effective July 1, 2012.

Part XIII: Tax Deduction for Educational Supplies

Analysis: Allows an individual income tax deduction for teachers in elementary or secondary education of up to $250 for unreimbursed expenses paid or incurred for school supplies. Congress enacted a tax benefit to help K-12 teaches defray some of the expenditures they voluntarily make to enhance the quality of their students' education. The deduction has been available for tax years 2002-2011. Since North Carolina begins its calculation of taxable income with federal AGI, teachers in North Carolina have been allowed the deduction at the State level as well.

Congress has not extended the tax deduction beyond the 2011 taxable year. This section allows North Carolina teachers to continue deducting up to $250 for unreimbursed expenses paid or incurred for school supplies for taxable years beginning on or after January 1, 2012. If a taxpayer files a joint return and both spouses are eligible educators, then they both may claim up to $250 of expenses for a $500 total on a joint return. If Congress extends the federal tax deduction beyond taxable year 2011, then this provision will not be needed. However, if it does

not, this provision ensures that North Carolina educators will continue to receive the same tax benefit they have received since 2002.

Effective Date: This section becomes effective for taxable years beginning on or after January 1, 2012.

Part XIV: Teacher Contracts

Current Law: In North Carolina, teachers are eligible for career status when they have been employed by a local board of education for four consecutive years. Obtaining career status provides that the career employee may not be dismissed or demoted except if one or more statutory grounds are found. Certain procedures must be followed to dismiss or demote a career status teacher, including a right to a hearing in front of the local board of education with a further right of appeal to superior court. The procedure for the dismissal of career status teachers in schools that have been identified as low-performing by the SBE and that have been assigned assistance teams varies in that the SBE has the authority to dismiss career status teachers due to inadequate performance. Hearings must still be granted by the SBE in these cases and there are further rights to judicial review under Chapter 150B of the General Statutes.

Analysis: Eliminates career status in North Carolina. Teachers employed by a local board of education for less than 3 years would be employed by 1 year contracts. Contracts or renewal of contracts between a local board of education and teachers who have been employed by that board for 3 years or more would be terms of 1, 2, 3, or 4 school years. For the 2012-2013 school year, all teachers would be employed on a 1 year contract. All teachers would be employed by their local boards of education upon recommendation of the superintendent. Superintendents must also recommend contract length (for those with 3 or more years of employment) but can only recommend contracts of more than 1 year for teachers who have shown effectiveness as documented by the teacher evaluation instrument. Local boards of education would be able to approve the recommendation, not approve it or decide on a different term of length for the contract. Teachers could not be dismissed or demoted during the term of the contract except for one of the statutorily listed grounds. If the superintendent decides against recommending a renewal of a contract, the teacher would have the right to petition the local board of education for a hearing but whether to grant the hearing would be in the local board's discretion.

- Procedure for Dismissal or Demotion for Cause During the Contract Term:
  - Notice: The superintendent must give written notice to the teacher of his or her intention to recommend to the local board of education that teacher be dismissed or demoted and provide the grounds upon which the recommendation is being made. The superintendent must also meet with the teacher and (i) give written notice of the charges against the teacher; (ii) an explanation of the basis for the charges; and (iii) an opportunity to respond. The notice must also inform the teacher that he or she may request a hearing before the local board of education within 14 days of the receipt of the notice.
  - Request for a Hearing: The teacher may file a written request for a hearing before the local board of education within 14 days after receipt of the notice of recommendation of the superintendent. The board shall set a time and place for the hearing which is not less than 10 days nor more than 30 days after notification is given to the teacher unless the parties agree to an extension.
  - No Request for Hearing: If the teacher does not request a hearing before the board within 14 days of receipt of the recommendation, the superintendent may submit his or her recommendation to the board. The board may (i) reject the recommendation or (ii) accept or modify the recommendation.
- Hearing Before the Local Board of Education: The hearing must be private and the board must receive documentary evidence that will be used to support the recommendation from both the superintendent and teacher, who must provide the evidence to each other within certain time frames. Written statements may be provided to the board and both the superintendent and the teacher may make oral arguments before the board based on the record before the board. The board must make findings of fact based upon the preponderance of the evidence and must send a written copy of its findings and determinations within 2 days of the hearing to the teacher and the superintendent.

- Hearing for Disciplinary Suspension Without Pay: The hearing must be private and conducted according to reasonable rules adopted by the SBE governing such a hearing. Both the teacher and superintendent have the right to be present and represented by counsel and to present witnesses. The rules of evidence to not apply. The superintendent must give the teacher 8 days before the hearing, a list of witnesses who will be presented and a statement of the nature of each witness' testimony and copy of any documentary evidence that will be presented. The teacher must provide this same information to the superintendent 6 days before the hearing. New evidence may not be presented at the hearing unless the board finds that it is critical and could not have been found earlier.
- No Appeal of Local Board of Education's Decision: The bill would eliminate the right to appeal to superior court decisions of a local board of education regarding the terms or conditions of employment or employment status of a school employee.
- Teacher Resignation Following Recommendation for Dismissal: If a teacher has been recommended for dismissal and chooses to resign without the written consent of the superintendent: (i) the superintendent must report the matter to the SBE; (ii) the teacher is deemed to have consented to the placement in his or her personnel file of the written notice of the superintendent's intention to recommend dismissal and the release of this fact that the teacher has been reported to the SBE to prospective employers upon request; and (iii) the teacher is deemed to have voluntarily surrendered his or her license pending an investigation by the SBE in determination of whether to seek action against the teacher's license.
- 30 Days' Notice Required for Resignation: If a teacher who has not been recommended for dismissal decides to resign during the term of the contract without the consent of the superintendent, then he or she should give at least 30 days' notice. If the teacher does resign without giving this notice, then the board may request that the SBE revoke the teacher's license for the remainder of the school year.
- Dismissal of School Administrators and Teachers Employed in Low-Performing Residential Schools: The procedure would remain substantially the same as it is under current law but would make the following changes:
  - Clarify that it is the SBE (rather than the Secretary of Health and Human Services) that has the authority to dismiss school administrators and teachers in residential schools that have been identified as low-performing by the SBE and have been assigned assistance teams by the SBE.
  - Eliminate the provision that allowed the teacher or school administrator to seek judicial review under Chapter 150B of the General Statutes of a final decision of the SBE.
- Dismissal of School Administrators and Teachers Employed in Low-Performing Schools: The procedure would remain substantially the same as it is under current law but the bill would eliminate the provision that allowed the teacher or school administrator to seek judicial review under Chapter 150B of the General Statutes of a final decision of the SBE.

School Administrators

Current Law: Most school administrators are employed through contracts with their local boards of education. Some school administrators who had or were eligible to receive career status in 1995 are employed pursuant to the teacher career status law. For those employed by contract, school administrators cannot be dismissed or demoted during the term of the contract except for cause for one of the statutorily listed grounds. Superintendents recommend new, renewed, or extended contracts for school administrators to their local boards of education which may approve the recommendations or not. If a superintendent decides against recommending that the local board of education offer a new, renewed, or extended contract to a school administrator, then written notice of this decision and the reasons for it must be given to the school administrator. The reasons may not be arbitrary, capricious, discriminatory, personal, or political. The school administrator may file a written request for a hearing before the local board and failure to file a timely request results in a waiver of the right of appeal of the superintendent's decision. If a timely request is filed, the local board of education must conduct a hearing on the matter and its decision is subject to judicial review under Chapter 150B of the General Statutes.

Analysis: Eliminates career status for all school administrators. Eliminates the current requirement that the superintendent's and local board of education's decisions to not offer a new, renewed, or extended contract to a school administrator may not be arbitrary, capricious, discriminatory, personal or political. Also eliminates the right to judicial review under Chapter 150B of the General Statutes of the decision of the local board of education.

Non-Licensed Employees

Current Law: Non-licensed employees may appeal a decision of the local board of education to superior court regarding decisions concerning dismissal, demotion or suspension without pay. The non-licensed employee may request and be entitled to receive written notice as to the reasons for the employee's dismissal, demotion or suspension without pay and it must be provided to the employee prior to any local board of education hearing on the issue.

Analysis: Eliminates this right of appeal to superior court and would eliminate the right to written notice for the reasons for the non-licensed employee's dismissal, demotion or suspension without pay.

Section 11.(d) through Section 11.(l) and Section 11.(n) through Section 11.(w): Conforming statutory changes regarding the elimination of career status. Creates cross-reference to existing law to clarify that exchange teachers are not eligible to participate in the State retirement system.

Effective Date: For the 2012-2013 school year, all teachers would be employed on a 1 year contract. These sections would become effective July 1, 2012 and would apply to all school employees employed on or after that date.

Part XV: Eliminate Public Financing for Superintendent of Public Instruction

Current Law: North Carolina currently provides a program called the North Carolina Voter Owned Election Fund for public financing of elections for 3 of the 10 Council of State races (Auditor, Superintendent of Public Instruction and Commissioner of Insurance).

Candidates must file declaration of intent to participate before collecting qualifying contributions, and must then collect qualifying contributions from a certain number of registered voters during the qualifying period. The State Board of Elections "certifies" that the candidate has filed a declaration of intent, collected the appropriate contributions, and filed a notice of candidacy. Once certified, the candidate is entitled to receive distributions from the public financing fund. Distributions are as follows: none for an uncontested primary or general election; an initial distribution within 5 business days of certification by the State Board for a candidate in a contested general election; and matching funds upon trigger.

The money for the distributions to the candidates is taken from the North Carolina Voter Owned Election Fund. The program is funded by voluntary check-off donations on personal income tax and appropriations.

Analysis: Eliminates the Superintendent of Public Instruction as one of the three Council of State offices that may participate in public financing through the North Carolina Voter Owned Election Fund.

Effective Date: This section would become effective when it becomes law and applies to elections held on or after that date.

S795-SMTC-56(e2) v2

ATTACHMENT 6

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2011

FISCAL ANALYSIS MEMORANDUM

[This confidential fiscal memorandum is a fiscal analysis of a draft bill, amendment, committee substitute, or conference committee report that has not been formally introduced or adopted on the chamber floor or in committee. This is not an official fiscal note. If upon introduction of the bill you determine that a formal fiscal note is needed, please make a fiscal note request to the Fiscal Research Division, and one will be provided under the rules of the House and the Senate.]

DATE: May 25, 2012

TO: Senators Apodaca, P. Berger, and Tillman

FROM: Kristopher Nordstrom, Lisa Hollowell, Jonathan Tart, and Chloe Gossage
Fiscal Research Division

RE: Senate Bill 795 PCS

FISCAL IMPACT

(dollars in millions)

	Yes (X)	No ( )	No Estimate Available ( )		
	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
STATE GENERAL FUND					
Revenues:	($1.8)	($1.8)	($1.8)	($1.8)	($1.8)
Expenditures:	$45.6	$59.3	$79.8	$75.2	$82.3
STATE POSITIONS					
(cumulative):	11	11	14	14	14
LOCAL FUNDS					
Expenditures:	$1.1	$1.1	$1.1	$1.1	$1.1

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: The Department of Public Instruction, local education agencies, the University of North Carolina, and the North Carolina Independent Colleges and Universities.

EFFECTIVE DATE: See Bill Summary section

BILL SUMMARY:

This bill would enact many changes related to the operation of North Carolina's public schools. The bill has fifteen substantive Parts, including:

- **Part I:** Enacts the "North Carolina Read to Achieve Program," which makes numerous changes regarding K-3 literacy policy.
- **Part II:** Provides volunteer leave time for State employees to help with literacy programs in public schools.
- **Part III:** Assigns "A-F" grades to schools based on performance.
- **Part IV:** Requires annual assessments and final exams to be given within a certain time frame at the end of the course or school year.
- **Part V:** Provides flexibility with regards to required school instructional time, reinstates three required teacher workdays, and adjusts the school calendar start and end and dates.
- **Part VI:** Provides funding for additional instructional days which have not been waived by the State Board of Education.
- **Part VII:** Establishes the NC Teacher Corps.
- **Part VIII:** Sets additional standards for teacher licensure.
- **Part IX:** Requires notice of the availability and coverage of State-funded liability insurance.
- **Part X:** Requires local boards of education to develop a plan for a system of performance pay.
- **Part XI:** Clarifies NC Pre-K program eligibility criteria, and expands funded slots in FY 2012-13.
- **Part XII:** Repeals prohibition on teacher prepayment.
- **Part XIII:** Creates a tax deduction for teachers for expenses incurred for educational supplies.
- **Part XIV:** Makes several changes the allowable terms for teacher contracts.
- **Part XV:** Eliminates public financing for elections of the Office of Superintendent of Public Instruction.

Part I: Improve K-3 Literacy

Section 1.(a): Under current law, the State Board of Education (SBE) is charged with developing a comprehensive plan to improve reading achievement in the public schools. The plan must be based on research-based practices and the reading programs that are developed must include systematic phonics instruction. As part of the comprehensive plan, the SBE can require modifications to the standard course of study, teacher licensure standards, and teacher education program standards. Section1.(a) repeals this existing language.

Section 1.(b): Establishes the North Carolina Read to Achieve Program ("the Program"). The Program is established by adding nine sections to the General Statutes:

- **G.S. 115C-83.1A** states the Program's goal of ensuring that every student read at or above grade level by the end of third grade, with continued improvement necessary for secondary education and career success.
- **G.S. 115C-83.1B** states the Program's purposes, ensuring that (i) difficulty with reading development is identified early; (ii) students receive instructional and support services to address difficulty with reading development and remediation

for reading deficiencies; (iii) students and parents are continuously informed of the students' academic needs and progress; and (iv) progression from one grade to another be based in part upon proficiency in reading.

- **G.S. 115C-83.1C** defines numerous terms in the Program including "difficulty with reading development", "reading proficiency", and "reading deficiency".
- **G.S. 115C-83.1D** requires the SBE to develop, implement, and continuously evaluate a comprehensive plan to improve reading based on practices that have strong evidence of effectiveness in current empirical research in reading development. When appropriate, the plan should modify the standard course of study, teacher licensure standards, and teacher education program standards. The SBE must report biennially to the Joint Legislative Education Oversight Committee on the implementation, evaluation, and revisions to the plan including recommendations for legislative changes.
- **G.S. 115C-83.1E** requires the SBE to ensure that each kindergarten student be given a developmental screening of early language, literacy, and math skills within 30 days of enrollment and given a kindergarten entry assessment within 60 days of enrollment. The results of both must be used to inform: (i) the status of children's learning at kindergarten entry; (ii) instruction for each child; (iii) efforts to reduce the achievement gap at kindergarten entry; and (iv) continuous improvement of the early childhood system.
- **G.S. 115C-83.1F** mandates that K-3 students must be given diagnostic assessments and difficulty with reading development must be addressed with instructional supports and services. Local school administrative units (LEAs) are encouraged to partner with community organizations and businesses for volunteers, mentors, and tutors to help enhance reading development and proficiency.
- **G.S. 115C-83.1G** requires that the SBE mandate that a student be retained in grade 3 if the student fails to demonstrate 3rd grade reading proficiency on a State-approved standardized test of reading comprehension. The test can be re-administered once prior to the school year. A student can be exempt from mandatory retention for good cause but must receive instructional supports and services and reading interventions. Good cause exemptions are limited to the following:
    - Limited English proficient students with less than two years of instruction in an English as a Second Language Program.
    - Students with disabilities whose individualized education program indicates the use of alternative assessments and reading interventions.
    - Students who demonstrate 3rd grade reading proficiency on an alternative test provided by the SBE.
    - Students who demonstrate 3rd grade reading proficiency through a student reading portfolio.
    - Students who have received reading intervention and previously have been retained more than once in grades K-3.

  The superintendent of the LEA must determine whether a student may be exempt from mandatory retention on the basis of a good cause exemption. The teacher must submit documentation to the principal of the relevant exemption as

well as evidence that promotion is appropriate based on the student's academic record. The principal must review the documentation and make an initial determination on promotion. If the principal determines the student should be promoted, the principal then must make a written recommendation of promotion to the superintendent for a final determination which must be in writing.

- **G.S. 115C-83.1H** requires enrollment in a summer camp and allowing promotion to 4th grade if the student shows reading proficiency on an alternative test of reading comprehension or reading portfolio after completion of the camp. If the student does not show proficiency then the student must be retained and:
  - Provided with a teacher with demonstrated student outcomes in reading proficiency;
  - Placed in an accelerated reading class or transitional 3rd and 4th grade class combination;
  - Provided at least 90 minutes of daily, uninterrupted, evidence based reading instruction; and
  - Given other appropriate instructional supports and services and reading interventions.

  The SBE must establish a mid-year promotion policy for retained students who demonstrate reading proficiency by November 1 of the school year. Parents of students retained once must be provided with a home reading plan and participation in shared and guided reading workshops. Parents of students retained twice must be offered supplemental tutoring for the retained student outside of the instructional day.
- **G.S. 115C-83.1I** requires that parents be notified in writing that a student will be retained if the student is not demonstrating reading proficiency by the end of the 3rd grade unless there is a good cause exemption. The notice must be given when a kindergarten, 1st, 2nd, or 3rd grade student is demonstrating difficulty with reading development, is not reading at grade level, or has a personal education plan. Parents must also be given notice in writing if the student is not eligible for a good cause exemption as well as proposed reading interventions. For retained students, the parents must be given monthly written reports on the student's progress toward reading proficiency.
- **G.S. 115C-83.1J** directs local boards of education to annually publish on its LEA's website and submit in writing to the SBE each year the following information:
  - The number and percentage of 3rd graders showing and not showing reading proficiency on the State-approved test of 3rd grade reading comprehension;
  - The number and percentage of 3rd graders who take and pass the alternative test of reading comprehension;
  - The number and percentage of 3rd graders retained for not demonstrating reading proficiency; and
  - The number and percentage of 3rd graders exempt from mandatory retention due to a good cause exemption.

  LEAs must also report annually to the SBE describing all reading interventions provided to the 3rd grade students retained for lack of reading proficiency. The

SBE must annually compile the information provided by the LEAs and provide a State-level summary to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Joint Legislative Education Oversight Committee beginning with the 2014-2015 school year. The SBE and the Department of Public Instruction (DPI) must provide technical assistance as needed to assist LEAs to implement the Program.

Section 1.(c): Repeals existing language requiring school improvement plans for schools that serve kindergarten and 1st grade students to include a reading plan to prepare the students to read at grade level by 2nd grade.

Section 1.(d): Amends G.S. 115C-105.41, requiring LEAs to identify students at risk of academic failure and who are not progressing toward grade promotion and graduation beginning no later than kindergarten, as opposed to by 4th grade under existing law. Identification could be based on diagnostic and formative assessments required under Section 1.(b).

Section 1.(e): Under current law, the SBE has to provide developmentally appropriate assessments to LEAs for 1st and 2nd grades consistent with the Basic Education Program instead of standardized tests. LEAs have the option of using these assessments for 1st and 2nd grades but cannot use standardized tests except as required as a condition of receiving a federal grant. This Act would expand the requirements to grades K-3, and would require LEAs to use the assessments for K-3 students to assess progress, diagnose difficulties, and inform instruction and remediation needs.

Section 1.(f): Adds a new section to G.S. 115C-238.29F that would create the following additional requirements for charter schools:

- Requires charter schools to retain a student in the 3rd grade if the student fails to demonstrate 3rd grade reading proficiency on a State-approved standardized test of reading comprehension, consistent with traditional public school requirements in Section 1.(b).
- Requires charter schools to provide reading interventions to retained students which may include 90 minutes of daily evidence based reading instruction, accelerated reading classes, transition classes with 3rd and 4th grade students and summer reading camps, consistent with traditional public school requirements in Section 1.(b).
- Allows charter school to exempt students from mandatory 3rd grade retention for good cause, but they must continue to provide instructional supports and services, consistent with traditional public school requirements in Section 1.(b).
- Requires charter schools to provide notice to parents when a student is not reading at grade level and that if the deficiency is not remediated by the end of the 3rd grade, the student will be retained unless a good cause exemption applies. If the student is not eligible for an exemption, then the parents must be given information on the reading interventions that will be provided.
- Requires charter schools to publish annually on their websites and report to the SBE the following information on the prior school year:
    - The number and percentage of 3rd graders showing and not showing reading proficiency on the State-approved test of 3rd grade reading comprehension;

- The number and percentage of 3rd grade students not demonstrating reading proficiency who do not return to the charter school for the following school year;
- The number and percentage of 3rd graders who take and pass the alternative test of reading comprehension;
- The number and percentage of 3rd graders retained for not demonstrating reading proficiency; and
- The number and percentage of 3rd graders exempt from mandatory retention due to a good cause exemption.

Section 1.(g): Under current law, principals have the authority to grade and classify students. Under this Act, principals would maintain that authority, except when a student must be mandatorily retained in the 3rd grade for failing to demonstrate 3rd grade reading proficiency.

Section 1.(h): Makes conforming changes to G.S. 130A-440(b) regarding kindergarten developmental screenings.

Section 1.(i): Appropriates $34,087,650 for FY 2012-13, and states the General Assembly's intent to increase this appropriation for FY 2013-14 to implement requirements that go into effect that year.

Section 1.(j): This Part is effective when it becomes law and applies beginning with the 2013-14 school year. The developmental screening and kindergarten entry assessments shall be administered beginning with the 2014-15 school year.

Part II: State Employee Literacy Volunteer Leave Time

Amends G.S. 126-4 to create an additional leave program allowing State employees to volunteer in literacy programs in public schools for up to five hours each month. This section is effective when it becomes law.

Part III: School Performance Grades

Under current law, the SBE must issue an annual report card for the State and each LEA assessing efforts to improve student performance.

Under this Act, the SBE would be required to award an overall school performance numerical score on a scale of 0 to 100, and a corresponding letter grade of A, B, C, D, or F to each school as a part of the annual report card process. The school performance grade must reflect student performance on annual subject-specific assessments, college and workplace readiness measures, and graduation rates. For schools serving K-8 students, separate performance grades must be awarded on the performance on literacy and mathematics. The report card for schools with 3rd grade students must include the number of students who take and pass the alternative reading assessment; were retained in 3rd grade for lack of reading proficiency, and were exempt from mandatory retention in 3rd grade because of a good cause exemption.

Under this Act, local boards of education or the charter school would be required to place the overall school performance grades for each school in its LEA on the website for the LEA or charter school for the current and previous four years. Notice would be provided in writing to parents of students enrolled in schools that obtain a grade of D or F.

This section would become effective when it becomes law and applies beginning with the 2012-13 school year.

Part IV: Maximize Instructional Time

Under current law, there are limitations on how much time that schools can devote to practice tests as well as limitations on when field tests and national tests can be administered.

Under this Act, annual tests adopted by the SBE and all final exams for courses would have to be administered within the final ten instructional days of the school year for year-long courses and within the final five instructional days of the semester for semester courses. Exceptions would be allowed for individualized education plans, Section 504 plans, and courses with national or international curriculums required to be held at designated times.

This section would become effective when it becomes law and applies beginning with the 2012-13 school year.

Part V: Adjustments to School Calendar Start and End Dates

Under current law, schools are required to provide a minimum of 185 days and 1,025 hours of instruction. The SBE has the authority to waive up to five instructional days if the SBE finds that it will enhance student performance to do so.

Under this Act, LEAs and charter schools would have the option of providing a minimum of 185 days or 1,025 hours of instruction. Additionally, school calendars would be required to include three protected teacher workdays. Given the flexibility provided, the SBE would no longer have the authority to waive instructional days.

Under current law, the opening date for students cannot be before August 25 and the closing date cannot be after June 10, except for certain limited exceptions.

Under this Act, schools could not open for students before the Monday closest to August 26 and the closing date could not be after the Friday closest to June 11.

Additionally, this Part limits the ability of LEAs to receive waivers to the required closing date for "good cause" and eliminates the SBE's authority to provide closing date waivers for "educational purposes".

This section would become effective when it becomes law and applies beginning with the 2013-14 school year.

Part VI: Funding for the Addition of Five Instructional Days Within the Existing School Calendar

This Part appropriates $40,168 for FY 2012-13 for costs related to additional substitute teachers, and $351,469 for FY 2012-13 for additional student transportation requirements on a nonrecurring basis to account for the higher cost of additional instructional days which have not been waived by the SBE. This section would become effective July 1, 2012.

Part VII: Establish NC Teacher Corps

Establishes the NC Teacher Corps (Corps) in General Statute to recruit and place recent college graduates and mid-career professionals as teachers in high-needs public schools. Collaboration would be required between the SBE, the Board of Governors of The University of North Carolina and the North Carolina Independent Colleges and Universities. The SBE would be directed to develop and administer the Corps including establishing the application criteria and identifying the LEAs with unmet recruitment needs and high-needs schools as well as coordinating placement of Corp members in those schools. An intensive summer training institution must be developed and ongoing support through coaching, mentoring, and professional development must be provided. Corps members would be given lateral entry teaching licenses.

This section would become effective when it becomes law and the SBE must recruit and place an initial cohort of Corps members no later than the 2012-13 school year.

Part VIII: Strengthen Teacher Licensure

Under current law, the SBE sets the licensure requirements for applicants for teaching positions and may require a minimum score on a standard exam. The SBE, in consultation with the Board of Governors of The University of North Carolina, must develop requirements for continuing licensure and align them with quality professional development programs. For teacher preparation programs, the SBE, in coordination with the Board of Governors of The University of North Carolina and the State Board of Community Colleges, sets the standards for approval and must include competencies in the education of children with disabilities and positive behavior management.

Under this Act, elementary education (K-6) teachers would be required to achieve a prescribed minimum score on subtests or standard exams specific to reading and language arts and mathematics. For continuing licensure, at least three continuing education credits related to literacy must be taken by elementary and middle school teachers. The standards for approval of teacher preparation programs must also require elementary education programs to show competencies in the teaching of reading, assessment and diagnosis of areas of difficulty, and appropriate application of instructional supports and services.

This section would become effective when it becomes law and applies beginning with the 2013-14 school year.

Part IX: Proof of State-Funded Liability Insurance

Amends G.S. 115C-12 to require that the SBE annually notify public school employees of the availability and coverage of professional liability insurance.

This section would become effective when it becomes law and applies beginning with the 2012-13 school year.

Part X: Pay for Excellence

Directs local boards of education to develop plans for systems of performance pay for all licensed personnel. Under the plans, the licensed employees would be eligible to receive bonuses or

adjustments to base salary for meeting certain performance criteria. These criteria must include, but are not limited to, the following:

- annual growth in student achievement assigned to a teacher's classroom, when applicable;
- annual growth in student achievement of students assigned to a specific school;
- assignment of additional academic responsibilities;
- assignment to a hard-to-staff school; and
- assignment to a hard-to-staff subject area.

The plans must be submitted to the SBE no later than March 1, 2013. The SBE must report on these plans by April 15, 2013.

This section would become effective when it becomes law.

Part XI: Clarify NC Pre-K eligibility

Section 11.(a) clarifies that the NC Pre-K program eligibility is for those children of families with incomes at or below 75% of the State Median Income. In addition, 20% of those served may have higher incomes as long as they have another demonstrated risk factor. This is current practice by the Department of Health and Human Services, Division of Child Development and Early Education.

Section 11.(b) repeals the requirement of a co-payment by families for individuals served within the NC Pre-K program. The Department of Health and Human Services, Division of Child Development and Early Education did not implement a co-payment for NC Pre-K in FY 2011-12.

Section 11.(c) appropriates funding to the NC Pre-K program of $11,308,363 for FY 2012-13 to serve an additional 2,261 children within the program.

Part XII: Repeal Prohibition on Teacher Prepayment

During the 2011 Session, the General Assembly enacted S.L. 2011-379, The School and Teacher Paperwork Reduction Act, which, effective FY 2012-13, prohibited local school administrative units from prepaying teachers on the monthly pay date for days not yet worked. This Part would repeal of the prohibition on prepayment before it goes into effect.

Part XIII: Tax Deduction for Educational Supplies

The Act provides an income tax deduction for K-12 teachers of up to $250 in expenses incurred for classroom supplies. The provision mirrors the federal deduction for teachers. In previous years, teachers received the benefit of the federal deduction in calculating state tax liability because the starting point for calculating state taxable income was federal taxable income. However, the federal deduction expired at the end of the 2011 tax year and it is uncertain whether it will be extended by federal legislation. This proposal allows teachers in North Carolina to take advantage of this deduction in calculating state tax liability even if the federal deduction is not reinstated.

Part XIV: Teacher Contracts

Teachers

Under current law, teachers in North Carolina are eligible for career status when they have been employed by a local board of education for four consecutive years. Obtaining career status provides that the career employee may not be dismissed or demoted except if one or more statutory grounds are found. Certain procedures must be followed to dismiss or demote a career status teacher, including a right to a hearing in front of the local board of education with a further right of appeal to superior court. The procedure for the dismissal of career status teachers in schools that have been identified as low-performing by the SBE and that have been assigned assistance teams varies in that the SBE has the authority to dismiss career status teachers due to inadequate performance. Hearings must still be granted by the SBE in these cases and there are further rights to judicial review under Chapter 150B of the General Statutes.

This Part eliminates career status in North Carolina. Teachers employed by a local board of education for less than three years would be employed by one-year contracts. Contracts or renewal of contracts between a local board of education and teachers who have been employed by that board for three years or more would be terms of one, two, three, or four school years. For the 2012-2013 school year, all teachers would be employed on a one-year contract. All teachers would be employed by their local boards of education upon recommendation of the superintendent. Superintendents must also recommend contract length (for those with three or more years of employment) but can only recommend contracts of more than one year for teachers who have shown effectiveness as documented by the teacher evaluation instrument. Local boards of education would be able to approve the recommendation, not approve it or decide on a different term of length for the contract. Teachers could not be dismissed or demoted during the term of the contract except for one of the statutorily listed grounds. If the superintendent decides against recommending a renewal of a contract, the teacher would have the right to petition the local board of education for a hearing but whether to grant the hearing would be in the local board's discretion.

This Part would establish the following procedure for dismissal or demotion for cause during the contract term:

- Notice: The superintendent must give written notice to the teacher of his or her intention to recommend to the local board of education that teacher be dismissed or demoted and provide the grounds upon which the recommendation is being made. The superintendent must also meet with the teacher and (i) give written notice of the charges against the teacher; (ii) an explanation of the basis for the charges; and (iii) an opportunity to respond. The notice must also inform the teacher that he or she may request a hearing before the local board of education within 14 days of the receipt of the notice.
- Request for a Hearing: The teacher may file a written request for a hearing before the local board of education within 14 days after receipt of the notice of recommendation of the superintendent. The board shall set a time and place for the hearing which is not less than 10 days nor more than 30 days after notification is given to the teacher unless the parties agree to an extension.
- No Request for Hearing: If the teacher does not request a hearing before the board within 14 days of receipt of the recommendation, the superintendent may submit his or her

recommendation to the board. The board may (i) reject the recommendation or (ii) accept or modify the recommendation.

Hearings before the local board of education must be private and the board must receive documentary evidence that will be used to support the recommendation from both the superintendent and teacher, who must provide the evidence to each other within certain time frames. Written statements may be provided to the board and both the superintendent and the teacher may make oral arguments before the board based on the record before the board. The board must make findings of fact based upon the preponderance of the evidence and must send a written copy of its findings and determinations within two days of the hearing to the teacher and the superintendent.

Hearings for disciplinary suspension without pay must be private and conducted according to reasonable rules adopted by the SBE governing such a hearing. Both the teacher and superintendent have the right to be present and represented by counsel and to present witnesses. The rules of evidence to not apply. The superintendent must give the teacher 8 days before the hearing, a list of witnesses who will be presented and a statement of the nature of each witness' testimony and copy of any documentary evidence that will be presented. The teacher must provide this same information to the superintendent 6 days before the hearing. New evidence may not be presented at the hearing unless the board finds that it is critical and could not have been found earlier.

This Part would eliminate the right to appeal to superior court decisions of a local board of education regarding the terms or conditions of employment or employment status of a school employee.

If a teacher has been recommended for dismissal and chooses to resign without the written consent of the superintendent: (i) the superintendent must report the matter to the SBE; (ii) the teacher is deemed to have consented to the placement in his or her personnel file of the written notice of the superintendent's intention to recommend dismissal and the release of this fact that the teacher has been reported to the SBE to prospective employers upon request; and (iii) the teacher is deemed to have voluntarily surrendered his or her license pending an investigation by the SBE in determination of whether to seek action against the teacher's license.

If a teacher who has not been recommended for dismissal decides to resign during the term of the contract without the consent of the superintendent, then he or she should give at least 30 days' notice. If the teacher does resign without giving this notice, then the board may request that the SBE revoke the teacher's license for the remainder of the school year.

The procedure for dismissal of school administrators and teachers employed in low-performing residential schools would remain substantially the same as it is under current law.

Dismissal of School Administrators and Teachers Employed in Low-Performing Schools: The procedure for dismissal of school administrators and teachers employed in low-performing schools would remain substantially the same as it is under current law but would eliminate the provision

that allowed the teacher or school administrator to seek judicial review under Chapter 150B of the General Statutes of a final decision of the SBE.

School Administrators

Under current law, most school administrators are employed through contracts with their local boards of education. Some school administrators who had or were eligible to receive career status in 1995 are employed pursuant to the teacher career status law. For those employed by contract, school administrators cannot be dismissed or demoted during the term of the contract except for cause for one of the statutorily listed grounds. Superintendents recommend new, renewed, or extended contracts for school administrators to their local boards of education which may approve the recommendations or not. If a superintendent decides against recommending that the local board of education offer a new, renewed, or extended contract to a school administrator, then written notice of this decision and the reasons for it must be given to the school administrator. The reasons may not be arbitrary, capricious, discriminatory, personal, or political. The school administrator may file a written request for a hearing before the local board and failure to file a timely request results in a waiver of the right of appeal of the superintendent's decision. If a timely request is filed, the local board of education must conduct a hearing on the matter and its decision is subject to judicial review under Chapter 150B of the General Statutes.

This Part eliminates career status for all school administrators, and eliminates the current requirement that the superintendent's and local board of education's decisions to not offer a new, renewed, or extended contract to a school administrator may not be arbitrary, capricious, discriminatory, personal or political. This Part also eliminates the right to judicial review under Chapter 150B of the General Statutes of the decision of the local board of education.

Non-Licensed Employees

Under current law, non-licensed employees may appeal a decision of the local board of education to superior court regarding decisions concerning dismissal, demotion or suspension without pay. The non-licensed employee may request and be entitled to receive written notice as to the reasons for the employee's dismissal, demotion or suspension without pay, and it must be provided to the employee prior to any local board of education hearing on the issue.

This Part eliminates this right of appeal to superior court and would eliminate the right to written notice for the reasons for the non-licensed employee's dismissal, demotion or suspension without pay.

Part XV: Eliminate Public Financing for Superintendent of Public Instruction

Under current law, the North Carolina Voter-Owned Elections Fund is authorized to provide a source of campaign financing for candidates for Council of State offices of Auditor, Superintendent of Public Instruction, and Commissioner of Insurance. This Part would remove the Superintendent of Public Instruction from the list of offices eligible to receive campaign financing from the North Carolina Voter-Owned Elections Fund.

ASSUMPTIONS AND METHODOLOGY:

Part I: Improve K-3 Literacy

Part I of this Act creates 15 new requirements which might potentially have a fiscal impact. Each of these new requirements will be addressed individually below, with a summary table to follow.

Each requirement in this Part is assumed to be a State responsibility. Section 1.(i) appropriates $34,087,650 to implement the requirements of this Part in FY 2012-13, and states the General Assembly's intent to increase the appropriation in future fiscal years to implement the additional requirements of this Part.

Requirement 1: Continuously Evaluate the Comprehensive Plan to Improve Reading Achievement

A high-quality evaluation of a program of this size would likely require a contract with an independent research organization of at least $500,000 per year, beginning with the 2013-14 fiscal year. This would be a conservative estimate compared with similarly-sized program evaluation contracts for the Connectivity Initiative (initially $650,000 per year), DSSF ($500,000), and More at Four (over $1 million per year).

Requirement 2: Solicit Impact from Stakeholders in Developing Statewide Plan

This analysis assumes a nonrecurring cost of $80,000 in FY 2012-13 in order to facilitate regional meetings to solicit impact from the public regarding the State's literacy plan. In particular, this analysis assumes a cost of $10,000 per meeting to cover rental space, as well as travel expenses for DPI staff, and that there would be at least one meeting in each of the State's eight educational regions.

Requirement 3: Formative Diagnostic Reading Assessments for All Students in Grades K-3

Annual costs for formative and diagnostic reading assessments for all students in grades K-3 will vary throughout the five-year time horizon of this analysis. Data from North Carolina's Student Diagnostic and Intervention Initiative indicate the following cost requirements:

- Software subscriptions: $20.50 per student. Over the next five years, average daily membership (ADM) in grades K-3 is anticipated to grow from 469,000 students to approximately 503,000 students.
- Student materials ("kits") for each teacher: $400 per teacher. 6,360 kits have already been purchased in prior years. Assuming a total of 21,485 teachers in grades K-3, North Carolina would still need to purchase 15,125 kits.
- Handheld devices (hardware): $400 per teacher. According to DPI's analysis, 18,501 teachers in grades K-3 do not currently have devices. This analysis assumes that devices would need to be refreshed after four years.
- Substitute teachers to cover required training: This one-time cost would cover the cost of substitutes while teachers attend training sessions. This analysis assumes two teachers per school at 870 schools would receive the training over a three-day period.

Requirement 4: Retain Students Who Score at Level I or Level II on Third Grade Reading EOG

Additional retention of students in grade 3 is anticipated to cost approximately $20.5 million in FY 2014-15, decreasing to $14.2 million by FY 2016-17.

Students in grade 3 have a greater fiscal cost than students in grade 4 due to:

1. Classroom teachers: classroom teachers are allotted on the basis of one teacher for every 17 students in grade 3; one for every 22 students in grade 4; and
2. Teacher assistants: allotment of teacher assistants based on K-3 ADM. Fourth graders do not generate teacher assistant allotments.

The cost differential is that, on average, a grade 3 student costs $1,152 more than a grade 4 student, on a per student basis. This analysis assumes there would be 17,824 additional students in grade 3 in FY 2014-15 as a result of this bill, decreasing to 14,906 by FY 2016-17.

An additional fiscal impact will be experienced outside of the scope of this fiscal analysis. Under this bill, the majority of retained students will require an additional year of public schooling that they otherwise would not have had. However, the fiscal impact would not affect the State until FY 2023-24, when the first cohort of third graders would have been expected to have graduated from high school.

Requirement 5: Develop Uniform Reporting Requirement for LEA Reports on Programmatic Information, Compile Information, and Report to the General Assembly

There would be no additional cost to implement this requirement, as data collection and reporting costs would be included as part of the program evaluation costs discussed in Requirement 1 of this section.

Requirement 6: Provide Technical Assistance to LEAs to Implement the Program Locally

Total costs for providing technical assistance to LEAs ranges from $1.0 million in FY 2012-13 to $1.3 million in FY 2016-17.

This analysis assumes that providing technical assistance to LEAs will require approximately 11 additional positions at DPI:

- Nine field-based consultants: $70,000 base salary, $3,600 for "medium" level of travel[1], plus benefits
- One section chief: $90,000 base salary, $3,600 for "medium" level of travel, plus benefits
- One administrative assistant: $30,000 base salary, plus benefits

The Department indicates that the most appropriate comparison is the federal Reading First program, which had 14 consultants, 1 section chief, and 2 administrative assistance. However, implementation of Reading First required additional budgeting and program auditing responsibilities that would be above and beyond the staff responsibilities that would be required under this bill.

Requirement 7: Kindergarten Entry Assessment for all Entering Kindergarten Students Beginning FY 2014-15

This analysis assumes it will take a total of approximately $18.5 million to ensure statewide implementation of a new kindergarten entry assessment by 2014-15. Costs include professional

[1] This travel number was developed during DPI's budgeting process for Race to the Top, and assumes 10 overnights per month, subsistence for those 10 days, and approximately 600 average miles per month.

development, and substitute teacher costs. This analysis assumes that professional development would occur over two years, or $9.25 million per year in FY 12-13 and 13-14, followed by a recurring $750k to ensure continuing capacity (i.e., training of new teachers). Professional development services would be contracted.

North Carolina's Race to the Top Early Learning Challenge grant budgets $8.8 million to develop a new kindergarten entry assessment. This new assessment will be implemented in 65 North Carolina elementary schools defined as "lowest-performing" schools under the federal Race to the Top program. As there are approximately 1,300 elementary schools, the Early Learning Challenge funding only provides the kindergarten entry assessment and appropriate professional development to a small portion of the State's elementary schools.

Requirement 8: Kindergarten Developmental Screening of Early Language, Literacy, and Math Skills

Providing developmental screening of all kindergarten students for early language, literacy, and math skills would cost $754,588 in FY 2014-15, and approximately $210,000 per year in subsequent years.

This pricing estimate is based off of the cost of the DIAL-3 (Developmental Indicators for the Assessment of Learning) screening tool from Pearson.[2] The DIAL-3 costs $295.90 for every 50 students in FY 2014-15 (includes cost of all administration forms, instruction manuals and DVDs), and $80.00 for every 50 students in subsequent fiscal years (administration forms, record forms, cutting cards, and parent questionnaires).

Requirement 9: Summer Reading Camp for Students not Demonstrating Reading Proficiency

Summer reading camps administered by LEAs for all students not demonstrating reading proficiency are estimated to cost approximately $15.5 million per year beginning in FY 2013-14.

The best available data for estimating the cost of summer academic programs is the Wallace Foundation's Out of School Time Cost Calculator.[3] This database aggregates data from 111 programs in six cities (Boston, Charlotte, Chicago, Denver, New York and Seattle) to provide estimates of programs with given characteristics, adjusted for local cost-of-living.

For the purposes of this estimate, the assumption is that one camp would need to be funded for every two elementary schools, or approximately 650 camps.[4] This works out to an estimated 50 reading-deficient students per camp (assuming a 90% uptake rate of students not demonstrating reading proficiency). The following assumptions are used in generating an estimate:

- Program focus: academic
- Nearest metro area: Burlington, NC

[2] Additional information about the DIAL-3 can be found here: http://www.pearsonassessments.com/HAIWEB/Cultures/en-us/Productdetail.htm?Pid=PAa13700.

[3] The Wallace Foundation Out of School Time Cost Calculator can be found here: http://www.wallacefoundation.org/cost-of-quality/cost-calculator/Pages/cost-calculator.aspx.

[4] In practice, the number of "feeder schools" for each summer camp would vary across the State, with low-performing rural districts likely to have fewer feeder schools for each summer camp, while higher-performing urban districts might be able to operate a single summer camp serving multiple elementary schools.

- Program location: in a school
- Slots: 50
- Hours per week: 14
- Weeks: 7

Based on these assumptions, the Wallace instrument provides a median cost estimate of approximately $22,660 per site. Because the Wallace instrument focused on large, urban programs, it likely underestimates the transportation costs that would be faced by the average program in North Carolina. As a result, the estimate provided by the Wallace instrument is increased by 5% to account for the additional transportation costs faced by North Carolina's less-urban districts.

Requirement 10: LEAs Provide Alternative Reading Assessment for Third Graders Who Have a Reading Deficiency

Provision of alternative reading assessments for third graders who have a reading deficiency is estimated to cost approximately $250,000 per year over the five-year horizon of this analysis, beginning in FY 2013-14

The bill defines "reading deficiency" as not reading at the third grade level by the end of the student's third grade year. Approximately 36,000 third grade students fail to achieve grade-level proficiency on State-administered end-of-grade tests (EOGs).

The Pearson TORC-4 alternative reading assessment provides the best estimate of potential costs.[5] The TORC-4 costs $347 for every 50 students. Based on the number of students anticipated to have reading deficiencies, this equates to a total cost of approximately $250,000 per year.

Requirement 11: Parents of Retained Students Shall be Provided with a Plan for Reading at Home, Including Participation in Reading Workshops for the Parent

Providing reading workshops for parents of retained students is estimated to cost approximately $23.0 million in FY 2013-14, decreasing to $16.3 million in FY 2016-17.

The existing State program that provides the best comparison is the Motheread program provided through Smart Start. Motheread offers classes to teach parents how to be reading role models for their children. Classes are held in many different community settings, including community colleges, schools, community centers, and churches. Classes are appropriate for all adults, but are specifically designed for low-literacy, low-income parents. According to data provided by the North Carolina Partnership for Children, Inc., this program is estimated to cost approximately $1,080 per parent.

The number of retained students (and, therefore, the number of parents that would need to be targeted for workshops) is anticipated to be approximately 21,304 in FY 2013-14, decreasing to approximately 15,130 by FY 2016-17. Multiplying the number of retained students by the per-parent program cost of $1,080 provides an estimated total cost of $23.0 million in FY 2013-14, decreasing to $16.3 million in FY 2016-17.

[5] Additional information about the TORC-4 can be found here: http://www.pearsonassessments.com/HAIWEB/Cultures/en-us/Productdetail.htm?Pid=PAtorc4&Mode=summary.

Requirement 12: Supplemental Tutoring for Students Who Have Been Retained Twice
Provision of tutoring services to students who have been retained twice is estimated to cost approximately $9 million per year, beginning in FY 2014-15.

According to data from Florida,[6] approximately 0.7% of students are retained twice under their similar third grade literacy program. In North Carolina, that would equate to approximately 850 students being retained twice, beginning in FY 2014-15. This analysis assumes that each student would receive 2 hours of tutoring services per day, with the tutor being paid $30 per hour, consistent with certified teacher salaries in North Carolina.

Requirement 13: Providing Parental Notification That a K-3 Student Is Not Reading at Grade Level, or That a Third Grade Student is Being Retained
This analysis assumes these requirements for written notification can be handled within existing funds at the LEA level. LEAs routinely provide students with report cards. Indication that a student is not reading at grade level, or that a student is being retained could be included with existing report cards at no additional fiscal cost.

Requirement 14: Providing Monthly Progress Reports to Parents of Retained Students
This analysis estimates that provision of monthly progress reports to parents of retained students would cost approximately $160,000 in FY 2014-15, decreasing to approximately $133,000 in FY 2016-17.

As explained above (Requirement 12), the number of retained students is anticipated to be approximately 21,304 in FY 2013-14, decreasing to approximately 15,130 by FY 2016-17. Printing and postage are estimated to be $0.75 per report, per student, times 10 times per year.

It is important to note that, depending on the thoroughness of the monthly progress report, this requirement could create a significant new paperwork burden on third grade teachers, particularly those teaching low-performing students.

Requirement 15: Annually Collect and Publish Read to Achieve Data on LEA Website
The bill requires certain data related to the Read to Achieve program to be published annually on LEA websites. As each LEA in North Carolina has a functioning website, this additional data should be able to be added to LEA websites at no cost.

Part I: Summary Tables
The tables below summarize the cost elements related to Part I of this bill, the Read to Achieve Program.

Estimates of the various requirements of this Part rely largely on estimated student data over the next five fiscal years. In particular, the analysis requires estimating the total number of students in grades K-3, the number of third graders below grade level, the number of students expected to be retained (both under current and proposed policies), and the number of third graders anticipated to be retained twice as a result of this bill.

[6] All Florida data provided by the Foundation for Excellence in Education: http://www.excelined.org/.

Estimated Student Data

	2012-13	2013-14	2014-15	2015-16	2016-17
K-3 ADM	468,502	476,935	485,520	494,259	503,156
Grade K ADM	123,038	125,253	127,507	129,802	132,139
Grade 3 ADM	110,446	116,000	118,088	120,214	122,377
Students Scoring at Level I or Level II	33.00%	32.00%	31.00%	30.00%	29.00%
K-3 Reading Deficiency	154,606	152,619	150,511	148,278	145,915
Grade 3 Reading Deficiency	36,447	37,120	36,607	36,064	35,489
Actual % of Reading Deficient Students Retained in Florida*	N/A	57.39%	46.36%	49.00%	42.63%
% of all 3rd Graders Retained	3.00%	18.37%	14.37%	14.70%	12.36%
Number of 3rd Graders Retained	3,313	21,304	16,972	17,671	15,130
Number of *Additional* 3rd Graders Retained Because of S795	N/A	17,824	13,430	14,065	11,458
# of 3rd Graders Retained Twice Under Read to Achieve	N/A	N/A	827	841	857
Additional third graders			17,824	14,256	14,906

*These are the actual percentages of reading deficient students from Florida who were retained in the first four years of the Florida program.

The estimated student data informed the fiscal estimates for the various new State or LEA responsibilities found within this Part. The fiscal impact of the additional responsibilities is summarized in the following table:

Estimated Program Costs - Read to Achieve
(Part I of the Excellent Public Schools Act)

Requirement Number	Requirement Description	2012-13	2013-14	2014-15	2015-16	2016-17
1	Continously evaluate the comprehensive plan to improve reading achievement	$0	$500,000	$500,000	$500,000	$500,000
2	Solicit input from stakeholders in developing statewide plan	$80,000	$0	$0	$0	$0
3	Formative diagnostic reading assessments for all students in grades k-3	$23,576,691	$9,777,168	$11,146,757	$10,132,314	$18,954,696
4	Retain students who score at Level I or Level II on third grade Reading EOG	$0	$0	$20,536,590	$16,426,415	$17,175,400
5	Develop uniform reporting requirement for LEA reports on programmatic information, compile information, and report to the General Assembly	$0	$0	$0	$0	$0
6	Provide technical assistance to LEAs to implement the program locally	$1,007,812	$1,078,610	$1,143,456	$1,206,266	$1,261,399
7	Kindergarten Entry Assessment for all entering kindergarten students beginning FY 14-15	$9,250,000	$9,250,000	$750,000	$750,000	$750,000
8	Kindergarten developmental screening of early language, literacy, and math skills	$0	$0	$754,588	$207,684	$211,422
9	Summer reading camp for students not demonstrating reading proficiency	$0	$15,465,450	$15,465,450	$15,465,450	$15,465,450
10	LEAs provide alternative reading assessment for third graders who have a reading deficiency	$0	$257,613	$254,055	$250,285	$246,297
11	Parents of retained students shall be provided with a plan for reading at home, including participation in reading workshops for the parent	$0	$23,007,944	$18,330,263	$19,085,109	$16,340,092
12	Supplemental tutoring for students who have been retained twice	$0	$0	$8,927,453	$9,088,147	$9,251,734
13	Providing parental notification that a K-3 student is not reading at grade level or that a third grade student is being retained	$0	$0	$0	$0	$0
14	Providing monthly progress reports to parents of retained students	$0	$0	$159,777	$127,293	$132,535
15	Annually collect and publish Read to Achieve data on LEA website	$0	$0	$0	$0	$0
TOTAL COSTS		**$33,914,503**	**$59,336,785**	**$77,968,389**	**$73,238,963**	**$80,289,025**

Part II: State Employee Literacy Volunteer Leave Time

There is no estimate for the fiscal impact of creating an additional leave program allowing State employees to volunteer in literacy programs in public schools for up to five hours each month. The fiscal impact would be the foregone work product of employees utilizing the additional availability of leave time. Unfortunately, no data exists regarding potential usage rates that would provide a useful indication of the fiscal impact of this requirement.

Part III: School Performance Grades

There is no fiscal impact related to this Part of the Act. The SBE is already required under G.S. 115C-12(9)c1 to issue an annual "report card" for the State and for each LEA. In addition to issuing annual State- and LEA-level report cards, the SBE issues school-level report cards.[7]

This Part changes how school performance will be designated. Currently, schools receive designations such as School of Excellence, School of Distinction, School of Progress, or Priority School. This Part requires instead that each school receive a numerical score and a corresponding letter grade of A, B, C, D, or F.

This Part also changes how school performance is measured, defining which school-level data elements contribute to a school's letter grade. These data points are already collected by DPI, and can be compiled to calculate school grades within existing funds.

Part IV: Maximize Instructional Time

There is no fiscal impact related to this Part of the Act. This Part requires that annual tests adopted by the SBE and all final exams for courses would have to be administered within the final ten instructional days of the school year for year-long courses and within the final five instructional days of the semester for semester courses. This Part does not create any additional requirements for LEAs, and there is no fiscal impact related to which day of the school year a test is administered.

Part V: Adjustments to School Calendar Start and End Dates

This fiscal impact of this part is indeterminate, but likely to reduce required General Fund expenditures and local expenditures in future years.

Changing the requirement to 185 days or 1,025 hours is likely to result in LEAs operating a calendar with 180 instructional days, or less. Each additional instructional day requires additional transportation, additional opportunity for substitute teacher costs, and additional utility costs.[8] LEAs might also reduce the pay of teacher assistants, and child nutrition employees as instructional days decrease. As a result, LEAs are likely to provide the minimum number of instructional days required to meet the requirement of 1,025 instructional hours. For example, an LEA could meet the 1,025-hour requirement by operating 185 instructional days averaging five hours and 32 minutes per day, or the LEA could meet the 1,025-hour requirement by operating 170 instructional days averaging six hours and two minutes per day. Wilkes County Schools increased instructional days by 45 minutes per day to operate a 162-instructional day calendar as part of the school calendar pilot program initiated in the 2009 Appropriations Bill (S.L. 2009-451).

[7] North Carolina school report cards can be found at: http://www.ncreportcards.org/src/.

[8] The State is responsible for transportation and utility costs. LEAs are responsible for the cost of utilities.

On the other hand, additional instructional time might be viewed as a means of increasing student achievement. LEAs or charters accepting this view might choose to provide at least 180 instructional days.

Without additional data, it is difficult to determine the likely fiscal impact of this Part.

The sections of this Part providing LEAs with additional flexibility with regards to school calendar start and end dates would not have a fiscal impact. LEAs complying with the existing law could leave their school calendar start and end dates unchanged if this Act were to become law. It does not create any additional requirements for LEAs.

Part VI: Funding for the Addition of Five Instructional Days Within the Existing School Calendar

The fiscal impact of this Part is equal to the amounts appropriated in this Part.

Had all LEAs and charters increased their calendars by five instructional days, costs related to transportation would have likely increased by approximately $10,150,000, and costs related to increased usage of substitute teachers would likely have increased by approximately $1,200,000 for FY 2012-13.[9] However, most LEAs and charters have received waivers for the upcoming 2012-13 school year. The appropriations in this part equate to the estimated increased costs for transportation and substitute teachers, taking into account the waivers which have been granted.

Because of the waivers, LEAs and charters are, on average, expected to add 0.17 instructional days (out of a maximum of five instructional days) to their school calendar in FY 2012-13. In other words, 96.7% of the possible additional instructional days in FY 2012-13 were waived.

To determine the additional cost of instructional days in FY 2012-13, the original five-day estimated costs are multiplied by 3.3% (1 minus 96.7%). The additional appropriated amounts of $351,469 for transportation and $40,168 for substitute teachers would be nonrecurring, as Part V would likely decrease the number of instructional days going forward.

Part VII: Establish NC Teacher Corps

The establishment of the NC Teacher Corps is anticipated to cost the State approximately $1.9 million in FY 2014-15, increasing to approximately $2.1 million in FY 2016-17.

Funding for the NC Teacher Corps is currently provided through the federal Race to the Top grant. This funding expires at the end of FY 2013-14. The establishment of this program in General Statute indicates that the State intends to continue the program after the expiration of the federal Race to the Top funding. As such, there will be a fiscal impact to the State beginning in FY 2014-15.

Based on current implementation, the NC Teacher Corps requires program staff, recruitment activities, reimbursement payments for licensure and certain coursework, summer enrichment programs, and professional development for Corps members. The analysis below assumes that

[9] These figures represent the average daily expenditure for substitute teachers and transportation in FY 2011-12, multiplied by five days.

100 Corps members will be first-year teachers in FY 2013-14. Subsequent cohorts are expected to have 150 Corps members.

The table below summarizes expected program costs:

North Carolina Teacher Corps - Estimated Fiscal Impact

	Race to the Top		State General Fund		
	2012-13	2013-14	2014-15	2015-16	2016-17
Program Staff: 1 Director, 1 Consultant, 1 Admin (salary, benefits, travel, supplies)	$261,700	$279,635	$296,063	$311,975	$325,716
Recruitment: Costs related to visits to job fairs and colleges and printing of materials	$20,000	$20,000	$20,000	$20,000	$20,000
Tuition and Licensure Reimbursement: Corps members reimbursed for PRAXIS fees and courses for full licensure	$570,000	$896,250	$939,563	$985,041	$1,032,793
Summer Enrichment Programs: Corps members will be matched with a highly-qualified teacher (who will receive a stipend), as well as attend a 19-day summer program	$128,895	$203,010	$213,160	$223,818	$235,009
Professional Development: Funding for PD activities and participation stipend for 1st and 2nd year Corps members	$80,000	$215,000	$349,500	$395,100	$403,605
TOTAL	**$1,060,595**	**$1,613,895**	**$1,818,286**	**$1,935,934**	**$2,017,123**

Part VIII: Strengthen Teacher Licensure

There is no fiscal impact related to this Part of the Act. The SBE already requires that teachers achieve a prescribed minimum score on a standard examination in order to receive a license. This Part simply requires the SBE to establish minimum subset scores for reading and language arts and mathematics for teachers in grades K-6.

This Part does not require any additional teachers to take any additional continuing education credits, it only mandates that at least three of the credits are related to literacy for elementary and middle school teachers. Continuing education credits related to literacy do not have a materially differing cost from other types of continuing education credits.

Finally, this Part requires that the standards for approval of teacher preparation programs must also require elementary education programs to show competencies in the teaching of reading, assessment and diagnosis of areas of difficulty, and appropriate application of instructional supports and services. The SBE already has authority to establish standards for approval of

institutions of teacher education. The institutions of higher education providing these teacher education programs have the option of whether or not to meet such standards.

Part IX: Proof of State-Funded Liability Insurance

There is no fiscal impact related to this Part of the Act. The SBE has already notified public school employees of the availability and coverage of professional liability insurance in FY 2011-12 via employee email lists, and the establishment of a website at: http://www.professionalliabilitync.com/. The SBE can continue to notify public school employees via similar means in future fiscal years within existing funds.

Part X: Pay for Excellence

There is no State fiscal impact related to this Part of the Act. This Part of the Act does not obligate the State to change the system of pay for licensed school personnel.

There is an indeterminate local fiscal impact for LEAs in developing performance pay plans. The time and resources spent in developing performance pay plans could vary significantly between LEAs. While the requirements of this Part could certainly be met within existing resources in all LEAs, certain LEAs might re-deploy existing resources in order to develop more extensive plans, or to seek stakeholder participation.

Part XI: Clarify NC Pre-K Program Eligibility

The fiscal impact related to this Part is simply the $11.3 million appropriated in Section 11.(c) to provide 2,261 additional slots in the NC Pre-K program in FY 2012-13. The other sections of this Part do not have a fiscal impact.

Section 11.(a) clarifies the current eligibility requirements that are already in place within the Department of Health and Human Services, Division of Child Development; therefore, there is no fiscal impact to this change.

Section 11.(b) repeals the requirement for a co-payment by families. The current law was not followed by the Division; therefore, there is no fiscal impact to this change. Had the co-payments been collected that would have resulted in an approximately $15 million that would be available within the program (based upon 24,000 co-payments for 10 months of $64).

Part XII: Repeal Prohibition on Teacher Prepayment

There is no State fiscal impact with regards to repealing the prohibition on teacher prepayment. A potential impact could occur if a teacher who has been paid for days not yet worked were to leave his or her position. However, S.L. 2003-263 requires that overpayments of State funds to any person must be recouped by the entity that made the overpayment – in this case, the LEA.

LEAs will likely experience increased expenditures of approximately $1.1 million as a result of this Part. In an April 2012 survey of North Carolina LEA finance officers, 40 of 106 responding LEAs[10] indicated that their LEA had been negatively impacted financially by prepaying. Respondents reported a total statewide impact of $1,471,298 for FY 2010-11.

[10] Alamance, Bertie, Thomasville City, Duplin, Edgecombe, Gaston, Guilford, Roanoke Rapids City, and Nash failed to respond to this survey.

While LEAs would be expected to continue to incur such costs if this Part becomes law, expenditures would be offset by reduced administrative costs. Todd Lowe, Finance Officer, Randolph County Schools, indicated that implementing the prohibition on teacher payment would require significant additional work, including the payment of overtime to certain staff, and reprogramming of local payroll software. As a result, this analysis assumes that the additional local costs created by this Part would be offset 25% by foregone administrative costs.

Part XIII: Tax Deduction for Educational Supplies

Based on data provided by the Department of Public Instruction and the Division of Non-Public Education, approximately 102,000 teachers will be able to take advantage of the deduction. This is multiplied by $250 because it is assumed that each teacher taking the deduction will take the maximum amount allowed. This number is then multiplied by an average tax rate of 7% to arrive at the fiscal impact of $1.8 million in reduced revenue collections per fiscal year.

Part XIV: Teacher Contracts

There is an indeterminate fiscal impact related to this Part of the Act. From the State perspective, it is unclear what impact, if any, the changes in this Part will have on the composition of North Carolina's population of teachers (or other certified personnel). It is possible that this Part will – on average – result in dismissal of more experienced (higher-paid) teachers who would then be replaced with less experienced (lower-paid) teachers. It is also possible that this Part will result in teachers with lower experience or credentials suffering a higher rate of dismissal (due to lower average performance compared to more experienced teachers), shifting North Carolina's teacher population towards teachers with greater experience and credentials.

From a local perspective, the changes in this Part could increase or decrease LEA costs related to hearings. While certified personnel might have additional rights to hearings upon dismissal under existing law, it is possible that the changes proposed in this Part could result in additional dismissals compared to current practice.

Part XV: Eliminate Public Financing for Superintendent of Public Instruction

G.S. 163-278.99(b)(4) establishes that the minimum amount of funds to be distributed from the North Carolina Voter-Owned Elections (VOE) Fund to a candidate in a general election is $300,000. Currently, the balance of the VOE Fund is approximately $428,000, which is insufficient to meet this requirement if more than one candidate qualifies for funding. Thus, per G.S. 163-278.99(c), the available balance would be apportioned among all eligible candidates.

For the 2012 General Election, two candidates have qualified for funding from the Voter-Owned Elections (VOE) Fund: one candidate for State Auditor and one candidate for Superintendent of Public Instruction. Removing the Superintendent of Public Instruction from the list of candidates eligible to receive funding from the VOE Fund would result in only one candidate (for State Auditor) eligible for VOE funding in 2012. With one eligible candidate, the current balance of approximately $428,000 would be sufficient to provide the statutory minimum of at least $300,000 to the candidate for State Auditor.

State General Fund Fiscal Impact Summary - Excellent Public Schools Act

	Type	2012-13	2013-14	2014-15	2015-16	2016-17
Part I: Improve K-3 Literacy	Expenditures	$33,914,503	$59,336,785	$77,968,389	$73,238,963	$80,289,025
Part II: State Employee Literacy Volunteer Leave Time	Expenditures	No Estimate Available				
Part V: Adjustments to School Calendar Start and End Dates	Expenditures	No Estimate Available				
Part VI: Funding for the Addition of Five Instructional Days	Expenditures	$391,637	$0	$0	$0	$0
Part VII: Establish NC Teacher Corps	Expenditures	$0	$0	$1,818,286	$1,935,934	$2,017,123
Part XI: Clarify NC Pre-K Program Eligibility	Expenditures	$11,308,363	$0	$0	$0	$0
Part XIII: Tax Deduction for Educational Supplies	Revenues	($1,800,000)	($1,800,000)	($1,800,000)	($1,800,000)	($1,800,000)
Part XIV: Teacher Contracts	Expenditures	No Estimate Available				
Part XV: Eliminate Public Financing for Superintendent of Public Instruction	Expenditures	See Assumptions & Methodology				
TOTAL COST		$47,414,503	$61,136,785	$81,586,675	$76,974,897	$84,106,147

Note: Parts not displayed have no State fiscal impact.

Local Fiscal Impact Summary - Excellent Public Schools Act

	Type	2012-13	2013-14	2014-15	2015-16	2016-17
Part V: Adjustments to School Calendar Start and End Dates	Expenditures	No Estimate Available				
Part X: Pay for Excellence	Expenditures	No Estimate Available				
Part XII: Repeal Prohibition on Teacher Prepayment	Expenditures	$1,100,000	$1,100,000	$1,100,000	$1,100,000	$1,100,000
Part XIV: Teacher Contracts	Expenditures	No Estimate Available				
TOTAL COST		$1,100,000	$1,100,000	$1,100,000	$1,100,000	$1,100,000

Note: Parts not displayed have no local fiscal impact.

SOURCES OF DATA:

DPI, the Foundation for Excellence, the North Carolina Partnership for Children, Inc., the Wallace Foundation, Department of Revenue, Division of Non-Public Education

TECHNICAL CONSIDERATIONS:

Part I: The appropriation in this Part ($34,087,650) does not exactly match the estimated fiscal impact for FY 2012-13 ($33,914,503). The discrepancy could be managed as part of the normal appropriations process.

Additionally, sponsors might clarify which portion of the FY 2012-13 appropriation is going to DPI to expand department capacity, and which funds are to be distributed by DPI to the LEAs.

Part X: This Part does not state the General Assembly's intent with regards to providing additional funding, or with regards to changing the method for funding classroom positions. LEAs might have better clarity in developing systems of performance pay if the language is amended to clarify General Assembly intent on these issues.

ATTACHMENT 7

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 795

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

S795-ATC-113 [v.4]

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

Date _____,2012

Senator _____

moves to amend the bill on page 8, lines 43-47, by rewriting those lines to read:

"**SECTION 1.(i)** There is appropriated from the General Fund to the Department of Public Instruction the sum of thirty three million nine hundred and fourteen thousand five hundred three dollars ($33,914,503) for the 2012-2013 fiscal year to implement the requirements of this section. It is the intent of the General Assembly to increase this appropriation for the 2013-2014 fiscal year to implement additional requirements in that fiscal year.";

and on page 19, lines 24-31, by rewriting the lines to read:

"**SECTION 13.(a)** G.S. 105-134.6(d) is amended by adding a new subdivision to read:

'(d) Other Adjustments. – The following adjustments to taxable income shall be made in calculating North Carolina taxable income:

...

(9) To the extent a deduction has not been claimed for educator expenses in determining federal adjusted gross income, an eligible educator may deduct an amount not to exceed two hundred fifty dollars ($250.00) paid or incurred in connection with items listed in this'".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

VISITOR REGISTRATION SHEET **ATTACHMENT 8**

APPROPRIATIONS/BASE BUDGET

DATE: May 30, 2012

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

	NAME	FIRM OR AGENCY AND ADDRESS
1	Stuart Brooks	Ward and Smith
2	Annette Etheridge	NC Child Care Coalition
3	Matt Gross	NCPC
4	Elizabeth Brownstein	OSBM
5	[signature]	OSBM
6	Alexandra VanVliet	DST
7	[signature]	UNC
8	George Smith	Williams Mullen
9	Annaliese Dolph	McDermont
10	Fred Wardlaw	Faith Scale UCP
11	[signature]	BEGINNINGS
12	[signature]	HTGAC
13	[signature]	Ed Consultant
14	Erin Leyson	NC Public School Forum
15	[signature]	" " " "
16	[signature]	NCICU
17	Gene Causby	NCSCA

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: May 30, 2012

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

	NAME	FIRM OR AGENCY AND ADDRESS
18	Andy Jones	Biologics Grp of NC
19	Tommy Sevier	Moore and Van Allen
20	Mark Farmer	UNCW
21	DAVID RICE	MFS
22	Cathy Thomas	NCAR
23	Whitney Christenson	NCRLA
24	Katherine Joyce	NCASA
25	Ann Reid	SBE
26	Solari	DSI
27	Hadley Gilmany	Raleigh Orthopedic — NC Med Society
28	DAVID BOONE	RALEIGH ORTHO CLINIC
29	Joseph Barker	Raleigh Ortho Clinic
30	Jeffrey Kobs MD	ROC
31		
32		
33		
34		

SENATE PAGES ATTENDING

COMMITTEE: Appropriations ROOM: 643 LOB

DATE: 5-30-12 TIME: 9 AM

PLEASE PRINT LEGIBILY!!!!!!!!!!!!

Page Name	Hometown	Sponsoring Senator
1 Elaine Kearney	Pinehurst	Blake
2 Lauren Strickland	Ellenboro	Westmoreland
3 Sofie Stein-Montalvo	Raleigh	Stein
4 Paden Farnhart	Raleigh	Jenkins
5 Melinda Hobbs	Creston	Ed. Jones
6 Tyler Coe	Denton	Bingham
7 Max Britt	Winston-Salem	Linda Garou
8 Jeffrey Masar	Pinehurst	Blake
9 Kris Brown	Lincolnton	Harrington
10 Sarah ammons	Fayetteville	[redacted] Mansfield

Do not add names below the grid.

Pages: Present this form to either the Committee Clerk at the meeting or to the Sgt-at-Arms.

VISITOR REGISTRATION SHEET

Name of Committee | Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
K Bestman	TSS
Annette Tarnavsky	EBCT
Will Parry-Hill	NCHFA
Evelyn S Hawthorne	EHGR
Brian Lewis	NCAE
Martez Hill	NC SBE
Breanna Hailey	K&L Gates
Harry Lyda	MWC
Mary Pearson	RMA
Ethan Lenker	Sampson County
Susan Camilleri	DOA

VISITOR REGISTRATION SHEET

Name of Committee | Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Zan Pope	Gov office
Carl Dean	OSP
Jane Kendall	NC Center for Nps

ATTACHMENT 9

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

Wednesday, May 30, 2012

Senator HUNT,
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) **795** Excellent Public Schools Act.

Draft Number:	35358
Sequential Referral:	Finance
Recommended Referral:	None
Long Title Amended:	No

TOTAL REPORTED: 1

Committee Clerk Comments:

Senator Berger will be presenting.

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
Thursday, May 31 2012
Senate Chamber
MINUTES

The Senate Appropriations/Base Budget Committee met at 12:15 PM on Thursday, May 31, 2012, in the Senate Chamber in the Legislative Building. 15 Members of the Committee were present. Senator Pete Brunstetter presided.

Senator Brunstetter recognized Senator Tom Apodaca to present House Bill 966: **AN ACT TO REPEAL THE PROHIBITION ON TEACHER PREPAYMENT, CLARIFY ELIGIBILITY FOR THE NC PRE-K PROGRAM, AND ENACT 2012-2013 SALARY SCHEDULES FOR TEACHERS AND SCHOOL ADMINISTRATORS.** Senator Apodaca explained that the bill was now a Committee Substitute.

After a brief discussion, Senator Brock moved for a favorable report on the Senate Committee Substitute.

The meeting adjourned at 12:17 PM.

Senator Pete Brunstetter, Presiding

Mary Marchman, Committee Clerk

Attachments:
Attachment 1: House Bill 966/Senate Committee Substitute
Attachment 2: Bill Report

ATTACHMENT 1

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

H 2

HOUSE BILL 966*
Senate Rules and Operations of the Senate Committee Substitute Adopted 5/31/12

Short Title: Teacher Prepayment & Salary/Pre-K Eligibility. (Public)

Sponsors:

Referred to:

May 17, 2012

A BILL TO BE ENTITLED

AN ACT TO REPEAL THE PROHIBITION ON TEACHER PREPAYMENT, CLARIFY ELIGIBILITY FOR THE NC PRE-K PROGRAM, AND ENACT 2012-2013 SALARY SCHEDULES FOR TEACHERS AND SCHOOL ADMINISTRATORS.

The General Assembly of North Carolina enacts:

REPEAL PROHIBITION ON PREPAYMENT OF TEACHERS

SECTION 1. Section 5 of S.L. 2011-379 is repealed.

CLARIFY NC PRE-K PROGRAM ELIGIBILITY

SECTION 2.(a) Section 10.7(f) of S.L. 2011-145 reads as rewritten:

"**SECTION 10.7.(f)** ~~The prekindergarten program may continue to serve at-risk children identified through the existing "child find" methods in which at-risk children are currently served within the Division of Child Development. The Division of Child Development shall serve at-risk children regardless of income. However, the total number of at-risk children served shall constitute no more than twenty percent (20%) of the four-year-olds served within the prekindergarten program. Any~~ The Division of Child Development and Early Education 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 who is a child of either of the following shall be eligible for the program: (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 was ordered to active duty by the proper authority within the last 18 months or is 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. Eligibility determinations for prekindergarten participants may continue through local education agencies and local North Carolina Partnership for Children, Inc., partnerships."

SECTION 2.(b) Section 10.7(h) of S.L. 2011-145 is repealed.

TEACHER SALARY SCHEDULES

SECTION 3.(a) The following monthly salary schedules shall apply for the 2012-2013 fiscal year to certified personnel of the public schools who are classified as teachers. The schedules contain 36 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 2011-2012 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.

2012-2013 Monthly Salary Schedule
"A" Teachers

Years of Experience	"A" Teachers	NBPTS Certification
0	$3,043	N/A
1	$3,043	N/A
2	$3,043	N/A
3	$3,043	$3,408
4	$3,043	$3,408
5	$3,085	$3,455
6	$3,129	$3,504
7	$3,264	$3,656
8	$3,404	$3,812
9	$3,538	$3,963
10	$3,667	$4,107
11	$3,771	$4,224
12	$3,819	$4,277
13	$3,868	$4,332
14	$3,918	$4,388
15	$3,967	$4,443
16	$4,018	$4,500
17	$4,069	$4,557
18	$4,122	$4,617
19	$4,176	$4,677
20	$4,231	$4,739
21	$4,286	$4,800
22	$4,345	$4,866
23	$4,403	$4,931
24	$4,461	$4,996
25	$4,523	$5,066
26	$4,584	$5,134
27	$4,650	$5,208
28	$4,714	$5,280
29	$4,779	$5,352
30	$4,845	$5,426
31	$4,913	$5,503
32	$4,984	$5,582
33	$5,055	$5,662
34	$5,153	$5,771
35+	$5,255	$5,886

2012-2013 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	$3,347	$3,749
4	$3,347	$3,749
5	$3,394	$3,801
6	$3,442	$3,855
7	$3,590	$4,021
8	$3,744	$4,193
9	$3,892	$4,359
10	$4,034	$4,518
11	$4,148	$4,646
12	$4,201	$4,705
13	$4,255	$4,766
14	$4,310	$4,827
15	$4,364	$4,888
16	$4,420	$4,950
17	$4,476	$5,013
18	$4,534	$5,078
19	$4,594	$5,145
20	$4,654	$5,212
21	$4,715	$5,281
22	$4,780	$5,354
23	$4,843	$5,424
24	$4,907	$5,496
25	$4,975	$5,572
26	$5,042	$5,647
27	$5,115	$5,729
28	$5,185	$5,807
29	$5,257	$5,888
30	$5,330	$5,970
31	$5,404	$6,052
32	$5,482	$6,140
33	$5,561	$6,228
34	$5,668	$6,348
35+	$5,781	$6,475

SECTION 3.(b) Section 29.12(d) of S.L. 2011-145 reads as rewritten:

"**SECTION 29.12.(d)** The first step of the salary schedule for school psychologists shall be equivalent to ~~Step 5,~~ Step 9, corresponding to ~~five~~ nine 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."

SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 4.(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 2012-2013 fiscal year, commencing July 1, 2012. Provided, however, school-based administrators (i) employed during the 2011-2012 school year who did not work the required number of months to acquire an additional year of experience and (ii) employed during the 2012-2013 school year in the same classification shall not receive a decrease in salary as otherwise would be required by the salary schedule below.

2012-2013 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)
0-8	$3,781	-	-	-	-
9	$3,931	-	-	-	-
10	$4,074	-	-	-	-
11	$4,189	-	-	-	-
12	$4,243	$4,243	-	-	-
13	$4,298	$4,298	-	-	-
14	$4,353	$4,353	$4,408	-	-
15	$4,408	$4,408	$4,464	-	-
16	$4,464	$4,464	$4,521	$4,579	-
17	$4,521	$4,521	$4,579	$4,640	$4,701
18	$4,579	$4,579	$4,640	$4,701	$4,762
19	$4,640	$4,640	$4,701	$4,762	$4,828
20	$4,701	$4,701	$4,762	$4,828	$4,891
21	$4,762	$4,762	$4,828	$4,891	$4,956
22	$4,828	$4,828	$4,891	$4,956	$5,025
23	$4,891	$4,891	$4,956	$5,025	$5,092
24	$4,956	$4,956	$5,025	$5,092	$5,166
25	$5,025	$5,025	$5,092	$5,166	$5,237
26	$5,092	$5,092	$5,166	$5,237	$5,310
27	$5,166	$5,166	$5,237	$5,310	$5,383
28	$5,237	$5,237	$5,310	$5,383	$5,458
29	$5,310	$5,310	$5,383	$5,458	$5,537
30	$5,383	$5,383	$5,458	$5,537	$5,617
31	$5,458	$5,458	$5,537	$5,617	$5,725
32	$5,537	$5,537	$5,617	$5,725	$5,839
33	$5,617	$5,617	$5,725	$5,839	$5,956
34	$5,725	$5,725	$5,839	$5,956	$6,075
35	$5,839	$5,839	$5,956	$6,075	$6,197
36	-	$5,956	$6,075	$6,197	$6,321
37	-	-	$6,197	$6,321	$6,447
38	-	-	$6,321	$6,447	$6,576
39	-	-	-	$6,576	$6,708
40	-	-	-	$6,708	$6,842
41	-	-	-	-	$6,979

2012-2013 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+)
0-18	$4,828	-	-	-
19	$4,891	-	-	-

	20	$4,956	$5,025	-	-
	21	$5,025	$5,092	$5,237	-
	22	$5,092	$5,166	$5,310	$5,383
	23	$5,166	$5,237	$5,383	$5,458
	24	$5,237	$5,310	$5,458	$5,537
	25	$5,310	$5,383	$5,537	$5,617
	26	$5,383	$5,458	$5,617	$5,725
	27	$5,458	$5,537	$5,725	$5,839
	28	$5,537	$5,617	$5,839	$5,956
	29	$5,617	$5,725	$5,956	$6,075
	30	$5,725	$5,839	$6,075	$6,197
	31	$5,839	$5,956	$6,197	$6,321
	32	$5,956	$6,075	$6,321	$6,447
	33	$6,075	$6,197	$6,447	$6,576
	34	$6,197	$6,321	$6,576	$6,708
	35	$6,321	$6,447	$6,708	$6,842
	36	$6,447	$6,576	$6,842	$6,979
	37	$6,576	$6,708	$6,979	$7,119
	38	$6,708	$6,842	$7,119	$7,261
	39	$6,842	$6,979	$7,261	$7,406
	40	$6,979	$7,119	$7,406	$7,554
	41	$7,119	$7,261	$7,554	$7,705
	42	$7,261	$7,406	$7,705	$7,859
	43	-	$7,554	$7,859	$8,016
	44	-	$7,705	$8,016	$8,176
	45	-	-	$8,176	$8,340

SECTION 4.(b) G.S. 29.13(h) of S.L. 2011-145 reads as rewritten:

"**SECTION 29.13.(h)** During the 2011-2012 fiscal ~~year,~~year and the 2012-2013 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."

EFFECTIVE DATE

SECTION 5. Section 2 of this act is effective when it becomes law. The remainder of this act becomes effective July 1, 2012.

ATTACHMENT 2

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

CORRECTED REPORT

Thursday, May 31, 2012

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

FAVORABLE

H.B.(SCS #1) **966** Repeal Prohibition on Teacher Prepayment.
Sequential Referral: None
Recommended Referral: None

TOTAL REPORTED: 1

Committee Clerk Comments:

Sen. Apodaca will present the bill.

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
Tuesday, June 12, 2012 at 8:30 AM
Room 643, Legislative Office Building

MINUTES

The Senate Appropriations/Base Budget Committee met at 8:35 AM on June 12, 2012, in Room 643 of the Legislative Office Building. Twenty-two members of the committee were present. Senator Brunstetter presided. Senator Brunstetter called the meeting to order and recognized the Pages and Sergeant at Arms.

Senator Stevens moved to adopt the PCS (HB 950) for purposes of discussion. The motion carried and the PCS was before the committee.

Senator Stevens was recognized to present an overview of HB 950: Proposed Committee Substitute (Attachment 4): **AN ACT TO MODIFY THE CURRENT OPERATIONS AND CAPITAL IMPROVEMENTS APPROPRIATIONS ACT OF 2011 AND FOR OTHER PURPOSES.**

Senator Stevens outlined the Education portion of the PCS which included K-12, Community Colleges and the University System. He then relinquished the chair to Senator Brunstetter to explain the Health and Human Services portion of the PCS. During this presentation, Senator Hunt presided.

Senator Brunstetter described the Medicaid short falls the State has experienced in the past few years and how the proposed budget addresses those short falls.

Senator Stevens continued with his explanation of the proposed budget by addressing the section on Natural & Economic Resources and completed his presentation with the section on Salaries and Benefits.

Senator Rabon and Senator Harrington were recognized to explain the Transportation portion of the PCS. Following this presentation, the Chair announced the Committee would take up the Public Comments (Attachment 6) portion. Each person was limited to no more than three minutes. During the Public Comments portion of the meeting, Chairman Stevens and Chairman Hunt, along with Fiscal and Bill Drafting Staff, moved to a separate conference room to review the submitted amendments to determine if they qualified to be eligible for consideration. See Rules for Considering Amendments (Attachment 3).

Following the Public Comments period, the Committee recessed briefly while the Chairs prepared to hear the offered amendments.

The Amendments and their actions follow (Attachments 7 and 8):

AMD-94 [v.14]	Stevens	Adopted
AMG-79 [v.2]	Pate	Adopted
AMH-94 [v.1]	Rouzer	Adopted
ALE-109 [v.1]	Tillman	Adopted
ALE-110 [v.1]	East	Adopted
AME-154 [v.1]	Brock	Adopted
ALB-180 [v.1]	Tucker	Adopted

Following a period of discussion by the Committee Members, Senator Stevens made the following motion: Unfavorable as to Committee Substitute to HB 950, but favorable as to Senate Committee Substitute Bill with amendments UNENGROSSED. The motion passed.

With no further business before the committee, the meeting adjourned at 11:25AM.

Senator Brunstetter, Committee Chair

Kathy Davis, Committee Clerk

ATTACHMENT 1

Principal Clerk ____
Reading Clerk ____

Amended Notice

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	June 12, 2012	8:30 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
HB 950	Modify 2011 Appropriations Act.	Representative Brubaker

Amendments are due to the clerk by 10:00 a.m.

At the Chairs discretion, there may be up to an hour allotted for public comment. Anyone wishing to speak must register with the Sergeant At Arms no later than 9:00 a.m. Comments will be limited to three (3) minutes.

Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

Principal Clerk ____
Reading Clerk ____

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

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HB 950	Modify 2011 Appropriations Act.	Representative Brubaker

Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

ATTACHMENT 2

Agenda

Senate Appropriations/Base Budget Committee

Legislative Office Building, Room 643
8:30 a.m.
June 12th, 2012

House Bill 950 **Modify 2011 Appropriations Act** **Proposed Senate Committee Substitute**	*Senator Richard Stevens* *Senator Peter Brunstetter* *Senator Neal Hunt*
Transportation Section	*Senator Kathy Harrington* *Senator Bill Rabon*

Vote - Proposed Committee Substitute HB 950

Adjourn

ATTACHMENT 3

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 or create new management flexibility reserves are not allowed.

6. Amendments that increase spending in the subcommittee budgets are not allowed.

7. Amendments are not allowed where funding for an item comes from statewide reserves, savings reserve or the repairs and renovations account.

8. Since this is a meeting of Full Appropriations, amendments that address finance portions of the bill will not be heard.

9. Amendments must be in writing, the original signed, with 75 copies available for distribution.

10. To be considered, a proposed amendment must have been logged in by the committee clerk in room 643 by 10:00 a.m.-Tuesday, June 12th, 2012.

ATTACHMENT 4

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

H D

HOUSE BILL 950
Committee Substitute Favorable 5/29/12
Third Edition Engrossed 5/30/12
PROPOSED SENATE COMMITTEE SUBSTITUTE H950-PCS30634-MDxf-28

Short Title: Modify 2011 Appropriations Act. (Public)

Sponsors:

Referred to:

May 17, 2012

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE CURRENT OPERATIONS AND CAPITAL IMPROVEMENTS APPROPRIATIONS ACT OF 2011 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 as provided in G.S. 143C-1-2(b).

TITLE OF ACT

SECTION 1.2. This act shall be known as "The Current Operations and Capital Improvements Appropriations Act of 2012."

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, 2013, according to the schedule that follows. Amounts set out in parentheses are reductions from General Fund appropriations for the 2012-2013 fiscal year.

Current Operations – General Fund		**2012-2013**
EDUCATION		
Community Colleges System Office	$	(4,177,523)
Department of Public Instruction		34,142,118

University of North Carolina – Board of Governors		
Appalachian State University		260,876
East Carolina University		
Academic Affairs		4,447,287
Health Affairs		0
Elizabeth City State University		0
Fayetteville State University		473,656
NC A&T State University		0
NC Central University		0
NC State University		
Academic Affairs		5,346,252
Agricultural Research		0
Agricultural Extension		0
UNC-Asheville		0
UNC-Chapel Hill		
Academic Affairs		0
Health Affairs		0
AHEC		0
UNC-Charlotte		0
UNC-Greensboro		103,534
UNC-Pembroke		0
UNC-School of the Arts		0
UNC-Wilmington		434,038
Western Carolina University		0
Winston-Salem State University		0
General Administration		10,558,141
University Institution Programs		14,560,828
Related Educational Programs		(12,139,141)
UNC Financial Aid Private Colleges		0
NC School of Science & Math		0
UNC Hospitals		0
Total University of North Carolina – Board of Governors	$	24,045,471
HEALTH AND HUMAN SERVICES		
Department of Health and Human Services		
Division of Central Management and Support	$	(28,697,345)
Division of Aging and Adult Services		35,300,000
Division of Services for Blind/Deaf/Hard of Hearing		0
Division of Child Development		(10,000,000)
Division of Health Service Regulation		0
Division of Medical Assistance		229,575,042
Division of Mental Health, Dev. Disabilities and Sub. Abuse		3,245,954
NC Health Choice		0
Division of Public Health		5,077,450
Division of Social Services		0
Division of Vocational Rehabilitation		0
Total Health and Human Services	$	234,501,101
NATURAL AND ECONOMIC RESOURCES		
Department of Agriculture and Consumer Services	$	45,794,624
Department of Commerce		
Commerce		12,050,590
Commerce State-Aid		(2,843,040)
NC Biotechnology Center		(351,034)
Rural Economic Development Center		(7,007,535)

Department of Environment and Natural Resources		(41,893,545)
DENR Clean Water Management Trust Fund		(316,738)
Department of Labor		0
Wildlife Resources Commission		434,397
JUSTICE AND PUBLIC SAFETY		
Department of Public Safety	$	(35,437,508)
Judicial Department		(4,279,349)
Judicial Department – Indigent Defense		0
Department of Justice		(6,375,063)
GENERAL GOVERNMENT		
Department of Administration	$	(907,061)
Department of State Auditor		(213,521)
Office of State Controller		780,018
Department of Cultural Resources		
Cultural Resources		(1,233,940)
Roanoke Island Commission		(24,070)
State Board of Elections		461,404
General Assembly		1,570,422
Office of the Governor		
Office of the Governor		(94,823)
Office of State Budget and Management		(116,973)
OSBM – Reserve for Special Appropriations		(61,612)
Housing Finance Agency		(8,064,634)
Department of Insurance		
Insurance		(73,550)
Insurance – Volunteer Safety Workers' Compensation		0
Office of Lieutenant Governor		(144,150)
Office of Administrative Hearings		(82,845)
Department of Revenue		(1,563,991)
Department of Secretary of State		(213,091)
Department of State Treasurer		
State Treasurer		0
State Treasurer – Retirement for Fire and Rescue Squad Workers		0
RESERVES, ADJUSTMENTS AND DEBT SERVICE		
Information Technology Fund	$	(750,000)
Reserve for Job Development Investment Grants (JDIG)		(6,500,000)

Judicial Retirement System Contribution		100,000
Continuation Review Reserve		(35,576,758)
Performance Pay Reserve		(121,105,840)
Reserve for Compensation Increases and Personnel Flexibility		159,984,426
Disability Income Plan Rate Reduction		(8,688,000)
One North Carolina Fund		9,000,000
Reserve for VIPER		25,000,000
Debt Service		
General Debt Service		(52,904,635)
TOTAL CURRENT OPERATIONS – GENERAL FUND	**$**	**206,863,742**

GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2.(a) Section 2.2(a) of S.L. 2011-145, as amended by Section 2(b) of S.L. 2011-391 and Section 5(a) of S.L. 2011-395, is repealed. The General Fund availability used in adjusting the 2012-2013 budget is shown below:

		FY 2012-2013
Unappropriated Balance Remaining	$	41,232,325
Anticipated Overcollections from FY 2011-2012		232,500,000
Anticipated Reversions for FY 2011-2012		205,500,000
Net Supplemental Medicaid Appropriation (S.L. 2012-2)		(154,000,000)
Less Earmarkings of Year-End Fund Balance		
Savings Reserve Account		(139,339,925)
Repairs and Renovations Reserve Account		(39,339,925)
Beginning Unreserved Fund Balance	**$**	**146,552,475**
Revenue Based on Existing Tax Structure		**18,931,200,000**
Nontax Revenue		
Investment Income		21,600,000
Judicial Fees		258,700,000
Disproportionate Share		115,000,000
Insurance		73,700,000
Other Nontax Revenues		304,400,000
Highway Trust Fund Transfer		27,600,000
Highway Fund Transfer		212,280,000
Total – Nontax Revenues		**1,013,280,000**
Subtotal General Fund Availability		**20,091,032,475**
Adjustments to Availability: 2012 Session		
E-Commerce Reserve Cash Balance		2,470,642
One North Carolina Fund Cash Balance		50,000,000
Sale of State Assets Receipt		(25,000,000)
Information Technology Internal Service Fund Cash Balance		14,000,000
National Mortgage Settlement		9,610,000
Highway Fund Transfer – Technical Adjustment		8,000,000
Work Opportunity Tax Credit Extension		(800,000)
Subtotal Adjustments to Availability:		**58,280,642**
Revised Total General Fund Availability		**20,149,313,117**
Less General Fund Appropriations		**20,149,313,117**
Balance Remaining		**0**

SECTION 2.2.(b) Notwithstanding the provisions of G.S. 143C-4-3, the State Controller shall transfer only thirty-nine million six hundred eighty-nine thousand nine hundred twenty-five dollars ($39,689,925) from the unreserved fund balance to the Repairs and Renovations Reserve Account on June 30, 2012.

SECTION 2.2.(c) Funds transferred under this section to the Repairs and Renovations Reserve Account are appropriated for the 2012-2013 fiscal year to be used in accordance with G.S. 143C-4-3.

SECTION 2.2.(d) Notwithstanding G.S. 143C-4-2 and pursuant to subsection (a) of this section, the State Controller shall transfer one hundred thirty-nine million six hundred eighty-nine thousand nine hundred twenty-five dollars ($139,689,925) from the unreserved fund balance to the Savings Reserve Account on June 30, 2012.

This is not an "appropriation made by law," as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution.

SECTION 2.2.(e) Notwithstanding any other provision of law, the sum of fourteen million dollars ($14,000,000) shall be transferred from the Information Technology Internal Service Fund ending balance for State fiscal year 2011-2012, Budget Code 74660, to the State Controller to be deposited in the appropriate budget code as determined by the State Controller for the 2012-2013 fiscal year.

SECTION 2.2.(g) Notwithstanding any other provision of law, the sum of fifty million dollars ($50,000,000) from the Department of Commerce, One North Carolina Fund, shall be transferred to the State Controller to be deposited in the appropriate budget code as determined by the State Controller for the 2012-2013 fiscal year.

SECTION 2.2.(h) Notwithstanding any other provision of law, the sum of two million four hundred seventy thousand six hundred forty-two dollars ($2,470,642) from the E-Commerce Reserve, Budget Code 24100, shall be transferred to the State Controller to be deposited in the appropriate budget code as determined by the State Controller for the 2012-2013 fiscal year.

SECTION 2.2.(k) This section becomes effective June 30, 2012.

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, 2013, according to the following schedule. Amounts set out in parentheses are reductions from Highway Fund Appropriations for the 2012-2013 fiscal year.

Current Operations – Highway Fund	**2012-2013**
Department of Transportation	
Administration	$ 1,595,705
Division of Highways	
Administration	(164,266)
Construction	(17,737,270)
Maintenance	(40,866,948)
Planning and Research	0
OSHA Program	0
Ferry Operations	(3,000,000)
State Aid	
Municipalities	(912,604)
Public Transportation	(28,972,845)
Airports	0
Railroads	0
Governor's Highway Safety Program	0

Division of Motor Vehicles	50,173,639
Other State Agencies, Reserves, and Transfers	(64,065,411)
Capital Improvements	0
Total	**$ (103,950,000)**

HIGHWAY FUND AVAILABILITY STATEMENT

SECTION 3.2. Section 3.2 of S.L. 2011-145 is repealed. The Highway Fund availability used in adjusting the 2012-2013 fiscal year budget is shown below:

Highway Fund Availability Statement	**2012-2013**
Unreserved Fund Balance	$ 33,000,000
Revenue Based On Existing Law	2,062,680,000
Adjustment to Revenue Availability (Motor Fuels Tax)	$ (46,650,000)
Adjustment to Revenue Availability (Civil Penalties)	$ (22,000,000)
Adjustment to Revenue Availability (Limited Learner's Permit)	$ 3,180,000
Revised Total Highway Fund Availability	**$ 2,030,210,000**
Unappropriated Balance	**$ 0**

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, 2013, according to the following schedule. Amounts set out in brackets are reductions from Highway Trust Fund Appropriations for the 2012-2013 fiscal year.

Current Operations – Highway Trust Fund	**2012-2013**
Intrastate System	$ (9,338,145)
Aid to Municipalities	(979,789)
Secondary Roads	(979,789)
Urban Loops	(3,775,957)
Program Administration	(1,516,320)
Turnpike Authority	(32,500,000)
Transfer to General Fund	0
Transfer to Highway Fund	0
Debt Service	0
Mobility Fund	77,500,000
Reserves	(45,000,000)
GRAND TOTAL CURRENT OPERATIONS	**$ (16,590,000)**

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

SECTION 4.2. Section 4.2 of S.L. 2011-145 is repealed. The Highway Trust Fund availability used in developing the 2012-2013 fiscal year budget is shown below:

Highway Trust Fund Availability	**2012-2013**
Unreserved Fund Balance	$ 15,000,000
Revenue Based on Existing Law	1,070,870,000
Adjustment to Revenue Availability (Motor Fuels Tax)	(15,550,000)

Revised Total Highway Trust Fund Availability **$1,070,320,000**

PART V. OTHER APPROPRIATIONS

ELIMINATE REPORTING REQUIREMENT/APPROPRIATION OF OTHER FUNDS/USE OF DEPARTMENTAL RECEIPTS

SECTION 5.1. Section 5.1 of S.L. 2011-145 reads as rewritten:

"**SECTION 5.1.(a)** State funds, as defined in G.S. 143C-1-1(d)(25), are appropriated as provided in G.S. 143C-1-2 for the 2011-2013 fiscal biennium, with the adjustments made to the continuation budget as reflected in the Governor's Recommended Budget and Budget Support Document, as follows:

(1) For all budget codes listed in "The State of North Carolina Governor's Recommended Budget, 2011-2013" and in the Budget Support Document, cash balances and receipts are appropriated up to the amounts specified, as adjusted by the General Assembly, for the 2011-2012 fiscal year and the 2012-2013 fiscal year. Funds may be expended only for the programs, purposes, objects, and line items or as otherwise authorized by the General Assembly. Expansion budget funds listed in those documents are appropriated only as otherwise provided in this act.

(2) Notwithstanding the provisions of subdivision (1) of this subsection:

a. 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 2011-2012 fiscal year and the 2012-2013 fiscal year and shall be used only to pay debt service requirements.

b. Other funds, 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 2011-2012 fiscal year and the 2012-2013 fiscal year.

"**SECTION 5.1.(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.

~~"**SECTION 5.1.(c)** 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 5.1.(d)** ~~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.~~ Notwithstanding subsections (a) and (b) of this section, the following additional appropriations are hereby made:

(1) 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.

(2) There is appropriated from the General Fund an amount equal to the amount required to issue refunds for tax overpayments, in accordance with the provisions of Chapter 105 of the General Statutes or any other applicable law.

(3) There is appropriated from the Escheat Fund any escheated property awarded to a claimant in accordance with the provisions of Chapter 116B of the General Statutes or any other applicable law.

(4) There is appropriated from the appropriate fund, an amount equal to the amount required to refund any other overpayment made to a State agency, in accordance with applicable law."

EXPENDITURE OF FUNDS RECEIVED FROM GRANTS AWARDED SUBSEQUENT TO BUDGET ENACTMENT

SECTION 5.2. Section 5.2(a) of S.L. 2011-145 reads as rewritten:

"**SECTION 5.2.(a)** Notwithstanding G.S. 143C-6-4, State agencies may, with approval of the Director of the ~~Budget and after consultation with the Joint Legislative Commission on Governmental Operations,~~Budget, spend funds received from grants awarded subsequent to the enactment of this act. A State agency shall report expenditures of any grants received subsequent to the enactment of The Current Operations and Capital Improvements Appropriations Act of 2012 to the Joint Legislative Commission on Governmental Operations within 30 days."

EDUCATION LOTTERY

SECTION 5.3.(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 four hundred forty-one million three hundred fifty-nine thousand four hundred one dollars ($441,359,401) for the 2012-2013 fiscal year.

SECTION 5.3.(b) Notwithstanding G.S. 18C-164, the North Carolina State Lottery Commission shall not transfer funds to the Education Lottery Reserve Fund for the 2012-2013 fiscal year.

SECTION 5.3.(c) Section 5.4(f) of S.L. 2011-145 is repealed.

SECTION 5.3.(d) Notwithstanding G.S. 18C-164(f) or any other provision of law, excess lottery receipts realized in the 2011-2012 fiscal year in the amount of twenty-five million five hundred eighty-eight thousand three hundred seventy dollars ($25,588,370) shall be allocated for UNC Need-Based Financial Aid.

SECTION 5.3.(g) Notwithstanding G.S. 18C-164, the appropriations made from the Education Lottery Fund for the 2012-2013 fiscal year are as follows:

Teachers in Early Grades	$ 220,643,188
Prekindergarten Program	$ 63,135,709
Public School Building Capital Fund	$ 100,000,000
Scholarships for Needy Students	$ 30,450,000
UNC Need-Based Financial Aid	$ 52,718,874
Total Appropriation	$ 466,947,771

SECTION 5.3.(h) 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 2012-2013 fiscal year shall be allocated to counties on the basis of average daily membership (ADM).

SECTION 5.3.(i) Notwithstanding G.S. 18C-164(c), Article 35A of Chapter 115C of the General Statutes, or any other provision of law, the funds appropriated in this section for UNC Need-Based Financial Aid shall be administered in accordance with the policy adopted by the Board of Governors of The University of North Carolina.

SECTION 5.3.(j) Notwithstanding G.S. 18C-164(f), if the actual net lottery revenues for the 2012-2013 fiscal year exceed the amounts appropriated in subsection (g) of this section, the excess net lottery revenues shall be allocated for UNC Need-Based Financial Aid and are appropriated for that purpose.

PART VI. GENERAL PROVISIONS

REMOVE CONSULTATION BY GOVERNOR REQUIREMENT/INTERIM APPROPRIATIONS COMMITTEES

SECTION 6.1. Section 6.5 of S.L. 2011-145 is repealed.

EXTEND REPORTING DATE/UTILIZATION REVIEW/PUBLIC SCHOOL AND PUBLIC HEALTH NURSES

SECTION 6.2. Section 6.9(b) of S.L. 2011-145 reads as rewritten:

"SECTION 6.9.(b) By ~~May~~ December 1, 2012, the Fiscal Research Division shall report to the House and Senate Appropriations Committees."

VOICE INTEROPERABILITY PLAN FOR EMERGENCY RESPONSE (VIPER) SYSTEM

SECTION 6.3.(a) It is the intent of the General Assembly to continue to support development and implementation of the State's Voice Interoperability Plan for Emergency Response (VIPER) system in subsequent fiscal years. However, no State agency, office, commission, or non-State entity shall enter into a new contract or amend any existing contract that would commit or otherwise spend any State funds, as defined in G.S. 143C-1-1(d)(25), during the 2011-2012 fiscal year unless those funds were expressly appropriated by the General Assembly for the State's VIPER system.

SECTION 6.3.(b) Notwithstanding any other provision of law to the contrary, any unexpended, unencumbered State funds remaining on June 30, 2012, allotted to or received by the Department of Public Safety (Department) or any unexpended, unencumbered State funds allotted to or received by and remaining in the budgets of the previous agencies that now constitute the Department shall revert to the State's General Fund. For purposes of this section, the term "expenditure" means any purchase, advance, conveyance, deposit, distribution, transfer of funds, loan, payment, gift, pledge, or subscription of money or anything of value whatsoever, and any contract, agreement, promise or other obligation. For purposes of this section, the term "encumbrance" means a financial obligation created by a purchase order, contract, salary commitment, unearned or prepaid collections for services provided by the State, or other legally binding agreement.

SECTION 6.3.(c) Effective July 1, 2012, the Department is hereby authorized to commit or spend up to twenty-five million dollars ($25,000,000) in the 2012-2013 fiscal year to continue development and implementation of the State's VIPER system.

SECTION 6.3.(d) The Department of Public Safety shall report to the Joint Legislative Committee on Inf9ormation Technology and the Joint Legislative Oversight Committee on Justice and Public Safety on a quarterly basis on the progress of the State's VIPER system.

EXTEND MATURITY DATE/GLOBAL TRANSPARK

SECTION 6.4. 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, Section 27.7 of S.L. 2007-323, Section 25.2 of S.L. 2009-451, Section 6.10(a) of S.L. 2011-145, and Section 4(b) of S.L. 2011-340, 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. The State Treasurer may invest the funds as provided in this subsection. If an investment was authorized by this subsection at the time the investment was made or contractually committed to be made, then none of the percentage or other limitation on investments set forth in this subsection shall be construed to require the State Treasurer to subsequently dispose of the investment or fail to honor any contractual commitments as a result of changes in market values, ratings, or other investment qualifications.

...

(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, ~~2012.~~2014. 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.

...."

NATIONAL MORTGAGE SETTLEMENT APPROPRIATIONS

SECTION 6.5.(a) The Consent Judgment in *U.S. v. Bank of America*, Civil Action No. 12-CV-0361, dated April 4, 2012, provides for monetary payments to the State and, therefore, the General Assembly authorizes the expenditure of these State revenues as set forth in subsection (b) of this section.

SECTION 6.5.(b) Settlement funds received by the State pursuant to the Consent Judgment in *U.S. v. Bank of America*, Civil Action No. 12-CV-0361, dated April 4, 2012, shall be deposited and credited in accordance with the North Carolina Constitution and Chapter 143C of the General Statutes and are appropriated for the 2012-2013 fiscal year as follows:

(1) The sum of four million seven hundred eighty thousand dollars ($4,780,000) to the Department of Justice, Consumer Protection Division, for financial fraud detection and prevention efforts.

(2) The sum of six million six hundred ninety thousand dollars ($6,690,000) to the Administrative Office of the Courts to be administered by the North Carolina Conference of District Attorneys. Funds shall be used for grants and training for prosecutorial offices to expand prosecution of lending and financial crimes.

(3) The sum of thirty million five hundred twenty thousand dollars ($30,520,000) to the Housing Finance Agency for housing counselors and other assistance to help distressed homeowners.

(4) The sum of five million seven hundred forty thousand dollars ($5,740,000) in civil penalties shall be deposited in the Civil Penalty and Forfeiture Fund.

(5) The sum of two million eight hundred seventy thousand dollars ($2,870,000) to the Department of Justice, State Bureau of Investigation, to expand its accounting and financial investigative ability and its expertise to investigate financial and lending crimes.

SECTION 6.5.(c) No State agency receiving money from the National Mortgage Settlement may make expenditures for purposes not authorized by the General Assembly, nor may a State agency spend an amount totaling more than that appropriated by the General Assembly; however, a State agency may use the funds to offset 2012-2013 fiscal year nonrecurring reductions. Any positions established by State agencies with funds appropriated pursuant to this section shall be temporary or time-limited positions.

SECTION 6.5.(d) Nothing in this section is intended to be in conflict with the mandatory provisions of the Consent Judgment.

EXECUTIVE ORDER NO. 115/HURRICANE IRENE DISASTER LOANS

SECTION 6.7.(a) Notwithstanding Executive Order No. 115, Proclamation of a State of Disaster for Pamlico and Tyrrell Counties, issued on February 21, 2012, or any other law to the contrary, the Counties of Pamlico and Tyrrell, upon proof of flood insurance coverage to the Department of Public Safety, Emergency Management Section, shall not be held liable for that portion of funds borrowed under Executive Order No. 115 to cover damage sustained to their county school buildings and county school structures as a result of Hurricane Irene.

SECTION 6.7.(b) If Pamlico or Tyrrell County allows the flood insurance coverage required in subsection (a) of this section to lapse at any time, that county shall be liable for the full repayment of funds borrowed under Executive Order No. 115.

AUTHORIZE CERTAIN MODIFICATIONS OF THE CERTIFIED BUDGET

SECTION 6.9. Section 6.1(b) of S.L. 2011-145, as amended by Section 5 of S.L. 2011-391, reads as rewritten:

"**SECTION 6.1.(b)** For the 2011-2013 fiscal biennium, and notwithstanding the provisions of Chapter 143C of the General Statutes or any other provision of law, the certified budget for each State agency shall reflect only the total of all appropriations enacted for each State agency by the General Assembly in this act as modified by this act; therefore, the Director of the

Budget shall modify the certified budget only to reflect the following actions and only to the extent that they are authorized by this act:

(1) The allocation of funds set out in reserves.
(2) Government reorganizations.
(3) ~~Funds~~ The allocation of funds authorized by G.S. 116-30.3A and G.S. 116-40.22(c).
(4) The allocation of funds carried forward from one fiscal year to another.
(5) Changes required by acts that become law after the effective date of this section, irrespective of whether they are authorized by this act.

The Director of the Budget shall set out all other budget modifications in the authorized budget."

ESTABLISHING OR INCREASING FEES UNDER THIS ACT

SECTION 6.10.(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 to the level authorized or anticipated in this act.

SECTION 6.10.(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.

CONSULTATION WITH A LEGISLATIVE COMMITTEE

SECTION 6.11. G.S. 12-3 reads as rewritten:

"§ 12-3. Rules for construction of statutes.

In the construction of all statutes the following rules shall be observed, unless such construction would be inconsistent with the manifest intent of the General Assembly, or repugnant to the context of the same statute, that is to say:

...

(15) Requirement to consult with a committee or commission of the General Assembly. – All words purporting to require an individual or other entity to consult with a committee or commission of the General Assembly before taking an action shall be construed to require the entity to do all of the following:

a. Submit a report of the action under consideration to the chairs and staff of the committee or commission. The report shall include all information required by statute and the rules of that committee or commission. The staff of the committee or commission shall make the report available electronically to the members of the committee or commission and to the public.

b. Appear at a meeting of the committee or commission at which the matter is heard. Unless another period of time is specified by statute, the requirement to appear is satisfied if the committee or commission does not have a meeting at which the matter is heard within 90 days of receiving the required submission."

MEDICAID PROGRAM DISCLOSURES TO THE FISCAL RESEARCH DIVISION

SECTION 6.12. G.S. 120-32.01 reads as rewritten:

"§ 120-32.01. Information to be supplied.

(a) Every State department, State agency, or State institution shall furnish the Legislative Services Office and the Research, Fiscal Research, Program Evaluation, and Bill Drafting Divisions any information or records requested by them and access to any facilities and personnel requested by them. Except when accessibility is prohibited by a federal statute, federal regulation, or State statute, every State department, State agency, or State institution shall give the Legislative Services Office and these divisions access to any data base or stored information maintained by computer, telecommunications, or other electronic data processing equipment, whether stored on tape, disk, or otherwise, and regardless of the medium for storage or transmission.

(b) Notwithstanding subsection (a) of this section, access to the BEACON/HR payroll system by the Research and Bill Drafting Divisions shall only be through the Fiscal Research

Division and access to the system by the Program Evaluation Division shall only be through the Division Director and two employees of the Division designated by the Division Director.

(c) Consistent with subsection (a) of this section and notwithstanding any other law relating to privacy of personnel records, the Retirement Systems Division of the Department of State Treasurer shall furnish the Fiscal Research Division direct online read-only access to active and retired member information or records maintained by the Retirement Systems Division in online information systems. Direct online read-only access shall not include access to medical records of individual members. Nothing in this subsection shall limit the provisions of subsection (a) of this section.

(d) For the purpose of ensuring financial transparency, accountability, and efficient operation of the Medicaid program finances by the Department of Health and Human Services, employees of the Fiscal Research Division designated by the Director of Fiscal Research shall have access to all records related to the Medicaid program. The Department of Health and Human Services shall cooperate fully with the designated employees of the Fiscal Research Division to facilitate (i) the evaluation of all financial and policy components of the Medicaid program, including financial projections, (ii) the evaluation of the budgetary construction and management of the Medicaid program, and (iii) the identification of unusual financial events. The Department shall also provide the Fiscal Research Division with electronic access to any departmental data for assessing or predicting Medicaid financial outcomes, and to any modeling software used for assessing or predicting Medicaid program financial outcomes. Employees of the Department shall not impede, delay, or restrict the provision of information or limit access to any departmental personnel necessary for the Fiscal Research Division to perform its monitoring and analysis of the Medicaid program.

Nothing in this subsection shall be construed to grant Fiscal Research Division employees access to medical records of individuals or other information protected under the Health Information Portability and Accountability Act (HIPAA).

Nothing in this subsection shall limit the provisions of subsection (a) of this section.

(e) The Department of Health and Human Services shall provide its annual financial projection of Medicaid program expenditures and requirements for any future fiscal years to the Chairs of the House Appropriations Committee and to the Chairs of the Senate Appropriations/Base Budget Committee no later than the date the Governor presents budget recommendations in accordance with G.S. 143C-3-5. Prior to providing this projection, the Secretary shall cooperatively engage designated employees of the Fiscal Research Division in ongoing bilateral analytical discussions about historical, current, and unanticipated factors that may impact projected Medicaid program financial outcomes that may affect the formulation of an official departmental annual financial projection.

Nothing in this subsection shall limit the provisions of subsection (a) of this section."

STATE CONTRACTS SHALL INCLUDE A CLAUSE MAKING THEM SUBJECT TO THE AVAILABILITY OF APPROPRIATIONS

SECTION 6.13.(a) G.S. 143C-6-8 reads as rewritten:

"**§ 143C-6-8. State agencies may incur financial obligations only if authorized by the Director of the Budget and subject to the availability of appropriated funds.**

(a) Limitation. – Unless otherwise authorized by the Director as provided by law, purchase orders, contracts, salary commitments, and any other financial obligations by State agencies shall be subject to the availability of appropriated funds or available funds that are not State funds as defined in this Chapter. Any employment contract or salary commitment that is paid in whole or in part with State funds shall also be subject to this limitation.

(b) Notice. – Any written purchase order, contract, salary commitment, or other financial obligation subject to this section shall include a clause that sets forth the limitation imposed by subsection (a) of this section. Where this section applies but there is no written document to which the limitation may be added, the entity that administers the State funds at issue shall notify the person or entity of the limitation."

SECTION 6.13.(b) The Office of State Personnel shall adopt a policy implementing the relevant portions of G.S. 143C-6-8, as amended by this section, for State employees.

SECTION 6.13.(c) This section becomes effective September 1, 2012.

MANAGEMENT FLEXIBILITY REDUCTIONS TO ENSURE ADEQUATE FUNDS ARE AVAILABLE TO COVER MEDICAID SHORTFALLS

SECTION 6.14.(a) The General Assembly finds that:

(1) In recent fiscal years, Medicaid program costs have grown disproportionately more than the remainder of the State budget.

(2) Addressing large and frequent Medicaid program shortfalls has required the reallocation of funds that could have been used for other purposes.

(3) To cover an early draw down of Medicaid funds during the 2009-2010 fiscal year, the 2011 General Assembly was required to make an additional one hundred twenty-five million dollars ($125,000,000) available to the Medicaid program.

(4) To cover a shortfall in the 2011-2012 Medicaid budget, the 2012 Session of the 2011 General Assembly was required to make an additional two hundred five million five hundred thousand dollars ($205,500,000) available to the Medicaid program.

(5) To ensure that adequate funds are available to cover any potential shortfall in the 2012-2013 Medicaid budget, it is necessary to implement management flexibility reductions across State government.

SECTION 6.14.(b) In order to provide adequate funds to cover any potential shortfall in the 2012-2013 Medicaid budget while minimizing the impact on State government services, the Director of the Budget shall ensure that cost savings required through the management flexibility reductions in this act are realized so that at least fifty percent (50%) of the cost savings are realized by December 31, 2012.

PART VI-A. INFORMATION TECHNOLOGY

INFORMATION TECHNOLOGY FUND/AVAILABILITY

SECTION 6A.1. Section 6A.1(a) of S.L. 2011-145 reads as rewritten:

"**SECTION 6A.1.(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 2011-2012	**FY 2012-2013**
Appropriation from General Fund	$4,458,142	$ 6,158,142
Interest	$ 25,000	$ 25,000
IT Fund Balance June 30	$ 792,000	$ ~~0~~794,928
Transfer to General Fund		$ (750,000)
Total Funds Available	**$5,275,142**	**$ ~~6,183,142~~**
		$ 6,228,070

Appropriations are made from the Information Technology Fund for the 2011-2013 fiscal biennium as follows:

	FY 2011-2012	**FY 2012-2013**
Information Technology Operations		
Center for Geographic Information and Analysis	$ 599,347	~~$599,347~~$461,871
Enterprise Security Risk Management	$ 864,148	$ 864,148
Enterprise Project Management Office	$1,473,285	$ 1,473,285
Architecture and Engineering	$ 581,986	$ ~~581,986~~$ 851,986
Criminal Justice Information Network	$ 166,422	~~$166,422~~$178,826
Statewide IT Procurement	$ 0	$ 0
State Web site	$ 100,000	$ ~~0~~ $150,000
ITS Overhead Reduction	$ (91,486)	$ (91,486)
Subtotal Information Technology Operations	$3,693,702	$ ~~3,593,702~~
		$ 3,888,630
Information Technology Projects		
State Portal	$ 0	$ 0
IT Consolidation	$ 776,440	~~$784,440~~$534,440
Transfer to OSC for E-Forms	$ 500,000	$ 500,000
Subtotal Information Technology Projects	$1,276,440	~~$1,284,440~~$1,034,440

Data Integration License Funding Transfer to State Agencies	$ 200,000	$ 1,200,000
Position Transfer to Office of State Budget and Management	$ 105,000	$ 105,000
Total	**$5,275,142~~$6,183,142~~$6,228,070**".	

OFFICE OF INFORMATION TECHNOLOGY SERVICES/CENTER FOR GEOGRAPHIC INFORMATION AND ANALYSIS/GIS FUNCTIONS AND COST RECOVERY

SECTION 6A.2. G.S. 147-33.82(a) is amended by adding a new subdivision to read:

"(a) In addition to any other functions required by this Article, the Office of Information Technology Services shall:

...

(10) Provide geographic information systems services through the Center for Geographic Information and Analysis on a cost recovery basis. The Office of Information Technology Services and the Center for Geographic Information and Analysis may contract for funding from federal or other sources to conduct or provide geographic information systems services for public purposes."

TAX INFORMATION MANAGEMENT SYSTEM/ADDITIONAL PUBLIC-PRIVATE PARTNERSHIP AUTHORIZED

SECTION 6A.3.(a) Additional Public-Private Partnership. – The Secretary of Revenue may enter into an additional public-private arrangement in order to expand the implementation of the Tax Information Management System (TIMS). All such arrangements will terminate June 30, 2018. The public-private arrangement may include terms necessary to implement additional revenue-increasing or cost-savings components if all of the following conditions are met:

(1) The funding of the project under the arrangement comes from revenue generated by or cost savings resulting from the project.

(2) The funding of the project is dependent on increased-revenue or cost-savings streams that are different from the existing benefits stream for the implementation of TIMS.

(3) The project involves additional identified initiatives that will be integrated into the TIMS solution.

SECTION 6A.3.(b) Contracts. – Work under an additional public-private arrangement that is authorized by this section may be contracted by requests for proposals, modifications to the existing contracts, purchases using existing contracts, or other related contract vehicles.

SECTION 6A.3.(c) Management/Performance Measurement. – The Secretary of Revenue shall follow the existing model for public-private arrangement oversight and shall establish a measurement process to determine the increased revenue or cost savings attributed to the additional public-private arrangement authorized by this section. To accomplish this, the Secretary shall consult subject matter experts in the Department of Revenue, in other governmental units, and in the private sector, as necessary. At a minimum, the measurement process shall include all of the following:

(1) Calculation of a revenue baseline against which the increased revenue attributable to the project is measured and a cost-basis baseline against which the cost savings resulting from the project are measured.

(2) Periodic evaluation to determine whether the baselines need to be modified based on significant measurable changes in the economic environment.

(3) Monthly calculation of increased revenue and cost savings attributable to contracts executed under this section.

SECTION 6A.3.(d) Funding. – Of funds generated from increased revenues or cost savings as compared to the baselines established by subdivision (1) of subsection (c) of this section, in the General Fund, the Highway Fund, and that State portion of the Unauthorized Substance Tax collections of the Special Revenue Fund, the sum of up to a total of sixteen million dollars ($16,000,000) may be used by the Office of State Budget and

Management to make purchases related to the implementation of the additional public-private arrangement authorized by this section, including payment for services from non-State entities.

SECTION 6A.3.(e) Internal Costs. – For the 2012-2013 fiscal year, in addition to the funding authorized in subsection (d) of this section and Section 6A.5(a) of S.L. 2011-145, the Department of Revenue may retain both of the following:

(1) An additional sum of ten million two hundred twenty-eight thousand dollars ($10,228,000) from benefits generated for the General Fund since the beginning of the public-private partnership described under Section 6A.5(a) of S.L. 2011-145. These funds shall be used as payment of internal costs for the fiscal biennium, and such funds are hereby appropriated for this purpose.

(2) An additional sum of six million dollars ($6,000,000) from benefits generated for the General Fund since the beginning of the public-private partnership described under Section 6A.5(a) of S.L. 2011-145. These funds shall be used to support internal costs and any new resources necessary to provide additional electronic services, to include payments and returns. Any requirements for electronic forms and digital signatures resulting from the electronic services expansion shall be coordinated with the Office of the State Controller.

SECTION 6A.3.(f) Expert Counsel Required. – 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 negotiate and review contracts associated with an additional public-private arrangement authorized under this section.

SECTION 6A.3.(g) Oversight Committee. – The Oversight Committee established under Section 6A.5(c) of S.L. 2011-145 shall have the same responsibilities and duties with respect to an additional public-private arrangement authorized by this section as it does with respect to public-private arrangements to implement TIMS and the additional PDP components.

SECTION 6A.3.(h) Reporting. – Beginning August 1, 2012, and quarterly thereafter, the Department of Revenue shall submit detailed written reports to the Chairs of the House of Representatives and Senate Committees on Appropriations, to the Joint Legislative Oversight Committee on Information Technology, and to the Fiscal Research Division of the General Assembly. The report shall include an explanation of all of the following:

(1) Details of each public-private contract.

(2) The benefits from each contract.

(3) A comprehensive forecast of the benefits of using public-private agreements to implement TIMS, the additional PDP components, and additional components authorized by this section, including cost savings and the acceleration of the project timeline.

(4) Any issues associated with the operation of the public-private partnership.

SECTION 6A.3.(i) Information Technology Project Oversight. – In addition to the oversight provided by the Oversight Committee established in Section 6A.5(c) of S.L. 2011-145, the additional public-private arrangement authorized by this section shall be subject to existing State information technology project oversight laws and statutes, and the project management shall comply with all statutory requirements and other criteria established by the State Chief Information Officer and the Office of State Budget and Management for information technology projects. The State Chief Information Officer and the Office of State Budget and Management shall immediately report any failure to do so to the Joint Legislative Oversight Committee on Information Technology, the Chairs of the House of Representatives and Senate Committees on Appropriations, and the Fiscal Research Division.

SECTION 6A.3.(j) Extension. – Section 6A.5(c) of S.L. 2011-145 reads as rewritten:

"**SECTION 6A.5.(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 in writing all contracts, including change orders, amendments to contracts, and addendums to contracts, before they are 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. Within five days of entering into a

contract, the Department shall provide copies of each contract and all associated information to the Joint Legislative Oversight Committee on Information Technology, the Chairs of the House of Representatives and Senate Committees on Appropriations, and the Fiscal Research Division.

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, 2015.~~June 30, 2018.

The Department shall provide copies of the minutes of each meeting and all associated information to the Joint Legislative Oversight Committee on Information Technology, the Chairs of the House of Representatives and Senate Committees on Appropriations, and the Fiscal Research Division."

SECTION 6A.3.(k) One-Time Payment. – To accelerate the implementation of the Tax Information Management System, including any additional components authorized by subsection (a) of this section, the Office of State Budget and Management may authorize the Secretary of Revenue to make a one-time payment of two million dollars ($2,000,000) to the vendor of TIMS for implementation of TIMS if all of the conditions of this section are satisfied. The one-time payment shall be paid within 90 days of satisfaction of all conditions of this section or when sufficient funds are available, whichever is later. The source of funds for this payment is the same increased-revenue and cost-savings streams identified under subsection (a) of this section. The payment authorized by this subsection is in addition to the payments authorized by subsection (a) of this section. The mandatory conditions of this subsection are as follows:

(1) Release 5 of the Enterprise Technology Management (ETM) project is initially implemented on or before July 31, 2013.
(2) The post-implementation defect rate for Release 5 of the ETM project is within standards agreed to by the Secretary and the vendor. For purposes of this section, the post-implementation period is the period from the date of initial implementation until 90 days after initial implementation.
(3) All defects identified as part of Release 5 of the ETM project before the end of the post-implementation period are resolved within time frames agreed to by the Secretary and the vendor.

INFORMATION TECHNOLOGY PERSONAL SERVICES CONTRACTS/ REPORTING CHANGE

SECTION 6A.4. Section 6A.6(c) of S.L. 2011-145 reads as rewritten:

"**SECTION 6A.6.(c)** Beginning ~~August 1, 2011,~~ August 1, 2012, and ~~monthly~~ quarterly thereafter, each State agency, department, and institution employing information technology personal services contractors, or contract personnel performing information technology functions, shall provide a detailed report on those contracts to the Office of State Budget and Management, the Office of State Personnel, the Office of Information Technology Services, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division of the General Assembly. 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 employs that individual.
c. The type of contract, start date, and termination date.
d. The length of time that the individual filling the contracted position has been employed by the State as a contractor in any position.
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 will be certified by the State Information Technology Purchasing Office.
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 the contractor can be performed by State employees.
(4) All information required by this subsection related to information technology contractors regardless of the contracting source."

OFFICE OF INFORMATION TECHNOLOGY SERVICES/INTERNAL SERVICE FUND RATE ESTABLISHED/CASH MANAGEMENT

SECTION 6A.5.(a) Section 6A.8(a) of S.L. 2011-145 reads as rewritten:

"**ITS/INTERNAL SERVICE FUND RATE ESTABLISHMENT/CASH MANAGEMENT**

"**SECTION 6A.8.(a)** For ~~each year of the 2011-2013 fiscal biennium,~~ the 2011-2012 fiscal year, receipts for the Information Technology Internal Service Fund shall not exceed one hundred ninety million dollars ($190,000,000), excluding a ~~60-day~~ 40-day balance for contingencies. Notwithstanding G.S. 147-33.88, for the 2012-2013 fiscal year, all receipts, regardless of the source, including agency allocations and fund-to-fund transfers, for the Information Technology Internal Service shall not exceed one hundred seventy-five million dollars ($175,000,000). Rates established by the Office of State Budget and Management (OSBM) to support the IT Internal Service Fund shall be based on ~~this~~ the required fund limit. Established rates shall be adjusted within 30 days in the event the fund exceeds the prescribed limit. In the event that an increase in receipts for the IT Internal Service Fund is required, the ~~Office of Information Technology Services~~ State Chief Information Officer may implement the increase only after consultation with the Joint Legislative Commission on Governmental Operations. Overhead applied to IT Internal Service Fund rates shall not exceed ten percent (10%) of the rate."

SECTION 6A.5.(b) Section 6A.8 of S.L. 2011-145 is amended by adding a new subsection to read:

"**SECTION 6A.8.(a1)** The 40-day balance for contingencies shall be based on the maximum receipts permitted for each fiscal year, and any balance in excess of the limit must be refunded within 30 days of the first day when the fund balance exceeded the limitation amount. The Office of Information Technology Services shall limit collections each quarter to an amount not to exceed twenty-five percent (25%) of the year's limit. For the 2012-2013 fiscal year, a 40-day balance shall be maintained."

SECTION 6A.5.(c) The State Chief Information Officer shall consult with the Joint Legislative Commission on Governmental Operations prior to:

(1) Eliminating any services currently provided by the Office of Information Technology Services or the State Chief Information Officer.
(2) Transferring positions currently funded by the Information Technology Fund to the IT Internal Service Fund.

SECTION 6A.5.(d) Agency IT Expenses Cannot Exceed Appropriations. – During the 2012-2013 fiscal year, no State agency shall be charged more for information technology

services provided by the Office of the State Chief Information Officer or the Office of Information Technology Services than the lower of the amount charged or the amount actually paid less refunds from available appropriations for the 2011-2012 fiscal year, unless the increase is agreed to in writing by the agency and the Office of the State Chief Information Officer.

SECTION 6A.5.(e) Limitation on Charges for Alternate Services. – In the event that the State Chief Information Officer discontinues or privatizes a service during the 2012-2013 fiscal year, if the agencies choose to use an alternate service provided by the Office of Information Technology Services or their vendor, the amount that State agencies are charged for alternate services, inclusive of any service charge the State Chief Information Officer adds to the vendor charge, shall not exceed the IT Internal Service Fund charges for the same service in effect on May 31, 2012.

SECTION 6A.5.(f) The State Chief Information Officer shall report on a monthly basis to the Chairs of the House of Representatives and Senate Committees on Appropriations, to the Joint Legislative Oversight Committee on Information Technology, and to the Fiscal Research Division of the General Assembly. The reports required by this section shall include:

(1) How close the receipts of the Information Technology Internal Service are to the limits set forth in Section 6A.8(a) of S.L. 2011-145.

(2) The rates established by the Office of State Budget and Management (OSBM) to support the IT Internal Service Fund.

(3) The amount charged to date to each State agency for services provided by the Office of the State Chief Information Officer or the Office of Information Technology Services during the 2012-2013 fiscal year.

(4) The amount that State agencies are charged for alternate services in the event that a service is discontinued or privatized during the 2012-2013 fiscal year, inclusive of any service charge the State Chief Information Officer adds to the vendor charge.

INFORMATION TECHNOLOGY PRIVATIZATION

SECTION 6A.6.(a) Section 6A.9 of S.L. 2011-145 reads as rewritten:

"**SECTION 6A.9.(a)** Any privatization of any grouping of information technology services, or "towers," identified in the Infrastructure Study and Assessment (INSA) or any privatization to provide a new service or privatize an existing service shall require prior approval from the General Assembly. Funding to support any outsourcing of any of these towers or any privatization involving a new or existing service shall be specifically appropriated by the General Assembly for that purpose, to include any use of Information Technology Internal Service Fund receipts. No new privatization shall occur until the Office of the State Chief Information Officer and the Office of Information Technology Services accomplish the following:

(1) The establishment and presentation to the Joint Legislative Oversight Committee on Information Technology of a budget for the Information Technology Internal Service Fund with rates for services that accurately reflect costs.

(2) The development and implementation of an accurate, comprehensive asset management system for executive branch agencies and report to the Joint Legislative Oversight Committee on Information Technology the results of the implementation.

(3) Issuance of a new request for proposal to solicit bids for any privatization initiative.

(4) Consultation with and approval from the State Treasurer.

"**SECTION 6A.9.(a1)** The limitations set forth in this section shall apply to the IT Services Management Services Desk (Help Desk), the Application Development and Support Services (Hosting Services), and the video portfolio and to any other IT service privatization.

"**SECTION 6A.9.(b)** Before privatizing any ~~major information technology function~~new or existing information technology service during the 2011-2013 fiscal biennium, the State Chief Information Officer shall do all of the following:

(1) Develop a detailed plan for implementing any privatization initiative to include the following:

a. A governance and accountability structure for the privatization effort.

b. Detailed time line with milestones.
c. Any costs necessary to accomplish outsourcing with funding sources identified.
d. Estimated monthly cost for each participating agency for the first five years of privatization.
e. Risks associated with privatization, measures being taken to mitigate those risks, and any costs associated with the mitigation measures.
f. Any security issues associated with outsourcing each application impacted by the outsourcing, with a detailed plan to mitigate those issues.
g. A list of State employees to be terminated with information on their job description and how long they have been employed by the State, a schedule of when the terminations are to occur, the cost of terminating each employee, and plans to assist each terminated employee.

The State Chief Information Officer shall consult the Joint Legislative Commission on Governmental Operations and report to the Joint Legislative Oversight Committee on Information Technology on the completed plan prior to any implementation of privatization.

(2) Have a detailed plan in place, to include associated costs and sources of funding, to return the function to State control in the event privatization fails to provide anticipated cost-savings or required service levels.

(3) Privatize only those individual functions where verifiable market data collected after January 1, 2012, by a disinterested third-party consultant shows that privatization will result in cost-savings to the State and there is no data identifying alternatives that generate greater savings, ensuring that agencies receive at a minimum the same level of service and functionality as the level prior to privatization.

(4) Document and certify any anticipated savings resulting from privatization by individual function.

(5) Ensure full disclosure of any privatization decisions that combine multiple services or towers into a single contract, including the costs associated with each specific service or tower included in the contract.

(6) Ensure that any changes are made across the entire executive branch.

(7) Consult the Joint Legislative Commission on Governmental Operations and report to the Joint Legislative Oversight Committee on Information Technology regarding the plan for funding any requirements formerly covered by the receipts from the privatized function.

"**SECTION 6A.9.(b1)** Agency Participation in Privatization Initiatives Is Voluntary. – Notwithstanding any other provision of law, if a State-administered information technology service is privatized, or a new service is provided through a private vendor, continued receipt of or participation in the service by State agencies shall be voluntary.

"**SECTION 6A.9.(b2)** Agency Options in the Event of Privatization. – If a State-administered information technology service is privatized, or a new privatized service is offered, State agencies may do any of the following:

(1) Elect to discontinue receiving or participating in the service and to provide the service within the agency. If an agency elects to provide the service internally, any positions previously transferred to the Office of Information Technology Services to support the service shall be transferred back to that agency. The Office of the State Chief Information Officer and the Office of Information Technology Services shall provide necessary support to facilitate the transfers of positions.

(2) Submit their own requests for proposal and contract with a vendor to provide the privatized service.

(3) Enter into agreements with other agencies to independently obtain information technology services that have been privatized, either by participating in the other agency's current service or by executing contracts for services.

(4) Elect to receive or participate in a new or newly privatized service.

"SECTION 6A.9.(b3) Council of State Approval Required. – Notwithstanding any other provision of law, both requests for proposal and contracts privatizing State-administered information technology services must be approved by the Council of State.

"SECTION 6A.9.(c) After privatizing any major information technology function, the State Chief Information Officer shall do all of the following:

(1) Report quarterly on the results of the privatization, including a detailed comparison of projected savings to actual cost, data on whether or not the vendor is meeting service level agreements, and an explanation of the reasons for any deficiency or difference.

(2) Immediately notify the Joint Legislative Commission on Governmental Operations of any outsourcing effort that does not meet projected savings or required service levels for two quarters in a row or during any two quarters of a fiscal year, and develop a corrective action plan.

(3) Terminate any contract where privatization fails to achieve projected savings or meet service levels over a period of 12 months.

"SECTION 6A.9.(d) Reporting. – The State Chief Information Officer shall consult with the Joint Legislative Commission on Governmental Operations prior to issuing a request for proposal to privatize any State-administered information technology service.

"SECTION 6A.9.(e) Access by Private Vendors. – If the State Chief Information Officer provides to a potential vendor any information or access to State facilities in connection with or anticipation of the privatization of a State-administered information technology service, the State Chief Information Officer shall provide the same information or access to all potential vendors. The State Chief Information Officer shall certify the Officer's compliance with this subsection to the General Assembly."

SECTION 6A.6.(b) This section applies to all contracts entered into prior to February 1, 2013.

SECTION 6A.6.(c) This section expires February 1, 2013.

MOBILE ELECTRONIC DEVICE REPORTING CHANGE

SECTION 6A.7. Section 6A.14(a) of S.L. 2011-145, as amended by Section 11(f) of S.L. 2011-391, reads as rewritten:

"**SECTION 6A.14.(a)** Every executive branch agency within State government shall develop a policy to limit the issuance and use of mobile electronic devices to the minimum required to carry out the agency's mission. As used herein, mobile communication device includes goods provided by commercial mobile radio service providers and services for mobile telecommunications governed by Title 47 of the Code of Federal Regulations. By September 1, 2011, each agency shall provide a copy of its policy to the Chairs of the Appropriations Committee and the Appropriations Subcommittee on General Government of the House of Representatives, the Chairs of the Appropriations/Base Budget Committee and the Appropriations Committee on General Government and Information Technology of the Senate, the Chairs of the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management.

State-issued mobile electronic devices shall be used only for State business. Agencies shall limit the issuance of cell phones, smart phones, and any other mobile electronic devices to employees for whom access to a mobile electronic device is a critical requirement for job performance. The device issued and the plan selected shall be the minimum required to support the employees' work requirements. This shall include considering the use of pagers in lieu of a more sophisticated device. The requirement for each mobile electronic device issued shall be documented in a written justification that shall be maintained by the agency and reviewed annually. All State agency heads, in consultation with the Office of Information Technology Services and the Office of State Budget and Management, shall document and review all authorized cell phone, smart phone, and other mobile electronic communications device procurement, and related phone, data, Internet, and other usage plans for and by their employees. Agencies shall conduct periodic audits of mobile device usage to ensure that State employees and contractors are complying with agency policies and State requirements for their use.

Beginning ~~October 1, 2011,~~ October 1, 2012, each agency shall report ~~quarterly~~ annually to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Subcommittee on General Government, the Chairs of the Senate Committee on

Appropriations and the Senate Appropriations Committee on General Government and Information Technology, the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the Office of State Budget and Management on the following:

(1) Any changes to agency policies on the use of mobile devices.
(2) The number and types of new devices issued since the last report.
(3) The total number of mobile devices issued by the agency.
(4) The total cost of mobile devices issued by the agency.
(5) The number of each type of mobile device issued, with the total cost for each type."

ENHANCE ENTERPRISE-LEVEL BUSINESS INTELLIGENCE TO INCREASE EFFICIENCY IN STATE GOVERNMENT

SECTION 6A.7A.(a) Creation of Initiative. –

(1) Creation. – The enterprise-level business intelligence initiative (initiative) is established in the Office of State Controller. The purpose of the initiative is to support the effective and efficient development of State agency business intelligence capability in a coordinated manner and reduce unnecessary information silos and technological barriers. The initiative is not intended to replace transactional systems, but is instead intended to leverage the data from those systems for enterprise-level State business intelligence.

The initiative shall include a comprehensive evaluation of existing data analytics projects and plans in order to identify data integration and business intelligence opportunities that will generate greater efficiencies in, and improved service delivery by, State agencies. The Office of State Controller may partner with current vendors and providers to assist in the initiative. However, to limit the cost to the State, the Office of the State Controller shall use current licensing agreements wherever feasible.

(2) Application to State government. – The initiative shall include all State agencies, departments, and institutions, including The University of North Carolina.

(3) Governance. – The State Controller shall lead the initiative established pursuant to this section. The Chief Justice of the North Carolina Supreme Court and the Legislative Services Commission each shall designate an officer or agency to advise and assist the State Controller with respect to implementation of the initiative in their respective branches of government. The judicial and legislative branches shall fully cooperate in the initiative mandated by this section in the same manner as is required of State agencies.

SECTION 6A.7A.(b) Government Business Intelligence Competency Center. –

(1) GBICC established. – There is established in the Office of the State Controller the Government Business Intelligence Competency Center (GBICC). GBICC shall assume the work, purpose, and resources of the current data integration effort in the Office of the State Controller and shall otherwise advise and assist the State Controller in the management of the initiative. The State Controller shall make any organizational changes necessary to maximize the effectiveness and efficiency of GBICC.

(2) Powers and duties of the GBICC. – The State Controller shall, through the GBICC, do all of the following:

a. Continue and coordinate ongoing enterprise data integration efforts, including:
   1. The deployment, support, technology improvements, and expansion for CJLEADS.
   2. The pilot and subsequent phase initiative for NC FACTS.
   3. Individual-level student data and workforce data from all levels of education and the State workforce.
   4. Other capabilities developed as part of the initiative.

b. Identify technologies currently used in North Carolina that have the capability to support the initiative.

c. Identify other technologies, especially those with unique capabilities, that could support the State's business intelligence effort.
d. Compare capabilities and costs across State agencies.
e. Ensure implementation is properly supported across State agencies.
f. Ensure that data integration and sharing is performed in a manner that preserves data privacy and security in transferring, storing, and accessing data, as appropriate.
g. Immediately seek any waivers and enter into any written agreements that may be required by State or federal law to effectuate data sharing and to carry out the purposes of this section.
h. Coordinate data requirements and usage for State business intelligence applications in a manner that (i) limits impacts on participating State agencies as those agencies provide data and business knowledge expertise and (ii) assists in defining business rules so the data can be properly used.
i. Recommend the most cost-effective and reliable long-term hosting solution for enterprise-level State business intelligence as well as data integration, notwithstanding Section 6A.2(f) of S.L. 2011-145.

SECTION 6A.7A.(c) Implementation of the Enterprise-Level Business Intelligence Initiative. –

(1) Phases of the initiative. – The initiative shall commence no later than August 1, 2012, and shall be phased in accordance with this subsection. The initiative shall cycle through these phases on an ongoing basis:

a. Phase I requirements. – In the first phase, the State Controller through GBICC shall:
1. Inventory existing State agency business intelligence projects, both completed and under development.
2. Develop a plan of action that does all of the following:
I. Defines the program requirements, objectives, and end state of the initiative.
II. Prioritizes projects and stages of implementation in a detailed plan and benchmarked timeline.
III. Includes the effective coordination of all of the State's current data integration initiatives.
IV. Utilizes a common approach that establishes standards for business intelligence initiatives for all State agencies and prevents the development of projects that do not meet the established standards.
V. Determines costs associated with the development effort and identifies potential sources of funding.
VI. Includes a privacy framework for business intelligence consisting of adequate access controls and end user security requirements.
VII. Estimates expected savings.
3. Inventory existing external data sources that are purchased by State agencies to determine whether consolidation of licenses is appropriate for the enterprise.
4. Determine whether current, ongoing projects support the enterprise-level objectives.
5. Determine whether current applications are scalable, or are applicable for multiple State agencies, or both.

b. Phase II requirements. – In the second phase, the State Controller through the GBICC shall:
1. Identify redundancies and determine which projects should be discontinued.
2. Determine where gaps exist in current or potential capabilities.

c. Phase III requirements. – In the third phase:

1. The State Controller through GBICC shall incorporate or consolidate existing projects, as appropriate.
2. The State Controller shall, notwithstanding G.S. 147-33.76 or any rules adopted pursuant thereto, eliminate redundant business intelligence projects, applications, software, and licensing.
3. The State Controller through GBICC shall complete all necessary steps to ensure data integration in a manner that adequately protects privacy.

(2) Commencement of projects. – Subject to the availability of funds, and subsequent to the submission of the written report required by sub-subdivision a. of subdivision (1) of subsection (e) of this section, the State Controller shall begin projects to carry out the purposes of this section no later than November 1, 2012. The State Controller may also expand existing data integration or business intelligence contracts with current data integration efforts, as appropriate, in order to implement the plan required by this section in accordance with the schedule established and the priorities developed during Phase I of the initiative, and may use public-private partnerships as appropriate to implement the plan.

SECTION 6A.7A.(d) Funding. –

(1) Allocation. – Of the funds appropriated from the General Fund to the General Assembly for the 2011-2013 fiscal biennium, the sum of five million dollars ($5,000,000) shall be used to fund the initiative established by this section. The Office of the State Controller shall use up to seven hundred fifty thousand dollars ($750,000) to cover the cost of administering the initiative.

(2) Federal funds. – The Office of State Controller, with the support of the Office of State Budget and Management, shall identify and make all efforts to secure any matching funds or other resources to assist in funding this initiative.

(3) Use of savings. – Savings resulting from the cancellation of projects, software, and licensing, as well as any other savings from the initiative, shall be returned to the General Fund and shall remain unexpended and unencumbered until appropriated by the General Assembly in a subsequent fiscal year. It is the intent of the General Assembly that expansion of the initiative in subsequent fiscal years be funded with these savings and that the General Assembly appropriate funds for projects in accordance with the priorities identified by the Office of the State Controller in Phase I of the initiative.

SECTION 6A.7A.(e) Reporting. –

(1) Routine reports. – The Office of the State Controller shall submit and present the following reports:

a. By no later than October 1, 2012, a written report on the implementation of Phase I of the initiative and the plan developed as part of that phase to the Chairs of the House of Representatives Appropriations and Senate Base Budget/Appropriations Committees, to the Joint Legislative Oversight Committee on Information Technology, and to the Fiscal Research Division of the General Assembly. The State Controller shall submit this report prior to implementing any improvements, expending funding for expansion of existing business intelligence efforts, or establishing other projects as a result of its evaluations.

b. By February 1, 2013, and quarterly thereafter, a written report detailing progress on, and identifying any issues associated with, State business intelligence efforts.

(2) Extraordinary reports. – The Office of the State Controller shall report the following information as needed:

a. Any failure of a State agency to provide information requested pursuant to this section. The failure shall be reported to the Joint

Legislative Committee on Information Technology and to the Chairs of the House of Representatives Appropriations and Senate Base Budget/Appropriations Committees.

b. Any additional information to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Oversight Committee on Information Technology that is requested by those entities.

SECTION 6A.7A.(f) Duties of State Agencies. –

(1) Duties of State agencies. – The head of each State agency shall do all of the following:

a. Grant the Office of the State Controller access to all information required to develop and support State business intelligence applications pursuant to this section. The State Controller and the GBICC shall take all necessary actions and precautions, including training, certifications, background checks, and governance policy and procedure, to ensure the security, integrity, and privacy of the data in accordance with State and federal law and as may be required by contract.

b. Provide complete information on the State agency's information technology, operational, and security requirements.

c. Provide information on all of the State agency's information technology activities relevant to the State business intelligence effort.

d. Forecast the State agency's projected future business intelligence information technology needs and capabilities.

e. Ensure that the State agency's future information technology initiatives coordinate efforts with the GBICC to include planning and development of data interfaces to incorporate data into the initiative and to ensure the ability to leverage analytics capabilities.

f. Provide technical and business resources to participate in the initiative by providing, upon request and in a timely and responsive manner, complete and accurate data, business rules and policies, and support.

g. Identify potential resources for deploying business intelligence in their respective State agencies and as part of the enterprise-level effort.

h. Immediately seek any waivers and enter into any written agreements that may be required by State or federal law to effectuate data sharing and to carry out the purposes of this section, as appropriate.

SECTION 6A.7A.(g) Miscellaneous Provisions. –

(1) Status with respect to certain information. – The State Controller and the GBICC shall be deemed to be all of the following for the purposes of this section:

a. With respect to criminal information, and to the extent allowed by federal law, a criminal justice agency (CJA), as defined under Criminal Justice Information Services (CJIS) Security Policy. The State CJIS Systems Agency (CSA) shall ensure that CJLEADS receives access to federal criminal information deemed to be essential in managing CJLEADS to support criminal justice professionals.

b. With respect to health information covered under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), as amended, and to the extent allowed by federal law:

1. A business associate with access to protected health information acting on behalf of the State's covered entities in support of data integration, analysis, and business intelligence.

2. Authorized to access and view individually identifiable health information, provided that the access is essential to the enterprise fraud, waste, and improper payment detection

program or required for future initiatives having specific definable need for the data.

c. Authorized to access all State and federal data, including revenue and labor information, deemed to be essential to the enterprise fraud, waste, and improper payment detection program or future initiatives having specific definable need for the data.

d. Authorized to develop agreements with the federal government to access data deemed to be essential to the enterprise fraud, waste, and improper payment detection program or future initiatives having specific definable need for such data.

(2) Release of information. – The following limitations apply to (i) the release of information compiled as part of the initiative, (ii) data from State agencies that is incorporated into the initiative, and (iii) data released as part of the implementation of the initiative:

a. Information compiled as part of the initiative. – Notwithstanding the provisions of Chapter 132 of the General Statutes, information compiled by the State Controller and the GBICC related to the initiative may be released as a public record only if the State Controller, in that officer's sole discretion, finds that the release of information is in the best interest of the general public and is not in violation of law or contract.

b. Data from State agencies. – Any data that is not classified as a public record under G.S. 132-1 shall not be deemed a public record when incorporated into the data resources comprising the initiative. To maintain confidentiality requirements attached to the information provided to the State Controller and GBICC, each source agency providing data shall be the sole custodian of the data for the purpose of any request for inspection or copies of the data under Chapter 132 of the General Statutes.

c. Data released as part of implementation. – Information released to persons engaged in implementing the State's business intelligence strategy under this section that is used for purposes other than official State business is not a public record pursuant to Chapter 132 of the General Statutes.

SECTION 6A.7A.(h) G.S. 75-66(d) reads as rewritten:

"(d) Nothing in this section shall:

(1) Limit the requirements or obligations under any other section of this Article, including, but not limited to, G.S. 75-62 and G.S. 75-65.

(2) Apply to the collection, use, or release of personal information for a purpose permitted, authorized, or required by any federal, State, or local law, regulation, or ordinance.

(3) Apply to data integration efforts to implement the State's business intelligence strategy as provided by law or under contract."

SECTION 6A.7A.(i) Transfer of Internal Audit Office. – The Council of Internal Auditing is hereby transferred to the Office of the State Controller. This transfer shall have all the elements of a Type I transfer, as defined in G.S. 143A-6.

SECTION 6A.7A.(j) G.S. 143-747(b) reads as rewritten:

"(b) The Council shall be ~~supported by the Office of State Budget and Management.~~located within the Office of the State Controller."

STATE PRIVATE CLOUD

SECTION 6A.9.(a) Findings. – The General Assembly finds that:

(1) The wide distribution of information technology facilities across multiple locations causes infrastructure and operational inefficiencies.

(2) Infrastructure as a service, also known as cloud computing, has the potential to increase efficiency and enhance operations by reducing information technology costs and accelerating the provision of services.

(3) The creation of a secure and flexible State private cloud is in the best interest of the people of this State.

SECTION 6A.9.(b) Plan Required. – The State Chief Information Officer shall create a plan for the development and implementation of a State-owned, State-hosted infrastructure as a service, or private cloud, project to be operated and managed by the State.

SECTION 6A.9.(c) Components of the Plan. – The State private cloud plan created pursuant to this section shall include:

(1) Requirements for:
   a. The State to have complete control and ownership of all components of the private cloud, including hardware, software, network infrastructure, security, and data.
   b. All components of the private cloud to be maintained at State-owned, State-operated facilities.
   c. The private cloud to fully comply with all legislative, regulatory, policy, and security requirements that apply to State agencies and entities conducting business with the State.
   d. The State's existing information technology infrastructure to be used to support the private cloud.
   e. Documentation of any redundancy built into the infrastructure to support requirements for increased availability and disaster recovery.
   f. A service-centric approach to computing resources. Users of computing resources shall be able to efficiently access powerful, predefined computing environments based on their requirements.
   g. A self-service ability to provision and deprovision, as requested by users, while maintaining high levels of security.
   h. A fully functional, efficient, fair system to bill State agencies for private cloud usage. This requirement includes mechanisms to capture usage data and enable chargeback integration within the billing system.
   i. A plan to manage infrastructure resources that can be scaled in response to State agency requirements.

(2) A detailed timeline, documentation of agency requirements, identification and resolution of security issues, and an assessment of the impact on any ongoing projects or current applications.

(3) Identification of costs associated with developing the private cloud.

(4) Identification and documentation of private cloud management and monitoring tools to facilitate the maintenance of complete control of private cloud resources; automate provisioning, deprovisioning, and scheduling; and maintain system capacity.

(5) Identification of ways to improve the private cloud's supporting infrastructure.

(6) Identification of potential sources of savings to support development, implementation, and maintenance of the State private cloud.

SECTION 6A.9.(d) Funding and Implementation. – No funds from any source shall be used for the development and implementation of a private cloud without specific authorization by the General Assembly appropriating funds for this purpose.

SECTION 6A.9.(e) Report. – The State Chief Information Officer shall report the plan created pursuant to this section to the Joint Legislative Oversight Committee on Information Technology no later than January 1, 2013.

SECTION 6A.9.(f) Access by Private Vendors. – If the State Chief Information Officer provides to a potential vendor any information or access to State facilities in connection with or anticipation of the private cloud project described in this section, the State Chief Information Officer shall provide the same information or access to all potential vendors. The State Chief Information Officer shall certify the Officer's compliance with this subsection to the General Assembly.

ENTERPRISE GRANTS MANAGEMENT

SECTION 6A.10. Section 6A.7 of S.L. 2011-145, as amended by Section 11B of S.L. 2011-391, reads as rewritten:

"STATE INFORMATION TECHNOLOGY CONSOLIDATION

...

~~"SECTION 6A.7.(b) Beginning July 1, 2011, the State CIO shall plan and implement an enterprise level grants management system. Similar systems currently under development may be suspended by the State CIO with funding reprogrammed to support development of the enterprise level grants management system.~~

~~In coordination with the State CIO, the Department of Health and Human Services shall develop a plan to implement a single case management system throughout that Department, beginning in the 2012-2013 fiscal year, and shall report to the Joint Legislative Oversight Committee on Information Technology by February 1, 2012, on its initiatives to implement the system. The report shall include a detailed time line for completion and an explanation of the costs associated with case management consolidation.~~

"**SECTION 6A.7.(b1)** There is established a Grants Management Oversight Committee to coordinate the development of an enterprise grants management system. The Committee shall be chaired by the State Controller. Committee membership shall include the Senior Deputy State Controller, the Director of the Office of State Budget and Management, and the State Auditor.

The Committee shall:

(1) Establish priorities for agency projects.

(2) Establish priorities for development and implementation of system capabilities.

(3) Review and approve system requirements.

(4) Review and approve plans associated with system development and implementation.

(5) Review and approve costs and funding sources for system development and implementation.

(6) Ensure system benefits are realistic and realized.

"**SECTION 6A.7.(b2)** By August 1, 2013, the Office of State Budget and Management shall provide a detailed plan to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division for the development and implementation of the enterprise grants management system, including a time line, cost for each participating agency, a comprehensive business plan, and information on the anticipated benefits of system implementation.

"**SECTION 6A.7.(b3)** Beginning August 1, 2012, the Office of State Budget and Management shall report monthly to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the status of the system, including the following information:

(1) Agencies currently participating in the system.

(2) Specific requirements for each agency project included in the system development.

(3) Cost and funding sources for each agency participating in the system.

(4) Status of each agency project included in the system.

(5) Comparison of the status of each project to the time line, with an explanation of any differences.

(6) Detailed descriptions of milestones to be completed that month and the following month.

(7) Any changes in project cost for any participating agency, the reasons, and the source of funding.

(8) Actual expenditures by agency, to date and during that month.

(9) Any potential funding shortfalls and their impact.

(10) Any issues identified during the month, with a corrective action plan and a time line for resolving them.

(11) Impact of any issues on schedule or cost.

(12) Any changes to agency projects or the system as a whole.

(13) Any change requests and their cost.

"**SECTION 6A.7.(b4)** The State CIO shall provide all required assistance and support for the development and implementation of the enterprise grants management system. Similar systems currently under development may be suspended by the State CIO with funding reprogrammed to support development of the enterprise grants management system.

"**SECTION 6A.7.(b5)** In coordination with the State CIO, the Department of Health and Human Services shall develop a plan to implement a single case management system

throughout that Department, beginning in the 2012-2013 fiscal year, and shall report to the Joint Legislative Oversight Committee on Information Technology by February 1, 2012, on its initiatives to implement the system. The report shall include a detailed time line for completion and an explanation of the costs associated with case management consolidation.

"~~SECTION 6A.7.(c) Beginning September 1, 2011, and quarterly thereafter, the Office of State Budget and Management, in conjunction with the State CIO, shall provide written reports to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division relating to State information technology consolidation.~~"

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 seven hundred nine dollars ($3,709) 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 its 2012-2013 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 two hundred twenty-three dollars and ninety-nine cents ($1,223.99) per child for fiscal year 2012-2013. A local school administrative unit shall receive funds for a maximum of four percent (4%) of its 2012-2013 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.

SCHOOL IMPROVEMENT PLANS AT RESIDENTIAL SCHOOLS

SECTION 7.3.(a) In order to improve student performance, the Eastern North Carolina School for the Deaf, the Governor Morehead School for the Blind, and the North Carolina School for the Deaf each shall develop a school improvement plan that takes into consideration the annual performance goal for that school that is set by the State Board of Education. The principal of each school, instructional personnel and residential life personnel assigned to that school, and a minimum of five parents of children enrolled in the school shall constitute a school improvement team to develop a school improvement plan to improve student performance.

Representatives of the instructional and residential life personnel shall be elected by their respective groups by secret ballot.

Parents shall be elected by parents of children enrolled in the school in an election conducted by the parent and teacher organization of the school or, if none exists, by the largest organization of parents formed for this purpose. To the extent possible, parents serving on school improvement teams shall reflect the composition of the students enrolled in that school. No more than two parents on the team may be employees of the school. Parental involvement is a critical component of school success and positive student achievement; therefore, it is the intent of the General Assembly that parents, along with instructional and residential life personnel, have a substantial role in developing school improvement plans. To this end, school improvement team meetings shall be held at a convenient time to assure substantial parent participation. Parents who are elected to serve on school improvement teams and who are not employees of the school shall receive travel and subsistence expenses in accordance with G.S. 138-5 and, if appropriate, may receive a stipend.

All school improvement plans shall be, to the greatest extent possible, data driven. School improvement teams shall use the Education Value Added Assessment System (EVAAS), or a compatible and comparable system approved by the State Board of Education,

to analyze student data to identify root causes for problems and to determine actions to address them. School improvement plans shall contain clear, unambiguous targets, explicit indicators and actual measures, and expeditious time frames for meeting the measurement standards.

SECTION 7.3.(b) The strategies for improving student performance shall include the following:

(1) A plan for the use of staff development funds that may be made available to the school to implement the school improvement plan. The plan may provide that a portion of these funds is used for mentor training and for release time and substitute teachers while teachers are meeting with mentors.

(2) A plan for preparing students to read at grade level by the time they enter second grade. The plan shall require kindergarten and first grade teachers to notify parents or guardians when a child is not reading at grade level and is at risk of not reading at grade level by the time the child enters second grade. The plan may include the use of assessments to monitor students' progress in learning to read and strategies for teachers and parents to implement that will help students improve and expand their reading ability, as well as provide for the recognition of teachers and strategies that appear to be effective at preparing students to read at grade level.

(3) A comprehensive plan to encourage parent involvement.

(4) A plan designed to provide that the school is safe, secure, and orderly; that there is a climate of respect in the school; and that appropriate personal conduct is a priority for all students and all residential school personnel.

(5) A plan that specifies the effective instructional practices and methods to be used to improve the academic performance of students identified as at risk of academic failure or at risk of dropping out of school.

SECTION 7.3.(c) Support among affected staff members is essential to successful implementation of a school improvement plan to address improved student performance at that school. The principal of the school shall present the proposed school improvement plan to all of the instructional personnel assigned to the school for their review and vote. The vote shall be by secret ballot. The principal shall submit the school improvement plan to the State Board of Education only if the proposed school improvement plan has the approval of a majority of the instructional personnel who voted on the plan.

SECTION 7.3.(d) The State Board of Education shall accept or reject the school improvement plan within 60 days after the submission plan. If the State Board rejects a school improvement plan, the State Board shall state with specificity the reasons for rejecting the plan to the principal and shall direct that the principal work with the school improvement team to resolve the disagreements. The school improvement team may then prepare another plan, present it to the instructional personnel assigned to the school for a vote, and submit it to the State Board to accept or reject. If there is no resolution within 30 days, then the State Board may develop a school improvement plan for the school; however, the General Assembly urges the State Board to utilize the school's proposed school improvement plan to the maximum extent possible when developing this plan.

SECTION 7.3.(e) A school improvement plan shall remain in effect for no more than three years; however, the school improvement team may amend the plan as often as is necessary or appropriate. If, at any time, any part of a school improvement plan becomes unlawful or the State Board finds that a school improvement plan is impeding student performance at a school, the State Board may vacate the relevant portion of the plan and may direct the school to revise that portion. The procedures set out in this section shall apply to amendments and revisions to school improvement plans.

SECTION 7.3.(f) Any funds the State Board makes available to a school to meet the goals for that school under the ABCs Program and to implement the school improvement plan at that school shall be used in accordance with those goals and the school improvement plan.

SECTION 7.3.(g) The State Board shall develop a list of recommended strategies that it determines to be effective, which building-level committees may use to establish parent involvement programs designed to meet the specific needs of their schools.

SECTION 7.3.(h) Once the plan is developed, the principal shall ensure the plan is available and accessible to parents and the school community.

SCHOOL CALENDAR PILOT PROGRAM

SECTION 7.4.(a) 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 2012-2013 calendar year for the pilot school system shall include a minimum of 180 days or 1,000 hours of instruction covering at least nine calendar months.

If the local board of education in a pilot school system 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.

SECTION 7.4.(b) The State Board of Education shall report to the Joint Legislative Education Oversight Committee by March 15, 2013, on the administration of the pilot program, cost savings realized by it, and its impact on student achievement.

SECTION 7.4.(c) The pilot program shall terminate at the end of the 2012-2013 school calendar year.

REPEAL PROHIBITION ON TEACHER PREPAYMENT

SECTION 7.6. Section 5 of S.L. 2011-379 is repealed.

RESIDENTIAL SCHOOLS

SECTION 7.8.(a) Section 7.25(a) of S.L. 2011-145 is repealed.

SECTION 7.8.(b) The Department of Public Instruction shall not transfer any school-based personnel from the residential schools to central office administrative positions.

SECTION 7.8.(c) Notwithstanding G.S. 146-30 or any other provision of law, the Department of Public Instruction shall retain all proceeds generated from the rental of building space on the residential school campuses. The Department of Public Instruction shall use all receipts generated from these leases to staff and operate the North Carolina School for the Deaf, the Eastern North Carolina School for the Deaf, and the Governor Morehead School. These receipts shall not be used to support administrative functions within the Department.

CLARIFYING COOPERATIVE INNOVATIVE HIGH SCHOOL STATUTES

SECTION 7.11.(a) G.S. 115C-238.50A reads as rewritten:

"**§ 115C-238.50A. Definitions.**

The following definitions apply in this Part:

(1) Constituent institution. – A constituent institution as defined in G.S. 116-2(4).

(1a) Cooperative innovative high school. – A high school approved by the State Board of Education and the applicable governing Board that meets the following criteria:

a. It has no more than 100 students per grade level.

b. It partners with an institution of higher education to enable students to concurrently obtain a high school diploma and begin or complete an associate degree program, master a certificate or vocational program, or earn up to two years of college credit within five years.

c. It is located on the campus of the partner institution of higher education, unless the governing ~~board~~ Board or the local board of trustees for a private North Carolina college specifically waives the requirement through adoption of a formal resolution.

(1b) Cooperative innovative high school allotment. – Funds appropriated by the General Assembly to the Department of Public Instruction to provide additional resources to approved cooperative innovative high schools.

(2) Education partner. – An education partner as provided in G.S. 115C-238.52.

(3) Governing ~~board.~~Board. – The ~~State Board of Education, the~~ State Board of Community ~~Colleges,~~Colleges or the Board of Governors of The University of North ~~Carolina, or the Board of the North Carolina Independent Colleges and Universities.~~Carolina.

(3a) Local board of education. – A local board as defined in G.S. 115C-5(5) or a regional school board of directors as defined in G.S. 115C-238.61(5).

(4) Local board of trustees. – The board of trustees of a community college, constituent institution of The University of North Carolina, or private college located in North Carolina.

(5) Partner institution of higher education. – A community college, constituent institution of The University of North Carolina, or private college located in North Carolina."

SECTION 7.11.(b) G.S. 115C-238.51 reads as rewritten:

"**§ 115C-238.51. Application process.**

(a) A local board of education and at least one local board of trustees shall jointly apply to establish a cooperative innovative high school program under this Part.

(b) The application shall contain at least the following information:

(1) A description of a program that implements the purposes in G.S. 115C-238.50.

(2) A statement of how the program relates to the Economic Vision Plan adopted for the economic development region in which the ~~program~~ cooperative innovative high school is to be located.

(3) The facilities to be used by the ~~program~~cooperative innovative high school and the manner in which administrative services of the ~~program~~school are to be provided.

(4) A description of student academic and vocational achievement goals and the method of demonstrating that students have attained the skills and knowledge specified for those goals.

(5) A description of how the ~~program~~cooperative innovative high school will be operated, including budgeting, curriculum, transportation, and operating procedures.

(6) The process to be followed by the ~~program~~cooperative innovative high school to ensure parental involvement.

(7) The process by which students will be selected for and admitted to the ~~program.~~cooperative innovative high school.

(8) A description of the funds that will be used and a proposed budget for the first five years of the implementation of the ~~program.~~cooperative innovative high school. This description shall identify how the average daily membership (ADM) and full-time equivalent (FTE) students are counted. If additional funds are requested, a description of how those additional funds will be used shall be submitted. Additional funds may include the cooperative innovative high school allotment and tuition payments. For cooperative innovative high schools that have a community college as their partner institution of higher education, the proposed budget shall include the cost of including their students in calculations of budget full-time equivalent students for the North Carolina Community College System.

(9) The qualifications required for individuals employed in the ~~program.~~cooperative innovative high school.

(10) The number of students to be served.

(11) A description of how the ~~program's~~cooperative innovative high school's effectiveness in meeting the purposes in G.S. 115C-238.50 will be measured.

(c) The application shall be submitted to the State Board of Education and the applicable governing ~~Boards.~~Board. If the partner institution of higher education is a private North Carolina college, the application shall be submitted solely to the State Board of Education. ~~The Boards shall appoint a joint advisory committee to review the applications and to recommend to the Boards those programs that meet the requirements of this Part and that achieve the purposes set out in G.S. 115C-238.50.~~

~~(d) The Boards may approve programs recommended by the joint advisory committee or may approve other programs that were not recommended. The Boards shall approve all applications by June 30 of each year. No application shall be approved unless the State Board of Education and the applicable governing Board find that the application meets the requirements set out in this Part and that granting the application would achieve the purposes set out in G.S. 115C-238.50. Priority shall be given to applications that are most likely to~~

~~further State education policies, to address the economic development needs of the economic development regions in which they are located, and to strengthen the educational programs offered in the local school administrative units in which they are located.~~

~~(c) No additional State funds shall be provided to approved programs unless appropriated by the General Assembly.~~"

SECTION 7.11.(c) Part 9 of Article 16 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-238.51A. Approval process.**

(a) Joint Advisory Committee. – The State Board of Education and the applicable governing Board of the local board of trustees shall appoint a joint advisory committee to review the applications and to recommend approval for those applications that meet the requirements of this Part and achieve purposes set out in G.S. 115C-238.50. The recommendation shall indicate whether additional funds were requested in the application.

(b) No Additional Funds. – For applications which have not requested additional funds, the State Board of Education and the applicable governing Board may approve cooperative innovative high schools. In granting approval, consideration shall be given to the proposed budget and demonstration of sources of sustainable funding for the operation of the cooperative innovative high school. Approvals shall be made by June 30 of each year. No additional State funds, position allotments, earning of budget full-time equivalent students, or payments of tuition shall be provided to cooperative innovative high schools approved under this subsection.

(c) Additional Funds. – For applications which have requested additional funds, the State Board of Education and the applicable governing Board may approve cooperative innovative high schools contingent upon appropriation of the additional funds by the General Assembly. Contingent approval shall be made by April 1 of each year. The contingent approval shall expire if no appropriation is made by the General Assembly for the additional funds within one calendar year. No cooperative innovative high school shall open prior to the appropriation by the General Assembly of the full amount of the additional funds as requested in the application for that school under G.S. 115C-238.51 for the upcoming fiscal year or fiscal biennium, as appropriate. If no appropriation is made by the General Assembly, a revised application may be submitted under subsection (b) of the section."

SECTION 7.11.(d) G.S. 115C-238.52 reads as rewritten:

"**§ 115C-238.52. Participation by other education partners.**

(a) Any or all of the following education partners may participate in the development of a cooperative innovative ~~program~~ high school under this Part that is targeted to high school students who would benefit from accelerated academic instruction:

(1), (2) Repealed by Session Laws 2005-276, s. 7.33(a), effective July 1, 2005.

(3) A private business or organization.

(4) The county board of commissioners in the county in which the ~~program~~ cooperative innovative high school is located.

(b) Any or all of the education partners listed in subsection (a) of this section that participate shall:

(1) Jointly apply with the local board of education and the local board of trustees to establish a cooperative innovative ~~program~~high school under this Part.

(2) Be identified in the application.

(3) Sign the written agreement under G.S. 115C-238.53(b)."

SECTION 7.11.(e) G.S. 115C-238.53 reads as rewritten:

"**§ 115C-238.53. ~~Program operation.~~Operation of cooperative innovative high schools.**

(a) A ~~program~~cooperative innovative high school approved by the State is accountable to the local board of education.

(b) A ~~program~~cooperative innovative high school approved under this Part shall operate under the terms of a written agreement signed by the local board of education, local board of trustees, State Board of Education, and applicable governing Board. The agreement shall incorporate the information provided in the application, as modified during the approval process, and any terms and conditions imposed on the ~~program~~ school by the State Board of Education and the applicable governing Board. The agreement may be for a term of no longer than five school years.

(c) A ~~program~~cooperative innovative high school may be operated in a facility owned or leased by the local board of education, the local board of trustees, or the education partner, if any.

(d) A ~~program~~cooperative innovative high school approved under this Part shall provide instruction each school year for at least ~~180~~ 185 days during nine calendar months, shall comply with laws and policies relating to the education of students with disabilities, and shall comply with Article 27 of this Chapter.

(e) A ~~program~~cooperative innovative high school approved under this Part may use State, federal, and local funds allocated to the local school administrative unit, to the applicable governing Board, and to the ~~college or university~~partner institution of higher education to implement ~~the~~its program. If there is an education partner and if it is a public body, the ~~program~~cooperative innovative high school may use State, federal, and local funds allocated to that body.

(f) Except as provided in this Part and under the terms of the ~~agreement:~~agreement, cooperative innovative high schools:

(1) ~~A program shall~~ Shall have the same exemptions from statutes and rules as charter schools operating under Part 6A of this Article, other than those pertaining to personnel.

(2) ~~A program may~~ May be exempted by the State Board of Education or by the applicable governing Board from laws and rules applicable to a local board of education, a local school administrative unit, a community college, a constituent institution, or a local board of trustees."

SECTION 7.11.(f) G.S. 115C-238.54 reads as rewritten:

"**§ 115C-238.54. Funds for ~~programs.~~cooperative innovative high schools.**

(a) The Department of Public Instruction shall assign a school code for each ~~program~~cooperative innovative high school that is approved under this Part. Notwithstanding G.S. 115C-105.25, once the ~~program~~cooperative innovative high school has been assigned a school code, the local board of education may use these funds for the ~~programs~~school and may transfer these funds between funding allotment categories.

(a1) Repealed by Session Laws 2011-145, s. 7.1A(j), effective January 1, 2012.

(b) The local board of trustees may allocate State and federal funds for a ~~program~~ cooperative innovative high school that is approved under this Part.

(c) An education partner under G.S. 115C-238.52 that is a public body may allocate State, federal, and local funds for a ~~program~~cooperative innovative high school that is approved under this Part.

(d) If not an education partner under G.S. 115C-238.52, a county board of commissioners in a county where a ~~program~~cooperative innovative high school is located may nevertheless appropriate funds to ~~a program~~the school approved under this Part.

(e) The local board of education and the local board of trustees are strongly encouraged to seek funds from sources other than State, federal, and local appropriations. They are strongly encouraged to seek funds the Education Cabinet identifies or obtains under G.S. 116C-4.

(f) Students in cooperative innovative high schools shall not be charged tuition for courses taken through the partner institution of higher education.

(g) Students in cooperative innovative high schools that have a community college as their partner institution of higher education and were approved under G.S. 115C-238.51A(c) shall be included in calculations of budget full-time equivalent students for the North Carolina Community College System. Students in cooperative innovative high schools that have a community college as their partner institution of higher education and were approved under G.S. 115C-238.51A(b) shall not be included in calculations of budget full-time equivalent students for the North Carolina Community College System.

(h) The State Board of Education shall reimburse The University of North Carolina for tuition for courses taken by students at cooperative innovative high schools that have a constituent institution of The University of North Carolina as their partner institution of higher education and were approved under G.S. 115C-238.51A(c). Tuition payments shall not exceed the annual Board of Governors-approved undergraduate resident tuition rate calculated on a per credit hour basis and shall not include fees. In addition, the cooperative innovative high school students' credit hours shall be nonfundable under The University of North Carolina Semester Credit Hour Enrollment Change Funding Model. The State Board of Education shall not reimburse The University of North Carolina for tuition for courses taken by students at

cooperative innovative high schools that have a constituent institution of The University of North Carolina as their partner institution of higher education approved under G.S. 115C-238.51A(b).

(i) The State Board of Education shall reimburse private North Carolina colleges for tuition for courses taken by students at cooperative innovative high schools that have a private North Carolina college as their partner institution of higher education and were approved under G.S. 115C-238.51A(c). Tuition payments shall not exceed the highest undergraduate resident rate approved by the Board of Governors for the University of North Carolina constituent institutions and shall not include fees. The State Board of Education shall not reimburse private North Carolina colleges for tuition for courses taken by students at cooperative innovative high schools that have a private North Carolina college as their partner institution of higher education and were approved under G.S. 115C-238.51A(b)."

SECTION 7.11.(g) G.S. 115C-238.55 reads as rewritten:

"**§ 115C-238.55. Evaluation of ~~programs.~~cooperative innovative high schools.**

The State Board of Education and the governing Boards shall evaluate the success of students in ~~programs~~cooperative innovative high schools approved under this Part. Success shall be measured by high school retention rates, high school completion rates, high school dropout rates, certification and associate degree completion, admission to four-year institutions, postgraduation employment in career or study-related fields, and employer satisfaction of employees who participated in and graduated from the ~~programs.~~schools. The Boards shall jointly report by January 15 of each year to the Joint Legislative Education Oversight Committee on the evaluation of these ~~programs.~~schools."

SECTION 7.11.(h) Section 7.21(e) of S.L. 2010-31 is repealed.

SECTION 7.11.(i) This section is effective when it becomes law.

NORTH CAROLINA VIRTUAL PUBLIC SCHOOLS

SECTION 7.12. Section 7.22(k) of S.L. 2011-145 is repealed.

REPEAL OBSOLETE REPORTS

SECTION 7.13.(a) Section 7.19(d) of S.L. 2007-323 is repealed.

SECTION 7.13.(b) Section 7.21 of S.L. 2007-323 is repealed.

SECTION 7.13.(c) G.S. 115C-276(t) is repealed.

SECTION 7.13.(d) Subsections (c) and (g) of Section 7.5 of S.L. 2010-31 are repealed.

SECTION 7.13.(e) Section 7.19(c) of S.L. 2010-31 is repealed.

SECTION 7.13.(f) G.S. 115C-12(26) is repealed.

TEACHER/TEACHER ASSISTANT LEAVE ON INSTRUCTIONAL DAYS.

SECTION 7.14.(a) G.S. 115C-302.1(c) reads as rewritten:

"(c) Vacation. – Included within the 10-month term shall be annual vacation leave at the same rate provided for State employees, computed at one-twelfth of the annual rate for State employees for each month of employment. Local boards shall provide at least 10 days of annual vacation leave at a time when students are not scheduled to be in regular attendance. However, instructional personnel who do not require a substitute may use annual vacation leave on days that students are in attendance. Vocational and technical education teachers who are employed for 11 or 12 months may, with prior approval of the principal, work on annual vacation leave days designated in the school calendar and may use those annual vacation leave days during the eleventh or twelfth month of employment. Local boards of education may adopt policies permitting instructional personnel employed for 11 or 12 months in year-round schools to, with the approval of the principal, take vacation leave at a time when students are in attendance; local funds shall be used to cover the cost of substitute teachers.

On a day that pupils are not required to attend school due to inclement weather, but employees are required to report for a workday, a teacher may elect not to report due to hazardous travel conditions and to take an annual vacation day or to make up the day at a time agreed upon by the teacher and the teacher's immediate supervisor or principal. On a day that school is closed to employees and pupils due to inclement weather, a teacher shall work on the scheduled makeup day.

All vacation leave taken by the teacher will be upon the authorization of the teacher's immediate supervisor and under policies established by the local board of education. Annual vacation leave shall not be used to extend the term of employment.

Notwithstanding any provisions of this subsection to the contrary, no person shall be entitled to pay for any vacation day not earned by that person."

SECTION 7.14.(b) G.S. 115C-316(a)(3) reads as rewritten:

"(3) Notwithstanding any provisions of this section to the contrary no person shall be entitled to pay for any vacation day not earned by that person. The first 10 days of annual leave earned by a 10- or 11-month employee during any fiscal year period shall be scheduled to be used in the school calendar adopted by the respective local boards of education. Vacation days shall not be used for extending the term of employment of individuals. Ten- or 11-month employees may accumulate annual vacation leave days as follows: annual leave may be accumulated without any applicable maximum until June 30 of each year. On June 30 of each year, any of these employees with more than 30 days of accumulated leave shall have the excess accumulation converted to sick leave so that only 30 days are carried forward to July 1 of the same year. All vacation leave taken by these employees shall be upon the authorization of their immediate supervisor and under policies established by the local board of education. The policies may permit teacher assistants who require a substitute and are employed for 11 or 12 months in year-round schools to take vacation leave at a time when students are in attendance; local funds shall be used to cover the cost of substitutes. Vacation leave for instructional personnel who do not require a substitute shall not be restricted to days that students are not in attendance. An employee shall be paid in a lump sum for accumulated annual leave not to exceed a maximum of 240 hours or 30 days when separated from service due to resignation, dismissal, reduction in force, death or service retirement. Upon separation from service due to service retirement, any annual vacation leave over 30 days will convert to sick leave and may be used for creditable service at retirement in accordance with G.S. 135-4(e). If the last day of terminal leave falls on the last workday in the month, payment shall be made for the remaining nonworkdays in that month. Employees retiring on disability retirement may exhaust annual leave rather than be paid in a lump sum. The provisions of this subdivision shall be accomplished without additional State and local funds being appropriated for this purpose. The State Board of Education shall adopt rules and regulations for the administration of this subdivision."

SECTION 7.14.(c) This section applies beginning with the 2012-2013 school year.

EDUCATION VALUE ADDED ASSESSMENT SYSTEM (EVAAS)

SECTION 7.15. The State Board of Education shall continue to further implement the Education Value Added Assessment System (EVAAS) by (i) enabling direct access to value-added information for teachers who teach classes with an End-of-Course/End-of-Grade test; (ii) creating the capability for users to export EVAAS data and merge it with other relevant analyses; and (iii) enabling further development of student-teacher linkages for measuring student growth.

PART VII-A. EXCELLENT PUBLIC SCHOOLS ACT

IMPROVE K-3 LITERACY

SECTION 7A.1.(a) G.S. 115C-81.2 is repealed.

SECTION 7A.1.(b) Article 8 of Chapter 115C of the General Statutes is amended by adding a new Part to read:

"Part 1A. North Carolina Read to Achieve Program.

"**§ 115C-83.1A. State goal.**

The goal of the State is to ensure that every student read at or above grade level by the end of third grade and continue to progress in reading proficiency so that he or she can read, comprehend, integrate, and apply complex texts needed for secondary education and career success.

"**§ 115C-83.1B. Purposes.**

(a) The purposes of this Part are to ensure that (i) difficulty with reading development is identified as early as possible; (ii) students receive appropriate instructional and support services to address difficulty with reading development and to remediate reading deficiencies; and (iii) each student and his or her parent or guardian be continuously informed of the student's academic needs and progress.

(b) In addition to the purposes listed in subsection (a) of this section, the purpose of this Part is to determine that progression from one grade to another be based, in part, upon proficiency in reading.

"**§ 115C-83.1C. Definitions.**

The following definitions apply in this Part:

(1) "Accelerated reading class" means a class where focused instructional supports and services are provided to increase a student's reading level at least two grades in one school year.

(2) "Alternative assessment" means a valid and reliable standardized assessment of reading comprehension, approved by the State Board of Education, that is not the same test as the State approved standardized test of reading comprehension administered to third grade students.

(3) "Instructional supports and services" mean intentional strategies used with a majority of students to facilitate reading development and remediate emerging difficulty with reading development. Instructional supports and services include, but are not limited to, small group instruction, reduced teacher-student ratios, frequent progress monitoring, and extended learning time.

(4) "Difficulty with reading development" means not demonstrating appropriate developmental abilities in any of the major reading areas, including, but not limited to, oral language, phonological or phonemic awareness, vocabulary, fluency, or comprehension, according to observation-based, diagnostic, or formative assessments.

(5) "Reading interventions" mean evidence-based strategies frequently used to remediate reading deficiencies and include, but are not limited to, individual instruction, tutoring, or mentoring that target specific reading skills and abilities.

(6) "Reading proficiency" means reading at or above the third grade level by the end of a student's third grade year, demonstrated by the results of the State-approved standardized test of reading comprehension administered to third grade students.

(7) "Reading deficiency" means not reading at the third grade level by the end of the student's third grade year, demonstrated by the results of the State-approved standardized test of reading comprehension administered to third grade students.

(8) "Student reading portfolio" means a compilation of independently produced student work selected by the student's teacher, and signed by the teacher and principal, as an accurate picture of the student's reading ability. The student reading portfolio shall include an organized collection of evidence of the student's mastery of the State's reading standards that are assessed by the State-approved standardized test of reading comprehension administered to third grade students. For each benchmark, there shall be three examples of student work demonstrating mastery by a grade of seventy percent (70%) or above.

(9) "Summer reading camp" means an additional educational program outside of the instructional calendar provided by the local school administrative unit to any student who does not demonstrate reading proficiency. Parents or guardians of the student not demonstrating reading proficiency shall make the final decision regarding the student's summer camp attendance. Summer camps shall (i) be six to eight weeks long, four or five days per week; (ii) include at least three hours of instructional time per day; (iii) be taught by compensated, licensed teachers selected based on demonstrated student

outcomes in reading proficiency; and (iv) allow volunteer mentors to read with students.

(10) "Transitional third and fourth class combination" means a classroom specifically designed to produce learning gains sufficient to meet fourth grade performance standards while continuing to remediate areas of reading deficiency.

"§ 115C-83.1D. Comprehensive plan for reading achievement.

(a) The State Board of Education shall develop, implement, and continuously evaluate a comprehensive plan to improve reading achievement in the public schools. The plan shall be based on reading instructional practices with strong evidence of effectiveness in current empirical research in reading development. The plan shall be developed with the active involvement of teachers, college and university educators, parents and guardians of students, and other interested parties. The plan shall, when appropriate to reflect research, include revision of the standard course of study or other curricular standards, revision of teacher licensure and renewal standards, and revision of teacher education program standards.

(b) The State Board of Education shall report biennially to the Joint Legislative Education Oversight Committee by October 1 of each even-numbered year on the implementation, evaluation, and revisions to the comprehensive plan for reading achievement and shall include recommendations for legislative changes to enable implementation of current empirical research in reading development.

"§ 115C-83.1E. Developmental screening and kindergarten entry assessment.

(a) The State Board of Education shall ensure that every student entering kindergarten shall be administered a developmental screening of early language, literacy, and math skills within 30 days of enrollment.

(b) The State Board of Education shall ensure that every student entering kindergarten shall complete a kindergarten entry assessment within 60 days of enrollment.

(c) The developmental screening instrument may be composed of subsections of the kindergarten entry assessment.

(d) The kindergarten entry assessment shall address the five essential domains of school readiness: language and literacy development, cognition and general knowledge, approaches toward learning, physical well-being and motor development, and social and emotional development.

(e) The kindergarten entry assessment shall be (i) administered at the classroom level in all local school administrative units; (ii) aligned to North Carolina's early learning and development standards and to the standard course of study; and (iii) reliable, valid, and appropriate for use with all children, including those with disabilities and those who are English language learners.

(f) The results of the developmental screening and the kindergarten entry assessment shall be used to inform the following:

(1) The status of children's learning at kindergarten entry.

(2) Instruction of each child.

(3) Efforts to reduce the achievement gap at kindergarten entry.

(4) Continuous improvement of the early childhood system.

"§ 115C-83.1F. Facilitating early grade reading proficiency.

(a) Kindergarten, first, second, and third grade students shall be assessed with valid, reliable, formative, and diagnostic reading assessments made available to local school administrative units by the State Board of Education pursuant to G.S. 115C-174.11(a). Difficulty with reading development identified through administration of formative and diagnostic assessments shall be addressed with instructional supports and services. To the greatest extent possible, kindergarten through third grade reading assessments shall yield data that can be used with the Education Value Added Assessment System (EVAAS), or a compatible and comparable system approved by the State Board of Education, to analyze student data to identify root causes for difficulty with reading development and to determine actions to address them.

(b) Formative and diagnostic assessments and resultant instructional supports and services shall address oral language, phonological and phonemic awareness, phonics, vocabulary, fluency, and comprehension using developmentally appropriate practices.

(c) Local school administrative units are encouraged to partner with community organizations, businesses, and other groups to provide volunteers, mentors, or tutors to assist

with the provision of instructional supports and services that enhance reading development and proficiency.

"**§ 115C-83.1G. Elimination of social promotion.**

(a) The State Board of Education shall require that a student be retained in the third grade if the student fails to demonstrate reading proficiency appropriate for a third grade student, as demonstrated on a State-approved standardized test of reading comprehension administered to third grade students. The test may be re-administered once prior to the end of the school year.

(b) Students may be exempt from mandatory retention in third grade for good cause but shall continue to receive instructional supports and services and reading interventions appropriate for their age and reading level. Good cause exemptions shall be limited to the following:

(1) Limited English Proficient students with less than two years of instruction in an English as a Second Language program.

(2) Students with disabilities, as defined in G.S. 115C-106.3(1), whose individualized education program indicates the use of alternative assessments and reading interventions.

(3) Students who demonstrate reading proficiency appropriate for third grade students on an alternative assessment approved by the State Board of Education. Teachers may administer the alternative assessment following the administration of the State-approved standardized test of reading comprehension typically given to third grade students at the end of the school year, or after a student's participation in the local school administrative unit's summer reading camp.

(4) Students who demonstrate, through a student reading portfolio, reading proficiency appropriate for third grade students. Teachers may submit the student reading portfolio at the end of the school year, or after a student's participation in the local school administrative unit's summer reading camp. The student reading portfolio and review process shall be established by the State Board of Education.

(5) Students who have (i) received reading intervention and (ii) previously been retained more than once in kindergarten, first, second, or third grades.

(c) The superintendent shall determine whether a student may be exempt from mandatory retention on the basis of a good cause exemption. The following steps shall be taken in making the determination:

(1) The teacher of a student eligible for a good cause exemption shall submit documentation of the relevant exemption and evidence that promotion of the student is appropriate based on the student's academic record to the principal. Such evidence shall be limited to the student's personal education plan, individual education program, if applicable, alternative assessment, or student reading portfolio.

(2) The principal shall review the documentation and make an initial determination whether the student should be promoted. If the principal determines the student should be promoted, the principal shall make a written recommendation of promotion to the superintendent for final determination. The superintendent's acceptance or rejection of the recommendation shall be in writing.

"**§ 115C-83.1H. Successful reading development for retained students.**

(a) Students not demonstrating reading proficiency shall be enrolled in a summer reading camp provided by the local school administrative unit prior to being retained. Students who demonstrate reading proficiency on an alternative assessment of reading comprehension or student reading portfolio after completing a summer reading camp shall be promoted to the fourth grade. Students who do not demonstrate reading proficiency on these measures after completing a summer reading camp shall be retained under G.S. 115C-83.1G(a) and provided with the instruction listed in subsection (b) of this section during the retained year.

(b) Students retained under G.S. 115C-83.1G(a) shall be provided with a teacher selected based on demonstrated student outcomes in reading proficiency and placed in an accelerated reading class or a transitional third and fourth grade class combination, as appropriate. Classroom instruction shall include at least 90 minutes of daily, uninterrupted,

evidence-based reading instruction, not to include independent reading time, and other appropriate instructional supports and services and reading interventions.

(c) The State Board of Education shall establish a midyear promotion policy for any student retained under G.S. 115C-83.1G(a) who, by November 1, demonstrates reading proficiency through administration of the alternative assessment of reading comprehension, or student reading portfolio review.

(d) Parents or guardians of students who have been retained once under the provisions of G.S. 115C-83.1G(a) shall be provided with a plan for reading at home, including participation in shared and guided reading workshops for the parent or guardian, and outlined in a parental or guardian contract.

(e) Parents or guardians of students who have been retained twice under the provisions of G.S. 115C-83.1G(a) shall be offered supplemental tutoring for the retained student in evidence-based reading services outside the instructional day.

"**§ 115C-83.1I. Notification requirements to parents and guardians.**

(a) Parents or guardians shall be notified in writing, and in a timely manner, that the student shall be retained, unless he or she is exempt from mandatory retention for good cause, if the student is not demonstrating reading proficiency by the end of third grade. Parents or guardians shall receive this notice when a kindergarten, first, second or third grade student (i) is demonstrating difficulty with reading development; (ii) is not reading at grade level; or (iii) has a personal education plan under G.S. 115C-105.41.

(b) Parents or guardians of any student who is to be retained under the provisions of G.S. 115C-83.1G(a) shall be notified in writing of the reason the student is not eligible for a good cause exemption as provided in G.S. 115C-83.1G(b). Written notification shall also include a description of proposed reading interventions that will be provided to the student to remediate identified areas of reading deficiency.

(c) Parents or guardians of students retained under G.S. 115C-83.1G(a) shall receive at least monthly written reports on student progress towards reading proficiency. The evaluation of the student's progress shall be based upon the student's classroom work, observations, tests, assessments, and other relevant information.

(d) Teachers and principals shall provide opportunities to discuss with parents and guardians the notifications listed in this section.

"**§ 115C-83.1J. Accountability measures.**

(a) Each local board of education shall publish annually on a Web site maintained by that local school administrative unit and report in writing to the State Board of Education by September 1 of each year the following information on the prior school year:

(1) The number and percentage of third grade students demonstrating and not demonstrating reading proficiency on the State-approved standardized test of reading comprehension administered to third grade students.

(2) The number and percentage of third grade students who take and pass the alternative assessment of reading comprehension.

(3) The number and percentage of third grade students retained for not demonstrating reading proficiency.

(4) The number and percentage of third grade students exempt from mandatory third grade retention by category of exemption as listed in G.S. 115C-83.1G(b).

(b) Each local board of education shall report annually in writing to the State Board of Education by September 1 of each year a description of all reading interventions provided to students who have been retained under G.S. 115C-83.1G(a).

(c) The State Board of Education shall establish a uniform format for local boards of education to report the required information listed in subsections (a) and (b) of this section and shall provide the format to local boards of education no later than 90 days prior to the annual due date. The State Board of Education shall compile annually this information and submit a State-level summary to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Joint Legislative Education Oversight Committee by October 1 of each year, beginning with the 2014-2015 school year.

(d) The State Board of Education and the Department of Public Instruction shall provide technical assistance as needed to aid local school administrative units to implement all provisions of this Part."

SECTION 7A.1.(c) G.S. 115C-105.27(b)(1a) is repealed.

SECTION 7A.1.(d) G.S. 115C-105.41 reads as rewritten:

"**§ 115C-105.41. Students who have been placed at risk of academic failure; personal education plans.**

In order to implement Part 1A of Article 8 of this Chapter, ~~Local~~ local school administrative units shall identify students who are at risk for academic failure and who are not successfully progressing toward grade promotion and graduation, beginning ~~no later than the fourth grade.~~in kindergarten. Identification shall occur as early as can reasonably be done and can be based on grades, observations, diagnostic and formative assessments, State assessments, and other factors, including reading on grade level, that impact student performance that teachers and administrators consider appropriate, without having to await the results of end-of-grade or end-of-course tests. No later than the end of the first quarter, or after a teacher has had up to nine weeks of instructional time with a student, a personal education plan for academic improvement with focused intervention and performance benchmarks shall be developed or updated for any student at risk of academic failure who is not performing at least at grade level, as identified by the State end-of-grade test and other factors noted above. Focused instructional supports and services, reading ~~intervention~~ interventions and accelerated activities should include ~~research-based best~~ evidence-based practices that meet the needs of students and may include coaching, mentoring, tutoring, summer school, Saturday school, and extended days. Local school administrative units shall provide these activities free of charge to students. Local school administrative units shall also provide transportation free of charge to all students for whom transportation is necessary for participation in these activities.

Local school administrative units shall give notice of the personal education plan and a copy of the personal education plan to the student's parent or guardian. Parents should be included in the implementation and ongoing review of personal education plans.

Local school administrative units shall certify that they have complied with this section annually to the State Board of Education. The State Board of Education shall periodically review data on the progress of identified students and report to the Joint Legislative Education Oversight Committee.

No cause of action for monetary damages shall arise from the failure to provide or implement a personal education plan under this section."

SECTION 7A.1.(e) G.S. 115C-174.11(a) reads as rewritten:

"(a) Assessment Instruments for ~~First and Second Grades.~~Kindergarten, First, Second, and Third Grades. – The State Board of Education shall ~~adopt~~ develop, adopt, and provide to the local school administrative units developmentally appropriate individualized assessment instruments consistent with the Basic Education Program and Part 1A of Article 8 of this Chapter for the ~~first and second grades, rather than standardized tests.~~ kindergarten, first, second, and third grades. Local school administrative units ~~may~~ shall use these assessment instruments provided to them by the State Board for ~~first and second grade students,~~ kindergarten, first, second, and third grade students to assess progress, diagnose difficulties, and to inform instruction and remediation needs. ~~and~~ Local school administrative units shall not use standardized tests for summative assessment of kindergarten, first, and second grade students except as required as a condition of receiving federal grants."

SECTION 7A.1.(f) G.S. 115C-238.29F is amended by adding a new subsection to read:

"(d1) Reading Proficiency and Student Promotion. –

(1) Students in the third grade shall be retained if the student fails to demonstrate reading proficiency by reading at or above the third grade level as demonstrated by the results of the State-approved standardized test of reading comprehension administered to third grade students. The charter school shall provide reading interventions to retained students to remediate reading deficiency, which may include 90 minutes of daily, uninterrupted, evidence-based reading instruction, accelerated reading classes, transition classes containing third and fourth grade students, and summer reading camps.

(2) Students may be exempt from mandatory retention in third grade for good cause but shall continue to receive instructional supports and services and reading interventions appropriate for their age and reading level. Good cause exemptions shall be limited to the following:

a. Limited English Proficient students with less than two years of instruction in an English as a Second Language program.
b. Students with disabilities, as defined in G.S. 115C-106.3(1), whose individualized education program indicates the use of alternative assessments and reading interventions.
c. Students who demonstrate reading proficiency appropriate for third grade students on an alternative assessment of reading comprehension. The charter school shall notify the State Board of Education of the alternative assessment used to demonstrate reading proficiency.
d. Students who demonstrate, through a student reading portfolio, reading proficiency appropriate for third grade students.
e. Students who have (i) received reading intervention and (ii) previously been retained more than once in kindergarten, first, second, or third grades.

(3) The charter school shall provide notice to parents and guardians when a student is not reading at grade level. The notice shall state that if the student's reading deficiency is not remediated by the end of third grade, the student shall be retained unless he or she is exempt from mandatory retention for good cause. Notice shall also be provided to parents and guardians of any student who is to be retained under this subsection of the reason the student is not eligible for a good cause exemption, as well as a description of proposed reading interventions that will be provided to the student to remediate identified areas of reading deficiency.

(4) The charter school shall annually publish on the charter school's Web site and report in writing to the State Board of Education by September 1 of each year the following information on the prior school year:
a. The number and percentage of third grade students demonstrating and not demonstrating reading proficiency on the State-approved standardized test of reading comprehension administered to third grade students.
b. The number and percentage of third grade students not demonstrating reading proficiency and who do not return to the charter school for the following school year.
c. The number and percentage of third grade students who take and pass the alternative assessment of reading comprehension.
d. The number and percentage of third grade students retained for not demonstrating reading proficiency.
e. The number and percentage of third grade students exempt from mandatory third grade retention by category of exemption as listed in subdivision (2) of this subsection."

SECTION 7A.1.(g) G.S. 115C-288(a) reads as rewritten:

"(a) To Grade and Classify Pupils. – The principal shall have authority to grade and classify ~~pupils~~pupils, except as provided in G.S. 115C-83.1G(a). In determining the appropriate grade for a pupil who is already attending a public school, the principal shall consider the pupil's classroom work and grades, the pupil's scores on standardized tests, and the best educational interests of the pupil. The principal shall not make the decision solely on the basis of standardized test scores. If a principal's decision to retain a child in the same grade is partially based on the pupil's scores on standardized tests, those test scores shall be verified as accurate.

A principal shall not require additional testing of a student entering a public school from a school governed under Article 39 of this Chapter if test scores from a nationally standardized test or nationally standardized equivalent measure that are adequate to determine the appropriate placement of the child are available."

SECTION 7A.1.(h) G.S. 130A-440(b) reads as rewritten:

"(b) A health assessment shall include a medical history and physical examination with screening for vision and hearing and, if appropriate, testing for anemia and tuberculosis. Vision screening shall be conducted in accordance with G.S. 130A-440.1. The health assessment may also include dental screening and developmental screening for cognition, language, and motor

function. The developmental screening of cognition and language abilities may be conducted in accordance with G.S. 115C-83.1E(a)."

SECTION 7A.1.(i) Of the funds appropriated from the General Fund to the Department of Public Instruction for the 2012-2013 fiscal year, the sum of thirty-three million nine hundred fourteen thousand five hundred three dollars ($33,914,503) shall be used to implement the requirements of this section. It is the intent of the General Assembly to increase this appropriation for the 2013-2014 fiscal year to implement additional requirements in that fiscal year.

SECTION 7A.1.(j) This section is effective when it becomes law and applies beginning with the 2013-2014 school year. The developmental screening and kindergarten entry assessment required by this section shall be administered beginning with the 2014-2015 school year.

STATE EMPLOYEE LITERACY VOLUNTEER LEAVE TIME

SECTION 7A.2.(a) G.S. 126-4 reads as rewritten:

"**§ 126-4. Powers and duties of State Personnel Commission.**

Subject to the approval of the Governor, the State Personnel Commission shall establish policies and rules governing each of the following:

...

(5b) A leave program that allows employees to volunteer in a literacy program in a public school for up to five hours each month.

...."

SECTION 7A.2.(b) This section is effective when it becomes law.

SCHOOL PERFORMANCE GRADES

SECTION 7A.3.(a) G.S. 115C-12(9)c1. reads as rewritten:

"c1. To issue an annual "report card" for the State and for each local school administrative unit, assessing each unit's efforts to improve student performance based on the growth in performance of the students in each school and taking into account progress over the previous years' level of performance and the State's performance in comparison with other states. This assessment shall take into account factors that have been shown to affect student performance and that the State Board considers relevant to assess the State's efforts to improve student performance. As a part of the annual "report card" for each local school administrative unit, the State Board shall award an overall numerical school performance score on a scale of zero to 100 and a corresponding letter grade of A, B, C, D, or F earned by each school within the local school administrative unit. The school performance score and grade shall reflect student performance on annual subject-specific assessments, college and workplace readiness measures, and graduation rates. For schools serving students in any grade from kindergarten to eighth grade, separate performance scores and grades shall also be awarded based on the school performance in reading and mathematics respectively. The annual "report card" for schools serving students in third grade also shall include the number and percentage of third grade students who (i) take and pass the alternative assessment of reading comprehension; (ii) were retained in third grade for not demonstrating reading proficiency as indicated in G.S. 115C-83.1G(a); and (iii) were exempt from mandatory third grade retention by category of exemption as listed in G.S. 115C-83.1G(b)."

SECTION 7A.3.(b) G.S. 115C-47(58) reads as rewritten:

"(58) 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.~~ is otherwise provided to the public. Each local board of education shall ensure that the overall school performance score and grade earned by each school in the

local school administrative unit for the current and previous four school years is prominently displayed on the Web site of the local school administrative unit. If any school in the local school administrative unit is awarded a grade of D or F, the local board of education shall provide notice of the grade in writing to the parent or guardian of all students enrolled in that school."

SECTION 7A.3.(c) G.S. 115C-238.29F is amended by adding a new subsection to read:

"(l) North Carolina School Report Cards. – A charter school shall ensure that the report card issued for it by the State Board of Education receives wide distribution to the local press or is otherwise provided to the public. A charter school shall ensure that the overall school performance score and grade earned by the charter school for the current and previous four school years is prominently displayed on the school Web site. If a charter school is awarded a grade of D or F, the charter school shall provide notice of the grade in writing to the parent or guardian of all students enrolled in that school."

SECTION 7A.3.(d) G.S. 115C-238.66 is amended by adding a new subdivision to read:

"(11) North Carolina School Report Cards. – A regional school shall ensure that the report card issued for it by the State Board of Education receives wide distribution to the local press or is otherwise provided to the public. A regional school shall ensure that the overall school performance score and grade earned by the regional school for the current and previous four school years is prominently displayed on the school Web site. If a regional school is awarded a grade of D or F, the regional school shall provide notice of the grade in writing to the parent or guardian of all students enrolled in that school."

SECTION 7A.3.(e) The State Board of Education shall award school performance scores and grades as required by G.S. 115C-12(9)c1. as follows:

(1) The State Board of Education shall calculate school performance scores by totaling the sum of points earned by the school and converting the sum of points to a 100-point scale. Subsections (2) and (3) of this section provide the school performance elements for schools serving students in kindergarten through eighth grade. Subsection (4) of this section provides the school performance elements for schools serving grades nine through twelve. The school performance score shall be used to determine the school performance grade based on the following scale:
   a. At least 90 performance grade points for an overall school performance grade of A.
   b. At least 80 performance grade points for an overall school performance grade of B.
   c. At least 70 performance grade points for an overall school performance grade of C.
   d. At least 60 performance grade points for an overall school performance grade of D.
   e. A school that accumulates less than 60 points shall be assigned an overall school performance grade of F.

(2) For schools serving students in kindergarten through eighth grade the overall school performance score shall be calculated based on the sum of three school performance elements.
   a. The score shall be calculated as follows:
      1. One point for each percent of students who score at or above proficient on annual assessments for mathematics in grades three through eight.
      2. One point for each percent of students who score at or above proficient on annual assessments for reading in grades three through eight.
      3. One point for each percent of students who score at or above proficient on annual assessments for science in grades five and eight.

(3) For schools serving students in kindergarten through eighth grade, the school performance scores in reading and mathematics, respectively, shall be earned as follows:
a. The literacy school performance score shall be based on the percent of students who score at or above proficient on annual assessments for reading assessments in grades three through eight.
b. The mathematics school performance score shall be based on the percent of students who score at or above proficient on annual assessments for mathematics in grades three through eight.

(4) The school performance score earned by schools serving students in ninth through twelfth grades shall be calculated based on the sum of seven school performance elements.
a. The score shall be calculated as follows:
1. One point for each percent of students who score at or above proficient on annual assessments for mathematics.
2. One point for each percent of students who score at or above proficient on annual assessments for English.
3. One point for each percent of students who score at or above proficient on annual assessments for biology.
4. One point for each percent of students who complete a higher-level mathematics class with a passing grade.
5. One point for each percent of students who score at or above a level demonstrating college readiness on a nationally normed test of college readiness.
6. One point for each percent of students who graduate within four years of entering high school.
7. One point for each percent of students who demonstrate workplace readiness on a nationally normed test of workplace readiness.

(5) In calculating the overall school performance score earned by schools, the State Board of Education shall proportionally adjust the scale to account for the absence of a school performance element for award of scores to a school that does not have a measure of one of the school performance elements annually assessed for the grades taught at that school.

(6) The State Board of Education shall report to the Joint Legislative Education Oversight Committee annually by January 15 on recommended adjustments to the school performance grade elements and scales for award of scores and grades.

SECTION 7A.3.(f) This section is effective when it becomes law and applies beginning with the 2012-2013 school year.

MAXIMIZE INSTRUCTIONAL TIME

SECTION 7A.4.(a) G.S. 115C-174.12(a) reads as rewritten:

"(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 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.~~year.

(4) All annual assessments of student achievement adopted by the State Board of Education pursuant to G.S. 115C-174.11(c)(1) and (3) and all final exams for courses shall be administered within the final 10 instructional days of the school year for year-long courses and within the final five instructional days of the semester for semester courses. Exceptions shall be permitted to accommodate a student's individualized education program and section 504 (29 U.S.C. § 794) plans, and for the administration of final exams for courses with national or international curriculums required to be held at designated times.

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~~ students with disabilities shall (i) provide broad accommodations and alternate methods of assessment that are consistent with a ~~child's~~ student'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~~student'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."

SECTION 7A.4.(b) This section is effective when it becomes law and applies beginning with the 2012-2013 school year.

ADJUSTMENTS TO SCHOOL CALENDAR

SECTION 7A.5.(a) G.S. 115C-84.2 reads as rewritten:

"§ 115C-84.2. School calendar.

(a) School Calendar. – Each local board of education shall adopt a school calendar consisting of 215 days all of which shall fall within the fiscal year. A school calendar shall include the following:

(1) A minimum of 185 days ~~and~~ or 1,025 hours of instruction covering at least nine calendar months. The local board shall designate when the ~~185~~ instructional days shall occur. The number of instructional hours in an instructional day may vary according to local board policy and does not have to be uniform among the schools in the administrative unit. Local boards may approve school improvement plans that include days with varying amounts of instructional time. If school is closed early due to inclement weather, the day and the scheduled amount of instructional hours may count towards the required minimum to the extent allowed by State Board policy. The school calendar shall include a plan for making up days and instructional hours missed when schools are not opened due to inclement weather.

...

(4a) Three days, as designated by the local board, for use as teacher workdays. These days shall be protected to allow teachers to complete instructional and classroom administrative duties. The local school administrative unit shall not impose any additional tasks on these days. The local board shall schedule at least one of these days at the beginning of the school year and at least one at the end of the school year.

(5) The remaining days scheduled by the local board in consultation with each school's principal for use as teacher workdays, additional instructional days, or other lawful purposes. Before consulting with the local board, each principal shall work with the school improvement team to determine the days to be scheduled and the purposes for which they should be scheduled. Days may be scheduled and planned for different purposes for different personnel and there is no requirement to schedule the same dates for all personnel. In order to make up days for school closing because of inclement weather, the local board may designate any of the days in this subdivision as

additional make-up days to be scheduled after the last day of student attendance.

~~If the State Board of Education finds that it will enhance student performance to do so, the State Board may grant a local board of education a waiver to use up to five of the instructional days required by subdivision (1) of this subsection as teacher workdays. For each instructional day waived, the State Board shall waive an equivalent number of instructional hours.~~

Local boards and individual schools are encouraged to use the calendar flexibility in order to meet the annual performance standards set by the State Board. Local boards of education shall consult with parents and the employed public school personnel in the development of the school calendar.

Local boards shall designate at least two days scheduled under subdivision (5) of this subsection as days on which teachers may take accumulated vacation leave. Local boards may designate the remaining days scheduled in subdivision (5) of this subsection as days on which teachers may take accumulated vacation leave, but local boards shall give teachers at least 14 calendar days' notice before requiring a teacher to work instead of taking vacation leave on any of these days. A teacher may elect to waive this notice requirement for one or more of these days.

...

(d) Opening and Closing Dates. – Local boards of education shall determine the dates of opening and closing the public schools under subdivision (a)(1) of this section. Except for year-round schools, the opening date for students shall ~~not be before August 25,~~be no earlier than the Monday closest to August 26, and the closing date for students shall ~~not be after June 10.~~be no later than the Friday closest to June 11. On a showing of good cause, the State Board of Education may waive ~~this requirement~~ the requirement that the opening date for students be no earlier than the Monday closest to August 26 and may allow the local board of education to set an opening date no earlier than the Monday closest to August 19, to the extent that school calendars are able to provide sufficient days to accommodate anticipated makeup days due to school closings. A local board may revise the scheduled closing date if necessary in order to comply with the minimum requirements for instructional days or instructional time. For purposes of this subsection, the term "good cause" means ~~either that:~~that schools in any local school administrative unit in a county have been closed eight days per year during any four of the last 10 years because of severe weather conditions, energy shortages, power failures, or other emergency situations.

~~(1) Schools in any local school administrative unit in a county have been closed eight days per year during any four of the last 10 years because of severe weather conditions, energy shortages, power failures, or other emergency situations; or~~

~~(2) Schools in any local school administrative unit in a county have been closed for all or part of eight days per year during any four of the last 10 years because of severe weather conditions. For purposes of this subdivision, a school shall be deemed to be closed for part of a day if it is closed for two or more hours.~~

~~The State Board also may waive this requirement for an educational purpose. The term "educational purpose" means a local school administrative unit establishes a need to adopt a different calendar for (i) a specific school to accommodate a special program offered generally to the student body of that school, (ii) a school that primarily serves a special population of students, or (iii) a defined program within a school. The State Board may grant the waiver for an educational purpose for that specific school or defined program to the extent that the State Board finds that the educational purpose is reasonable, the accommodation is necessary to accomplish the educational purpose, and the request is not an attempt to circumvent the opening and closing dates set forth in this subsection. The waiver requests for educational purposes shall not be used to accommodate system-wide class scheduling preferences.~~

The required opening and closing dates under this subsection shall not apply to any school that a local board designated as having a modified calendar for the 2003-2004 school year or to any school that was part of a planned program in the 2003-2004 school year for a system of modified calendar schools, so long as the school operates under a modified calendar.

...."

SECTION 7A.5.(b) G.S. 115C-238.29F(d)(1) reads as rewritten:

"(1) The school shall provide instruction each year for at least 185 ~~days.~~days or 1,025 hours over nine calendar months. ~~If the State Board of Education finds that it will enhance student performance to do so, the State Board may grant a charter school a waiver to use up to five of these instructional days as teacher workdays.~~"

SECTION 7A.5.(c) G.S. 115C-238.53(d) reads as rewritten:

"(d) A program approved under this Part shall provide instruction each school year for at least ~~180 days~~185 days or 1,025 instructional hours during nine calendar months, shall comply with laws and policies relating to the education of students with disabilities, and shall comply with Article 27 of this Chapter. The requirements of G.S. 115C-84.2 shall not apply to the school calendar of a program approved under this Part."

SECTION 7A.5.(d) G.S. 115C-238.66(1)d. reads as rewritten:

"d. The board of directors shall adopt a school calendar consisting of a minimum of 185 days or 1,025 hours of instruction covering at least nine calendar months."

SECTION 7A.5.(e) This section is effective when it becomes law and applies beginning with the 2013-2014 school year.

FUNDING FOR THE ADDITION OF FIVE INSTRUCTIONAL DAYS WITHIN THE EXISTING SCHOOL CALENDAR

SECTION 7A.6.(a) To fully provide for the expansion of five additional instructional days in accordance with S.L. 2011-145, Section 7.29 for those days for which a local school administrative unit has not requested and received a waiver from the State Board of Education for the 2012-2013 school year:

(1) Of the funds appropriated from the General Fund to the Department of Public Instruction for the 2012-2013 fiscal year, the sum of forty thousand one hundred sixty-eight dollars ($40,168) shall be used to increase the amount appropriated for the noninstructional support personnel allotment.

(2) Of the funds appropriated from the General Fund to the Department of Public Instruction for the 2012-2013 fiscal year, the sum of three hundred fifty-one thousand four hundred sixty-nine dollars ($351,469) shall be used to increase the amount appropriated for the transportation allotment.

SECTION 7A.6.(b) This section becomes effective July 1, 2012.

ESTABLISH NC TEACHER CORPS

SECTION 7A.7.(a) Article 20 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-296.7. North Carolina Teacher Corps.**

(a) There is established the North Carolina Teacher Corps (NC Teacher Corps) to recruit and place recent graduates of colleges and universities and mid-career professionals as teachers in high needs public schools.

(b) The State Board of Education, in consultation with the Board of Governors of The University of North Carolina and the North Carolina Independent Colleges and Universities, shall develop and administer the NC Teacher Corps. In the development of the NC Teacher Corps, the State Board of Education shall consider examples of other successful teacher recruitment models used nationally and in other states.

(c) Applications shall be received annually for admission to the NC Teacher Corps. The State Board of Education shall establish application criteria, including, at a minimum, an award of a bachelor's degree from an accredited college or university. The State Board of Education may establish a committee to annually evaluate and select candidates for admission to the NC Teacher Corps.

(d) The State Board of Education shall identify local school administrative units with unmet recruitment needs and high needs schools and shall coordinate placement of NC Teacher Corps members in those schools.

(e) The State Board of Education, in coordination with the Board of Governors, shall develop an intensive summer training institute for NC Teacher Corps members to provide coursework and training on essential teaching frameworks, curricula, and lesson planning skills, as well as identification and education of students with disabilities, positive management of student behavior, effective communication for defusing and deescalating disruptive and

dangerous behavior, and safe and appropriate use of seclusion and restraint. The intensive summer training institute also shall address identification of difficulty with reading development and of reading deficiencies, and the provision of reading instruction, intervention, and remediation strategies.

(f) The State Board of Education, in coordination with the Board of Governors, shall provide ongoing support to NC Teaching Corps members through coaching, mentoring, and continued professional development.

(g) NC Teaching Corps members shall be granted lateral entry teaching licenses pursuant to G.S. 115C-296(c)."

SECTION 7A.7.(b) This section is effective when it becomes law. The State Board of Education shall recruit and place an initial cohort of NC Teacher Corps members no later than the 2012-2013 school year.

STRENGTHEN TEACHER LICENSURE

SECTION 7A.8.(a) G.S. 115C-296 reads as rewritten:

"**§ 115C-296. Board sets licensure requirements; reports; lateral entry and mentor programs.**

(a) The State Board of Education shall have entire control of licensing all applicants for teaching positions in all public elementary and high schools of North Carolina; and it shall prescribe the rules and regulations for the renewal and extension of all licenses and shall determine and fix the salary for each grade and type of license which it authorizes.

The State Board of Education may require an applicant for an initial bachelors degree certificate or graduate degree certificate to demonstrate the applicant's academic and professional preparation by achieving a prescribed minimum score on a standard examination appropriate and adequate for that purpose. Elementary Education (K-6) teachers shall also achieve a prescribed minimum score on subtests or standard examinations specific to teaching reading and mathematics. The State Board of Education shall permit an applicant to fulfill any such testing requirement before or during the applicant's second year of teaching provided the applicant took the examination at least once during the first year of teaching. The State Board of Education shall make any required standard initial licensure exam ~~sufficiently~~ rigorous and raise the prescribed minimum score as necessary to ensure that each applicant has ~~adequate~~ received high quality academic and professional preparation to ~~teach.~~teach effectively.

...

(b) It is the policy of the State of North Carolina to maintain the highest quality teacher education programs and school administrator programs in order to enhance the competence of professional personnel licensed in North Carolina. To the end that teacher preparation programs are upgraded to reflect a more rigorous course of study, the State Board of Education, as lead agency in coordination and cooperation with the University Board of Governors, the Board of Community Colleges and such other public and private agencies as are necessary, shall continue to refine the several licensure requirements, standards for approval of institutions of teacher education, standards for institution-based innovative and experimental programs, standards for implementing consortium-based teacher education, and standards for improved efficiencies in the administration of the approved programs. The licensure program shall provide for initial licensure after completion of preservice training, continuing licensure after three years of teaching experience, and license renewal every five years thereafter, until the retirement of the teacher. The last license renewal received prior to retirement shall remain in effect for five years after retirement. The licensure program shall also provide for lifetime licensure after 50 years of teaching.

The State Board of Education, as lead agency in coordination with the Board of Governors of The University of North Carolina and any other public and private agencies as necessary, shall continue to raise standards for entry into teacher education programs.

The State Board of Education, in consultation with local boards of education and the Board of Governors of The University of North Carolina, shall evaluate and modify, as necessary, the academic requirements for students preparing to teach science in middle and high schools to ensure that there is adequate preparation in issues related to science laboratory safety.

The State Board of Education, in consultation with the Board of Governors of The University of North Carolina, shall evaluate and develop enhanced requirements for continuing licensure. The new requirements shall reflect more rigorous standards for continuing licensure and to the extent possible shall be aligned with quality professional development programs that

reflect State priorities for improving student achievement. Standards for continuing licensure shall include at least three continuing education credits related to literacy for elementary and middle school teachers. Literacy renewal credits shall include assessment, diagnosis, and intervention strategies for students not demonstrating reading proficiency. Oral language, phonemic and phonological awareness, phonics, vocabulary, fluency, and comprehension shall be addressed in literacy-related activities leading to certification renewal for elementary school teachers.

The State Board of Education, in consultation with local boards of education and the Board of Governors of The University of North Carolina, shall reevaluate and enhance the requirements for renewal of teacher licenses. The State Board shall consider modifications in the license renewal achievement and to make it a mechanism for teachers to renew continually their knowledge and professional skills. ~~The State Board shall adopt new standards for the renewal of teacher licenses by May 15, 1998.~~

The standards for approval of institutions of teacher education shall require that teacher education programs for all students include demonstrated competencies in (i) the identification and education of children with disabilities and (ii) positive management of student behavior and effective communication techniques for defusing and deescalating disruptive or dangerous behavior. The standards for approval of institutions of teacher education shall require that elementary teacher education programs include demonstrated competencies in (i) teaching of reading, including a substantive understanding of reading as a process involving oral language, phonological and phonemic awareness, phonics, fluency, vocabulary, and comprehension; (ii) evidence-based assessment and diagnosis of specific areas of difficulty with reading development and of reading deficiencies; and (iii) appropriate application of instructional supports and services and reading interventions to ensure reading proficiency for all students. The State Board of Education shall incorporate the criteria developed in accordance with G.S. 116-74.21 for assessing proposals under the School Administrator Training Program into its school administrator program approval standards.

All North Carolina institutions of higher education that offer teacher education programs, masters degree programs in education, or masters degree programs in school administration shall provide performance reports to the State Board of Education. The performance reports shall follow a common format, shall be submitted according to a plan developed by the State Board, and shall include the information required under the plan developed by the State Board.

...

(c) It is the policy of the State of North Carolina to encourage lateral entry into the profession of teaching by skilled individuals from the private sector. To this end, before the 1985-86 school year begins, the State Board of Education shall develop criteria and procedures to accomplish the employment of such individuals as classroom teachers. Beginning with the 2006-2007 school year, the criteria and procedures shall include preservice training in (i) the identification and education of children with disabilities and (ii) positive management of student behavior, effective communication for defusing and deescalating disruptive or dangerous behavior, and safe and appropriate use of seclusion and restraint. Skilled individuals who choose to enter the profession of teaching laterally may be granted a ~~provisional~~lateral entry teaching license for no more than three years and shall be required to obtain licensure before contracting for a fourth year of service with any local administrative unit in this State.

...."

SECTION 7A.8.(b) This section is effective when it becomes law and applies beginning with the 2013-2014 school year.

PROOF OF STATE-FUNDED LIABILITY INSURANCE

SECTION 7A.9.(a) G.S. 115C-12 reads as rewritten:

"**§ 115C-12. Powers and duties of the Board generally.**

The general supervision and administration of the free public school system shall be vested in the State Board of Education. The State Board of Education shall establish policy for the system of free public schools, subject to laws enacted by the General Assembly. The powers and duties of the State Board of Education are defined as follows:

...

(9) Miscellaneous Powers and Duties. – All the powers and duties exercised by the State Board of Education shall be in conformity with the Constitution

and subject to such laws as may be enacted from time to time by the General Assembly. Among such duties are:

...

f. To annually notify public school employees of the availability and coverage of professional liability insurance.

...."

SECTION 7A.9.(b) This section is effective when it becomes law and applies beginning with the 2012-2013 school year.

PAY FOR EXCELLENCE

SECTION 7A.10.(a) Each local board of education shall develop a plan of performance pay for all licensed personnel employed by the local board. Under the performance pay plan, licensed employees should be eligible to receive bonuses or adjustments to base salary for meeting certain performance criteria. Criteria for award of bonuses or adjustments to base salary should include, but are not limited to, the following factors:

(1) Annual growth in student achievement of students assigned to a teacher's classroom, when applicable.

(2) Annual growth in student achievement of students assigned to a specific school.

(3) Assignment of additional academic responsibilities.

(4) Assignment to a hard-to-staff school.

(5) Assignment to a hard-to-staff subject area.

Local boards of education shall submit plans to the State Board of Education no later than March 1, 2013. The State Board of Education shall report on these plans and the achievement-based compensation models developed as part of the federal Race to the Top grant and shall submit the report and all plans to the Fiscal Research Division, the Joint Legislative Commission on Governmental Operations, and the respective Subcommittees on Education Appropriations of the Senate and House of Representatives no later than April 15, 2013. Members of the public may also submit plans for performance pay no later than April 15, 2013, to the Fiscal Research Division, the Joint Legislative Commission on Governmental Operations, and the respective Subcommittees on Education Appropriations of the Senate and House of Representatives.

SECTION 7A.10.(b) This section is effective when it becomes law.

CLARIFY NC PRE-K PROGRAM ELIGIBILITY

SECTION 7A.11.(a) Section 10.7(f) of S.L. 2011-145 reads as rewritten:

"**SECTION 10.7.(f)** ~~The prekindergarten program may continue to serve at-risk children identified through the existing "child find" methods in which at-risk children are currently served within the Division of Child Development. The Division of Child Development shall serve at-risk children regardless of income. However, the total number of at-risk children served shall constitute no more than twenty percent (20%) of the four-year-olds served within the prekindergarten program. Any~~ The Division of Child Development and Early Education 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 who is a child of either of the following shall be eligible for the program: (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 was ordered to active duty by the proper authority within the last 18 months or is 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. Eligibility determinations for prekindergarten participants may continue through local education agencies and local North Carolina Partnership for Children, Inc., partnerships."

SECTION 7A.11.(b) Section 10.7(h) of S.L. 2011-145 is repealed.

SECTION 7A.11.(c) Of the funds appropriated from the General Fund to the Department of Health and Human Services, Division of Child Development and Early Education, for the 2012-2013 fiscal year, the sum of eleven million three hundred eight

thousand three hundred sixty-three dollars ($11,308,363) shall be used to add 2,261 slots to be used in the NC Pre-K program.

SECTION 7A.11.(d) This section is effective when it becomes law.

REPEAL PROHIBITION ON TEACHER PREPAYMENT

SECTION 7A.12.(a) Section 5 of S.L. 2011-379 is repealed.

SECTION 7A.12.(b) This section becomes effective July 1, 2012.

TAX DEDUCTION FOR EDUCATIONAL SUPPLIES

SECTION 7A.13.(a) G.S. 105-134.6(d) is amended by adding a new subdivision to read:

"(d) Other Adjustments. – The following adjustments to taxable income shall be made in calculating North Carolina taxable income:

...

(9) To the extent a deduction has not been claimed for educator expenses in determining federal adjusted gross income, an eligible educator may deduct an amount not to exceed two hundred fifty dollars ($250.00) paid or incurred in connection with items listed in this subdivision. For purposes of this subdivision, the term "eligible educator" has the same meaning as defined in section 62 of the Code, as it existed on December 31, 2011. In the case of a married couple filing a joint return where both spouses are eligible educators, the maximum dollar amount is five hundred dollars ($500.00).

a. Books.

b. Supplies, other than nonathletic supplies for courses of instruction in health or physical education.

c. Computer equipment, including related software and services.

d. Supplementary materials used by the eligible educator in the classroom."

SECTION 7A.13.(b) This section becomes effective for taxable years beginning on or after January 1, 2012.

TEACHER CONTRACTS

SECTION 7A.14.(a) G.S. 115C-325 is repealed.

SECTION 7A.14.(b) Part 3 of Article 22 of Chapter 115C of the General Statutes is amended by adding new sections to read:

"**§ 115C-325.1. Definitions.**

As used in this Part, the following definitions apply:

(1) "Day" means calendar day. In computing any period of time, Rule 6 of the North Carolina Rules of Civil Procedure shall apply.

(2) "Demote" means to reduce the salary of a person who is classified or paid by the State Board of Education as a classroom teacher or as a school administrator. The word "demote" does not include (i) a suspension without pay pursuant to G.S. 115C-325.5(a); (ii) the elimination or reduction of bonus payments, including merit-based supplements, or a systemwide modification in the amount of any applicable local supplement; or (iii) any reduction in salary that results from the elimination of a special duty, such as the duty of an athletic coach or a choral director.

(3) "Disciplinary suspension" means a final decision to suspend a teacher or school administrator without pay for no more than 60 days under G.S. 115C-325.5(b).

(4) "School administrator" means a principal, assistant principal, supervisor, or director whose major function includes the direct or indirect supervision of teaching or any other part of the instructional program as provided in G.S. 115C-287.1(a)(3).

(5) "Teacher" means a person meeting each of the following requirements:

a. Who holds at least one of the following licenses issued by the State Board of Education:

1. A current standard professional educator's license.

2. A current lateral entry teaching license.

3. A regular, not expired, vocational license.

b. Whose major responsibility is to teach or directly supervise teaching or who is classified by the State Board of Education or is paid either as a classroom teacher or instructional support personnel.

c. Who is employed to fill a full-time, permanent position.

"**§ 115C-325.2. Personnel files.**

(a) Maintenance of Personnel File. – The superintendent shall maintain in his or her office a personnel file for each teacher that contains any complaint, commendation, or suggestion for correction or improvement about the teacher's professional conduct, except that the superintendent may elect not to place in a teacher's file (i) a letter of complaint that contains invalid, irrelevant, outdated, or false information or (ii) a letter of complaint when there is no documentation of an attempt to resolve the issue. The complaint, commendation, or suggestion shall be signed by the person who makes it and shall be placed in the teacher's file only after five days' notice to the teacher. Any denial or explanation relating to such complaint, commendation, or suggestion that the teacher desires to make shall be placed in the file. Any teacher may petition the local board of education to remove any information from the teacher's personnel file that the teacher deems invalid, irrelevant, or outdated. The board may order the superintendent to remove said information if it finds the information is invalid, irrelevant, or outdated.

(b) Inspection of Personnel Files. – The personnel file shall be open for the teacher's inspection at all reasonable times but shall be open to other persons only in accordance with such rules and regulations as the board adopts. Any preemployment data or other information obtained about a teacher before the teacher's employment by the board may be kept in a file separate from the teacher's personnel file and need not be made available to the teacher. No data placed in the preemployment file may be introduced as evidence at a hearing on the dismissal or demotion of a teacher, except the data may be used to substantiate G.S. 115C-325.4(a)(7) or G.S. 115C-325.4(a)(14) as grounds for dismissal or demotion.

"**§ 115C-325.3. Teacher contracts.**

(a) Length of Contract. – A contract between the local board of education and a teacher who has been employed by the local board of education for less than three years shall be for a term of one school year. A contract or renewal of contract between the local board of education and a teacher who has been employed by the local board of education for three years or more shall be for a term of one, two, three, or four school years.

(b) Superintendent Recommendation to Local Board. – Local boards of education shall employ teachers upon the recommendation of the superintendent. If a superintendent intends to recommend to the local board of education that a teacher be offered a new or renewed contract, the superintendent shall submit the recommendation to the local board for action and shall include in the recommendation the length of the term of contract. A superintendent shall only recommend a teacher for a contract of a term longer than one school year if the teacher has shown effectiveness as demonstrated on the teacher evaluation instrument. The local board may approve the superintendent's recommendation, may decide not to offer the teacher a new or renewed contract, or may decide to offer the teacher a renewed contract for a different term than recommended by the superintendent.

(c) Dismissal During Term of Contract. – A teacher shall not be dismissed or demoted during the term of the contract except for the grounds and by the procedure set forth in G.S. 115C-325.4.

(d) Recommendation on Nonrenewal. – If a superintendent decides not to recommend that the local board of education offer a renewed contract to a teacher, the superintendent shall give the teacher written notice of the decision no later than May 15.

(e) Right to Petition for Hearing. – A teacher shall have the right to petition the local board of education for a hearing no later than June 1. The local board may, in its discretion, grant a hearing regarding the superintendent's recommendation for nonrenewal. The local board of education shall notify the teacher making the petition of its decision whether to grant a hearing. If the request for a hearing is granted, the local board shall conduct a hearing pursuant to the provisions of G.S. 115C-45(c) and make a final decision on whether to offer the teacher a renewed contract. The board shall notify a teacher whose contract will not be renewed for the next school year of its decision by June 15; provided, however, if a teacher submits a request for a hearing, the board shall provide the nonrenewal notification by July 1 or such later date

upon the written consent of the superintendent and teacher. A decision not to offer a teacher a renewed contract shall not be on any basis prohibited by State or federal law.

(f) Local boards of education and teachers employed by the local board may mutually modify the terms of the contract to permit part-time employment.

"**§ 115C-325.4. Dismissal or demotion for cause.**

(a) Grounds. – No teacher shall be dismissed or demoted or reduced to employment on a part-time basis for disciplinary reasons during the term of the contract except for one or more of the following:

(1) Inadequate performance. In determining whether the professional performance of a teacher is adequate, consideration shall be given to regular and special evaluation reports prepared in accordance with the published policy of the employing local school administrative unit and to any published standards of performance which shall have been adopted by the board. Inadequate performance for a teacher shall mean (i) the failure to perform at a proficient level on any standard of the evaluation instrument or (ii) otherwise performing in a manner that is below standard.

(2) Immorality.

(3) Insubordination.

(4) Neglect of duty.

(5) Physical or mental incapacity.

(6) Habitual or excessive use of alcohol or nonmedical use of a controlled substance as defined in Article 5 of Chapter 90 of the General Statutes.

(7) Conviction of a felony or a crime involving moral turpitude.

(8) Advocating the overthrow of the government of the United States or of the State of North Carolina by force, violence, or other unlawful means.

(9) Failure to fulfill the duties and responsibilities imposed upon teachers or school administrators by the General Statutes of this State.

(10) Failure to comply with such reasonable requirements as the board may prescribe.

(11) Any cause which constitutes grounds for the revocation of the teacher's teaching license or the school administrator's administrator license.

(12) Failure to maintain his or her license in a current status.

(13) Failure to repay money owed to the State in accordance with the provisions of Article 60 of Chapter 143 of the General Statutes.

(14) Providing false information or knowingly omitting a material fact on an application for employment or in response to a preemployment inquiry.

(b) Dismissal Procedure. – The procedures provided in G.S. 115C-325.6 shall be followed for dismissals, demotions, or reductions to part-time employment for disciplinary reasons for any reason specified in subsection (a) of this section.

"**§ 115C-325.5. Teacher suspension.**

(a) Immediate Suspension Without Pay. – If a superintendent believes that cause exists for dismissing a teacher for any reason specified in G.S. 115C-325.4 and that immediate suspension of the teacher is necessary, the superintendent may suspend the teacher without pay. Before suspending a teacher without pay, the superintendent shall meet with the teacher and give him or her written notice of the charges against the teacher, an explanation of the basis for the charges, and an opportunity to respond. Within five days after a suspension under this paragraph, the superintendent shall initiate a dismissal, demotion, or disciplinary suspension without pay as provided in this section. If it is finally determined that no grounds for dismissal, demotion, or disciplinary suspension without pay exist, the teacher shall be reinstated immediately, shall be paid for the period of suspension, and all records of the suspension shall be removed from the teacher's personnel file.

(b) Disciplinary Suspension Without Pay. – A teacher recommended for disciplinary suspension without pay may request a hearing before the board. If no request is made within 15 days, the superintendent may file his or her recommendation with the board. If, after considering the recommendation of the superintendent and the evidence adduced at the hearing if one is held, the board concludes that the grounds for the recommendation are true and substantiated by a preponderance of the evidence, the board, if it sees fit, may by resolution order such suspension.

(1) Board hearing for disciplinary suspensions for more than 10 days or for certain types of intentional misconduct. – The procedures for a board hearing under G.S. 115C-325.8 shall apply if any of the following circumstances exist:

a. The recommended disciplinary suspension without pay is for more than 10 days; or

b. The disciplinary suspension is for intentional misconduct, such as inappropriate sexual or physical conduct, immorality, insubordination, habitual or excessive alcohol or nonmedical use of a controlled substance as defined in Article 5 of Chapter 90 of the General Statutes, any cause that constitutes grounds for the revocation of the teacher's or school administrator's license, or providing false information.

(2) Board hearing for disciplinary suspensions of no more than 10 days. – The procedures for a board hearing under G.S. 115C-325.7 shall apply to all disciplinary suspensions of no more than 10 days that are not for intentional misconduct as specified in G.S. 115C-325.5(b)(1).

(c) Suspension with Pay. – If a superintendent believes that cause may exist for dismissing or demoting a teacher for any reasons specified in G.S. 115C-325.4 but that additional investigation of the facts is necessary and circumstances are such that the teacher should be removed immediately from the teacher's duties, the superintendent may suspend the teacher with pay for a reasonable period of time, not to exceed 90 days. The superintendent shall notify the board of education within two days of the superintendent's action and shall notify the teacher within two days of the action and the reasons for it. If the superintendent has not initiated dismissal or demotion proceedings against the teacher within the 90-day period, the teacher shall be reinstated to the teacher's duties immediately and all records of the suspension with pay shall be removed from the teacher's personnel file at the teacher's request. However, if the superintendent and the teacher agree to extend the 90-day period, the superintendent may initiate dismissal or demotion proceedings against the teacher at any time during the period of the extension.

"**§ 115C-325.6. Procedure for dismissal or demotion of a teacher for cause.**

(a) Recommendation of Dismissal or Demotion. – A teacher may not be dismissed, demoted, or reduced to part-time employment for disciplinary reasons during the term of the contract except upon the superintendent's recommendation based on one or more of the grounds in G.S. 115C-325.4.

(b) Notice of Recommendation. – Before recommending to a board the dismissal or demotion of a teacher, the superintendent shall give written notice to the teacher by certified mail or personal delivery of the superintendent's intention to make such recommendation and shall set forth as part of the superintendent's recommendation the grounds upon which he or she believes such dismissal or demotion is justified. The superintendent also shall meet with the teacher and provide written notice of the charges against the teacher, an explanation of the basis for the charges, and an opportunity to respond if the teacher has not done so under G.S. 115C-325.5(a). The notice shall include a statement to the effect that the teacher, within 14 days after the date of receipt of the notice, may request a hearing before the board on the superintendent's recommendation. A copy of Part 3 of Article 22 of Chapter 115C shall also be sent to the teacher.

(c) Request for Hearing. – Within 14 days after receipt of the notice of recommendation, the teacher may file with the superintendent a written request for a hearing before the board on the superintendent's recommendation. The superintendent shall submit his or her recommendation to the board. Within five days after receiving the superintendent's recommendation and before taking any formal action, the board shall set a time and place for the hearing and shall notify the teacher by certified mail or personal delivery of the date, time, and place of the hearing. The time specified shall not be less than 10 nor more than 30 days after the board has notified the teacher, unless both parties agree to an extension. The hearing shall be conducted as provided in G.S. 115C-325.7.

(d) No Request for Hearing. – If the teacher does not request a hearing before the board within the 14 days provided, the superintendent may submit his or her recommendation to the board. The board, if it sees fit, may by resolution (i) reject the superintendent's recommendation

or (ii) accept or modify the superintendent's recommendation and dismiss, demote, reinstate, or suspend the teacher without pay.

"**§ 115C-325.7. Hearing before board.**

(a) Board Hearing. – The following procedures shall apply to a hearing conducted by the board:

(1) The hearing shall be private.

(2) The board shall receive the following:

a. Any documentary evidence the superintendent intends to use to support the recommendation. The superintendent shall provide the documentary evidence to the teacher seven days before the hearing.

b. Any documentary evidence the teacher intends to use to rebut the superintendent's recommendation. The teacher shall provide the superintendent with the documentary evidence three days before the hearing.

c. The superintendent's recommendation and the grounds for the recommendation.

(3) The superintendent and teacher may submit a written statement not less than three days before the hearing.

(4) The superintendent and teacher shall be permitted to make oral arguments to the board based on the record before the board.

(5) The board shall make findings of fact based upon a preponderance of the evidence.

(6) Within two days following the hearing, the board shall send a written copy of its findings and determination to the teacher and the superintendent.

(7) If the board elects to make a transcript, the teacher may request and shall receive at no charge a transcript of the proceedings. A teacher may have the hearing transcribed by a court reporter at the teacher's expense.

(b) The procedures of this section shall not apply to board hearings for disciplinary suspensions without pay under G.S. 115C-325.5(b)(1). Board hearings for G.S. 115C-325.5(b)(1) shall be conducted as provided in G.S. 115C-325.8.

"**§ 115C-325.8. Board hearing for certain disciplinary suspensions.**

(a) The following procedures shall apply for a board hearing under G.S. 115C-325.5(b), disciplinary suspensions without pay:

(1) The hearing shall be private.

(2) The hearing shall be conducted in accordance with reasonable rules adopted by the State Board of Education to govern such hearings.

(3) At the hearing, the teacher and the superintendent shall have the right to be present and to be heard, to be represented by counsel, and to present through witnesses any competent testimony relevant to the issue of whether grounds exist for a disciplinary suspension without pay.

(4) Rules of evidence shall not apply to a hearing under this subsection and the board may give probative effect to evidence that is of a kind commonly relied on by reasonably prudent persons in the conduct of serious affairs.

(5) At least eight days before the hearing, the superintendent shall provide to the teacher a list of witnesses the superintendent intends to present, a brief statement of the nature of the testimony of each witness, and a copy of any documentary evidence the superintendent intends to present.

(6) At least six days before the hearing, the teacher shall provide the superintendent a list of witnesses the teacher intends to present, a brief statement of the nature of the testimony of each witness, and a copy of any documentary evidence the teacher intends to present.

(7) No new evidence may be presented at the hearing except upon a finding by the board that the new evidence is critical to the matter at issue and the party making the request could not, with reasonable diligence, have discovered and produced the evidence according to the schedule provided in this section.

(8) The board may subpoena and swear witnesses and may require them to give testimony and to produce records and documents relevant to the grounds for suspension without pay.

(9) The board shall decide all procedural issues, including limiting cumulative evidence, necessary for a fair and efficient hearing.

(10) The superintendent shall provide for making a transcript of the hearing. The teacher may request and shall receive at no charge a transcript of the proceedings.

"**§ 115C-325.9. Teacher resignation.**

(a) Teacher Resignation Following Recommendation for Dismissal. – If a teacher has been recommended for dismissal under G.S. 115C-325.4 and the teacher chooses to resign without the written agreement of the superintendent, then:

(1) The superintendent shall report the matter to the State Board of Education.

(2) The teacher shall be deemed to have consented to (i) the placement in the teacher's personnel file of the written notice of the superintendent's intention to recommend dismissal and (ii) the release of the fact that the superintendent has reported this teacher to the State Board of Education to prospective employers, upon request. The provisions of G.S. 115C-321 shall not apply to the release of this particular information.

(3) The teacher shall be deemed to have voluntarily surrendered his or her license pending an investigation by the State Board of Education in a determination whether or not to seek action against the teacher's license. This license surrender shall not exceed 45 days from the date of resignation. Provided further that the cessation of the license surrender shall not prevent the State Board of Education from taking any further action it deems appropriate. The State Board of Education shall initiate investigation within five working days of the written notice from the superintendent and shall make a final decision as to whether to revoke or suspend the teacher's license within 45 days from the date of resignation.

(b) 30 Days' Notice Resignation Requirement. – A teacher who is not recommended for dismissal should not resign during the term of the contract without the consent of the superintendent unless he or she has given at least 30 days' notice. If a teacher who is not recommended for dismissal does resign during the term of the contract without giving at least 30 days' notice, the board may request that the State Board of Education revoke the teacher's license for the remainder of that school year. A copy of the request shall be placed in the teacher's personnel file.

"**§ 115C-325.10. Application to certain institutions.**

Notwithstanding any law or regulation to the contrary, this Part shall apply to all persons employed in teaching and related educational classes in the schools and institutions of the Departments of Health and Human Services, Public Instruction, Correction, or the Division of Juvenile Justice of the Department of Public Safety, regardless of the age of the students.

"**§ 115C-325.11. Dismissal of school administrators and teachers employed in low-performing residential schools.**

(a) Notwithstanding any other provision of this section or any other law, this section shall govern the dismissal by the State Board of Education of teachers, principals, assistant principals, directors, supervisors, and other licensed personnel assigned to a residential school that the State Board has identified as low-performing and to which the State Board has assigned an assistance team. The State Board shall dismiss a teacher, principal, assistant principal, director, supervisor, or other licensed personnel when the State Board receives two consecutive evaluations that include written findings and recommendations regarding that person's inadequate performance from the assistance team. These findings and recommendations shall be substantial evidence of the inadequate performance of the teacher or school administrator.

(b) The State Board may dismiss a teacher, principal, assistant principal, director, supervisor, or other licensed personnel when:

(1) The State Board determines that the school has failed to make satisfactory improvement after the State Board assigned an assistance team to that school.

(2) That assistance team makes the recommendation to dismiss the teacher, principal, assistant principal, director, supervisor, or other licensed personnel for one or more grounds established in G.S. 115C-325.4 for dismissal or demotion of a teacher.

Within 30 days of any dismissal under this subsection, a teacher, principal, assistant principal, director, supervisor, or other licensed personnel may request a hearing before a panel of three members designated by the State Board. The State Board shall adopt procedures to ensure that due process rights are afforded to persons recommended for dismissal under this subsection. Decisions of the panel may be appealed on the record to the State Board.

(c) Notwithstanding any other provision of this section or any other law, this subsection shall govern the dismissal by the State Board of licensed staff members who have engaged in a remediation plan under G.S. 115C-105.38A(c) but who, after one retest, fail to meet the general knowledge standard set by the State Board. The failure to meet the general knowledge standard after one retest shall be substantial evidence of the inadequate performance of the licensed staff member.

Within 30 days of any dismissal under this subsection, a licensed staff member may request a hearing before a panel of three members designated by the State Board. The State Board shall adopt procedures to ensure that due process rights are afforded to licensed staff members recommended for dismissal under this subsection. Decisions of the panel may be appealed on the record to the State Board.

(d) The State Board or the superintendent of a residential school may terminate the contract of a school administrator dismissed under this section. Nothing in this section shall prevent the State Board from refusing to renew the contract of any person employed in a school identified as low-performing.

(e) Neither party to a school administrator or teacher contract is entitled to damages under this section.

(f) The State Board shall have the right to subpoena witnesses and documents on behalf of any party to the proceedings under this section.

"**§ 115C-325.12. Procedure for dismissal of Principals employed in low-performing schools.**

(a) Dismissal of Principals Assigned to Low-Performing Schools With Assistance Teams. – Notwithstanding any other provision of this Part or any other law, this section governs the State Board's dismissal of principals assigned to low-performing schools to which the State Board has assigned an assistance team.

(b) Authority of State Board to Dismiss Principal. – The State Board through its designee may, at any time, recommend the dismissal of any principal who is assigned to a low-performing school to which an assistance team has been assigned. The State Board through its designee shall recommend the dismissal of any principal when the State Board receives from the assistance team assigned to that principal's school two consecutive evaluations that include written findings and recommendations regarding the principal's inadequate performance.

(c) Procedures for Dismissal of Principal. –

(1) If the State Board through its designee recommends the dismissal of a principal under this section, the principal shall be suspended with pay pending a hearing before a panel of three members of the State Board. The purpose of this hearing, which shall be held within 60 days after the principal is suspended, is to determine whether the principal shall be dismissed.

(2) The panel shall order the dismissal of the principal if it determines from available information, including the findings of the assistance team, that the low performance of the school is due to the principal's inadequate performance.

(3) The panel may order the dismissal of the principal if (i) it determines that the school has not made satisfactory improvement after the State Board assigned an assistance team to that school; and (ii) the assistance team makes the recommendation to dismiss the principal for one or more grounds established in G.S. 115C-325.4 for dismissal or demotion of a teacher.

(4) If the State Board or its designee recommends the dismissal of a principal before the assistance team assigned to the principal's school has evaluated that principal, the panel may order the dismissal of the principal if the panel determines from other available information that the low performance of the school is due to the principal's inadequate performance.

(5) In all hearings under this section, the burden of proof is on the principal to establish that the factors leading to the school's low performance were not

due to the principal's inadequate performance. In all hearings under this section, the burden of proof is on the State Board to establish that the school failed to make satisfactory improvement after an assistance team was assigned to the school and to establish one or more of the grounds established for dismissal or demotion of a teacher under G.S. 115C-325.4.

(6) In all hearings under this section, two consecutive evaluations that include written findings and recommendations regarding that principal's inadequate performance from the assistance team are substantial evidence of the inadequate performance of the principal.

(7) The State Board shall adopt procedures to ensure that due process rights are afforded to principals under this section. Decisions of the panel may be appealed on the record to the State Board.

(d) The State Board of Education or a local board may terminate the contract of a principal dismissed under this section.

(e) Neither party to a school administrator contract is entitled to damages under this section.

(f) The State Board shall have the right to subpoena witnesses and documents on behalf of any party to the proceedings under this section.

"**§ 115C-325.13. Procedure for dismissal of teachers employed in low-performing schools.**

(a) Notwithstanding any other provision of this Part or any other law, this section shall govern the State Board's dismissal of teachers, assistant principals, directors, and supervisors assigned to schools that the State Board has identified as low-performing and to which the State Board has assigned an assistance team under Article 8B of this Chapter. The State Board shall dismiss a teacher, assistant principal, director, or supervisor when the State Board receives two consecutive evaluations that include written findings and recommendations regarding that person's inadequate performance from the assistance team. These findings and recommendations shall be substantial evidence of the inadequate performance of the teacher, assistant principal, director, or supervisor.

(b) The State Board may dismiss a teacher, assistant principal, director, or supervisor when:

(1) The State Board determines that the school has failed to make satisfactory improvement after the State Board assigned an assistance team to that school under G.S. 115C-105.38; and

(2) That assistance team makes the recommendation to dismiss the teacher, assistant principal, director, or supervisor for one or more grounds established in G.S. 115C-325.4 for dismissal or demotion for cause.

A teacher, assistant principal, director, or supervisor may request a hearing before a panel of three members of the State Board within 30 days of any dismissal under this section. The State Board shall adopt procedures to ensure that due process rights are afforded to persons recommended for dismissal under this section. Decisions of the panel may be appealed on the record to the State Board.

(c) Notwithstanding any other provision of this Part or any other law, this section shall govern the State Board's dismissal of licensed staff members who have engaged in a remediation plan under G.S. 115C-105.38A(c) but who, after one retest, fail to meet the general knowledge standard set by the State Board. The failure to meet the general knowledge standard after one retest shall be substantial evidence of the inadequate performance of the licensed staff member.

(d) A licensed staff member may request a hearing before a panel of three members of the State Board within 30 days of any dismissal under this section. The State Board shall adopt procedures to ensure that due process rights are afforded to licensed staff members recommended for dismissal under this section. Decisions of the panel may be appealed on the record to the State Board.

(e) The State Board of Education or a local board may terminate the contract of a teacher, assistant principal, director, or supervisor dismissed under this section.

(f) Neither party to a school administrator or teacher contract is entitled to damages under this section.

(g) The State Board shall have the right to subpoena witnesses and documents on behalf of any party to the proceedings under this section."

SECTION 7A.14.(c) G.S. 115C-45(c) reads as rewritten:

"(c) Appeals to Board of Education and to Superior Court. – An appeal shall lie to the local board of education from any final administrative decision in the following matters:

(1) The discipline of a student under G.S. 115C-390.7, 115C-390.10, or 115C-390.11;

(2) An alleged violation of a specified federal law, State law, State Board of Education policy, State rule, or local board policy, including policies regarding grade retention of students;

(3) The terms or conditions of employment or employment status of a school employee; and

(4) Any other decision that by statute specifically provides for a right of appeal to the local board of education and for which there is no other statutory appeal procedure.

As used in this subsection, the term "final administrative decision" means a decision of a school employee from which no further appeal to a school administrator is available.

Any person aggrieved by a decision not covered under subdivisions (1) through (4) of this subsection shall have the right to appeal to the superintendent and thereafter shall have the right to petition the local board of education for a hearing, and the local board may grant a hearing regarding any final decision of school personnel within the local school administrative unit. The local board of education shall notify the person making the petition of its decision whether to grant a hearing.

In all appeals to the board it is the duty of the board of education to see that a proper notice is given to all parties concerned and that a record of the hearing is properly entered in the records of the board conducting the hearing.

The board of education may designate hearing panels composed of not less than two members of the board to hear and act upon such appeals in the name and on behalf of the board of education.

An appeal of right brought before a local board of education under subdivision (1), (2), ~~(3),~~ or (4) of this subsection may be further appealed to the superior court of the State on the grounds that the local board's decision is in violation of constitutional provisions, is in excess of the statutory authority or jurisdiction of the board, is made upon unlawful procedure, is affected by other error of law, is unsupported by substantial evidence in view of the entire record as submitted, or is arbitrary or capricious. ~~However, the right of a noncertified employee to appeal decisions of a local board under subdivision (3) of this subsection shall only apply to decisions concerning the dismissal, demotion, or suspension without pay of the noncertified employee. A noncertified employee may request and shall be entitled to receive written notice as to the reasons for the employee's dismissal, demotion, or suspension without pay. The notice shall be provided to the employee prior to any local board of education hearing on the issue. This subsection shall not alter the employment status of a noncertified employee.~~"

SECTION 7A.14.(d) G.S. 115C-105.26(b)(2) reads as rewritten:

"(2) State rules and policies, except those pertaining to public school State salary schedules and employee benefits for school employees, the instructional program that must be offered under the Basic Education Program, the system of employment for public school teachers and administrators set out in G.S. 115C-287.1 and ~~G.S. 115C-325,~~in Part 3 of Article 22 of this Chapter, health and safety codes, compulsory attendance, the minimum lengths of the school day and year, and the Uniform Education Reporting System."

SECTION 7A.14.(e) G.S. 115C-105.37B(a)(2) reads as rewritten:

"(2) Restart model, in which the State Board of Education would authorize the local board of education to operate the school with the same exemptions from statutes and rules as a charter school authorized under Part 6A of Article 16 of this Chapter, or under the management of an educational management organization that has been selected through a rigorous review process. A school operated under this subdivision remains under the control of the local board of education, and employees assigned to the school are employees of the local school administrative unit with the protections provided by ~~G.S. 115C-325.~~Part 3 of Article 22 of this Chapter."

SECTION 7A.14.(f) G.S. 115C-105.38A(d) reads as rewritten:

"(d) Retesting; Dismissal. – Upon completion of the remediation plan required under subsection (c) of this section, the certified staff member shall take the general knowledge test a

second time. If the certified staff member fails to acquire a passing score on the second test, the State Board shall begin a dismissal proceeding under ~~G.S. 115C-325(q)(2a).~~G.S. 115C-325.13."

SECTION 7A.14.(g) G.S. 115C-105.38A(f) reads as rewritten:

"(f) Other Actions Not Precluded. – Nothing in this section shall be construed to restrict or postpone the following actions:

(1) The dismissal of a principal under ~~G.S. 115C-325(q)(1);~~G.S. 115C-325.12.

(2) The dismissal of a teacher, assistant principal, director, or supervisor under ~~G.S. 115C-325(q)(2);~~G.S. 115C-325.13.

(3) The dismissal or demotion of ~~a career~~ an employee for any of the grounds listed under ~~G.S. 115C-325(e);~~G.S. 115C-325.4.

(4) The nonrenewal of a school administrator's or ~~probationary~~ teacher's contract of ~~employment; or~~employment.

~~(5) The decision to grant career status.~~"

SECTION 7A.14.(h) G.S. 115C-105.39 reads as rewritten:

"**§ 115C-105.39. Dismissal or removal of personnel; appointment of interim superintendent.**

(a) Within 30 days of the initial identification of a school as low-performing, whether by the local school administrative unit under G.S. 115C-105.37(a1) or by the State Board under G.S. 115C-105.37(a), the superintendent shall take one of the following actions concerning the school's principal: (i) recommend to the local board that the principal be retained in the same position, (ii) recommend to the local board that the principal be retained in the same position and a plan of remediation should be developed, (iii) recommend to the local board that the principal be transferred, or (iv) proceed under ~~G.S. 115C-325~~G.S. 115C-325.4 to dismiss or demote the principal. The principal may be retained in the same position without a plan for remediation only if the principal was in that position for no more than two years before the school is identified as low-performing. The principal shall not be transferred to another principal position unless (i) it is in a school classification in which the principal previously demonstrated at least 2 years of success, (ii) there is a plan to evaluate and provide remediation to the principal for at least one year following the transfer to assure the principal does not impede student performance at the school to which the principal is being transferred; and (iii) the parents of the students at the school to which the principal is being transferred are notified. The principal shall not be transferred to another low-performing school in the local school administrative unit. If the superintendent intends to recommend demotion or dismissal, the superintendent shall notify the local board. Within 15 days of (i) receiving notification that the superintendent intends to proceed under ~~G.S. 115C-325,~~G.S. 115C-325.4 or (ii) its decision concerning the superintendent's recommendation, but no later than September 30, the local board shall submit to the State Board a written notice of the action taken and the basis for that action. If the State Board does not assign an assistance team to that school or if the State Board assigns an assistance team to that school and the superintendent proceeds under ~~G.S. 115C-325~~G.S. 115C-325.4 to dismiss or demote the principal, then the State Board shall take no further action. If the State Board assigns an assistance team to the school and the superintendent is not proceeding under ~~G.S. 115C-325~~G.S. 115C-325.4 to dismiss or demote the principal, then the State Board shall vote to accept, reject, or modify the local board's recommendations. The State Board shall notify the local board of its action within five days. If the State Board rejects or modifies the local board's recommendations and does not recommend dismissal of the principal, the State Board's notification shall include recommended action concerning the principal's assignment or terms of employment. Upon receipt of the State Board's notification, the local board shall implement the State Board's recommended action concerning the principal's assignment or terms of employment unless the local board asks the State Board to reconsider that recommendation. The State Board shall provide an opportunity for the local board to be heard before the State Board acts on the local board's request for a reconsideration. The State Board shall vote to affirm or modify its original recommended action and shall notify the local board of its action within five days. Upon receipt of the State Board's notification, the local board shall implement the State Board's final recommended action concerning the principal's assignment or terms of employment. If the State Board rejects or modifies the local board's action and recommends dismissal of the principal, the State Board shall proceed under ~~G.S. 115C-325(q)(1).~~G.S. 115C-325.12.

(b) The State Board shall proceed under ~~G.S. 115C-325(q)(2)~~G.S. 115C-325.13 for the dismissal of teachers, assistant principals, directors, and supervisors assigned to a school identified as low-performing in accordance with ~~G.S. 115C-325(q)(2).~~G.S. 115C-325.13.

...."

SECTION 7A.14.(i) G.S. 115C-238.29F(e)(3) reads as rewritten:

"(3) If a teacher employed by a local school administrative unit makes a written request for a leave of absence to teach at a charter school, the local school administrative unit shall grant the leave for one year. For the initial year of a charter school's operation, the local school administrative unit may require that the request for a leave of absence be made up to 45 days before the teacher would otherwise have to report for duty. After the initial year of a charter school's operation, the local school administrative unit may require that the request for a leave of absence be made up to 90 days before the teacher would otherwise have to report for duty. A local board of education is not required to grant a request for a leave of absence or a request to extend or renew a leave of absence for a teacher who previously has received a leave of absence from that school board under this subdivision. A teacher who has ~~career status under G.S. 115C-325 prior to receiving~~received a leave of absence to teach at a charter school may return to a public school in the local school administrative unit ~~with career status~~ at the end of the leave of absence or upon the end of employment at the charter school if an appropriate position is available. ~~If an appropriate position is unavailable, the teacher's name shall be placed on a list of available teachers and that teacher shall have priority on all positions for which that teacher is qualified in accordance with G.S. 115C-325(e)(2).~~"

SECTION 7A.14.(j) G.S. 115C-238.68(3) reads as rewritten:

"(3) ~~Career status.~~Leave of absence from local school administrative unit. – ~~Employees of the board of directors shall not be eligible for career status.~~ If a teacher employed by a local school administrative unit makes a written request for a leave of absence to teach at the regional school, the local school administrative unit shall grant the leave for one year. For the initial year of the regional school's operation, the local school administrative unit may require that the request for a leave of absence be made up to 45 days before the teacher would otherwise have to report for duty. After the initial year of the regional school's operation, the local school administrative unit may require that the request for a leave of absence be made up to 90 days before the teacher would otherwise have to report for duty. A local board of education is not required to grant a request for a leave of absence or a request to extend or renew a leave of absence for a teacher who previously has received a leave of absence from that school board under this subdivision. A teacher who has ~~career status under G.S. 115C-325 prior to receiving~~received a leave of absence to teach at the regional school may return to a public school in the local school administrative unit ~~with career status~~ at the end of the leave of absence or upon the end of employment at the regional school if an appropriate position is available. ~~If an appropriate position is unavailable, the teacher's name shall be placed on a list of available teachers in accordance with G.S. 115C-325(e)(2).~~"

SECTION 7A.14.(k) G.S. 115C-276(l) reads as rewritten:

"(l) To Maintain Personnel Files and to Participate in Firing and Demoting of Staff. – The superintendent shall maintain in his or her office a personnel file for each teacher that contains complaints, commendations, or suggestions for correction or improvement about the teacher and shall participate in the firing and demoting of staff, as provided in ~~G.S. 115C-325.~~Part 3 of Article 22 of this Chapter."

SECTION 7A.14.(l) G.S. 115C-285(7) reads as rewritten:

"(7) All persons employed as principals in the schools and institutions listed in ~~subsection (p) of G.S. 115C-325~~ G.S. 115C-325.10 shall be compensated at the same rate as are teachers in the public schools in accordance with the salary schedule adopted by the State Board of Education."

SECTION 7A.14.(m) G.S. 115C-287.1 reads as rewritten:

"§ 115C-287.1. Method of employment of principals, assistant principals, supervisors, and directors.

(a) (1) ~~Beginning July 1, 1995, all~~All persons employed as school administrators shall be employed pursuant to this section.

~~(2) Notwithstanding G.S. 115C-287.1(a)(1), the following school administrators shall be employed pursuant to G.S. 115C-325:~~

~~a. School administrators who, as of July 1, 1995, are serving in a principal or supervisor position with career status in that position; and~~

~~b. School administrators who, as of July 1, 1995, are serving in a principal or supervisor position and who are eligible to achieve career status on or before June 30, 1997.~~

~~A school administrator shall cease to be employed pursuant to G.S. 115C-325 if the school administrator: (i) voluntarily relinquishes career status or the opportunity to achieve career status through promotion, resignation, or otherwise; or (ii) is dismissed or demoted or whose contract is not renewed pursuant to G.S. 115C-325.~~

(3) For purposes of this section, school administrator means a:

a. Principal;

b. Assistant principal;

c. Supervisor; or

d. Director,

whose major function includes the direct or indirect supervision of teaching or of any other part of the instructional program.

~~(4) Nothing in this section shall be construed to confer career status on any assistant principal or director, or to make an assistant principal eligible for career status as an assistant principal or a director eligible for career status as a director.~~

(b) Local boards of education shall employ school administrators ~~who are ineligible for career status as provided in G.S. 115C-325(c)(3),~~ upon the recommendation of the superintendent. The initial contract between a school administrator and a local board of education shall be for two to four years, ending on June 30 of the final 12 months of the contract. In the case of a subsequent contract between a principal or assistant principal and a local board of education, the contract shall be for a term of four years. In the case of an initial contract between a school administrator and a local board of education, the first year of the contract may be for a period of less than 12 months provided the contract becomes effective on or before September 1. A local board of education may, with the written consent of the school administrator, extend, renew, or offer a new school administrator's contract at any time after the first 12 months of the contract so long as the term of the new, renewed, or extended contract does not exceed four years. Rolling annual contract renewals are not allowed. Nothing in this section shall be construed to prohibit the filling of an administrative position on an interim or temporary basis.

(c) The term of employment shall be stated in a written contract that shall be entered into between the local board of education and the school administrator. The school administrator shall not be dismissed or demoted during the term of the contract except for the grounds and by the procedure by which a ~~career~~ teacher may be dismissed or demoted for cause as set forth in ~~G.S. 115C-325.~~G.S. 115C-325.4.

(d) If a superintendent intends to recommend to the local board of education that the school administrator be offered a new, renewed, or extended contract, the superintendent shall submit the recommendation to the local board for action. The local board may approve the superintendent's recommendation or decide not to offer the school administrator a new, renewed, or extended school administrator's contract.

If a superintendent decides not to recommend that the local board of education offer a new, renewed, or extended school administrator's contract to the school administrator, the superintendent shall give the school administrator written notice of his or her decision ~~and the reasons for his or her decision~~ no later than May 1 of the final year of the contract. ~~The superintendent's reasons may not be arbitrary, capricious, discriminatory, personal, or political.~~ No action by the local board or further notice to the school administrator shall be necessary unless the school administrator files with the superintendent a written request, within 10 days

of receipt of the superintendent's decision, for a hearing before the local board. ~~Failure to file a timely request for a hearing shall result in a waiver of the right to appeal the superintendent's decision.~~ If a school administrator files a timely request for a hearing, the local board shall conduct a hearing pursuant to the provisions of G.S. 115C-45(c) and make a final decision on whether to offer the school administrator a new, renewed, or extended school administrator's contract.

If the local board decides not to offer the school administrator a new, renewed, or extended school administrator's contract, the local board shall notify the school administrator of its decision by June 1 of the final year of the contract. A decision not to offer the school administrator a new, renewed, or extended contract may not be for any cause ~~that is not arbitrary, capricious, discriminatory, personal, or political.~~ prohibited by State or federal law. ~~The local board's decision not to offer the school administrator a new, renewed, or extended school administrator's contract is subject to judicial review in accordance with Article 4 of Chapter 150B of the General Statutes.~~

(e) Repealed by Session Laws 1995, c. 369, s. 1.

(f) If the superintendent or the local board of education fails to notify a school administrator by June 1 of the final year of the contract that the school administrator will not be offered a new school administrator's contract, the school administrator shall be entitled to 30 days of additional employment or severance pay beyond the date the school administrator receives written notice that a new contract will not be offered.

~~(g) If, prior to appointment as a school administrator, the school administrator held career status as a teacher in the local school administrative unit in which he or she is employed as a school administrator, a school administrator shall retain career status as a teacher if the school administrator is not offered a new, renewed, or extended contract by the local board of education, unless the school administrator voluntarily relinquished that right or is dismissed or demoted pursuant to G.S. 115C-325.~~

(h) An individual who holds a provisional assistant principal's certificate and who is employed as an assistant principal under G.S. 115C-284(c) shall be considered a school administrator for purposes of this section. Notwithstanding subsection (b) of this section, a local board may enter into one-year contracts with a school administrator who holds a provisional assistant principal's certificate. ~~If the school administrator held career status as a teacher in the local school administrative unit prior to being employed as an assistant principal and the State Board for any reason does not extend the school administrator's provisional assistant principal's certificate, the school administrator shall retain career status as a teacher unless the school administrator voluntarily relinquished that right or is dismissed or demoted under G.S. 115C-325.~~ Nothing in this subsection or G.S. 115C-284(c) shall be construed to require a local board to extend or renew the contract of a school administrator who holds a provisional assistant principal's certificate."

SECTION 7A.14.(n) G.S. 115C-288(g) reads as rewritten:

"(g) To Report Certain Acts to Law Enforcement and the Superintendent. – When the principal has personal knowledge, a reasonable belief, or actual notice from school personnel that an act has occurred on school property involving assault resulting in serious personal injury, sexual assault, sexual offense, rape, kidnapping, indecent liberties with a minor, assault involving the use of a weapon, possession of a firearm in violation of the law, possession of a weapon in violation of the law, or possession of a controlled substance in violation of the law, the principal shall immediately report the act to the appropriate local law enforcement agency.

A principal who willfully fails to make a report to law enforcement required by this subsection may be subject to demotion or dismissal pursuant to ~~G.S. 115C-325.~~G.S. 115C-325.4.

Notwithstanding any other provision of law, the State Board of Education shall not require the principal to report to law enforcement acts in addition to those required to be reported by this subsection.

For purposes of this subsection, "school property" shall include any public school building, bus, public school campus, grounds, recreational area, or athletic field, in the charge of the principal.

The principal or the principal's designee shall notify the superintendent or the superintendent's designee in writing or by electronic mail regarding any report made to law enforcement under this subsection. This notification shall occur by the end of the workday in which the incident occurred when reasonably possible but not later than the end of the

following workday. The superintendent shall provide the information to the local board of education.

Nothing in this subsection shall be interpreted to interfere with the due process rights of school employees or the privacy rights of students."

SECTION 7A.14.(o) G.S. 115C-304 is repealed.

SECTION 7A.14.(p) G.S. 115C-333 reads as rewritten:

"**§ 115C-333. Evaluation of licensed employees including certain superintendents; mandatory improvement plans; State board notification upon dismissal of employees.**

(a) Annual Evaluations; Low-Performing Schools. – Local school administrative units shall evaluate at least once each year all licensed employees assigned to a school that has been identified as low-performing. The evaluation shall occur early enough during the school year to provide adequate time for the development and implementation of a mandatory improvement plan if one is recommended under subsection (b) of this section. If the employee is a teacher as defined under ~~G.S. 115C-325(a)(6),~~G.S. 115C-325.1(5), either the principal, the assistant principal who supervises the teacher, or an assistance team assigned under G.S. 115C-105.38 shall conduct the evaluation. If the employee is a school administrator as defined under G.S. 115C-287.1(a)(3), either the superintendent or the superintendent's designee shall conduct the evaluation.

All teachers in low-performing schools who have ~~not attained career status~~been employed for less than three consecutive years shall be observed at least three times annually by the principal or the principal's designee and at least once annually by a teacher and shall be evaluated at least once annually by a principal. This section shall not be construed to limit the duties and authority of an assistance team assigned to a low-performing school under G.S. 115C-105.38.

A local board shall use the performance standards and criteria adopted by the State Board and may adopt additional evaluation criteria and standards. All other provisions of this section shall apply if a local board uses an evaluation other than one adopted by the State Board.

(b) Mandatory Improvement Plans. –

(1) Repealed by Session Laws 2011-348, s. 2, effective July 1, 2011, and applicable to persons recommended for dismissal or demotion on or after that date.

(1a) A mandatory improvement plan is an instrument designed to improve a teacher's performance or the performance of any licensed employee in a low-performing school by providing the individual with notice of specific performance areas that have substantial deficiencies and a set of strategies, including the specific support to be provided to the individual, so that the individual, within a reasonable period of time, should satisfactorily resolve such deficiencies.

(2) Repealed by Session Laws 2011-348, s. 2, effective July 1, 2011, and applicable to persons recommended for dismissal or demotion on or after that date.

(2a) If a licensed employee in a low-performing school receives a rating on any standard on an evaluation that is below proficient or otherwise represents unsatisfactory or below standard performance in an area that the licensed employee was expected to demonstrate, the individual or team that conducted the evaluation shall recommend to the superintendent that (i) the employee receive a mandatory improvement plan designed to improve the employee's ~~performance or~~ performance, (ii) the superintendent recommend to the local board that the ~~employee be dismissed or demoted.~~employee's contract not be recommended for renewal, or (iii) if the employee engaged in inappropriate conduct or performed inadequately to such a degree that such conduct or performance causes substantial harm to the educational environment that a proceeding for immediate dismissal or demotion be instituted. If the individual or team that conducted the evaluation elects not to make ~~either~~ any of the above recommendations, the said individual or team shall notify the superintendent of this decision. The superintendent shall determine whether to develop a mandatory improvement ~~plan~~plan, to

not recommend renewal of the employee's contract, or to recommend a dismissal proceeding.

(3) If at any time a licensed employee engages in inappropriate conduct or performs inadequately to such a degree that such conduct or performance causes substantial harm to the educational environment, and immediate dismissal or demotion is not appropriate, then the principal may immediately institute a mandatory improvement plan regardless of any ratings on previous evaluations. The principal shall document the exigent reason for immediately instituting such a plan.

(4) Mandatory improvement plans shall be developed by the person who evaluated the licensed employee or the employee's supervisor unless the evaluation was conducted by an assistance team. If the evaluation was conducted by an assistance team, that team shall develop the mandatory improvement plan in collaboration with the employee's supervisor. Mandatory improvement plans shall be designed to be completed within 90 instructional days or before the beginning of the next school year. The State Board shall develop guidelines that include strategies to assist local boards in evaluating licensed employees and developing effective mandatory improvement plans within the time allotted under this section. Local boards may adopt policies for the development and implementation of mandatory improvement plans and policies for the implementation of monitored and directed growth plans.

(c) Reassessment of Employee in a Low-Performing School. – After the expiration of the time period for the mandatory improvement plan under subdivision (2a) of subsection (b) of this section, the superintendent, the superintendent's designee, or the assistance team shall assess the performance of the employee of the low-performing school a second time. If the superintendent, superintendent's designee, or assistance team determines that the employee has failed to become proficient in any of the performance standards articulated in the mandatory improvement plan or demonstrate sufficient improvement toward such standards, the superintendent shall recommend that the ~~employee~~ employee's contract not be renewed, or that the employee be immediately dismissed or demoted under ~~G.S. 115C-325.~~G.S. 115C-325.4. The results of the second assessment shall constitute substantial evidence of the employee's inadequate performance.

(d) State Board Notification. – If a local board dismisses an employee of a low-performing school ~~for any reason~~for cause or elects to not renew an employee's contract as a result of a superintendent's recommendation under subsection (b) or (c) of this section, ~~except a reduction in force under G.S. 115C-325(e)(1)l.,~~ it shall notify the State Board of the action, and the State Board annually shall provide to all local boards the names of those individuals. If a local board hires one of these individuals, within 60 days the superintendent or the superintendent's designee shall observe the employee, develop a mandatory improvement plan to assist the employee, and submit the plan to the State Board. The State Board shall review the mandatory improvement plan and may provide comments and suggestions to the superintendent. If on the next evaluation the employee receives a rating on any standard that was identified as an area of concern on the mandatory improvement plan that is again below proficient or otherwise represents unsatisfactory or below standard performance, the local board shall notify the State Board and the State Board shall initiate a proceeding to revoke the employee's license under G.S. 115C-296(d). If on this next evaluation the employee receives at least a proficient rating on all of the performance standards that were identified as areas of concern on the mandatory improvement plan, the local board shall notify the State Board that the employee is in good standing and the State Board shall not continue to provide the individual's name to local boards under this subsection unless the employee is subsequently dismissed under ~~G.S. 115C-325 except for a reduction in force.~~ G.S. 115C-325.4.

...."

SECTION 7A.14.(q) G.S. 115C-333.1 reads as rewritten:

"**§ 115C-333.1. Evaluation of teachers in schools not identified as low-performing; mandatory improvement plans; State Board notification upon dismissal of teachers.**

(a) Annual Evaluations. – All teachers who are assigned to schools that are not designated as low-performing and who have not ~~attained career status~~been employed for at

least three consecutive years shall be observed at least three times annually by the principal or the principal's designee and at least once annually by a teacher and shall be evaluated at least once annually by a principal. All teachers ~~with career status~~who have been employed for three or more years who are assigned to schools that are not designated as low-performing shall be evaluated annually unless a local board adopts rules that allow teachers ~~with career status~~employed for three or more years to be evaluated more or less frequently, provided that such rules are not inconsistent with State or federal requirements. Local boards also may adopt rules requiring the annual evaluation of nonlicensed employees. A local board shall use the performance standards and criteria adopted by the State Board and may adopt additional evaluation criteria and standards. All other provisions of this section shall apply if a local board uses an evaluation other than one adopted by the State Board.

(b) Mandatory Improvement Plans for Teachers. – If, in an observation report or year-end evaluation, a teacher receives a rating that is below proficient or otherwise represents unsatisfactory or below standard performance on any standard that the teacher was expected to demonstrate, the principal may place the teacher on a mandatory improvement plan as defined in G.S. 115C-333(b)(1a). The mandatory improvement plan shall be utilized only if the superintendent or superintendent's designee determines that an individual, monitored, or directed growth plan will not satisfactorily address the deficiencies.

If at any time a teacher engages in inappropriate conduct or performs inadequately to such a degree that such conduct or performance causes substantial harm to the educational environment, and immediate dismissal or demotion is not appropriate, then the principal may immediately institute a mandatory improvement plan regardless of any ratings on previous evaluations. The principal shall document the exigent reason for immediately instituting such a plan. The mandatory improvement plan shall be developed by the principal in consultation with the teacher. The teacher shall have five instructional days from receipt of the proposed mandatory improvement plan to request a modification of such plan before it is implemented, and the principal shall consider such suggested modifications before finalizing the plan. The teacher shall have at least 60 instructional days to complete the mandatory improvement plan. The State Board shall develop guidelines that include strategies to assist local boards in evaluating teachers and developing effective mandatory improvement plans. Local boards may adopt policies for the implementation of mandatory improvement plans under this section.

(c) Observation by a Qualified Observer. –

(1) The term "qualified observer" as used in this section is any administrator or teacher who is licensed by the State Board of Education and working in North Carolina; any employee of the North Carolina Department of Public Instruction who is trained in evaluating licensed employees; or any instructor or professor who teaches in an accredited North Carolina school of education and holds an educator's license.

(2) The local board of education shall create a list of qualified observers who are employed by that board and available to do observations of employees on mandatory improvement plans. This list shall be limited to names of administrators and teachers selected by the local board of education. The local board of education shall strive to select administrators and teachers with excellent reputations for competence and fairness.

(3) Any teacher, other than a teacher assigned to a school designated as low-performing, who has been placed on a mandatory improvement plan shall have a right to be observed by a qualified observer in the area or areas of concern identified in the mandatory improvement plan. The affected teacher and the principal shall jointly choose the qualified observer within 20 instructional days after the commencement of the mandatory improvement plan. If the teacher and the principal cannot agree on a qualified observer within this time period, they each shall designate a person from the list of qualified observers created pursuant to subdivision (2) of this subsection, and these two designated persons shall choose a qualified observer within five instructional days of their designation. The qualified observer shall draft a written report assessing the teacher in the areas of concern identified in the mandatory improvement plan. The report shall be submitted to the principal before the end of the mandatory improvement plan period. If a teacher or administrator from the same local school

administrative unit is selected to serve as the qualified observer, the administration of the local school administrative unit shall provide such qualified observer with the time necessary to conduct the observation and prepare a report. If someone who is not employed by the same local school administrative unit is selected to serve as the qualified observer, the teacher who is the subject of the mandatory improvement plan will be responsible for any expenses related to the observations and reports prepared by the qualified observer. The qualified observer shall not unduly disrupt the classroom when conducting an observation.

(4) No local board of education or employee of a local board of education shall discharge, threaten, or otherwise retaliate against another employee of the board regarding that employee's compensation, terms, conditions, location, or privileges of employment because of the employee's service or completion of a report as an objective observer pursuant to this subsection, unless the employee's report contained material information that the employee knew was false.

(d) Reassessment of the Teacher. – Upon completion of a mandatory improvement plan under subsection (b) of this section, the principal shall assess the performance of the teacher a second time. The principal shall also review and consider any report provided by the qualified observer under subsection (c) of this section if one has been submitted before the end of the mandatory improvement plan period. If, after the second assessment of the teacher and consideration of any report from the qualified observer, the superintendent or superintendent's designee determines that the teacher has failed to become proficient in any of the performance standards identified as deficient in the mandatory improvement plan or demonstrate sufficient improvement toward such standards, the superintendent may recommend that the teacher's contract not be renewed, or if the teacher has engaged in inappropriate conduct or performed inadequately to such a degree that such conduct or performance causes substantial harm to the educational environment, that the teacher be immediately dismissed or demoted under ~~G.S. 115C-325.~~G.S. 115C-325.4. The results of the second assessment produced pursuant to the terms of this subsection shall constitute substantial evidence of the teacher's inadequate performance.

(e) Dismissal Proceedings Without a Mandatory Improvement Plan. – The absence of a mandatory improvement plan as described in this section shall not prohibit a superintendent from initiating a dismissal proceeding against a teacher under the provisions of ~~G.S. 115C-325.~~G.S. 115C-325.4. However, the superintendent shall not be entitled to the substantial evidence provision in subsection (d) of this section if such mandatory improvement plan is not utilized.

(f) State Board Notification. – If a local board dismisses a teacher for cause or elects to not renew an employee's contract as a result of a superintendent's recommendation under subsection (d) of this section, ~~for any reason except a reduction in force under G.S. 115C-325(e)(1)l.,~~ it shall notify the State Board of the action, and the State Board annually shall provide to all local boards the names of those teachers. If a local board hires one of these teachers, within 60 days the superintendent or the superintendent's designee shall observe the teacher, develop a mandatory improvement plan to assist the teacher, and submit the plan to the State Board. The State Board shall review the mandatory improvement plan and may provide comments and suggestions to the superintendent. If on the next evaluation the teacher receives a rating on any standard that was an area of concern on the mandatory improvement plan that is again below proficient or a rating that otherwise represents unsatisfactory or below standard performance, the local board shall notify the State Board, and the State Board shall initiate a proceeding to revoke the teacher's license under G.S. 115C-296(d). If on the next evaluation the teacher receives at least a proficient rating on all of the overall performance standards that were areas of concern on the mandatory improvement plan, the local board shall notify the State Board that the teacher is in good standing, and the State Board shall not continue to provide the teacher's name to local boards under this subsection unless the teacher is subsequently dismissed under ~~G.S. 115C-325~~G.S. 115C-325.4. ~~except for a reduction in force.~~ If, however, on this next evaluation the teacher receives a developing rating on any standards that were areas of concern on the mandatory improvement plan, if the local board elects to renew the teacher's contract and ~~the teacher shall have one more year to bring the rating to proficient. If,~~ by the end of this second year, the teacher is not proficient in all standards that were areas of

concern on the mandatory improvement plan, the local board shall notify the State Board, and the State Board shall initiate a proceeding to revoke the teacher's license under G.S. 115C-296(d).

...."

SECTION 7A.14.(r) G.S. 115C-335(b) reads as rewritten:

"(b) Training. – The State Board, in collaboration with the Board of Governors of The University of North Carolina, shall develop programs designed to train principals and superintendents in the proper administration of the employee evaluations developed by the State Board. The Board of Governors shall use the professional development programs for public school employees that are under its authority to make this training available to all principals and superintendents at locations that are geographically convenient to local school administrative units. The programs shall include methods to determine whether an employee's performance has improved student learning, the development and implementation of appropriate professional growth and mandatory improvement plans, the process for contract nonrenewal, and the dismissal process under ~~G.S. 115C-325.~~Part 3 of Article 22 of this Chapter. The Board of Governors shall ensure that the subject matter of the training programs is incorporated into the masters in school administration programs offered by the constituent institutions. The State Board, in collaboration with the Board of Governors, also shall develop in-service programs for licensed public school employees that may be included in a mandatory improvement plan created under G.S. 115C-333(b) or G.S. 115C-333.1(b). The Board of Governors shall use the professional development programs for public school employees that are under its authority to make this training available at locations that are geographically convenient to local school administrative units."

SECTION 7A.14.(s) Article 23 of Chapter 115C of the General Statutes is amended by adding a new section to read:

"**§ 115C-344. Employment benefits for exchange teachers.**

An exchange teacher is a nonimmigrant alien teacher participating in an exchange visitor program designated by the United States Department of State pursuant to 22 C.F.R. Part 62 or by the United States Department of Homeland Security pursuant to 8 C.F.R. Part 214.2(q). For purposes of determining eligibility to receive employment benefits under this Chapter, including personal leave, annual vacation leave, and sick leave, an exchange teacher shall be considered a permanent teacher if employed with the expectation of at least six full consecutive monthly pay periods of employment and if employed at least 20 hours per week. An exchange teacher is not a teacher for purposes of the Teachers' and State Employees' Retirement System of North Carolina as provided in G.S. 135-1(25)."

SECTION 7A.14.(t) G.S. 115C-404(b) reads as rewritten:

"(b) Documents received under this section shall be used only to protect the safety of or to improve the education opportunities for the student or others. Information gained in accordance with G.S. 7B-3100 shall not be the sole basis for a decision to suspend or expel a student. Upon receipt of each document, the principal shall share the document with those individuals who have (i) direct guidance, teaching, or supervisory responsibility for the student, and (ii) a specific need to know in order to protect the safety of the student or others. Those individuals shall indicate in writing that they have read the document and that they agree to maintain its confidentiality. Failure to maintain the confidentiality of these documents as required by this section is grounds for the dismissal ~~of an employee who is not a career employee and is grounds for dismissal of an employee who is a career employee,~~ in accordance with ~~G.S. 115C-325(e)(1)i.~~G.S. 115C-325.4(a)(9)."

SECTION 7A.14.(u) G.S. 143B-146.7(b) reads as rewritten:

"(b) At any time after the State Board identifies a school as low-performing under this Part, the ~~Secretary~~ State Board shall proceed under ~~G.S. 115C-325(p1)~~G.S. 115C-325.11 for the dismissal of certificated instructional personnel assigned to that school."

SECTION 7A.14.(v) G.S. 143B-146.8 reads as rewritten:

"**§ 143B-146.8. Evaluation of ~~certificated~~ licensed personnel and principals; action plans; State Board notification.**

(a) Annual Evaluations; Low-Performing Schools. – The principal shall evaluate at least once each year all ~~certificated~~ licensed personnel assigned to a participating school that has been identified as low-performing but has not received an assistance team. The evaluation shall occur early enough during the school year to provide adequate time for the development and implementation of an action plan if one is recommended under subsection (b) of this

section. If the employee is a teacher as defined under ~~G.S. 115C-325(a)(6),~~G.S. 115C-325.1(5), either the principal or an assessment team assigned under G.S. 143B-146.9 shall conduct the evaluation. If the employee is a school administrator as defined under G.S. 115C-287.1(a)(3), the Superintendent shall conduct the evaluation.

Notwithstanding this subsection or any other law, the principal shall observe at least three times annually, a teacher shall observe at least once annually, and the principal shall evaluate at least once annually, all teachers who have ~~not attained career status.~~been employed for less than three consecutive years. All other employees who have been employed for three or more years and are defined as teachers under ~~G.S. 115C-325(a)(6)~~G.S. 115C-325.1(5) who are assigned to participating schools that are not designated as low-performing shall be evaluated annually unless the Secretary adopts rules that allow specified categories of teachers with ~~career status~~three or more years of employment to be evaluated more or less frequently. The Secretary also may adopt rules requiring the annual evaluation of ~~noncertificated~~nonlicensed personnel. This section shall not be construed to limit the duties and authority of an assistance team assigned to a low-performing school.

The Secretary shall use the State Board's performance standards and criteria unless the Secretary develops an alternative evaluation that is properly validated and that includes standards and criteria similar to those adopted by the State Board. All other provisions of this section shall apply if an evaluation is used other than one adopted by the State Board.

(b) Action Plans. – If a ~~certificated~~licensed employee in a participating school that has been identified as low-performing receives an unsatisfactory or below standard rating on any function of the evaluation that is related to the employee's instructional duties, the individual or team that conducted the evaluation shall recommend to the principal that: (i) the employee receive an action plan designed to improve the employee's performance; (ii) the employee's contract not be recommended for renewal, or (iii) if the employee engages in inappropriate conduct or performs inadequately to such a degree that such conduct or performance causes substantial harm to the educational environment that a proceeding for immediate dismissal or demotion be instituted. ~~or (ii) the principal recommend to the Secretary that the employee be dismissed or demoted.~~ The principal shall determine whether to develop an action ~~plan~~plan, to not recommend renewal of the employee's contract, or to recommend a dismissal proceeding. The person who evaluated the employee or the employee's supervisor shall develop the action plan unless an assistance team or assessment team conducted the evaluation. If an assistance team or assessment team conducted the evaluation, that team shall develop the action plan in collaboration with the employee's supervisor. Action plans shall be designed to be completed within 90 instructional days or before the beginning of the next school year. The State Board, in consultation with the Secretary, shall develop guidelines that include strategies to assist in evaluating ~~certificated~~licensed personnel and developing effective action plans within the time allotted under this section. The Secretary may adopt policies for the development and implementation of action plans or professional development plans for personnel who do not require action plans under this section.

(c) Reevaluation. – Upon completion of an action plan under subsection (b) of this section, the principal or the assessment team shall evaluate the employee a second time. If on the second evaluation the employee receives one unsatisfactory or more than one below standard rating on any function that is related to the employee's instructional duties, the principal shall recommend that the employee's contract not be renewed, or if the employee engages in inappropriate conduct or performs inadequately to such a degree that such conduct or performance causes substantial harm to the educational environment, that the employee be dismissed or demoted under ~~G.S. 115C-325.~~G.S. 115C-325.4. The results of the second evaluation shall constitute substantial evidence of the employee's inadequate performance.

(d) State Board Notification. – If the Secretary dismisses an employee for cause or elects to not renew an employee's contract as a result of a superintendent's recommendation under subsection (b) or (c) of this section, ~~any reason except a reduction in force under G.S. 115C-325(e)(1)l.,~~ the Secretary shall notify the State Board of the action, and the State Board annually shall provide to all local boards of education the names of those individuals. If a local board hires one of these individuals, that local board shall proceed under G.S. 115C-333(d).

...."

SECTION 7A.14.(w) Notwithstanding the requirements for terms of contracts in G.S. 115C-325.3, for the 2012-2013 school year all teachers shall be employed on a contract

for a term of one year. This section becomes effective July 1, 2012, and applies to all school employees employed on or after that date.

EFFECTIVE DATE

SECTION 7A.15. Except as otherwise provided, this part is effective when it becomes law.

PART VIII. COMMUNITY COLLEGES

CARRYFORWARD FOR EQUIPMENT

SECTION 8.2.(a) In accordance with G.S. 115D-31, funds appropriated to the Community Colleges System Office for equipment for the 2011-2012 fiscal year shall not revert at the end of the fiscal year but shall be made available to the Community Colleges System Office for equipment for the 2012-2013 fiscal year.

SECTION 8.2.(b) This section becomes effective June 30, 2012.

REPEAL OBSOLETE REPORTS

SECTION 8.3.(a) 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 December 1 of each year.~~

All multicampus centers approved by the State Board of Community Colleges shall receive funding under the same formula. The State Board of Community Colleges shall not approve any additional multicampus centers without identified recurring sources of funding."

SECTION 8.3.(b) G.S. 116D-3(c) is repealed.

SECTION 8.3.(c) Section 9.11(e) of S.L. 1999-237 is repealed.

SECTION 8.3.(d) Section 4 of S.L. 2005-198, as amended by Section 35 of S.L. 2007-484, is repealed.

REPEAL DUPLICATIVE AUDIT REQUIREMENT

SECTION 8.4. G.S. 147-64.6A is repealed.

UPDATE COLLEGE PERFORMANCE MEASURES

SECTION 8.5. G.S. 115D-31.3 reads as rewritten:

"**§ 115D-31.3. Institutional performance accountability.**

(a) Creation of Accountability Measures and Performance Standards. – The State Board of Community Colleges shall create new accountability measures and performance standards for the Community College System. ~~Survey results shall be used as a performance standard only if the survey is statistically valid.~~ The State Board of Community Colleges shall review annually the accountability measures and performance standards to ensure that they are appropriate for use in recognition of successful institutional performance.

(b) through (d) Repealed by Session Laws 2000-67, s. 9.7, effective July 1, 2000.

(e) Mandatory Performance ~~Standards.~~Measures. – The State Board of Community Colleges shall evaluate each college on the following eight performance ~~standards:~~measures:

(1) Progress of basic skills ~~students,~~students.

(2) Passing rate for ~~licensure and certification examinations,~~General Educational Development (GED) diploma examinations.

(3) Performance of students who transfer to a four-year ~~institution,~~institution.

(4) ~~Passing~~Success rates ~~in~~of developmental ~~courses,~~students in subsequent college-level English courses.

(5) Success rates of developmental students in subsequent college-level ~~courses,~~math courses.

(5a) Progress of first-year curriculum students.

~~(6) The level of satisfaction of students who complete programs and those who do not complete programs,~~
(7) Curriculum student retention and ~~graduation, and~~graduation.
~~(8) Client satisfaction with customized training.~~
(9) Passing rate for licensure and certification examinations.

The State Board may also evaluate each college on additional performance ~~standards.~~measures.

(f) Publication of Performance Ratings. – Each college shall publish its performance on the eight ~~standards~~measures set out in subsection (e) of this section (i) annually in its electronic catalog or on the Internet and (ii) in its printed catalog each time the catalog is reprinted.

The Community Colleges System Office shall publish the performance of all colleges on all eight ~~standards.~~measures.

(g) Recognition for Successful Institutional Performance. – For the purpose of recognition for successful institutional performance, the State Board of Community Colleges shall evaluate each college on the eight performance ~~standards.~~measures. For each of these eight performance ~~standards~~measures on which a college performs successfully, the college may retain and carry forward into the next fiscal year one-fourth of one percent (¼ of 1%) of its final fiscal year General Fund appropriations. ~~If a college demonstrates significant improvement on a standard that has been in use for three years or less, the college may also carry forward one fourth of one percent (¼ of 1%) of its final fiscal year General Fund appropriations for that standard.~~

(h) Recognition for Exceptional Institutional Performance. – Funds not allocated to colleges in accordance with subsection (g) of this section shall be used to reward exceptional institutional performance. A college is deemed to have achieved exceptional institutional performance if it succeeds on all eight performance measures. After all State aid budget obligations have been met, the State Board of Community Colleges shall distribute the remainder of these funds ~~equally~~ to colleges that ~~perform successfully on eight performance standards and meet the following criteria:~~achieve exceptional institutional performance status based on the pro rata share of total full time equivalent (FTE) students served at each college.

~~(1) The passing rate on all reported licensure and certification examinations for which the community colleges have authority over who sits for the examination must meet or exceed seventy percent (70%) for first time test takers; and~~
~~(2) The percentage of college transfer students with a grade point average of at least 2.0 after two semesters at a four year institution must equal or exceed the performance of students who began college at that four year institution.~~

The State Board may withhold the portion of funds for which a college may qualify as an exceptional institution while the college is under investigation by a State or federal agency or if its performance does not meet the standards established by the Southern Association of Colleges and Schools, the State Auditor's Office, or the State Board of Community Colleges. The State Board may release the funds at such time as the investigations are complete and the issues are resolved.

(i) Permissible Uses of Funds. – Funds retained by colleges or distributed to colleges pursuant to this section shall be used for the purchase of equipment, initial program start-up costs including faculty salaries for the first year of a program, and one-time faculty and staff bonuses. These funds shall not be used for continuing salary increases or for other obligations beyond the fiscal year into which they were carried forward. These funds shall be encumbered within 12 months of the fiscal year into which they were carried forward.

(j) Use of funds in low-wealth counties. – Funds retained by colleges or distributed to colleges pursuant to this section may be used to supplement local funding for maintenance of plant if the college does not receive maintenance of plant funds pursuant to G.S. 115D-31.2, and if the county in which the main campus of the community college is located meets all of the following:

(1) Is designated as a Tier 1 county in accordance with G.S. 143B-437.08.
(2) Had an unemployment rate of at least two percent (2%) above the State average or greater than seven percent (7%), whichever is higher, in the prior calendar year.
(3) Is a county whose wealth, as calculated under the formula for distributing supplemental funding for schools in low-wealth counties, is eighty percent (80%) or less of the State average.

Funds may be used for this purpose only after all local funds appropriated for maintenance of plant have been expended."

MODIFY INSTITUTIONAL PERFORMANCE ACCOUNTABILITY FOR ONE YEAR

SECTION 8.6. Effective for the 2011-2012 reporting year, and notwithstanding G.S. 115D-31.3, the State Board of Community Colleges shall not require a college to report its performance on the progress of basic skills students as one of the mandatory performance standards prescribed by G.S. 115D-31.3(e). A college shall not be evaluated on the progress of basic skills students for the purpose of recognizing successful institutional performance or exceptional institutional performance. For each of the remaining seven performance standards on which a college performs successfully, the college may retain and carry forward into the 2013-2014 fiscal year two-sevenths of one percent (2/7 of 1%) of its final fiscal year General Fund appropriations.

COMMUNITY COLLEGE TUITION WAIVER

SECTION 8.8. 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. The State Board of Community Colleges may provide by general and uniform regulations for waiver of tuition and registration fees for the following:

(1) Persons not enrolled in elementary or secondary schools taking courses leading to a high school diploma or equivalent certificate.

(2) Courses requested by the following entities that support the organizations' training needs and are on a specialized course list approved by the State Board of Community Colleges:

a. Volunteer fire departments.

b. Municipal, county, or State fire departments.

c. Volunteer EMS or rescue and lifesaving departments.

d. Municipal, county, or State EMS or rescue and lifesaving departments.

d1. Law enforcement, fire, EMS or rescue and lifesaving entities serving a lake authority that was created by a county board of commissioners prior to July 1, 2012.

e. Radio Emergency Associated Communications Teams (REACT) under contract to a county as an emergency response agency.

~~(v) (vi) municipal county, or State law enforcement officers~~

f. Municipal, county, or State law enforcement agencies.

g. The Division of Adult Correction of the Department of Public Safety for the training of full-time custodial employees and employees of the Division's Section of Community Corrections of the Division of Adult Correction required to be certified under Chapter 17C of the General Statutes and the rules of the Criminal Justice and Training Standards Commission.

h. The Division of Juvenile Justice of the Department of Public Safety for the training of employees required to be certified under Chapter 17C of the General Statutes and the rules of the Criminal Justice and Training Standards Commission.

i. The Eastern Band of Cherokee Indians law enforcement, fire, EMS or rescue and lifesaving tribal government departments or programs.

(3) Repealed by Session Laws 2011-145, s. 8.12(a), effective July 1, 2011.

(4) Trainees enrolled in courses conducted under the Customized Training Program.

(5) through (9) Repealed by Session Laws 2011-145, s. 8.12(a), effective July 1, 2011.

(10) Elementary and secondary school employees enrolled in courses in first aid or cardiopulmonary resuscitation (CPR).
(11) Up to six hours of credit instruction and one course of noncredit instruction per academic semester for senior citizens age 65 or older who are qualified as legal residents of North Carolina.
(12) All curriculum courses taken by high school students at community colleges, in accordance with G.S. 115D-20(4) and this section.
(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.
(14) Repealed by Session Laws 2011-145, s. 8.12(a), effective July 1, 2011.

The State Board of Community Colleges shall not waive tuition and registration fees for other individuals."

INCREASE MAXIMUM PARKING FINE

SECTION 8.9. G.S. 115D-21 reads as rewritten:

"**§ 115D-21. Traffic regulations; fines and penalties.**

(a) All of the provisions of Chapter 20 of the General Statutes relating to the use of highways of the State of North Carolina and the operation of motor vehicles thereon shall apply to the streets, roads, alleys and driveways on the campuses of all institutions in the North Carolina Community College System. Any person violating any of the provisions of Chapter 20 of the General Statutes in or on the streets, roads, alleys and driveways on the campuses of institutions in the North Carolina Community College System shall, upon conviction thereof, be punished as prescribed in this section and as provided by Chapter 20 of the General Statutes relating to motor vehicles. Nothing contained in this section shall be construed as in any way interfering with the ownership and control of the streets, roads, alleys and driveways on the campuses of institutions in the system as is now vested by law in the trustees of each individual institution in the North Carolina Community College System.

(b) The trustees are authorized and empowered to make additional rules and regulations and to adopt additional ordinances with respect to the use of the streets, roads, alleys and driveways and to establish parking areas on or off the campuses not inconsistent with the provisions of Chapter 20 of the General Statutes of North Carolina. Upon investigation, the trustees may determine and fix speed limits on streets, roads, alleys, and driveways subject to such rules, regulations, and ordinances, lower than those provided in G.S. 20-141. The trustees may make reasonable provisions for the towing or removal of unattended vehicles found to be in violation of rules, regulations and ordinances. All rules, regulations and ordinances adopted pursuant to the authority of this section shall be recorded in the proceedings of the trustees; shall be printed; and copies of such rules, regulations and ordinances shall be filed in the office of the Secretary of State of North Carolina. Violation of any such rules, regulations, or ordinances, is an infraction punishable by a penalty of not more than one hundred dollars ($100.00).

Regardless of whether an institution does its own removal and disposal of motor vehicles or contracts with another person to do so, the institution shall provide a hearing procedure for the owner. For purposes of this subsection, the definitions in G.S. 20-219.9 apply.

(1) If the institution operates in such a way that the person who tows the vehicle is responsible for collecting towing fees, all provisions of Article 7A, Chapter 20, apply.
(2) If the institution operates in such a way that it is responsible for collecting towing fees, it shall:
  a. Provide by contract or ordinance for a schedule of reasonable towing fees,
  b. Provide a procedure for a prompt fair hearing to contest the towing,
  c. Provide for an appeal to district court from that hearing,
  d. Authorize release of the vehicle at any time after towing by the posting of a bond or paying of the fees due, and
  e. If the institution chooses to enforce its authority by sale of the vehicle, provide a sale procedure similar to that provided in

G.S. 44A-4, 44A-5, and 44A-6, except that no hearing in addition to the probable cause hearing is required. If no one purchases the vehicle at the sale and if the value of the vehicle is less than the amount of the lien, the institution may destroy it.

(c) The trustees may by rules, regulations, or ordinances provide for a system of registration of all motor vehicles where the owner or operator does park on the campus or keeps said vehicle on the campus. The trustees shall cause to be posted at appropriate places on campus notice to the public of applicable parking and traffic rules, regulations, and ordinances governing the campus over which it has jurisdiction. The trustees may by rules, regulations, or ordinances establish or cause to have established a system of citations that may be issued to owners or operators of motor vehicles who violate established rules, regulations, or ordinances. The trustees shall provide for the administration of said system of citations; establish or cause to be established a system of fines to be levied for the violation of established rules, regulations and ordinances; and enforce or cause to be enforced the collection of said fines. The fine for each offense shall not exceed ~~five dollars ($5.00), which funds shall be retained in the institution and expended in the discretion of the trustees.~~twenty-five dollars ($25.00). The trustees shall be empowered to exercise the right to prohibit repeated violators of such rules, regulations, or ordinances from parking on the campus.

(d) The clear proceeds of all civil penalties collected pursuant to this section shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2."

POWERS OF THE STATE BOARD OF PROPRIETARY SCHOOLS

SECTION 8.9A.(a) Article 8 of Chapter 115D of the General Statutes is amended by adding a new section to read:

"**§ 115D-89.4. Powers of the State Board of Proprietary Schools.**

(a) In order to carry out the purposes of this Article, the State Board of Proprietary Schools, subject to other provisions of this Article, shall:

(1) Have the powers of a body corporate, including the power to make contracts and to alter the same as may be deemed expedient;

(2) Be authorized and empowered to rent and lease such property, real or personal, as the State Board of Proprietary Schools may deem proper to carry out the purposes and provisions of this Article, all or any of them;

(3) Establish an office for the transaction of its business at such place or places as, in the opinion of the State Board of Proprietary Schools, shall be advisable or necessary in carrying out the purposes of this Article;

(4) Be authorized and empowered to pay from the Commercial Education Fund all necessary costs and expenses involved in and incident to the formation, organization, and administration of the State Board of Proprietary Schools and all other costs and expenses reasonably necessary or expedient in carrying out and accomplishing the purposes of this Article; and

(5) Be authorized and empowered to do any and all other acts and things in this Article authorized or required to be done, whether or not included in the general powers listed in this section.

(b) The purchase of goods and services by the State Board of Proprietary Schools shall be exempt from the requirements of Article 3 of Chapter 143 of the General Statutes."

SECTION 8.9A.(b) G.S. 115D-89.2 reads as rewritten:

"**§ 115D-89.2. Office of Proprietary Schools; staff.**

The Office of Proprietary Schools shall be the principal administrative unit under the direction of the State Board of Proprietary Schools. Unless otherwise specified in G.S. 115D-89.3, the State Board of Proprietary Schools has authority to recommend for adoption and to administer all policies, regulations, and standards which it deems necessary for the operation of the Office of Proprietary Schools.

The State Board of Proprietary Schools shall hire an executive director of the Office of Proprietary Schools, who shall serve as chief administrative officer of the Office of Proprietary Schools, or contract with an outside consultant to serve as the executive director. The compensation of this position shall be fixed by the State Board of Proprietary Schools from funds provided by fees deposited in the Commercial Education Fund.

The State Board of Proprietary Schools may hire other employees as it deems necessary to carry out the provisions of this Article. The compensation of the staff members hired by the

State Board of Proprietary Schools shall be fixed by the State Board of Proprietary Schools upon recommendation of the Executive Director of the Office of Proprietary Schools. The Executive Director shall provide an annual projected operating budget to the State Board of Proprietary Schools at a time each year designated by the State Board of Proprietary Schools. The budget will be approved by the State Board of Proprietary Schools from funds provided by fees deposited in the Commercial Education Fund."

SECTION 8.9A.(c) G.S. 126-5(c2) is amended by adding a new subdivision to read:

"(c2) The provisions of this Chapter shall not apply to:

(1) Public school superintendents, principals, teachers, and other public school employees.

(2) Recodified as G.S. 126-5(c)(4) by Session Laws 1985 (Regular Session, 1986), c. 1014, s. 41.

(3) Employees of community colleges whose salaries are fixed in accordance with the provisions of G.S. 115D-5 and G.S. 115D-20, and employees of the Community Colleges System Office whose salaries are fixed by the State Board of Community Colleges in accordance with the provisions of G.S. 115D-3.

(4) Employees of the Office of Proprietary Schools whose salaries are fixed by the State Board of Proprietary Schools in accordance with the provisions of G.S. 115D-89.2."

AUTHORIZATION TO SPEND FUNDS FOR CERTAIN PURPOSES

SECTION 8.9B. Notwithstanding G.S. 143C-6-5, the State Board of Community Colleges may authorize the use of funds within the Community College System budget to do the following:

(1) Fund college-level mathematics at the Tier 1 level.

(2) Eliminate the scheduled continuing education fee increase.

(3) Restructure the multicampus funding formula and provide up to two million nine hundred twenty-two thousand five hundred forty-two dollars ($2,922,542) in additional funds for that program.

FINANCIAL AID PROGRAM ADMINISTRATIVE COSTS

SECTION 8.11.(a) Subsection (a) of Section 9.8 of S.L. 2011-145, as amended by Section 2(b) of S.L. 2011-340, reads as rewritten:

"**SECTION 9.8.(a)** There is appropriated from the Escheat Fund income to the Board of Governors of The University of North Carolina the sum of forty-nine million six hundred twenty-two thousand two hundred forty-two dollars ($49,622,242) for the 2011-2012 fiscal year and the sum of ~~thirty-two million one hundred twenty-two thousand two hundred forty-two dollars ($32,122,242)~~ thirty-seven million two hundred eighty-seven thousand two hundred forty-two dollars ($37,287,242) for the 2012-2013 fiscal year to be used for The University of North Carolina Need-Based Financial Aid Program."

SECTION 8.11.(b) Subsection (c) of Section 9.8 of S.L. 2011-145 reads as rewritten:

"**SECTION 9.8.(c)** There is appropriated from the Escheat Fund income to the State Board of Community Colleges the sum of sixteen million five hundred thousand dollars ($16,500,000) for the 2011-2012 fiscal year and the sum of ~~sixteen million five hundred thousand dollars ($16,500,000)~~ sixteen million three hundred thirty-five thousand dollars ($16,335,000) for the 2012-2013 fiscal year to be used for community college grants."

SECTION 8.11.(c) 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 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 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. If the interest earnings are not adequate to support the

administrative costs, up to one percent (1%) of funds provided in subsection (a) of this section may be used to support the costs of administering the Community College Grant Program."

PART IX. UNIVERSITIES

STUDENT FINANCIAL AID/TECHNICAL CORRECTIONS

SECTION 9.2.(a) Section 9.18(d) of S.L. 2011-145 reads as rewritten:

"**SECTION 9.18.(d)** The State Education Assistance Authority shall report no later than ~~June 1, 2013,~~September 1, 2013, to the Joint Legislative Education Oversight Committee regarding the implementation of this section. The report shall contain, for the 2012-2013 academic year, the amount of scholarship and grant money disbursed, the number of students eligible for the funds, the number of eligible students receiving the funds, and a breakdown of the eligible private postsecondary institutions that received the funds."

SECTION 9.2.(b) Section 9.18(i) of S.L. 2011-145 reads as rewritten:

"**SECTION 9.18.(i)** Subsections (a), (d), and (i) of this section become effective July 1, 2011. Article 34 of Chapter 116 of the General Statutes, as enacted by subsection (a) of this section, applies to the 2012-2013 academic year and each subsequent academic year, except that the rule-making authority for the State Education Assistance Authority under G.S. 116-283(a) becomes effective immediately on July 1, 2011. Subsections (b), (c), (e), (f), (g), and (h) of this section become effective July 1, ~~2012.~~2012, except that the State Education Assistance Authority may continue to make payments pursuant to G.S. 116-43.5 until August 1, 2012, to students who attended certain private institutions of higher education in the 2011-2012 academic year."

SECTION 9.2.(c) Of the funds appropriated by this act to the Board of Governors for the 2012-2013 fiscal year and allocated to the State Education Assistance Authority for the North Carolina Need-Based Scholarships for Students Attending Private Institutions of Higher Education pursuant to Article 34 of Chapter 116 of the General Statutes, the State Education Assistance Authority may use up to two hundred eighty-one thousand five hundred seventeen dollars ($281,517) to make the payments authorized by subsection (b) of this section to students who attended certain private institutions of higher education in the 2011-2012 academic year.

UNC/REPEAL OBSOLETE OR REDUNDANT REPORTING REQUIREMENTS

SECTION 9.4.(a) G.S. 116-11(10a) reads as rewritten:

"(10a) The Board of Governors, the State Board of Community Colleges, and the State Board of Education, in consultation with nonprofit postsecondary educational institutions shall plan a system to provide an exchange of information among the public schools and institutions of higher education to be implemented no later than June 30, 1995. As used in this section, "institutions of higher education" shall mean (i) public higher education institutions defined in G.S. 116-143.1(a)(3), and (ii) those nonprofit postsecondary educational institutions as described in G.S. 116-280 that choose to participate in the information exchange. The information shall include:

a. The number of high school graduates who apply to, are admitted to, and enroll in institutions of higher education;

b. College performance of high school graduates for the year immediately following high school graduation including each student's: need for remedial coursework at the institution of higher education that the student attends; performance in standard freshmen courses; and continued enrollment in a subsequent year in the same or another institution of higher education in the State;

c. The progress of students from one institution of higher education to another; and

d. Consistent and uniform public school course information including course code, name, and description.

The Department of Public Instruction shall generate and the local school administrative units shall use standardized transcripts in an automated format for applicants to higher education institutions. The standardized

transcript shall include grade point average, class rank, end-of-course test scores, and uniform course information including course code, name, units earned toward graduation, and credits earned for admission from an institution of higher education. The grade point average and class rank shall be calculated by a standard method to be devised by the institutions of higher education. ~~The Board of Governors shall coordinate a joint progress report on the implementation of the system to provide an exchange of information among the public and independent colleges and universities, the community colleges, and the public schools. The report shall be made to the Joint Legislative Education Oversight Committee no later than February 15, 1993, and annually thereafter.~~"

SECTION 9.4.(b) G.S. 116-11(12a) reads as rewritten:

"(12a) The Board of Governors of The University of North Carolina shall implement, administer, and revise programs for meaningful professional development for professional public school employees based upon the evaluations and recommendations made by the State Board of Education under G.S. 115C-12(26). The programs shall be aligned with State education goals and directed toward improving student academic achievement. ~~The Board of Governors shall submit to the State Board of Education an annual report evaluating the professional development programs administered by the Board of Governors.~~"

SECTION 9.4.(c) G.S. 116D-3(a)(1) is repealed.

SECTION 9.4.(d) Section 7 of S.L. 1989-936, as amended by S.L. 1991-346, reads as rewritten:

"Sec. 7. The Board of Governors of The University of North Carolina shall adopt standards to create and enhance an organized program of public service and technical assistance to the public schools. This program shall:

(1) Provide systematic access for public schools to consultation and advice available from members of the faculties of the constituent institutions;

(2) Facilitate and encourage research in the public schools and the application of the results of this research;

(3) Link the education faculties of the constituent institutions with public school teachers and administrators through public service requirements for the education faculties; and

(4) Create partnerships among all constituent institutions, their schools or departments of education, and the maximum number of public schools that could benefit from these partnerships.

~~The Board of Governors shall report on an annual basis to the Joint Legislative Commission on Governmental Operations on its progress in implementing the provisions of this section.~~"

SECTION 9.4.(e) Section 1.1 of S.L. 2000-3 reads as rewritten:

"Section 1.1. The General Assembly finds that although The University of North Carolina is one of the State's most valuable assets, the current facilities of the University have been allowed to deteriorate due to decades of neglect and have unfortunately fallen into a state of disrepair because of inadequate attention to maintenance. It is the intent of the General Assembly to reverse this trend and to provide a mechanism to assure that the University's capital assets are adequately maintained. The General Assembly commits to responsible stewardship of these assets to protect their value over the years, as follows:

(1) The Board of Governors of The University of North Carolina shall require each constituent and affiliated institution to monitor the condition of its facilities and their needs or repair and renovation, and to assure that all necessary maintenance is carried out within funds available.

~~(2) The Board of Governors shall report annually to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Education Oversight Committee on the condition of the University's capital facilities, the repair, renovation, and maintenance projects being undertaken, and all needs for additional funding to maintain the facilities.~~

(3) It is the intent of the General Assembly to assure that adequate oversight, funding, and accountability are continually provided so that the capital facilities of the University are properly maintained to preserve the level of

excellence the citizens of this State deserve. To this end, the Joint Legislative Education Oversight Committee shall report to the General Assembly annually its recommendations for legislative changes to implement this policy."

SECTION 9.4.(f) Section 6 of S.L. 2000-3 reads as rewritten:

"Section 6. Repair and Renovation Reports. – ~~The Board of Governors of The University of North Carolina shall report annually to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Education Oversight Committee on the condition of all of the University's capital facilities, including a status report on all repair, renovation, and maintenance projects being undertaken and an assessment of needs for additional funding to repair, renovate, and maintain the facilities.~~

The Board of Governors of The University of North Carolina shall also study the repairs and renovations formula currently utilized with respect to funding for the Repairs and Renovations Reserve Account to determine whether it adequately takes into account all of the appropriate maintenance needs of each constituent and affiliated institution, and shall recommend to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Education Oversight Committee any changes necessary to improve the formula. The Board shall make recommendations on the scope and adequacy of the methodology used to calculate the funding for the repairs and renovations reserve as specified in G.S. 143-15.2."

SECTION 9.4.(g) Section 13 of S.L. 2001-496 is repealed.

NC GRADUATES IN PRIMARY CARE CENTERS/CHANGE REPORT DATE

SECTION 9.5. G.S. 143-613(d) reads as rewritten:

"(d) The progress of the private and State-operated medical schools and State-operated health professional schools towards increasing the number and proportion of graduates entering primary care shall be monitored annually by the Board of Governors of The University of North Carolina. Monitoring data shall include (i) the entry of State-supported graduates into primary care residencies and clinical training programs, and (ii) the specialty practices by a physician and each midlevel provider who were State-supported graduates as of a date five years after graduation. The Board of Governors shall certify data on graduates, their residencies and clinical training programs, and subsequent careers by ~~October 1~~ November 15 of each calendar year, beginning in ~~October of 1995~~,November of 2011, to the Fiscal Research Division of the Legislative Services Office and to the Joint Legislative Education Oversight Committee."

PERMANENT TRANSFER OF FUNDING FOR MILITARY ONE-STOP & BRAC OUTREACH

SECTION 9.7. The Military One-Stop & BRAC Outreach program previously vested in Fayetteville State University is transferred to The University of North Carolina General Administration with all of the elements of a Type I transfer as defined in G.S. 143A-6. The program transfer shall include the sum of two hundred fifty-one thousand five hundred dollars ($251,500).

STUDY UNC TUITION SURCHARGE

SECTION 9.8. The Fiscal Research Division, in cooperation with The University of North Carolina, shall study the tuition surcharge mandated by G.S. 116-143.7. As part of the study, the Fiscal Research Division shall examine the surcharge's effect, if any, on the number of credit hours taken by students at constituent institutions of The University of North Carolina and the resulting effect on the timely achievement of graduation; the number of students subject to the surcharge in each of the last five academic years; and the revenue generated by the surcharge. In its study, the Fiscal Research Division shall also examine the methods that The University of North Carolina employs to provide notice to a student that the student is approaching the credit hour limit and will be charged the tuition surcharge if the student exceeds that limit.

The Fiscal Research Division shall report its findings and recommendations, including any legislative recommendations, by January 1, 2013, to the Joint Legislative Education Oversight Committee and to the Education Appropriation Subcommittees of the House of Representatives and the Senate.

UNC STUDENT FEES/INSTITUTIONAL TRUST FUNDS

SECTION 9.9. G.S. 116-36.1(g) is amended by adding a new subdivision to read:

"(12) Any other moneys collected by an institution as student fees previously approved by the Board of Governors."

UNC ACQUISITION AND DISPOSITION OF REAL PROPERTY

SECTION 9.10.(a) G.S. 116-31.12 reads as rewritten:

"**§ 116-31.12. Acquisition of real property by lease.**

Notwithstanding G.S. 143-341(4), and in addition to the powers granted in G.S. 116-198.34(5), the Board of Governors may authorize the constituent institutions and the General Administration to acquire or dispose of real property by lease if the lease is for a term of not more than 10 years. The Board of Governors shall establish a policy for acquiring and disposing of an interest in real property for the use of The University of North Carolina and its constituent institutions by lease. This policy may delegate authorization of the acquisition or disposition of real property by lease to the boards of trustees of the constituent institutions or to the President of The University of North Carolina. The Board of Governors shall submit all initial policies adopted pursuant to this section to the State Property Office for review prior to adoption by the Board. Any subsequent changes to these policies adopted by the Board of Governors shall be submitted to the State Property Office for review. Any comments by the State Property Office shall be submitted to the President of The University of North Carolina. After the acquisition or disposition of an interest in real property by lease, The University of North Carolina shall promptly file a report concerning the acquisition or disposition to the Secretary of Administration. Acquisitions and dispositions of an interest in real property by lease pursuant to this section shall not be subject to the provisions of Article 36 of Chapter 143 of the General Statutes or to the provisions of ~~Article 6~~ Article 6 or 7 of Chapter 146 of the General Statutes."

SECTION 9.10.(b) G.S. 116-198.34(5) reads as rewritten:

"(5) To acquire, hold, lease, and dispose of real and personal property in the exercise of its powers and the performance of its duties hereunder and to lease all or any part of any project or projects and any existing facilities upon such terms and conditions as the Board determines, subject to the provisions of G.S. 143-341 and Chapter 146 of the General Statutes.

Notwithstanding G.S. 143-341 and Chapter 146 of the General Statutes, a disposition by easement, lease, or rental agreement of space in any building on the Centennial Campus, on the Horace Williams Campus, ~~or~~ on a Millennial ~~Campus~~ Campus, or on the Kannapolis Research Campuses made for a period of 10 years or less shall not require the approval of the Governor and the Council of State. All other acquisitions and dispositions made under this subdivision for a period in excess of 10 years are subject to the provisions of G.S. 143-341 and Chapter 146 of the General Statutes."

ECU PHYSICIANS INTEREST AND PENALTY FEES COLLECTION PRACTICE

SECTION 9.11.(a) G.S. 143-553(a) reads as rewritten:

"(a) All persons employed by an employing entity as defined by this Part who owe money to the State and whose salaries are paid in whole or in part by State funds must make full restitution of the amount owed as a condition of continuing employment; provided, however, that no employing entity shall terminate for failure to make full restitution the employment of such an employee who owes money to the University of North Carolina Health Care System or to East Carolina University's Division of Health Sciences for health care services."

SECTION 9.11.(b) G.S. 147-86.11(e) reads as rewritten:

"(e) Elements of Plan. – For moneys received or to be received, the statewide cash management plan shall provide at a minimum that:

(1) Except as otherwise provided by law, moneys received by employees of State agencies in the normal course of their employment shall be deposited as follows:

a. Moneys received in trust for specific beneficiaries for which the employee-custodian has a duty to invest shall be deposited with the State Treasurer under the provisions of G.S. 147-69.3.

b. All other moneys received shall be deposited with the State Treasurer pursuant to G.S. 147-77 and G.S. 147-69.1.

(2) Moneys received shall be deposited daily in the form and amounts received, except as otherwise provided by statute.

(3) Moneys due to a State agency by another governmental agency or by private persons shall be promptly billed, collected and deposited.

(4) Unpaid billings due to a State agency other than amounts owed by patients to the University of North Carolina Health Care System or East Carolina University's Division of Health Sciences shall be turned over to the Attorney General for collection no more than 90 days after the due date of the billing, except that a State agency need not turn over to the Attorney General unpaid billings of less than five hundred dollars ($500.00), or (for institutions where applicable) amounts owed by all patients which are less than the federally established deductible applicable to Part A of the Medicare program, and instead may handle these unpaid bills pursuant to agency debt collection procedures.

(4a) The University of North Carolina Health Care System and East Carolina University's Division of Health Sciences may turn over to the Attorney General for collection accounts owed by patients.

(5) Moneys received in the form of warrants drawn on the State Treasurer shall be deposited by the State agency directly with the State Treasurer and not through the banking system, unless otherwise approved by the State Treasurer.

(6) State agencies shall accept payment by electronic payment in accordance with G.S. 147-86.22 to the maximum extent possible consistent with sound business practices."

SECTION 9.11.(c) G.S. 147-86.23 reads as rewritten:

"**§ 147-86.23. Interest and penalties.**

A State agency shall charge interest at the rate established pursuant to G.S. 105-241.21 on a past-due account receivable from the date the account receivable was due until it is paid. A State agency shall add to a past-due account receivable a late payment penalty of no more than ten percent (10%) of the account receivable. A State agency may waive a late-payment penalty for good cause shown. If another statute requires the payment of interest or a penalty on a past-due account receivable, this section does not apply to that past-due account receivable. This section does not apply to money owed to the University of North Carolina Health Care System or to East Carolina University's Division of Health Sciences for health care services."

ECU MAY RETAIN RENTAL RECEIPTS FROM HEALTH CARE SERVICE PROVIDERS CO-LOCATED IN CAMPUS FACILITIES

SECTION 9.12. G.S. 146-30(c) reads as rewritten:

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

Departments of Administration and Agriculture. The use of such funds for any specific capital improvement project or land acquisition is subject to approval by the Director of the Budget. No other use may be made of funds in these line items without approval by the General Assembly except for incidental expenses related to the project or land acquisition. Additionally with the approval of the Director of the Budget, either Department may request funds from the Contingency and Emergency Fund when the necessity of prompt purchase of available land can be demonstrated and funds in the capital improvement accounts are insufficient. Provided further, the net proceeds derived from the sale of any portion of the land owned by the State in or around the Butner Reservation on or after July 1, 1980, shall be deposited with the State Treasurer in a capital improvement account to the credit of the Department of Health and Human Services to make capital improvements on or to property owned by the State in the Butner Reservation subject to approval by the Office of State Budget and Management, and may be used to build industrial access roads to industries located or to be located on the Butner Reservation, to construct new city streets in the Butner Reservation, extend water and sewer service on the Butner Reservation, repair storm drains on the Butner Reservation, and for other capital uses on the Reservation as determined by the Secretary. Provided further, notwithstanding any other provision of this Subchapter, the proceeds derived from the lease dispositions of land or facilities owned or under the supervision and control of East Carolina University's Division of Health Sciences for the delivery of health care services shall be deposited in clinical accounts at East Carolina University to be used to improve access to patient care."

UNC PARTNERSHIP FOR NATIONAL SECURITY

SECTION 9.13. The University of North Carolina may use funds available to it for the 2012-2013 fiscal year to continue and expand its work on the UNC Partnership for National Security to benefit the United States Marine Corps at Camp Lejeune and to build further its faculty and student capabilities in developing technologies for the special operations community. The Partnership works to connect the resources of The University of North Carolina system to the needs of our military, its service members, veterans, their families, and the defense industry in North Carolina. Partnership activities include all of the following: degree program development for service members and the defense industry; short courses, training, and subject matter expertise exchange; science and technology product development for the battle space; and scholar support, such as internships for The University of North Carolina system students, faculty research, and senior service college fellows. The Partnership's work has included the expansion of a "UNC at Fort Bragg" program that was previously in place for the Army.

UNC/FUNDS FOR CAMPUSES SPECIALIZING IN THE ARTS AND SCIENCES

SECTION 9.14.(a) Of the funds appropriated to The University of North Carolina by this act for the 2012-2013 fiscal year, the sum of five million six hundred seventy-seven thousand nine hundred seven dollars ($5,677,907) shall be allocated to the following campuses specializing in the arts and sciences in the following amounts:

(1) $2,485,144 for the University of North Carolina School of the Arts.
(2) $1,556,495 for the University of North Carolina at Asheville.
(3) $1,636,268 for the North Carolina School of Science and Mathematics.

SECTION 9.14.(b) It is the intent of the General Assembly that the Board of Governors shall not otherwise reduce appropriations to these three campuses as a result of the allocations directed in subsection (a) of this section.

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

NC PRE-K

SECTION 10.1.(a) The Division of Child Development and Early Education shall require the NC Pre-K contractor to issue multiple-year contracts for licensed private child care centers providing NC Pre-K classrooms.

SECTION 10.1.(b) The Division of Child Development and Early Education shall continue the implementation of the NC Pre-K program. The NC Pre-K shall serve children who reach the age of four on or before August 31 of that school year and who meet eligibility criteria.

SECTION 10.1.(c) G.S. 110-91(2) reads as rewritten:

"(2) Health-Related Activities. – ~~The Commission shall adopt rules for child care facilities to ensure that all children receive nutritious food and beverages according to their developmental needs. The Commission shall consult with the Division of Child Development of the Department of Health and Human Services to develop nutrition standards to provide for requirements appropriate for children of different ages. In developing nutrition standards, the Commission shall consider the following recommendations:~~

~~a. Limiting or prohibiting the serving of sweetened beverages, other than 100% fruit juice, to children of any age.~~

~~b. Limiting or prohibiting the serving of whole milk to children two years of age or older or flavored milk to children of any age.~~

~~c. Limiting or prohibiting the serving of more than six ounces of juice per day to children of any age.~~

~~d. Limiting or prohibiting the serving of juice from a bottle.~~

~~e. Creating an exception from the rules for parents of children who have medical needs, special diets, or food allergies.~~

~~f. Creating an exception from the rules to allow a parent or guardian, or to allow the center upon the request of a parent or guardian, to provide to a child food and beverages that may not meet the nutrition standards.~~

g. Nutrition standards. – The Commission shall adopt rules for child care facilities to ensure that food and beverages provided by a child care facility are nutritious and align with children's developmental needs. The Commission shall consult with the Division of Child Development and Early Education of the Department of Health and Human Services to develop nutrition standards to provide for requirements appropriate for children of different ages. In developing nutrition standards, the Commission shall consider the following recommendations:

1. Limiting or prohibiting the serving of sweetened beverages, other than one hundred percent (100%) fruit juice to children of any age.
2. Limiting or prohibiting the serving of whole milk to children two years of age or older or flavored milk to children of any age.
3. Limiting or prohibiting the serving of more than six ounces of juice per day to children of any age.
4. Limiting or prohibiting the serving of juice from a bottle.

h. Parental exceptions. –

1. Parents or guardians of a child enrolled in a child care facility may (i) provide food and beverages to their child that may not meet the nutrition standards adopted by the Commission and (ii) opt out of any supplemental food program provided by the child care facility. The child care facility shall not provide food or beverages to a child whose parent or guardian has opted out of any supplemental food program provided by the child care facility and whose parent or guardian is providing food and beverages for the child.
2. The Commission, the Division of Child Development and Early Education of the Department of Health and Human Services, or any State agency or contracting entity with a State agency shall not evaluate the nutritional value or adequacy of the components of food and beverages provided by a parent or guardian to his or her child enrolled in a child care facility as an indicator of environmental quality ratings.

i. Rest time. – Each child care facility shall have a rest period for each child in care after lunch or at some other appropriate time and

arrange for each child in care to be out-of-doors each day if weather conditions permit."

SECTION 10.1.(d) The Division of Child Development and Early Education shall establish a standard decision-making process to be used by local NC Pre-K committees in awarding NC Pre-K classroom slots and student selection.

SECTION 10.1.(e) The Division of Child Development and Early 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 Oversight Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, 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 the NC Pre-K program.

(2) The number of children participating in the NC Pre-K program who have never been served in other early education programs, such as child care, public or private preschool, Head Start, Early Head Start, or early intervention programs.

(3) The expected NC Pre-K expenditures for the programs and the source of the local contributions.

(4) The results of an annual evaluation of the NC Pre-K program.

SECTION 10.1.(f) If House Bill 966, 2012 Regular Session of the 2011 General Assembly, becomes law, then Section 10.7(f) of S.L. 2011-145 reads as rewritten:

"**SECTION 10.7.(f)** ~~The prekindergarten program may continue to serve at-risk children identified through the existing "child find" methods in which at-risk children are currently served within the Division of Child Development. The Division of Child Development shall serve at-risk children regardless of income. However, the total number of at-risk children served shall constitute no more than twenty percent (20%) of the four-year-olds served within the prekindergarten program. Any~~ The Division of Child Development and Early Education 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 who is a child of either of the following shall be eligible for the program: (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 was ordered to active duty by the proper authority within the last 18 months or is 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. Eligibility determinations for prekindergarten participants may continue through local education agencies and local North Carolina Partnership for Children, Inc., partnerships."

SECTION 10.1.(g) If House Bill 966, 2012 Regular Session of the 2011 General Assembly, becomes law, then Section 10.7(h) of S.L. 2011-145 is repealed.

REVISE CHILD CARE SUBSIDY RATES PROVISION

SECTION 10.2. Section 10.1 of S.L. 2011-145 is amended by adding the following new subsection to read:

"**SECTION 10.1.(g1)** The Department of Health and Human Services, Division of Child Development and Early Education, shall require all county departments of social services to include on any forms used to determine eligibility for child care subsidy whether the family waiting for subsidy is receiving assistance through the NC Pre-K program or Head Start."

CHILD CARE ALLOCATION FORMULA/DIRECTION

SECTION 10.2A. Section 10.2(a) of S.L. 2011-145 is amended by adding the following new subdivision to read:

"**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.

(3) For the 2012-2013 fiscal year, the Division of Child Development and Early Education shall base the formula identified in subdivision (1) of this subsection on the same data source used for the 2011-2012 fiscal year."

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES ENHANCEMENTS/SALARY SCHEDULE/MATCH REQUIREMENT ADJUSTMENTS

SECTION 10.3.(a) Section 10.5(c) of S.L. 2011-145 is repealed.

SECTION 10.3.(b) Section 10.5 of S.L. 2011-145 is amended by adding the following new subsection to read:

"**SECTION 10.5.(c1)** The North Carolina Partnership for Children, Inc., shall develop and implement a salary schedule for the Executive Director of the North Carolina Partnership for Children, Inc., and the directors of local partnerships. The salary schedule shall set the maximum amount of State funds that may be used for the salary of the Executive Director of the North Carolina Partnership for Children, Inc., and the directors of the local partnerships. In establishing a salary schedule, the North Carolina Partnership for Children, Inc., shall base the schedule on the following criteria:

(1) The population of the area serviced by a local partnership.

(2) The amount of State funds administered.

(3) The amount of total funds administered.

(4) The professional experience of the individual to be compensated.

(5) Any other relevant factors pertaining to salary, as determined by the North Carolina Partnership for Children, Inc.

The salary schedule shall be used only to determine the maximum amount of State funds that may be used for compensation. Nothing in this subsection shall be construed to prohibit a local partnership from using non-State funds to supplement an individual's salary in excess of the amount set by the salary schedule established under this subsection."

SECTION 10.3.(c) Section 10.5(e) of S.L. 2011-145, as amended by Section 21A of S.L. 2011-391, reads as rewritten:

"**SECTION 10.5.(e)** The North Carolina Partnership for Children, Inc., and all local partnerships shall, in the aggregate, be required to match one hundred percent (100%) of the total amount budgeted for the program in each fiscal year of the biennium. Of the funds the North Carolina Partnership for Children, Inc., and the local partnerships are required to match, contributions of cash shall equal to at least ~~seven percent (7%)~~ten percent (10%) and in-kind donated resources equal to no more than three percent (3%) for a total match requirement of ~~ten percent (10%)~~thirteen percent (13%) 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 ~~ten percent (10%)~~thirteen percent (13%) 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."

MEDICAID THERAPIES LIMIT REVISED

SECTION 10.5. Section 10.37(a)(2) of S.L. 2011-145 is repealed.

MODIFY AND IMPROVE PHARMACY SERVICES

SECTION 10.8.(a) The Department of Health and Human Services, Division of Medical Assistance, shall lower the fees paid to pharmacies for dispensing prescription drugs to achieve a savings of at least two million six hundred thirty-nine thousand eight hundred one dollars ($2,639,801) in the 2012-2013 fiscal year and an annualized savings of five million two hundred seventy-nine thousand six hundred one dollars ($5,279,601) thereafter.

SECTION 10.8.(b) The Division of Medical Assistance shall implement a tiered payment structure for generic prescriptions dispensed through the Medicaid Program so that the statewide average fee paid to pharmacies is no more than five dollars and sixty cents ($5.60) per prescription. Each of the four tiered payment amounts for generic prescriptions as set forth in the Medicaid State Plan, effective as of June 1, 2012, shall be reduced by thirteen and eighty-five hundredths percent (13.85%). The pharmacy dispensing fees shall be implemented as follows:

(1) Three dollars and forty-five cents ($3.45) shall be paid to pharmacies with generic dispensing rates below seventy percent (70%).
(2) Three dollars and seventy-nine cents ($3.79) shall be paid to pharmacies with generic dispensing rates that are at least seventy percent (70%) but lower than seventy-five percent (75%).
(3) Five dollars and sixty cents ($5.60) shall be paid to pharmacies with generic dispensing rates that are at least seventy-five percent (75%) but lower than eighty percent (80%).
(4) Seven dollars and seventy-five cents ($7.75) shall be paid to pharmacies with generic dispensing rates of eighty percent (80%) or higher.

SECTION 10.8.(c) The fee to be paid for dispensing brand drugs through the Medicaid Program shall be reduced by one dollar ($1.00).

SECTION 10.8.(d) For the 2012-2013 fiscal year, the Department shall achieve a savings of one million three hundred ninety-one thousand nine hundred six dollars ($1,391,906) through the implementation of a special pharmacy program for hemophilia drugs. The savings shall be achieved through the use of the federal 340B Drug Pricing Program for the dispensing of hemophilia drugs under the Medicaid Program.

SECTION 10.8.(e) The Department of Health and Human Services shall apply to the Centers for Medicare and Medicaid Services for any necessary approvals to implement the changes required by this section.

PROHIBIT SMART CARD PILOT PROGRAM

SECTION 10.9.(a) S.L. 2011-117 is repealed.

SECTION 10.9.(b) The Department of Health and Human Services shall not establish or operate a smart card pilot program or any other type of smart card program. If the Department is currently operating such a program, the Department shall end the program immediately.

STATE AUDITOR AUDIT DIVISION OF MEDICAL ASSISTANCE

SECTION 10.9A. The State Auditor shall conduct a performance audit of the North Carolina Medicaid Program and the Division of Medical Assistance operated within the Department of Health and Human Services. The audit shall examine the program's effectiveness, results of the program, and compliance with requirements of the Centers for Medicare and Medicaid Services and the requirements of State law. The State Auditor shall give a preliminary report on the performance audit to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division by November 1, 2012, and shall complete the performance audit by February 1, 2013.

PED/FRD JOINT STUDY MEDICAID ORGANIZATION

SECTION 10.9B.(a) The Program Evaluation Division and the Fiscal Research Division of the General Assembly shall jointly study the feasibility of creating a separate Department of Medicaid and make a joint recommendation on this issue to the 2013 Regular Session of the General Assembly no later than February 15, 2013.

SECTION 10.9B.(b) The joint study directed by subsection (a) of this section shall include the following:

(1) A review of how other states administer Medicaid programs, including the following aspects:
   a. State Plan development and policy management.
   b. Payment of claims.
   c. Budget forecasting.
   d. Rate-setting.
   e. Appeals.
   f. Involvement in management of care.

(2) An analysis of benefits and disadvantages of Medicaid becoming a stand-alone State department, including the following considerations:
   a. Overhead costs to be saved or increased as a result of any proposed changes.
   b. Identification of any efficiencies to be gained from such reorganization.
   c. Identification of any costs that would be incurred as a result of this reorganization.
   d. Whether it is feasible to also move any other divisions or programs within the Department of Health and Human Services (DHHS) into a new Department of Medicaid.

(3) Whether moving Medicaid into its own department would have any adverse impact on funding streams to and administration of other agencies within DHHS.

(4) Identification of various Medicaid organizational structures and their costs and savings.

REMOVE AUTHORITY FOR MEDICAID PROVIDER RATE AND SERVICE REDUCTION

SECTION 10.9C.(a) Except as otherwise provided in this act to achieve Medicaid pharmacy program savings or in Section 10.48 of S.L. 2011-145, notwithstanding any other provision of law for the 2012-2013 fiscal year, the Department of Health and Human Services shall not reduce Medicaid provider payment rates or Medicaid optional services.

SECTION 10.9C.(b) In achieving the management flexibility reductions set forth in the Report on the Continuation, Expansion, and Capital Budgets, the Department shall not further reduce Medicaid program funds in excess of the reductions authorized in S.L. 2011-145 and this act. To achieve management flexibility reductions, the Department shall make reductions in areas such as administrative costs, Information Technology Services (ITS), and

the elimination of vacant positions. To the extent possible, the Department shall not further reduce services throughout the Department of Health and Human Services to achieve the management flexibility reductions.

SECTION 10.9C.(c) In achieving the management flexibility reductions set forth in the Report on the Continuation, Expansion, and Capital Budgets, the Department shall not reduce the funding appropriated in this act for the plan to provide temporary, short-term assistance to adult care homes and the Transitions to Community Living Initiative.

SECTION 10.9C.(d) The requirements of subsection (a) of this section shall not affect (i) a Medicaid provider payment rate reduction or Medicaid optional service reduction made prior to the effective date of this act or (ii) any applications for Medicaid program modifications authorized by S.L. 2011-145 that are in the process of being approved by the Centers for Medicare and Medicaid Services as of the effective date of this act.

MEDICAID CONTRACT FOR OUTPATIENT IMAGING SERVICES

SECTION 10.9D. The Department of Health and Human Services, Division of Medical Assistance, and its medical management designee shall ensure that the vendor providing radiology management services for the Medicaid program shall maintain a prior authorization medical management system for all Medicaid enrollees through December 31, 2013, provided, however, that this provision shall not prohibit the Division of Medical Assistance from authorizing its radiology management services vendor to transition to a radiology decision support system so long as a prior authorization requirement remains in place for all Medicaid recipients through December 31, 2013.

MEDICAID OPTION/SPECIAL CARE AND MEMORY CARE UNITS

SECTION 10.9E.(a) The Department of Health and Human Services, Division of Medical Assistance, shall develop and submit a home- and community-based services program under Medicaid State Plan 1915(i) authority for individuals typically served in special care and memory care units that meet the criteria of the State/County Special Assistance Program.

SECTION 10.9E.(b) The Division shall implement the program upon approval of the application by the Centers for Medicare and Medicaid Services.

SECTION 10.9E.(c) On or before April 1, 2013, the Division shall provide a report on the status of approval and implementation of the program 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.

PERSONAL CARE SERVICES/ADL ELIGIBILITY

SECTION 10.9F.(a) Section 10.38 of S.L. 2011-145 is repealed.

SECTION 10.9F.(b) Section 10.37(a)(1) of S.L. 2011-145, as amended by Section 25 of S.L. 2011-391, reads as rewritten:

"**AUTHORIZE THE DIVISION OF MEDICAL ASSISTANCE TO TAKE CERTAIN STEPS TO EFFECTUATE COMPLIANCE WITH BUDGET REDUCTIONS IN THE MEDICAID PROGRAM**

"**SECTION 10.37.(a)** The Department of Health and Human Services, Division of Medical Assistance, may take the following actions, notwithstanding any other provision of this act or other State law or rule to the contrary:

(1) ~~In Home~~Personal Care Services for Children provision. – ~~In order to enhance in-home aide services to Medicaid recipients, the~~The Department of Health and Human Services, Division of Medical ~~Assistance,~~Assistance (DMA), shall:

a. ~~No longer provide~~Provide services ~~under PCS and PCS Plus whenever CMS approves the elimination of the PCS and PCS Plus programs and the implementation of the following two new services:~~

~~1.~~ ~~In Home Care for Children (IHCC). Services~~ to assist families to meet the ~~in-home~~personal care needs of children, including those individuals under the age of 21 receiving comprehensive and preventive child health services through the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program.

~~2. In Home Care for Adults (IHCA). Services to meet the eating, dressing, bathing, toileting, and mobility needs of individuals 21 years of age or older who, because of a medical condition, disability, or cognitive impairment, demonstrate unmet needs for, at a minimum, (i) three of the five qualifying activities of daily living (ADLs) with limited hands on assistance; (ii) two ADLs, one of which requires extensive assistance; or (iii) two ADLs, one of which requires assistance at the full dependence level. The five qualifying ADLs are eating, dressing, bathing, toileting, and mobility. IHCA shall serve individuals at the highest level of need for in home care who are able to remain safely in the home.~~

b. Establish, in accordance with G.S. 108A-54.2, a Medical Coverage Policy ~~for each of these programs,~~ to ~~include:~~include up

~~1. For IHCC, up~~ to 60 hours per month in accordance with an assessment conducted by DMA or its designee and a plan of care developed by the service provider and approved by DMA or its designee. Additional hours may be authorized when the services are required to correct or ameliorate defects and physical and mental illnesses and conditions in this age group, as defined in 42 U.S.C. § 1396d(r)(5), in accordance with a plan of care approved by DMA or its designee.

~~2. For IHCA, up to 80 hours per month in accordance with an assessment conducted by DMA or its designee and a plan of care developed by the service provider and approved by DMA or its designee.~~

c. Implement the following ~~program~~ limitations and restrictions to apply to ~~both IHCC and IHCA~~the provision of personal care services to children:

1. Additional services to children required under federal EPSDT requirements shall be provided to qualified ~~recipients in the IHCC Program.~~recipients.
2. Services shall be provided in a manner that supplements, rather than supplants, family roles and responsibilities.
3. Services shall be authorized in amounts based on assessed need of each recipient, taking into account care and services provided by the family, other public and private agencies, and other informal caregivers who may be available to assist the family. All available resources shall be utilized fully, and services provided by such agencies and individuals shall be disclosed to the DMA assessor.
4. Services shall be directly related to ~~the hands-on assistance and related tasks to complete each qualifying ADL in accordance with the IHCC or IHCA~~the personal care service assessment and plan of care, as applicable.
5. Services ~~provided under IHCC and IHCA~~ shall not include household chores not directly related to ~~the qualifying ADLs,~~ nonmedical transportation, financial management, and non-hands-on assistance such as cueing, prompting, guiding, coaching, or babysitting.

~~6. Essential errands that are critical to maintaining the health and welfare of the recipient may be approved on a case-by-case basis by the DMA assessor when there is no family member, other individual, program, or service available to meet this need. Approval, including the amount of time required to perform this task, shall be documented on the recipient's assessment form and plan of care.~~

d. Utilize the following process for ~~admission~~evaluation or reevaluation to ~~the IHCC and IHCA programs:~~provide personal care services to children:

1. The recipient shall be seen by his or her primary or attending physician, who shall provide written authorization for referral for the service and written attestation to the medical necessity for the service.
2. All assessments for ~~admission to IHCC and IHCA,~~the provision of services, continuation of these services, and change of status reviews for these services shall be performed by DMA or its designee. The DMA designee may not be an owner of a provider business or provider of ~~in-home or~~ personal care services of any type.
3. DMA or its designee shall determine and authorize the amount of service to be provided on a "needs basis," as determined by its review and findings of each recipient's degree of functional disability and level of unmet ~~needs for hands-on personal assistance in the five qualifying ADLs.~~needs.

e. Take all appropriate actions to manage the cost, quality, program compliance, and utilization of personal care services ~~provided under the IHCC and IHCA programs,~~ including, but not limited to:

~~1. Priority independent reassessment of recipients before the anniversary date of their initial admission or reassessment for those recipients likely to qualify for the restructured IHCC and IHCA programs.~~
2. Priority independent reassessment of recipients requesting a change of service provider.
~~3. Targeted reassessments of recipients prior to their anniversary dates when the current provider assessment indicates they may not qualify for the program or for the amount of services they are currently receiving.~~
4. Targeted reassessment of recipients receiving services from providers with a history of ~~program noncompliance.~~noncompliance in providing personal care services to children.
~~5. Provider desk and on site reviews and recoupment of all identified overpayments or improper payments.~~
~~6. Recipient reviews, interviews, and surveys.~~
7. The use of mandated electronic transmission of referral forms, plans of care, and reporting forms.
8. The use of mandated electronic transmission of uniform reporting forms for recipient complaints and critical incidents.
9. The use of automated systems to monitor, evaluate, and profile provider performance against established performance indicators.
10. Establishment of rules that implement the requirements of 42 C.F.R. § 441.16.

~~f. Time line for implementation of new IHCC and IHCA programs.~~

~~1. Subject to approvals from CMS, DMA shall make every effort to implement the new IHCC and IHCA programs by January 1, 2013.~~
~~2. DMA shall ensure that individuals who qualify for the IHCC and IHCA programs shall not experience a lapse in service and, if necessary, shall be admitted on the basis of their current provider assessment when an independent reassessment has not yet been performed and the current assessment documents that the medical necessity~~

~~requirements for the IHCC or IHCA program, as applicable, have been met.~~

~~3. Prior to the implementation date of the new IHCC and IHCA programs, all recipients in the PCS and PCS Plus programs shall be notified pursuant to 42 C.F.R. § 431.220(b) and discharged, and the Department shall no longer provide services under the PCS and PCS Plus programs, which shall terminate. Recipients who qualify for the new IHCC and IHCA programs shall be admitted and shall be eligible to receive services immediately.~~"

SECTION 10.9F.(c) A Medicaid recipient who meets each of the following criteria is eligible for personal care services:

(1) The recipient has a medical condition, disability, or cognitive impairment, and demonstrates unmet needs for, at a minimum, (i) two activities of daily living (ADLs), one of which requires extensive assistance; or (ii) two ADLs, one of which requires assistance at the full dependence level.

(2) The recipient resides either in a private living arrangement or a residential facility licensed by the State of North Carolina as an adult care home.

The five qualifying ADLs are eating, dressing, bathing, toileting, and mobility. Personal care services shall be available for up to 80 hours per month in accordance with an assessment conducted under subsection (d) of this section and a plan of care developed by the service provider and approved by the Department of Health and Human Services, Division of Medical Assistance (DMA), or its designee. Personal care services shall not include nonmedical transportation; financial management; non-hands-on assistance such as cueing, prompting, guiding, coaching, or babysitting; and household chores not directly related to the qualifying ADLs.

SECTION 10.9F.(d) All assessments for personal care services, continuation of service, and change of status reviews shall be performed by an independent assessment entity (IAE). The IAE shall not be an owner of a provider business or provider of personal care services of any type.

A recipient shall be assessed by the IAE after the recipient's primary or attending physician provides written authorization for referral for the service and written attestation to the medical necessity for the service. The IAE shall determine and authorize the amount of service to be provided as determined by its review and findings of each recipient's degree of functional disability and level of unmet needs for personal care services in the five qualifying ADLs.

SECTION 10.9F.(e) The Department of Health and Human Services shall report to the Joint Legislative Oversight Committee on Health and Human Services by September 1, 2012, on the implementation of this section and on its progress in making independent assessments of recipients.

SECTION 10.9F.(f) The Department of Health and Human Services shall apply to the Centers for Medicare and Medicaid Services by July 15, 2012, for a Medicaid State Plan Amendment to implement this section.

SECTION 10.9F.(g) Subsections (c) and (d) of this section become effective January 1, 2013.

FUNDS FOR INPATIENT PSYCHIATRIC BEDS OR BED DAYS

SECTION 10.10. Section 10.8(b) of S.L. 2011-145 reads as rewritten:

"**SECTION 10.8.(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-nine million one hundred twenty-one thousand six hundred forty-four dollars ($29,121,644) for the 2011-2012 fiscal year and the sum of twenty-nine million one hundred twenty-one thousand six hundred forty-four dollars ($29,121,644) for the 2012-2013 fiscal year shall be allocated for the purchase of local inpatient psychiatric beds or bed days. In addition, at the discretion of the Secretary of Health and Human Services, existing funds allocated to LMEs for community-based mental health, developmental disabilities, and substance abuse services may be used to purchase additional local inpatient psychiatric beds or bed days. These beds or bed days shall be distributed across the State in LME catchment ~~areas~~areas, including any catchment areas served by managed care organizations, 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, 2012, 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 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."

FUNDS FOR FAMILY PLANNING SERVICES BY LOCAL HEALTH DEPARTMENTS

SECTION 10.12. Of the funds appropriated in this act to the Department of Health and Human Services for the 2012-2013 fiscal year, none shall be allocated to renewing, extending, or entering into new contracts for the provision of family planning services and pregnancy prevention activities with providers other than local health departments. Upon the expiration of any contracts in effect during the 2011-2012 fiscal year between the Division of Public Health and private providers of family planning services and pregnancy prevention activities, the Department shall reallocate three hundred forty-three thousand dollars ($343,000) of these contract funds to local health departments. Local health departments receiving funds under this section shall not contract with private providers for the provision of family planning services or pregnancy prevention activities. These services and activities shall be provided directly by local health department recipients or by other governmental entities contracted by local health department recipients. This section does not apply to contracts administered by the Department pursuant to G.S. 130A-131.15A.

DELAY LOCAL RECEIPT OF LARGER PORTION OF FOOD & LODGING FEES

SECTION 10.15. Section 31.11A(c) of S.L. 2011-145, as amended by Section 61A of S.L. 2011-391, reads as rewritten:

"**SECTION 31.11A.(c)** Subsection (a) of this section becomes effective ~~July 1, 2012.~~July 1, 2013."

REDUCE FUNDING FOR NONPROFIT ORGANIZATIONS

SECTION 10.18.(a) Section 10.18 of S.L. 2011-145 is repealed.

SECTION 10.18.(b) For fiscal year 2012-2013, the Department of Health and Human Services shall reduce the amount of funds allocated to nonprofit organizations by five million dollars ($5,000,000) on a recurring basis. The Department shall not, under any circumstances, use any funds, including State funds, federal funds, special revenue funds, or departmental receipts, to supplement the reduced amount of funding to be allocated to nonprofit

organizations pursuant to this subsection. In achieving the reductions required by this subsection, the Department (i) shall minimize reductions to funds allocated to nonprofit organizations for the provision of direct services and (ii) shall not reduce funds allocated to nonprofit organizations to pay for direct services to individuals with developmental disabilities.

REPORT ON LAPSED SALARY FUNDS

SECTION 10.20. Beginning no later than November 1, 2012, the Department of Health and Human Services shall submit quarterly reports to the Joint Legislative Oversight Committee on Health and Human Services, the House Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division on the use of lapsed salary funds by each Division within the Department. For each Division, the report shall include the following information about the preceding calendar quarter:

(1) The total amount of lapsed salary funds.
(2) The number of full-time equivalent positions comprising the lapsed salary funds.
(3) The Fund Code for each full-time equivalent position included in the number reported pursuant to subdivision (2) of this section.
(4) The purposes for which the Department expended lapsed salary funds.

REVISE DATES/TANF BENEFIT IMPLEMENTATION

SECTION 10.22. Section 10.55 of S.L. 2011-145 reads as rewritten:

"**SECTION 10.55.(a)** The General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan ~~FY 2010-2012,~~"2012-2015," 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, ~~2010,~~2012, through September 30, ~~2012.~~2015. 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 2011 General Assembly.

"**SECTION 10.55.(b)** The counties approved as Electing Counties in the North Carolina Temporary Assistance for Needy Families State Plan ~~FY 2010-2012,~~2012-2015, as approved by this section are Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

"**SECTION 10.55.(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 year 2011~~ years 2012 through ~~2012,~~2015, pursuant to G.S. 108A-27(e), shall operate under the Electing County budget requirements effective July 1, ~~2009.~~2012. For programmatic purposes, all counties referred to in this subsection shall remain under their current county designation through September 30, ~~2012.~~2015.

"**SECTION 10.55.(d)** For the ~~2011-2012~~2012-2013 fiscal year, Electing Counties shall be held harmless to their Work First Family Assistance allocations for the ~~2010-2011~~2011-2012 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 10.55.(e)** In the event that departmental projections of Work First Family Assistance and Work First Diversion Assistance for the ~~2011-2012~~2012-2013 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."

EQUALIZE SPECIAL ASSISTANCE PAYMENTS UNDER IN-HOME, ADULT CARE HOME, AND RENTAL ASSISTANCE PROGRAMS

SECTION 10.23.(a) G.S. 108A-47.1 reads as rewritten:

"**§ 108A-47.1. Special Assistance in-home payments.**

(a) The Department of Health and Human Services may use funds from the existing State-County Special Assistance budget to provide Special Assistance payments to eligible individuals 18 years of age or older in in-home living arrangements. These payments may be made for up to fifteen percent (15%) of the caseload for all State-County Special Assistance. The standard monthly payment to individuals enrolled in the Special Assistance in-home program shall be ~~seventy-five percent (75%)~~one hundred percent (100%) of the monthly payment the individual would receive if the individual resided in an adult care home and qualified for Special Assistance, except if a lesser payment amount is appropriate for the individual as determined by the local case manager. The Department shall implement Special Assistance in-home eligibility policies and procedures to assure that in-home program participants are those individuals who need and, but for the in-home program, would seek placement in an adult care home facility. The Department's policies and procedures shall include the use of a functional assessment. ~~The Department shall make this in-home option available to all counties on a voluntary basis. To the maximum extent possible, the Department shall consider geographic balance in the dispersion of payments to individuals across the State.~~

(b) All county departments of social services shall participate in the State-County Special Assistance in-home program by making Special Assistance in-home slots available to individuals who meet the eligibility requirements established by the Department pursuant to subsection (a) of this section. Beginning July 1, 2013, and each July 1 thereafter, the Department shall establish a formula to determine the need for additional State-County Special Assistance in-home slots for each county."

SECTION 10.23.(b) County departments of social services with established State-County Special Assistance in-home slots that have filled some but not all slots as of July 1, 2012, shall maintain at least the same number of slots during the 2012-2013 fiscal year as the average number of slots filled during the 2011-2012 fiscal year.

SECTION 10.23.(c) County departments of social services with established State-County Special Assistance in-home slots, that have not filled any of these slots as of July 1, 2012, shall begin participating in the Special Assistance in-home program effective July 1, 2012, by filling all their established slots.

SECTION 10.23.(d) County departments of social services with no established State-County Special Assistance in-home slots shall begin participating in the Special Assistance in-home program effective July 1, 2012. The Department shall determine the designated number of slots to be established and filled in these counties by assessing the need for these slots based upon a percentage of the caseload for all State-County Special Assistance within that county.

SECTION 10.23.(e) Effective July 1, 2012, notwithstanding G.S. 108A-47.1(a) and within existing appropriations for State-County Special Assistance, the Secretary of the Department of Health and Human Services may waive the fifteen percent (15%) cap on Special Assistance in-home payments, as the Secretary deems necessary.

SECTION 10.23.(f) State funds available to the Department of Health and Human Services shall pay fifty percent (50%), and the counties shall pay fifty percent (50%) of the authorized rates for care in adult care homes including area mental health agency-operated or contracted-group homes. For the 2012-2013 fiscal year, the Department shall maintain the State's allocation to the State-County Special Assistance program at one hundred percent (100%) of the State certified budget enacted by the General Assembly for the 2011-2012 fiscal year. The Department shall use these allocated funds for the State-County Special Assistance program, the State-County Special Assistance in-home program, and rental assistance.

For the 2012-2013 fiscal year, each county department of social services shall maintain its allocation to the State-County Special Assistance program at one hundred percent (100%) of the county funds budgeted for this program for the 2011-2012 State fiscal year. Each county shall use these allocated funds for the State-County Special Assistance program, the State-County Special Assistance in-home program, and rental assistance. The Department of Health and Human Services, Division of Aging and Adult Services, shall monitor the counties' implementation of this section.

SECTION 10.23.(g) Section 10.59 of S.L. 2011-145 reads as rewritten:

"**STATE-COUNTY SPECIAL ASSISTANCE**

"**SECTION 10.59.(a)** The maximum monthly rate for residents in adult care home facilities shall be one thousand one hundred eighty-two dollars ($1,182) per month per ~~resident unless adjusted by the Department in accordance with subsection (d) of this section.~~ resident. The eligibility of Special Assistance recipients residing in adult care homes on September 30, 2009, shall not be affected by an income reduction in the Special Assistance eligibility criteria resulting from the adoption of this maximum monthly rate, provided these recipients are otherwise eligible.

"**SECTION 10.59.(b)** 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.~~ resident.

"~~**SECTION 10.59.(c)** 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 10.59.(d)** 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.~~"

TRANSITIONS TO COMMUNITY LIVING INITIATIVE

SECTION 10.23A.(a) The General Assembly finds that the State's long-term care industry plays a vital role in ensuring that citizens are afforded opportunities for safe housing and adequate client-centered supports in order to live as independently as possible in their homes and communities across the State. This role is consistent with citizens of the State having the opportunity to live in the most appropriate, integrated settings of their choice. The General Assembly also is committed to the development of a plan that continues to advance the State's current system into a statewide system of person-centered, affordable services and supports that emphasize an individual's dignity, choice, and independence and provides new opportunities and increased capacity for community housing and community supports.

SECTION 10.23A.(b) Blue Ribbon Commission on Transitions to Community Living. – There is established the Blue Ribbon Commission on Transitions to Community Living (Commission). The Commission shall (i) examine the State's system of community housing and community supports for people with severe mental illness, severe and persistent

mental illness, and intellectual and developmental disabilities and (ii) develop a plan that continues to advance the State's current system into a statewide system of person-centered, affordable services and supports that emphasize an individual's dignity, choice, and independence. In the execution of its duties, the Commission shall consider the following:

(1) Policies that alter the State's current practices with respect to institutionally based services to community-based services delivered as close to an individual's home and family as possible.
(2) Best practices in both the public and private sectors in managing and administering long-term care to the disabled.
(3) An array of services and supports for people with severe mental illness and severe and persistent mental illness, such as respite, community-based supported housing and community-based mental health services, to include evidence-based, person-centered recovery supports and crisis services and supported employment.
(4) For adults with intellectual and other developmental disabilities, expansion of community-based services and supports, housing options, and supported work. Maximize the use of habilitation services that may be available via the Medicaid "I" option for individuals who do not meet the ICF-MR level of need.
(5) Methods to responsibly manage the growth in long-term care spending, including use of Medicaid waivers.
(6) Options for repurposing existing resources while considering the diverse economic challenges in communities across the State.
(7) Opportunities for systemic change and maximization of housing, and service and supports funding streams, including State-County Special Assistance and the State's Medicaid program.
(8) The appropriate role of adult care homes and other residential settings in the State.
(9) Other resources that might be leveraged to enhance reform efforts.

SECTION 10.23A.(c) The Commission shall be composed of 32 members as follows:

(1) Six members of the House of Representatives appointed by the Speaker of the House of Representatives.
(2) Six members of the Senate appointed by the President Pro Tempore of the Senate.
(3) Secretary of the Department of Health and Human Services (DHHS) or the Secretary's designee.
(4) Director of the Housing Finance Agency or the Director's designee.
(5) Director of the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services of DHHS or the Director's designee.
(6) Two mental health consumers or their family representatives.
(7) Two developmental disabilities consumers or their family representatives.
(8) Two persons in the field of banking or representing a financial institution with housing finance expertise.
(9) Two representatives of local management entities or managed care organizations.
(10) A county government representative.
(11) A North Carolina Association, Long-Term Care Facilities representative.
(12) A North Carolina Assisted Living Association representative.
(13) A family care home representative.
(14) A developmentally disabled adult group home representative.
(15) A mental health group home representative.
(16) Two representatives of service providers with proven experience in innovated housing and support services in the State.
(17) Director of the Division of Medical Assistance of DHHS or the Director's designee.

The Secretary of the Department of Health and Human Services shall ensure adequate staff representation and support from the following: Division of Mental Health, Developmental Disabilities and Substance Abuse Services, Division of Aging and Adult

Services, Division of Health Services Regulations, Division of Social Services, and other areas as needed.

The Commission shall appoint a Subcommittee on Housing composed of 15 members and a Subcommittee on Adult Care Homes.

The chairs shall jointly appoint members described in subdivisions (6) through (16) of this subsection and shall fill vacancies in those positions. The Commission shall meet at the call of the chairs. Members of the Commission shall receive per diem, subsistence, and travel expenses as provided in G.S. 120-3.1, 138-5, or 138-6, as appropriate. The Commission may contract for consultant services as provided in G.S. 120-32.02. Upon approval of the Legislative Services Commission, the Legislative Services Officer shall assign professional staff to assist the Commission in its work. Clerical staff shall be furnished to the Commission through the offices of the House of Representatives and Senate Directors of Legislative Assistants. The Commission may meet in the Legislative Building or the Legislative Office Building. The Commission may exercise all of the powers provided under G.S. 120-19 through G.S. 120-19.4 while in the discharge of its official duties. The funds needed to support the cost of the Commission's work shall be transferred from the Department of Health and Human Services upon request of the Legislative Services Director.

SECTION 10.23A.(d) Transitions to Community Living Fund. – There is established the Transitions to Community Living Fund (Fund) to facilitate implementation of the plans required in subsections (e) and (f) of this section. Accordingly, the State Controller shall reserve the sum of thirty-five million three hundred thousand dollars ($35,300,000) for transfer and appropriation into the Fund as directed by this section.

SECTION 10.23A.(e) Of the total reserved in subsection (d) of this section for the Fund, the sum of ten million three hundred thousand dollars ($10,300,000) is appropriated to support the Department of Health and Human Services in its plan for transitioning individuals with severe mental illness and severe and persistent mental illness into community living arrangements, including establishing a rental assistance program. If the State executes an agreement with the U.S. Department of Justice (USDOJ) in response to the USDOJ findings dated July 28, 2011, or implements a plan in response to the USDOJ findings, these funds shall be used to implement the requirements of the first year of the agreement or the plan. In the event such an agreement is reached, a recurring appropriation will be necessary to fully implement it. The Department may issue temporary rules to implement this subsection.

SECTION 10.23A.(f) Of the total reserved in subsection (d) of this section for the Fund, the sum of twenty-five million dollars ($25,000,000) is designated for implementation of the State's plan to provide temporary, short-term assistance to adult care homes as they transition into the State's Transitions to Community Living Initiative. The General Assembly recognizes that while transformation of the system is being undertaken, adult care homes provide stable and safe housing and care to many of North Carolina's frail and elderly population, and it is necessary during this time of transition and transformation of the statewide system that the industry remain able to provide such care.

Upon certification by the Department of Health and Human Services, in consultation with a local discharge team, that an individual cannot be safely and timely discharged into the community, the Department may pay a monthly stipend to the adult care home for the number of individuals it continues to serve who are no longer eligible to receive Medicaid reimbursable assistance but for whom a community placement has not yet been arranged.

The Department of Health and Human Services shall administer these funds but may, as needed, contract with a vendor for administration.

SECTION 10.23A.(g) The Department shall report its progress in complying with subsection (e) of this section to the House Appropriations Subcommittee on Health and Human Services, the Senate Committee on Health and Human Services, and the Fiscal Research Division no later than January 2, 2013, and submit a final report no later than April 1, 2013.

SECTION 10.23A.(h) The Commission shall issue an interim report by October 1, 2012, and a final plan to the 2013 General Assembly no later than February 1, 2013, at which time the Commission shall expire.

TELECOMMUNICATIONS RELAY SERVICE

SECTION 10.24.(a) G.S. 62-157(d1) reads as rewritten:

"(d1) The Department of Health and Human Services ~~shall~~ may utilize revenues from the wireless surcharge collected under subsection (i) of this section to ~~fund the Regional Resource Centers within~~support the Division of Services for the Deaf and the Hard of Hearing, in accordance with G.S. 143B-216.33, G.S. 143B-216.34, and Chapter 8B of the General Statutes."

SECTION 10.24.(b) G.S. 62-157(e) reads as rewritten:

"(e) Administration of Service. – The Department of Health and Human Services shall administer the statewide telecommunications relay service program, including its establishment, operation, and promotion. The Department may contract out the provision of this service for four-year periods to one or more service providers, using the provisions of G.S. 143-129. The Department shall administer all programs and services, including the Regional Resource Centers within the Division of Services for the Deaf and the Hard of Hearing in accordance with G.S. 143B-216.33, G.S. 143B-216.34, and Chapter 8B of the General Statutes."

DHHS BLOCK GRANTS

SECTION 10.25.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2013, according to the following schedule:

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS

Local Program Expenditures		
Division of Social Services		
01.	Work First Family Assistance	$ 61,671,297
02.	Work First County Block Grants	83,386,330
03.	Work First Electing Counties	2,378,213
04.	Adoption Services – Special Children's Adoption Fund	2,026,877
05.	Child Protective Services – Child Welfare Workers for Local DSS	13,066,507
06.	Child Welfare Collaborative	754,115
Division of Child Development		
07.	Subsidized Child Care Program	59,645,662
08.	Swap Child Care Subsidy	6,352,644
Division of Public Health		
09.	Teen Pregnancy Initiatives	2,500,000
DHHS Administration		
10.	Division of Social Services	2,482,260
11.	Office of the Secretary	34,042
Transfers to Other Block Grants		
Division of Child Development		

12.	Transfer to the Child Care and Development Fund	71,773,001
13.	Transfer to Social Services Block Grant for Child Protective Services – Child Welfare Training in Counties	1,300,000
14.	Transfer to Social Services Block Grant for Child Protective Services	5,040,000
15.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,148,001
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS		$ 316,558,949

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS

Local Program Expenditures

Division of Social Services

01.	Work First County Block Grants	$ 11,066,985
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS		$ 11,066,985

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 $4,148,001)	$ 35,077,206
02.	Child Protective Services (Transfer from TANF)	5,040,000
03.	State In-Home Services Fund	2,101,113
04.	Adult Protective Services	1,346,047
05.	State Adult Day Care Fund	2,155,301
06.	Child Protective Services/CPS Investigative Services-Child Medical Evaluation Program (Carousel Center for Abused Children $134,592)	744,047
07.	Special Children Adoption Incentive Fund	500,000
08.	Child Protective Services-Child Welfare Training for Counties (Transfer from TANF)	1,300,000
09.	Home and Community Care Block Grant (HCCBG)	1,834,077
10.	Maternity Homes	925,085
11.	Child Advocacy Centers	375,000

12.	Work First – Boys and Girls Clubs	2,452,500
13.	Food Banks	1,000,000
14.	Child Care Subsidy	2,452,500
15.	Developmental Disabilities Services Program	4,356,604
16.	UNC Cares Contract	247,920
	Division of Public Health	
17.	HIV/STD Prevention and Community Planning	145,819
18.	Prevent Blindness	150,000
	Division of Vocational Rehabilitation	
19.	Vocational Rehabilitation Services – Easter Seal Society/UCP Community Health Program	188,263
	DHHS Program Expenditures	
	Division of Services for the Blind	
20.	Independent Living Program	3,633,077
21.	Accessible Electronic Information for Blind and Disabled Persons	75,000
	Division of Health Service Regulation	
22.	Adult Care Licensure Program	411,897
23.	Mental Health Licensure and Certification Program	205,668
	DHHS Administration	
24.	Division of Aging and Adult Services	624,454
25.	Division of Social Services	604,311
26.	Office of the Secretary/Controller's Office	138,058
27.	Division of Child Development	15,000
28.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	29,665
29.	Division of Health Service Regulation	128,562
	TOTAL SOCIAL SERVICES BLOCK GRANT	$ 68,257,174
	LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT	
	Local Program Expenditures	
	Division of Social Services	
01.	Low-Income Energy Assistance Program (LIEAP)	$ 14,688,575

02. Crisis Intervention Program (CIP)	33,255,130
Local Administration	
Division of Social Services	
03. County DSS Administration	4,444,717
DHHS Administration	
04. Office of the Secretary/DIRM	219,490
05. Office of the Secretary/Controller's Office	9,779
Transfers to Other State Agencies	
Department of Commerce	
06. Weatherization Program	8,464,517
07. Heating Air Repair and Replacement Program (HARRP)	4,073,690
08. Local Residential Energy Efficiency Service Providers – Weatherization	19,825
09. Local Residential Energy Efficiency Service Providers – HARRP	180,041
10. Department of Commerce Administration – Weatherization	19,825
11. Department of Commerce Administration – HARRP	180,041
Department of Administration	
12. N.C. Commission on Indian Affairs	87,736
TOTAL LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT	$ 65,643,366
CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	
Local Program Expenditures	
Division of Child Development	
01. Child Care Services (Smart Start $10,000,000)	$ 158,179,897
02. Electronic Tracking System	3,000,000
03. Transfer from TANF Block Grant for Child Care Subsidies	71,773,001
04. Quality and Availability Initiatives	23,000,000

DHHS Administration		
Division of Child Development		
05.	DCDEE Administrative Expenses	6,000,000
06.	Non-Direct Subsidy Services Support	15,898,602
Division of Central Administration		
07.	DHHS Central Administration – DIRM Technical Services	775,000
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		$ 278,626,500

MENTAL HEALTH SERVICES BLOCK GRANT

Local Program Expenditures		
01.	Mental Health Services – Adult	$ 8,870,595
02.	Mental Health Services – Child	5,121,991
03.	Administration	100,000
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT		$ 14,092,586

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	$ 15,328,802
02.	Substance Abuse Treatment Alternative for Women	6,050,300
03.	Substance Abuse – HIV and IV Drug	3,919,723
04.	Substance Abuse Prevention – Child	7,186,857
05.	Substance Abuse Services – Child	4,940,500
06.	Administration	454,000
Division of Public Health		
07.	Risk Reduction Projects	575,654
08.	Aid-to-Counties	190,295
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		$ 38,646,131

MATERNAL AND CHILD HEALTH BLOCK GRANT

Local Program Expenditures

Division of Public Health		
01.	Children's Health Services	$ 8,487,547
02.	Women's Health	8,404,244
03.	Oral Health	42,268
DHHS Program Expenditures		
Division of Public Health		
04.	Children's Health Services	1,250,000
05.	Women's Health	136,628
06.	State Center for Health Statistics	164,318
07.	Quality Improvement in Public Health	2,774
08.	Health Promotion	89,374
DHHS Administration		
Division of Public Health		
09.	Division of Public Health Administration	600,000
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT		$ 19,259,071

PREVENTIVE HEALTH SERVICES BLOCK GRANT

Local Program Expenditures		
Division of Public Health		
01.	Services to Rape Victims	180,470
02.	HIV/STD Prevention and Community Planning (Transfer from Social Services Block Grant)	145,819
DHHS Program Expenditures		
Division of Public Health		
03.	State Center for Health Statistics	160,000
TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT		$ 486,289

COMMUNITY SERVICES BLOCK GRANT

Local Program Expenditures		
Office of Economic Opportunity		
01.	Community Action Agencies	$ 18,075,488
02.	Limited Purpose Agencies	1,004,194

DHHS Administration

03.	Office of Economic Opportunity	1,004,194
TOTAL COMMUNITY SERVICES BLOCK GRANT		$ 20,083,876

GENERAL PROVISIONS

SECTION 10.25.(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 10.25.(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 develop a plan to adjust the block grants based on reduced federal funding.

Notwithstanding the provisions of this subsection, for the 2012-2013 fiscal year, increases in the federal fund availability for the Temporary Assistance to Needy Families (TANF) Block Grant shall be used for the North Carolina Child Care Subsidy program to pay for child care in four- or five-star rated facilities for four-year-old children.

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 10.25.(d) Appropriations from federal Block Grant funds are made for the fiscal year ending June 30, 2013, according to the schedule enacted for State fiscal year 2012-2013 or until a new schedule is enacted by the General Assembly.

SECTION 10.25.(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.

SECTION 10.25.(f) If the Preventive Health Services Block Grant is funded at the federal level and the State receives a block grant for Preventive Health Services, the 2011-2012 allocation plan shall remain in effect for the 2012-2013 fiscal year.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS

SECTION 10.25.(g) The sum of eighty-three million three hundred eighty-six thousand three hundred thirty dollars ($83,386,330) appropriated in this section in TANF funds to the Department of Health and Human Services, Division of Social Services, for the 2012-2013 fiscal year shall be used for Work First County Block Grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State-level services based on current year actual expenditures.

SECTION 10.25.(h) The sum of two million four hundred eighty-two thousand two hundred sixty dollars ($2,482,260) appropriated in this section in TANF funds to the Department of Health and Human Services, Division of Social Services, for the 2012-2013 fiscal year shall be used to support administration of TANF-funded programs.

SECTION 10.25.(i) The sum of thirteen million sixty-six thousand five hundred seven dollars ($13,066,507) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in TANF funds for the 2012-2013 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.

Counties shall maintain their level of expenditures in local funds for Child Protective Services' workers. Of the block grant funds appropriated for Child Protective Services' workers, the total expenditures from State and local funds for the 2012-2013 fiscal year shall not be less than the total expended from State and local funds for the 2011-2012 fiscal year.

SECTION 10.25.(j) The sum of two million twenty-six thousand eight hundred seventy-seven dollars ($2,026,877) appropriated in this section in TANF funds to the Department of Health and Human Services, Special Children Adoption Fund, for the 2012-2013 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 10.25.(k) The sum of seven hundred fifty-four thousand one hundred fifteen dollars ($754,115) appropriated in this section to the Department of Health and Human Services in TANF funds for the 2012-2013 fiscal year shall be used to continue support for the Child Welfare Collaborative.

SOCIAL SERVICES BLOCK GRANT

SECTION 10.25.(l) The sum of thirty-five million two hundred eleven thousand seven hundred ninety-eight dollars ($35,211,798) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2012-2013 fiscal year shall be used for County Block Grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State-level services based on current year actual expenditures.

SECTION 10.25.(m) The sum of one million three hundred thousand dollars ($1,300,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2012-2013 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 10.25.(n) 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 10.25.(o) Social Services Block Grant funds appropriated for the Special Children's Adoption Incentive Fund will require a fifty percent (50%) local match.

SECTION 10.25.(p) The sum of five million forty thousand dollars ($5,040,000) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year shall be allocated to the Department of Health and Human Services, Division of Social Services. The Division shall allocate these funds to local departments of social services to replace the loss of Child Protective Services State funds that are currently used by county government to pay for Child Protective Services staff at the local level. These funds shall be used to maintain the number of Child Protective Services workers throughout the State. These Social Services Block Grant funds shall be used to pay for salaries and related expenses only and are exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five percent (25%).

SECTION 10.25.(q) The sum of two million four hundred fifty-two thousand five hundred dollars ($2,452,500) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in the Social Services Block Grant for Boys and Girls Clubs for the 2012-2013 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 Social Services 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 facilitate collaboration between the Boys and Girls Clubs and Support Our Students, Communities in Schools, and similar programs and encourage them to submit joint applications for the funds if appropriate. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.25.(r) The sum of nine hundred twenty-five thousand eighty-five dollars ($925,085) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year to the Department of Health and Human Services, Division of Social Services, shall be used for maternity homes. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.25.(s) The sum of one hundred fifty thousand dollars ($150,000) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year to the Department of Health and Human Services, Division of Public Health, shall be allocated to Prevent Blindness North Carolina to be used for direct service programs. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.25.(t) The sum of seventy-five thousand dollars ($75,000) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year to the Department of Health and Human Services, Division of Services for the Blind, shall be used to provide accessible electronic information for blind and disabled persons. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.25.(u) The sum of three hundred seventy-five thousand dollars ($375,000) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year to the Department of Health and Human Services, Division of Social Services, shall be used to continue support for the Child Advocacy Centers and are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.25.(v) Social Services Block Grant funds allocated for the 2012-2013 fiscal year for child medical evaluations and the Carousel Center for Abused Children are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.25.(w) The sum of one million dollars ($1,000,000) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year to the Department of Health and Human Services, Division of Social Services, shall be allocated to North

Carolina Food Bank agencies to be used to purchase and distribute food staples for emergency food assistance. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

SECTION 10.25.(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.

SECTION 10.25.(y) The sum of fourteen million six hundred eighty-eight thousand five hundred seventy-five dollars ($14,688,575) appropriated in this section in the Low-Income Home Energy Assistance Block Grant for the 2012-2013 fiscal year to the Department of Health and Human Services, Division of Social Services, shall be used for energy assistance payments for the households of (i) elderly persons age 60 and above with income up to one hundred thirty percent (130%) of the federal poverty level and (ii) disabled persons eligible for services funded through the Division of Aging and Adult Services. County departments of social services shall submit to the Division of Social Services an outreach plan for targeting households with 60-year-old household members no later than August 1 of each year.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 10.25.(z) 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 10.25.(aa) 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.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 10.25.(bb) 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 2012-2013 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 10.25.(cc) 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

B.R.I.D.G.E. YOUTHFUL OFFENDERS/PRIORITY AND REPORTING

SECTION 11.1.(a) The Division of Adult Correction of the Department of Public Safety shall give priority to the B.R.I.D.G.E. Youthful Offenders Program operated in cooperation with the North Carolina Forest Service when assigning youthful offenders from the Western Youth Institution to work programs.

SECTION 11.1.(b) The North Carolina Forest Service shall submit an annual report on the B.R.I.D.G.E. Youthful Offenders Program no later than October 1 of each year beginning October 1, 2012, to the Fiscal Research Division, the Chairs of the House Appropriations Subcommittee on Natural and Economic Resources and the Senate Appropriations Committee on Natural and Economic Resources, the Chairs of the House Appropriations Subcommittee on Justice and Public Safety and the Senate Appropriations

Committee on Justice and Public Safety, the Joint Legislative Commission on Governmental Operations, and the Joint Legislative Oversight Committee on Justice and Public Safety. The report shall include the following information for the prior fiscal year:

(1) The number of youthful offenders within the custody of the Division of Adult Correction eligible for B.R.I.D.G.E.
(2) The number of youthful offenders participating in B.R.I.D.G.E.
(3) The average daily participation in B.R.I.D.G.E.
(4) The average duration of participation in B.R.I.D.G.E.
(5) Summary of activities of B.R.I.D.G.E. participants.

FOREST FIRES/ANNUAL REPORT

SECTION 11.2. Article 75 of Chapter 106 of the General Statutes is amended by adding a new section to read:

"**§ 106-911. Annual report on wildfires.**

No later than October 1 of each year, beginning October 1, 2012, the Commissioner shall submit a written report on wildfires in the State to the chairs of the House Appropriations Subcommittee on Natural and Economic Resources and the Senate Appropriations Committee on Natural and Economic Resources, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division of the General Assembly. The report shall include the following information for all major or project wildfires during the prior fiscal year:

(1) The date, location, and impacts (property damage and any casualties) from the wildfire.
(2) The following data for firefighters and related support personnel involved in fighting the wildfire:
a. Total overtime hours worked.
b. Total compensation paid for overtime.
c. The portion of compensation paid that was reimbursed to the State.
(3) The fiscal impact of the wildfire, including total costs, reimbursable costs, and costs incurred by the State."

CLARIFY REQUIREMENTS TO RECEIVE NC AGRICULTURE COST SHARE PROGRAM FUNDS OR AGRICULTURE WATER RESOURCES ASSISTANCE

SECTION 11.2A.(a) G.S. 106-850(b) reads as rewritten:

"(b) The program shall be subject to the following requirements and limitations:

...

(10) To be eligible for cost share funds under this program, each applicant must establish that he or she is engaged in farming by providing any of the following to the Soil and Water Conservation Commission with his or her ~~application a copy of the applicant's federal tax Schedule F (Form 1040) for the most recent tax year showing the applicant's profit or loss from farming.~~application:
a. A copy of the farm owner's or operator's federal tax Schedule F (Form 1040) or an equivalent form for the most recent tax year showing the owner's or operator's profit or loss from farming.
b. A copy of the farm sales tax exemption certificate issued to the farm owner or operator by the Department of Revenue.
c. For forestland actively engaged in the commercial growing of trees under a sound management program as defined in G.S. 105-277.2(6), a copy of the sound forest management plan described in G.S. 105-277.3(g).
(11) In extraordinary circumstances, the Commission may permit an applicant to establish that he or she is engaged in farming with an alternate form of documentation if the farm has a conservation plan that meets the statutory purposes of the program."

SECTION 11.2A.(b) G.S. 139-60 reads as rewritten:

"**§ 139-60. Agricultural Water Resources Assistance Program.**

...

(c1) To be eligible for assistance under this program, each applicant must establish that he or she is engaged in farming by providing to the Soil and Water Conservation Commission

with his or her ~~application a copy of the applicant's federal tax Schedule F (Form 1040) for the most recent tax year showing the applicant's profit or loss from farming.~~application:

(1) A copy of the farm owner's or operator's federal tax Schedule F (Form 1040) or an equivalent form for the most recent tax year showing the owner's or operator's profit or loss from farming.

(2) A copy of the farm sales tax exemption certificate issued to the farm owner or operator by the Department of Revenue.

(3) For forestland actively engaged in the commercial growing of trees under a sound management program as defined in G.S. 105-277.2(6), a copy of the sound forest management plan described in G.S. 105-277.3(g).

(c2) In extraordinary circumstances, the Commission may permit an applicant to establish that he or she is engaged in farming with an alternate form of documentation if the farm has a conservation plan that meets the statutory purposes of the program.

...."

PART XII. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

WATER INFRASTRUCTURE FUND CLOSING FEE CONFORMING CHANGES

SECTION 12.01. G.S. 159G-24 reads as rewritten:

"**§ 159G-24. Fee imposed on a loan or grant from ~~Wastewater Reserve or Drinking Water Reserve.~~Water Infrastructure Fund.**

(a) Amount. – A loan awarded from the ~~Wastewater Reserve or the Drinking Water Reserve~~ Water Infrastructure Fund is subject to a fee of two ~~and one-half~~ percent ~~(2 ½%)~~(2%) of the loan. A grant awarded from the ~~Wastewater Reserve or the Drinking Water Reserve~~ Water Infrastructure Fund is subject to a fee of one and one-half percent (1 ½%) of the grant. The fee is payable when a loan or grant is awarded.

(b) Departmental Receipt. – The fee on a loan from the ~~Wastewater Reserve or the Drinking Water Reserve~~ Water Infrastructure Fund is a departmental receipt and must be applied to the Department's and the Local Government Commission's costs in administering loans from these Reserves. The Department and the Local Government Commission must determine how to allocate the fee receipts between their agencies. The fee on a grant from the ~~Wastewater Reserve or the Drinking Water Reserve~~ Water Infrastructure Fund is a departmental receipt of the Department and must be applied to the Department's costs in administering grants from these Reserves."

DENR POSITIONS TO STAFF FOSSIL FUEL OVERSIGHT BODY

SECTION 12.1. Should the recommended legislation contained in the report of the Legislative Research Commission's Committee on Energy Policy Issues and filed as Senate Bill 820/House Bill 1054 become law and require the Department of Environment and Natural Resources to provide staff to an oil and gas board (or substantially similar fossil fuel oversight body), then the Department may fund the staff positions using savings from reclassifying and consolidating salaries, benefits, and associated operating costs from vacant positions and shall fill these reclassified and consolidated positions in a timely manner in order to provide support for implementation of the recommendations.

DENR TO CENTRALIZE OVERSIGHT OF ITS REGIONAL OFFICES

SECTION 12.2.(a) The Department of Environment and Natural Resources shall centralize and expand its oversight of the Department's regional offices by taking the following actions:

(1) The Department shall create a mission statement for the regional offices.

(2) In order to gather comparative data across the regional offices measuring their performance in carrying out their mission, the Department shall expand its existing performance measures pertinent to customer service delivery and process consistency. The expanded performance measures shall include timelines and milestones.

(3) The Department shall implement a new customer survey during the 2012-2013 fiscal year and use the findings of the survey to craft future goals for addressing customer service concerns. In order to consistently track customer service data, the survey shall be repeated every other year.

(4) The Department shall conduct a review of its regional offices and divisions to identify best practices for ensuring consistency across the Department and create a plan for implementing those best practices across regional offices and divisions.

SECTION 12.2.(b) The Department shall report no later than February 1, 2013, to the House Appropriations Subcommittee on Natural and Economic Resources, the Senate Appropriations Committee on Natural and Economic Resources, and the Fiscal Research Division regarding (i) its progress, findings, and recommendations regarding the requirements of this section and (ii) its progress in establishing and implementing findings and recommendations regarding its operations from the public listening sessions conducted by the Department in 2011.

DRINKING WATER STATE REVOLVING FUND

SECTION 12.3. Notwithstanding G.S. 159G-22, the Department of Environment and Natural Resources may transfer State funds from the Drinking Water Reserve to the Drinking Water State Revolving Fund for the 2012-2013 fiscal year. The funds shall be used to match maximum available federal grant moneys authorized by section 1453 of the federal Safe Drinking Water Act of 1996, 42 U.S.C. § 300j-12, as amended.

TRANSFER GEODETIC SURVEY SECTION FROM DENR TO THE DIVISION OF EMERGENCY MANAGEMENT OF THE DEPARTMENT OF PUBLIC SAFETY

SECTION 12.4.(a) All functions, powers, duties, and obligations previously vested in the Geodetic Survey Section of the Division of Land Resources of the Department of Environment and Natural Resources are transferred to and vested in the Division of Emergency Management of the Department of Public Safety by a Type I transfer, as defined in G.S. 143A-6.

SECTION 12.4.(b) G.S. 102-1.1 reads as rewritten:

"**§ 102-1.1. Name and description in relation to 1983 North American Datum.**

From and after the date and time the North Carolina Geodetic Survey Section in the ~~Division of Land Resources of the Department of Environment and Natural Resources~~ Division of Emergency Management of the Department of Public Safety receives from the National Geodetic Survey, official notice of a complete, published definition of the North American Datum of 1983 including the State plane coordinate constants applicable to North Carolina, the official survey base for North Carolina shall be a system of plane coordinates to be known as the "North Carolina Coordinate System of 1983," said system being defined as a Lambert conformal projection of the "Geodetic Reference System (GRS 80 Ellipsoid)" having a central meridian of 79° – 00' west from Greenwich and standard parallels of latitude of 34° – 20' and 36° – 10' north of the equator, along which parallels the scale shall be exact. All coordinates of the system are expressed in metres, the x coordinate being measured easterly along the grid and the y coordinate being measured northerly along the grid. The U.S. Survey Foot, 1 meter = 39.37 inches or 3.2808333333 feet, shall be used as a conversion factor. The origin of the coordinates is hereby established on the meridian 79° – 00' west from Greenwich at the intersection of the parallels 33° – 45' north latitude, such origin being given the coordinates x = 609,601.22 metres, y = 0 metres. The precise position of said system shall be as marked on the ground by triangulation or traverse stations or monuments established in conformity with the standards adopted by the National Geodetic Survey for first- and second-order work, whose geodetic positions have been rigidly adjusted on the North American Datum of 1983, and whose plane coordinates have been computed on the system defined. Whenever plane coordinates are used in the description or identification of surface area or location within this State, the coordinates shall be identified as "NAD 83", indicating North American Datum of 1983, or as "NAD 27", indicating North American Datum of 1927."

SECTION 12.4.(c) G.S. 102-8 reads as rewritten:

"**§ 102-8. Administrative agency.**

The administrative agency of the North Carolina Coordinate System shall be the ~~Department of Environment and Natural Resources~~ Department of Public Safety through its appropriate division hereinafter called the "agency.""

SECTION 12.4.(d) G.S. 102-10 reads as rewritten:

"**§ 102-10. Prior work.**

The system of stations, monuments, traverses, computations, and other work which has been done or is under way in North Carolina by the so-called North Carolina Geodetic Survey, under the supervision of the United States Coast and Geodetic Survey, is, where consistent with the provisions of this Chapter, hereby made a part of the North Carolina Coordinate System. The surveys, notes, computations, monuments, stations, and all other work relating to the coordinate system, which has been done by said North Carolina Geodetic Survey, under the supervision of and in cooperation with the United States Coast and Geodetic Survey and federal relief agencies, hereby are placed under the direction of, and shall become the property of, the administrative agency. All persons or agencies having in their possession any surveys, notes, computations, or other data pertaining to the aforementioned coordinate system, shall turn over to the Department of ~~Environment and Natural Resources~~Public Safety such data upon request."

SECTION 12.4.(e) G.S. 102-12 reads as rewritten:

"**§ 102-12. Control system map.**

The agency shall prepare for publication and cause to be ~~published before July 1, 1962,~~published a map or maps setting forth the location of monuments for both horizontal and vertical control, together with such other pertinent data as the agency may direct for implementation of the North Carolina Coordinate System. The agency shall furnish such map or maps to any person or may make such charge as will defray the expense of printing and distribution. It shall be the responsibility of the agency to maintain this map, make revisions as often as necessary to provide up-to-date information and furnish up-to-date copies to the register of deeds of each county in the State."

SECTION 12.4.(f) G.S. 47-30(f) reads as rewritten:

"**§ 47-30. Plats and subdivisions; mapping requirements.**

...

(f) Plat to Contain Specific Information. – Every plat shall contain the following specific information:

...

(9) Where the plat is the result of a survey, one or more corners shall, by a system of azimuths or courses and distances, be accurately tied to and coordinated with a horizontal control monument of some United States or State Agency survey system, such as the North Carolina Geodetic Survey where the monument is within 2,000 feet of the subject property. Where the North Carolina Grid System coordinates of the monument are on file in the North Carolina Geodetic Survey Section in the ~~Division of Land Resources of the Department of Environment and Natural Resources,~~ Division of Emergency Management of the Department of Public Safety, the coordinates of both the referenced corner and the monuments used shall be shown in X (easting) and Y (northing) coordinates on the plat. The coordinates shall be identified as based on "NAD 83," indicating North American Datum of 1983, or as "NAD 27," indicating North American Datum of 1927. The tie lines to the monuments shall also be sufficient to establish true north or grid north bearings for the plat if the monuments exist in pairs. Within a previously recorded subdivision that has been tied to grid control, control monuments within the subdivision may be used in lieu of additional ties to grid control. Within a previously recorded subdivision that has not been tied to grid control, if horizontal control monuments are available within 2,000 feet, the above requirements shall be met; but in the interest of bearing consistency with previously recorded plats, existing bearing control should be used where practical. In the absence of grid control, other appropriate natural monuments or landmarks shall be used. In all cases, the tie lines shall be sufficient to accurately reproduce the subject lands from the control or reference points used.

...."

SECTION 12.4.(g) Notwithstanding G.S. 147-33.83, the North Carolina Geodetic Survey Section shall continue to provide free of charge to the Department of Environment and Natural Resources the services provided by the Section to the Department on or prior to the effective date of this act, including the following:

(1) Surveying assistance and expertise, including all of the following:

a. Review of survey plats related to development proposals, remediation activities, and redevelopment of contaminated sites.
b. Establishment of oyster lease boundaries.
c. Surveys of submerged lands.
d. Survey activities required to establish the location of mean high water.

(2) Providing surveying assistance and expertise to the Department of Justice related to DENR cases, including expert testimony in administrative contested cases or judicial proceedings.
(3) Providing technical training and assistance to DENR agencies in surveying and in the use of GPS and GPS software.
(4) Reviewing proposed purchases of GPS equipment by DENR agencies.
(5) Surveying lands managed by or lands proposed for acquisition by DENR agencies.

SECTION 12.4.(h) The Revisor of Statutes shall make the conforming statutory changes necessary to reflect the transfer under this section. The Revisor of Statutes may, where necessitated by this section, correct any reference in the General Statutes and make any other conforming changes.

SECTION 12.4.(i) Any references in this act to the North Carolina Geodetic Survey Section of the Division of Land Resources of the Department of Environment and Natural Resources shall be construed to refer to the North Carolina Geodetic Survey Section of the Division of Emergency Management of the Department of Public Safety.

PROHIBIT THE CONSTRUCTION OF NEW PIERS/SATELLITE AREAS

SECTION 12.5.(a) G.S. 143B-289.44(b) reads as rewritten:

"(b) Fund. – The North Carolina Aquariums Fund is hereby created as a special and nonreverting fund. The North Carolina Aquariums Fund shall be used for repair, renovation, expansion, maintenance, educational exhibit construction, and operational expenses at existing aquariums, to pay the debt service and lease payments related to the financing of expansions of ~~aquariums, including other relevant satellite areas,~~aquariums, and to match private funds that are raised for these purposes."

SECTION 12.5.(b) Notwithstanding G.S. 143B-289.44(b), as rewritten by subsection (a) of this section, the North Carolina Aquariums Fund may continue to be used for the North Carolina Aquarium Pier at Nags Head.

SECTION 12.5.(c) Part 5C of Article 7 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-289.45. Satellite areas prohibited absent General Assembly authorization.**

Notwithstanding any other provision of law, State funds shall not be used for any of the following purposes unless specifically authorized by the General Assembly:

(1) Construction of any satellite area.
(2) Commencement of any capital project in connection with the construction or acquisition of any satellite area.
(3) Operation of any satellite area.

For purposes of this section, the term "satellite area" means any property or facility that is to be operated by the Division of North Carolina Aquariums that is located somewhere other than on the site of the aquariums at Pine Knoll Shores, Roanoke Island, and Fort Fisher."

SECTION 12.5.(d) Notwithstanding G.S. 143B-289.45, as enacted by subsection (c) of this section, the Division of North Carolina Aquariums may continue to operate the North Carolina Aquarium Pier at Nags Head.

SECTION 12.5.(e) This section is effective when it becomes law.

WILDLIFE RESOURCES COMMISSION BUDGET

SECTION 12.6. The Office of State Budget and Management, the State Controller, the Fiscal Research Division, and the Wildlife Resources Commission shall jointly implement, beginning with the 2013-2014 fiscal year, the use of Budget Code 14350 for budgeting the expenditures and receipts of any Wildlife Resources Commission programs that utilize General Fund appropriations. Receipts from any source utilized to support programs that receive General Fund appropriations shall be expended from Budget Code 14350. It is the intent of the General Assembly that the budgeting change required by this section not adversely impact

current federal funding or future funding eligibility. The Governor's Continuation Budget for the 2013-2014 fiscal year shall present the Wildlife Resources Commission operating budget in Budget Code 14350.

CLEAN WATER MANAGEMENT TRUST FUND

SECTION 12.7.(a) Notwithstanding the provisions of G.S. 113A-253(d), up to three million dollars ($3,000,000) may be used for the 2012-2013 fiscal year for the costs of administering the Clean Water Management Trust Fund, including costs to support the Board of Trustees of the Clean Water Management Trust Fund and its staff, the operating costs of the Board of Trustees of the Clean Water Management Trust Fund and its staff, and the costs of making debt payments to retire debt as provided under G.S. 113A-253(c).

SECTION 12.7.(b) The Board of Trustees of the Fund shall give priority consideration to any Clean Water Management Trust Fund application requesting State matching funds for infrastructure programs and for the Readiness and Environmental Protection Initiative or any other United States Department of Defense program that provides for military buffers and protects the overall military training mission.

AQUARIUM BUDGETING CLARIFICATION

SECTION 12.8. The Department of Environment and Natural Resources shall budget all line items related to daily operations of the State aquariums in Budget Code 14300. The Department may continue to use Budget Code 24300 for special events, activities, debt service, and other items not related to daily operations of the State aquariums.

PART XIII. DEPARTMENT OF COMMERCE

NER BLOCK GRANTS

SECTION 13.1. Section 14.1 of S.L. 2011-145 reads as rewritten:

"**SECTION 14.1.(a)** Appropriations from federal block grant funds are made for the fiscal year ending ~~June 30, 2012,~~June 30, 2013, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01.	State Administration	$ 1,000,000
~~02.~~	~~State Technical Assistance~~	~~450,000~~
03.	Scattered Site Housing	~~8,000,000~~7,200,000
04.	Economic Development	~~7,210,000~~7,000,000
05.	Small Business/Entrepreneurship	~~3,000,000~~2,500,000
06.	NC Catalyst	~~5,000,000~~4,500,000
07.	Infrastructure	~~19,740,000~~20,300,000
~~08.~~	~~Capacity Building~~	~~600,000~~
TOTAL COMMUNITY DEVELOPMENT BLOCK GRANT – ~~2012~~2013 Program Year		$ ~~45,000,000~~ $42,500,000

"**SECTION 14.1.(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 14.1.(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 14.1.(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 four hundred fifty thousand dollars ($450,000) may be used for State Technical Assistance;~~ up to ~~eight million dollars ($8,000,000)~~seven million two hundred thousand dollars ($7,200,000) may be used for Scattered Site Housing; up to ~~seven million two hundred ten thousand dollars ($7,210,000)~~seven million dollars ($7,000,000) may be used for Economic Development; up to ~~three million dollars ($3,000,000)~~two million five hundred thousand dollars ($2,500,000) may be used for Small Business/Entrepreneurship; up to ~~five million dollars ($5,000,000)~~four million five hundred thousand dollars ($4,500,000) shall be used for NC Catalyst; up to ~~nineteen million seven hundred forty thousand dollars ($19,740,000)~~twenty million three hundred thousand dollars ($20,300,000) may be used for ~~Infrastructure; up to six hundred thousand dollars ($600,000) may be used for Capacity Building.~~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 14.1.(e)** 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 14.1.(f)** By ~~September 1, 2011,~~September 1, 2012, 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. The report shall include the following:

(1) A discussion of each of the categories of funding and how the categories were selected, including information on how a determination was made that there was a statewide need in each of the categories.

(2) Information on the number of applications that were received in each category and the total dollar amount requested in each category.

(3) A list of grantees, including the grantee's name, county, category under which the grant was funded, the amount awarded, and a narrative description of the project.

"**SECTION 14.1.(g)** For purposes of this section, eligible activities under the category of Infrastructure in subsection (a) of this section are limited to the installation of public water or sewer lines and improvements to water or sewer treatment plants that have specific problems such as being under moratoriums or special orders of consent. Notwithstanding the provisions of subsection (e) of this section, funds allocated to the Infrastructure category in subsection (a) of this section shall not be reallocated to any other category."

NC SMALL BUSINESS CONTRACTOR AUTHORITY/REPORTING REQUIREMENT

SECTION 13.3. G.S. 143B-472.102 reads as rewritten:

"**§ 143B-472.102. Authority creation; powers.**

...

(j) Powers and Duties. – The Authority has the following powers and duties:

...

(9) To report quarterly to the Joint Legislative Commission on Governmental Operations on the activities of the Authority, including the amount of rates, sureties, and bonds. The Authority shall comply with the provisions of this subdivision only in the fiscal years in which funds are appropriated by the State to the Authority to perform the powers and duties authorized in this Part.

...."

DEPARTMENT OF COMMERCE/CHANGES TO STATUTORY REPORTING REQUIREMENTS

SECTION 13.4.(a) G.S. 143B-434.01 reads as rewritten:

"§ 143B-434.01. Comprehensive Strategic Economic Development Plan.

...

(e) Environmental Scan. – The first step in developing the Plan shall be to develop an environmental scan based on the input from economic development parties and the public and on information about the economic environment in North Carolina. To prepare the scan, the Board shall gather the following ~~information. Thereafter, the information shall be updated periodically.~~ information and ensure that the information is updated periodically. The updated information may be provided in whatever format and through whatever means is most efficient.

...

~~(f) Needs Assessment. The Board, using data from the public input sessions and the environmental scan, shall prepare an assessment of economic development strengths, weaknesses, threats, and opportunities within the State by Region and by county. An assessment shall also be conducted of each county to determine distressed areas existing within the county. The assessment will include the identification of key development issues within each geographic area and options available to address each issue.~~

...

(k) Annual ~~Report.~~ Evaluation. – ~~The Plan shall contain a section devoted to measuring results, to be called "An Annual Report on Economic Development for the State of North Carolina". The Annual Report shall contain a comparison of actual results with~~ The Board shall annually evaluate the State's economic performance based upon the statistics listed in this subsection and upon the Board's stated goals and objectives in its Plan. ~~and significant and meaningful statistics to allow policymakers to adjust strategy and tactics as necessary to achieve the formulated goals.~~ The statistics upon which the evaluation is made should be available to policymakers. The information may be provided in whatever format and through whatever means is most efficient.

~~The Annual Report shall break down data by Regions and counties including:~~

...

~~(9) An evaluation of the State's economic performance as indicated by the above statistics with the goals and objectives outlined in the Plan.~~

(l) Accountability. – The Board shall make all data, plans, and reports available to the General ~~Assembly and~~Assembly, the Joint Legislative Commission on Governmental ~~Operations~~ Operations, the Joint Legislative Economic Development and Global Engagement Oversight Committee, the Senate Appropriations Committee on Natural and Economic Resources, and the House of Representatives Appropriations Subcommittee on Natural and Economic Resources at appropriate times and upon request. The Board shall prepare and make available on an annual basis public reports on each of the major sections of the Plan and the Annual Report indicating the degree of success in attaining each development objective."

SECTION 13.4.(b) G.S. 143B-435.1 reads as rewritten:

"§ 143B-435.1. Clawbacks.

...

(d) Report. – ~~The~~ By April 1 and October 1 of each year, the Department of Commerce shall report to the Revenue Laws Study ~~Committee by April 1 and October 1 of each year~~ Committee, the Joint Legislative Commission on Governmental Operations, the Senate Appropriations Committee on Natural and Economic Resources, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research

Division of the General Assembly on (i) all clawbacks that have been triggered under ~~programs it administers~~ the One North Carolina Fund established pursuant to G.S. 143B-437.71, the Job Development Investment Grant Program established pursuant to G.S. 143B-437.52, Job Maintenance and Capital Development Fund established pursuant to G.S. 143B-437.012, the Industrial Development Fund and Utility Account established pursuant to G.S. 143B-437.01, and the Site Infrastructure Fund established pursuant to G.S. 143B-437.02 and (ii) its progress on obtaining repayments. The report must include the name of each business, the event that triggered the clawback, and the amount forfeited or to be repaid."

SECTION 13.4.(c) G.S. 143B-437.01(c) and (c1) are repealed.

SECTION 13.4.(d) G.S. 143B-437.07 reads as rewritten:

"**§ 143B-437.07. Economic development grant reporting.**

(a) Report. – The Department of Commerce must publish on or before ~~March~~ October 1 of each year the information required by this subsection, itemized by business entity, for each business or joint private venture to which the State has, in whole or in part, granted one or more economic development incentives during the previous ~~five calendar years. The Department must provide the General Assembly with updated supplemental information consistent with this subsection on a quarterly basis in the form and manner requested by the General Assembly.~~fiscal year. The information in the report must include all of the following:

...

(2) The date of the award and the date of the award agreement.

...

(b) Online ~~Posting.~~Posting/Written Submission. – The Department of Commerce must post on its Internet Web site a summary of the report compiled in subsection (a) of this section. The summary report must include the information required by subdivisions (2), (9), (11), and (12) of subsection (a) of this section. By October 1 of each year, the Department of Commerce must submit the written report required by subsection (a) of this section to the Joint Legislative Commission on Governmental Operations, the Revenue Laws Study Committee, the Senate Appropriations Committee on Natural and Economic Resources, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research Division of the General Assembly.

(c) Economic Development Incentive. – An economic development incentive includes any grant ~~program administered by the Department of Commerce that disburses or awards monies to businesses. Examples of these grant programs include the~~from the following programs: Job Development Investment Grant ~~Program,~~Program; the Job Maintenance and Capital Development ~~Fund,~~Fund; One North Carolina ~~Fund,~~Fund; and the Industrial Development Fund, including the Utility Account. The State also incents economic development through the use of tax expenditures in the form of tax credits and refunds. The Department of Revenue must report annually on these statutory economic development incentives, as required under G.S. 105-256."

SECTION 13.4.(e) G.S. 143B-437.08 is amended by adding a new subsection to read:

"**§ 143B-437.08. Development tier designation.**

...

(k) Report. – By November 30 of each year, the Secretary of Commerce shall submit a written report to the Joint Legislative Commission on Governmental Operations, the Senate Appropriations Committee on Natural and Economic Resources, the House of Representatives Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research Division of the General Assembly on the tier rankings required by subsection (c) of this section, including a map of the State whereupon the tier ranking of each county is designated."

SECTION 13.4.(f) G.S. 143B-437.55(d) is repealed.

ALIGN ONE NORTH CAROLINA FUND WITH JDIG PROGRAM

SECTION 13.6.(a) The General Assembly acknowledges the importance of ongoing economic growth and development in this State. To that end, it is the intent of the General Assembly to fund the commitments of the One North Carolina Fund, as evidenced by the General Assembly's past and recurring appropriations to the Fund and as set forth in this section, and to establish a funding structure that aligns with the funding structure that is and has been used with the Job Development Investment Grant Program. The General Assembly has

continued this level of commitment while remaining fiscally responsible in addressing the other critical, high-priority needs of the State.

SECTION 13.6.(b) G.S. 143B-437.71 is amended by adding a new subsection to read:

"(b1) Awards. – The maximum amount of total annual liability for grants awarded in any single calendar year under this Part is fourteen million dollars ($14,000,000). No agreement may be entered into that, when considered together with other existing agreements governing grants awarded during a single calendar year, could cause the State's potential total annual liability for grants awarded in a single calendar year to exceed this amount."

SECTION 13.6.(c) G.S. 143B-437.72(b) is amended by adding a new subdivision to read:

"(b) Company Performance Agreements. – An agreement between a local government and a grantee business must contain the following provisions:

(1) A commitment to create or retain a specified number of jobs within a specified salary range at a specific location and commitments regarding the time period in which the jobs will be created or retained and the minimum time period for which the jobs must be maintained.

(2) A commitment to provide proof satisfactory to the local government and the State of new jobs created or existing jobs retained and the salary level of those jobs.

(3) A provision that funds received under the agreement may be used only for a purpose specified in G.S. 143B-437.71(b).

(4) A provision allowing the State or the local government to inspect all records of the business that may be used to confirm compliance with the agreement or with the requirements of this Part.

(5) A provision establishing the method for determining compliance with the agreement.

(6) A provision establishing a schedule for disbursement of funds under the agreement that allows disbursement of funds only in proportion to the amount of performance completed under the agreement.

(6a) A provision establishing that a business that has completed performance and become entitled to a disbursement of funds under the agreement must timely request, in writing to the local government, a disbursement of funds within one year from the date of completed performance or forfeit the disbursement.

(7) A provision requiring recapture of grant funds if a business subsequently fails to comply with the terms of the agreement.

(8) Any other provision the State or the local government finds necessary to ensure the proper use of State or local funds."

SECTION 13.6.(d) G.S. 143B-437.72(d) reads as rewritten:

"(d) Disbursement of Funds. – Funds may be disbursed from the One North Carolina Fund to the local government only after (i) a business has completed performance and is entitled to a disbursement of funds under the agreement and has requested, in writing to the local government no later than February 1 following the year of completed performance, a disbursement of funds and (ii) the local government has reported to the Secretary of Commerce no later than March 1 following the year of completed performance the total amount of disbursements that have been claimed by businesses in writing during the previous year and has demonstrated that the business has complied with the terms of the company performance agreement. The State shall disburse funds allocated under the One North Carolina Fund to a local government ~~in accordance with the disbursement schedule established in the local government grant agreement.~~no later than August 1 following the year of completed performance in an amount equal to that which the local government reported as having been claimed by businesses in writing during the previous year and demonstrated were due to be disbursed as a result of compliance by the businesses with the terms of the company performance agreements. Disbursements by the State to a local government from the One North Carolina Fund shall be made in one annual payment."

SECTION 13.6.(e) G.S. 143B-437.74 reads as rewritten:

"**§ 143B-437.74. ~~Reports.~~Reports; study.**

(a) Reports. – The Department of Commerce shall publish a report on the use of funds in the One North Carolina Fund at the end of each fiscal quarter. The report shall contain information on the commitment, disbursement, and use of funds allocated under the One North Carolina Fund. The report is due no later than one month after the end of the fiscal quarter and must be submitted to the following:

(1) The Joint Legislative Commission on Governmental Operations.
(2) The chairs of the House of Representatives and Senate Finance Committees.
(3) The chairs of the House of Representatives and Senate Appropriations Committees.
(4) The Fiscal Research Division of the General Assembly.

(b) Study. – The Department of Commerce shall conduct a study to determine the minimum funding level required to implement the One North Carolina Fund successfully. The Department 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 April 1 of each year."

SECTION 13.6.(f) Part 2H of Article 10 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-437.75. Cash flow requirements.**

Notwithstanding any other provision of law, moneys allocated from the One North Carolina Fund shall be budgeted and funded on a cash flow basis. The Office of State Budget and Management shall periodically transfer funds from the One North Carolina Fund established pursuant to G.S. 143B-437.71 to the Department of Commerce in an amount sufficient to satisfy Fund allocations to be transferred pursuant to G.S. 143B-437.72 to be paid during the fiscal year."

SECTION 13.6.(g) Article 9 of Chapter 143C of the General Statutes is amended by adding a new section to read:

"**§ 143C-9-8. One North Carolina Fund Reserve.**

(a) The State Controller shall establish a reserve in the General Fund to be known as the One North Carolina Fund Reserve. Funds from the One North Carolina Fund Reserve shall not be expended or transferred except in accordance with G.S. 143B-437.75.

(b) It is the intent of the General Assembly to appropriate funds annually to the One North Carolina Fund Reserve established in this section in amounts sufficient to meet the anticipated cash requirements for each fiscal year of the One North Carolina Fund Program established pursuant to G.S. 143B-437.71."

SECTION 13.6.(h) G.S. 143B-437.52 reads as rewritten:

"**§ 143B-437.52. Job Development Investment Grant Program.**

...

(b) ~~Cap and~~ Priority. – ~~The maximum number of grants the Committee may award in each calendar year is 25.~~ In selecting between applicants, a project that is located in an Eco-Industrial Park certified under G.S. 143B-437.08 has priority over a comparable project that is not located in a certified Eco-Industrial Park.

(c) ~~Ceiling.~~ Awards. – The maximum amount of total annual liability for grants awarded in any single calendar ~~year,~~year under this Part, including amounts transferred to the Utility Account pursuant to G.S. 143B-437.61, ~~may not exceed~~is fifteen million dollars ($15,000,000). No agreement may be entered into that, when considered together with other existing agreements governing grants awarded during a single calendar year, could cause the State's potential total annual liability for grants awarded in a single calendar year to exceed this amount.

...."

SECTION 13.6.(i) This section becomes effective July 1, 2012.

INDUSTRIAL COMMISSION FEES/COMPUTER SYSTEM REPLACEMENT

SECTION 13.7. Section 14.8 of S.L. 2011-145 reads as rewritten:

"**SECTION 14.8.** ~~The~~ For the 2012-2013 fiscal year, the North Carolina Industrial Commission ~~may~~ shall 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."

EMPLOYMENT SECURITY RESERVE FUND

SECTION 13.8.(a) Section 14.4 of S.L. 2011-145 reads as rewritten:

"**SECTION 14.4.(a)** Funds from the Employment Security ~~Commission~~ Reserve Fund shall be available to the ~~Employment Security Commission of North Carolina~~Department of Commerce, Division of Employment Security, 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 ~~2011-2012~~2012-2013 fiscal year shall not exceed two million five hundred thousand dollars ($2,500,000).

"**SECTION 14.4.(b)** There is appropriated from the Employment Security ~~Commission~~ Reserve Fund to the ~~Employment Security Commission of North Carolina~~ Department of Commerce, Division of Employment Security, the sum of twenty million dollars ($20,000,000) for the ~~2011-2012~~2012-2013 fiscal year to be used for the following purposes:

(1) $19,500,000 for the operation and support of local Employment Security ~~Commission offices.~~offices operated by the Division of Employment Security.

(2) $200,000 to operate the system that tracks former participants in State education and training programs.

(3) $300,000 to maintain compliance with Chapter 96 of the General Statutes, which directs the ~~Commission~~ Department of Commerce, Division of Employment Security, to employ the Common Follow-Up Management Information System to evaluate the effectiveness of the State's job training, education, and placement programs.

"**SECTION 14.4.(c)** There is appropriated from the Employment Security ~~Commission~~ Reserve Fund to the ~~Employment Security Commission of North Carolina~~Department of Commerce, Division of Employment Security, an amount not to exceed one million dollars ($1,000,000) for the ~~2011-2012~~2012-2013 fiscal year to fund State initiatives not currently funded through federal grants.

"**SECTION 14.4.(d)** There is appropriated from the Worker Training Trust Fund to the ~~Employment Security Commission of North Carolina~~Department of Commerce, Division of Employment Security, the sum of one million dollars ($1,000,000) for the ~~2011-2012~~2012-2013 fiscal year to fund "Opportunity NC," which provides work-based training opportunities to recipients of unemployment insurance benefits. Opportunity NC must meet all of the following factors:

(1) The training, even though it includes actual operation of the facilities of the employer, is similar to what would be given in a vocational school or academic educational instruction.

(2) The training is for the benefit of the trainee.

(3) The trainees do not displace regular employees, but work under their close observation.

(4) The employer who provides the training derives no immediate advantage from the activities of the trainees, and, on occasion, the employer's operations may actually be impeded.

(5) The trainees are not necessarily entitled to a job at the conclusion of the training period.

(6) The employer and the trainees understand that the trainees are not entitled to wages for the time spent in training.

"**SECTION 14.4.(e)** 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 Division B of P.L. 111-5, the Assistance for Unemployed Workers and Struggling Families Act, the ~~Employment Security Commission of North Carolina~~ Department of

Commerce, Division of Employment Security, 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 million dollars ($100,000,000) 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.

"SECTION 14.4.(f) There is appropriated from the Employment Security Reserve Fund to the Department of Commerce, Division of Employment Security, the amount needed for the 2012-2013 fiscal year to fund the interest payment due to the federal government for the debt owed to the U.S. Treasury for unemployment benefits."

SET REGULATORY FEE FOR UTILITIES COMMISSION

SECTION 13.8A. Section 31.4 of S.L. 2011-145 reads as rewritten:

"**SECTION 31.4.(a)** The percentage rate to be used in calculating the public utility regulatory fee under G.S. 62-302(b)(2) is twelve-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, 2011.~~July 1, 2012.

"**SECTION 31.4.(b)** The electric membership corporation regulatory fee imposed under G.S. 62-302(b1) for the ~~2011-2012~~2012-2013 fiscal year is two hundred thousand dollars ($200,000).

"**SECTION 31.4.(c)** This section becomes effective ~~July 1, 2011.~~July 1, 2012."

COUNCIL OF GOVERNMENT FUNDS

SECTION 13.10. Section 14.12A(a) of S.L. 2011-145 is repealed.

GRASSROOTS SCIENCE PROGRAM

SECTION 13.11. Section 14.11 of S.L. 2011-145 is amended by adding a new subsection to read as follows:

"SECTION 14.11.(b1) Any reductions in funds in the 2012-2013 fiscal year shall be taken on a pro rata basis from the museums listed in subsection (b) of this section."

REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS ALLOCATIONS

SECTION 13.12. Section 14.13 of S.L. 2011-145, as amended by Section 37 of S.L. 2011-391, reads as rewritten:

"**REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS 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 ~~one hundred seventy-four thousand eight hundred ninety dollars ($174,890)~~ one hundred sixty-one thousand eight hundred sixty-one dollars ($161,861) in the ~~2011-2012~~ 2012-2013 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 ~~one hundred seventy-four thousand eight hundred ninety dollars ($174,890)~~ one hundred sixty-one thousand eight hundred sixty-one dollars ($161,861) in the ~~2011-2012~~ 2012-2013 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."

BIOFUELS CENTER OF NORTH CAROLINA

SECTION 13.12A. Section 14.14 of S.L. 2011-145 is amended by adding a new subsection to read as follows:

"**SECTION 14.14.(a1)** Any reductions in funds in the 2012-2013 fiscal year shall be taken on a pro rata basis from the programs listed in subsection (a) of this section."

NORTH CAROLINA BIOTECHNOLOGY CENTER

SECTION 13.12B. Section 14.15 of S.L. 2011-145 is amended by adding a new subsection to read as follows:

"**SECTION 14.15.(a1)** Any reductions in funds in the 2012-2013 fiscal year shall be taken on a pro rata basis from the programs listed in subsection (a) of this section."

RURAL CENTER/RURAL JOBS FUND

SECTION 13.13. Section 14.20(d) of S.L. 2011-145 reads as rewritten:

"**SECTION 14.20.(d)** Rural Jobs Infrastructure Grants. – A Rural Jobs Infrastructure Grant is available to supplement other funds to be applied to the construction or installation costs of an eligible project. Other funds contributed to the project may include federal funds, State funds, and local funds, including contributions from private sector enterprises that may benefit from the proposed improvements. A Rural Jobs Infrastructure Grant is subject to the following provisions:

(1) Eligibility. – A local government unit is eligible for a Rural Jobs Infrastructure Grant if it is a rural county or is located in a rural county.

(2) Maximum grant amount. – Grant funds shall be available based upon the number of private sector jobs to be created as a result of the investment from the Rural Jobs Infrastructure Grant Fund. An applicant for a grant may request up to five thousand dollars ($5,000) per job to be created. An applicant for a Rural Jobs Infrastructure Grant shall not receive more than five hundred thousand dollars ($500,000) for a proposed infrastructure project. Notwithstanding the provisions of this subdivision, the Rural Center may, if it deems it reasonable and appropriate based upon the number of private sector jobs created and/or the anticipated benefits to the community, award grant funds to a local government that exceed five thousand dollars ($5,000) per job to be created, provided that the average amount of the total grant funds from the funds appropriated in subsection (a) of this section does not exceed five thousand dollars ($5,000) per job to be created.

(3) Matching funds. – A local government unit shall match a Rural Jobs Infrastructure Grant on a dollar-for-dollar basis. As part of the matching

funds, recipients of grant funds under the provisions of this section shall contribute a cash match for the grant that is equivalent to at least five percent (5%) of the grant amount. The required applicant cash-matching contribution shall come from local resources and may not be derived from other State or federal grant funds or from funds provided by the Rural Center."

RURAL ECONOMIC DEVELOPMENT CENTER

SECTION 13.13A. Section 14.16(a) of S.L. 2011-145 reads as rewritten:

"**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 ~~three million five hundred eighty-three thousand six hundred ninety-one dollars ($3,583,691)~~two million three hundred fifty-one thousand two hundred sixty-three dollars ($2,351,263) for ~~each year in the 2011-2013 biennium~~the 2012-2013 fiscal year shall be allocated as follows:

	2011-2012	2012-2013
Center Administration, Technical Assistance, & Oversight	$1,302,173	~~$1,302,173~~$854,357
Research and Demonstration Grants	$294,120	~~$294,120~~$192,972
Institute for Rural Entrepreneurship	$114,570	~~$114,570~~$75,170
Community Development Grants	$844,250	~~$844,250~~$553,913
Microenterprise Loan Program	$155,610	~~$155,610~~$102,096
Water/Sewer/Business Development Matching Grants	$701,955	~~$701,955~~$460,553
Statewide Water/Sewer Database	$79,523	~~$79,523~~$ 52,175
Agricultural Advancement Consortium	$91,490	~~$91,490.~~$ 60,027."

RURAL ECONOMIC DEVELOPMENT CENTER/INFRASTRUCTURE PROGRAM

SECTION 13.14. Section 14.17 of S.L. 2011-145 reads as rewritten:

"**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 ~~sixteen million five hundred five thousand seven hundred fifty-eight dollars ($16,505,758)~~ ten million eight hundred twenty-nine thousand four hundred forty-six dollars ($10,829,446) for ~~each year in the 2011-2013 biennium~~ the 2012-2013 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. The grants under this Program shall not be subject to the provisions of G.S. 143-355.4.

(2) To provide matching grants or loans to local governments in distressed areas 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 grants and technical assistance to reinvigorate the economies of towns with populations of less than 7,500, and to invest in economic innovation that stimulates business and job growth in distressed areas.

(4) Recipients of grant funds appropriated under this section shall contribute a cash match for the grant that is equivalent to at least five percent (5%) of the grant amount. The cash match shall come from local resources and may not be derived from other State or federal grant funds or from funds provided by the Rural Center.

...

"**SECTION 14.17.(c)** ~~During each year of the 2011-2013 biennium,~~For the 2012-2013 fiscal year, the Rural Center may use up ~~to three hundred twenty-nine thousand one hundred seventy-eight dollars ($329,178)~~two hundred fifteen thousand nine hundred seventy-four dollars ($215,974) of the funds appropriated in this act to cover its expenses in administering the North Carolina Economic Infrastructure Program.

...."

OPPORTUNITIES INDUSTRIALIZATION CENTERS FUNDS

SECTION 13.14A. Section 14.18(a) of S.L. 2011-145 reads as rewritten:

"**SECTION 14.18.(a)** Of the funds appropriated in this act to the North Carolina Rural Economic Development Center, Inc. (Rural Center), the sum of ~~two hundred eighty-seven thousand two hundred eighty dollars ($287,280)~~ one hundred eighty-eight thousand four hundred eighty-five dollars ($188,485) for ~~each year in the 2011-2013 biennium~~ the 2012-2013 fiscal year shall be equally distributed among the certified Opportunities Industrialization Centers (OI Centers)."

REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS/STUDY

SECTION 13.15. The Legislative Research Commission is authorized to study the funding and alignment of the membership of each of the regional economic development commissions listed in Section 14.13 of S.L. 2011-145, as amended by Section 37 of S.L. 2011-391, in order to determine (i) whether the needs of each member organization are being adequately served by the commission of which it is a member and (ii) whether there are areas in which improvement in service can be made in the most cost-effective manner.

PART XIV. DEPARTMENT OF PUBLIC SAFETY

DIVISION OF ADULT CORRECTION/RELEASE DATES

SECTION 14.1. Notwithstanding any other provision of law, the Division of Adult Correction may establish more than two release dates per month for inmates leaving prison.

INMATE MEDICAL COSTS

SECTION 14.2.(a) Section 19.20 of S.L. 2009-451 is repealed.

SECTION 14.2.(b) Section 18.10(d) of S.L. 2011-145 reads as rewritten:

"**SECTION 18.10.(d)** The ~~Department of~~Division of Adult Correction shall report to the Joint Legislative ~~Commission on Governmental Operations~~Oversight Committee on Justice and Public Safety and the Chairs of the House and Senate Appropriations Subcommittees on Justice and Public Safety no later than ~~November 1, 2011~~November 1, 2012, 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~~providers.

(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.

(3) The volume of services provided by community medical providers that are emergent cases requiring hospital admissions and emergent cases not requiring hospital admissions.

(4) The volume of inpatient medical services provided to Medicaid-eligible inmates, the cost of treatment, and the estimated savings of paying the nonfederal portion of Medicaid for the services.

(5) The status of the Division's efforts to contract with hospitals to provide secure wards in each of the State's five prison regions."

JUSTICE REINVESTMENT ACT/LIMITED AUTHORITY TO RECLASSIFY VACANT POSITIONS

SECTION 14.2A.(a) Notwithstanding any other provision of law, subject to the approval of the Director of the Budget, the Secretary of Public Safety may reclassify existing vacant positions within the Department to create new probation parole officer and judicial service coordinator positions, in order to meet the increasing caseloads resulting from the implementation of the Justice Reinvestment Act of 2011, S.L. 2011-192, as amended.

SECTION 14.2A.(b) The Department of Public Safety shall report to the Chairs of the Senate and House Appropriations Subcommittees on Justice and Public Safety by March 1, 2013, on the following:

(1) The position number, position type, salary, and position location of each new position created under the authority of this section.

(2) The position number, position type, fund code, and position location of each vacant position used to create new positions under the authority of this section.

STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS

SECTION 14.4. Funds appropriated in this act to the Department of Public Safety for the Division of Juvenile Justice for the 2012-2013 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 Division of Juvenile Justice regarding the criteria for awarding federal funds. The Office of State Budget and Management, the Governor's Crime Commission, and the Division of Juvenile Justice 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 prior to allocation of the federal funds. The report shall identify the amount of funds to be received for the 2012-2013 fiscal year and the allocation of funds by program and purpose. Any Juvenile Accountability Incentive Block Grant awarded to North Carolina is subject to the provisions of G.S. 143C-7-1 and shall not obligate the State financially in future fiscal years.

JUVENILE CRIME PREVENTION COUNCIL FUNDS

SECTION 14.7. Section 17.4(b) of S.L. 2011-145 reads as rewritten:

"**SECTION 17.4.(b)** Of the funds appropriated by this act for the ~~2011-2012~~2012-2013 fiscal year to the ~~Department of Juvenile Justice and Delinquency Prevention~~ Department of Public Safety for Juvenile Crime Prevention Council grants, the sum of one hundred twenty-one thousand six hundred dollars ($121,600) shall be transferred to Project Challenge North Carolina, Inc., to be used for the continued support of Project Challenge programs throughout the State."

PART XV. DEPARTMENT OF JUSTICE

ITEMIZED BILLING FOR LEGAL SERVICES PROVIDED TO STATE AGENCIES

SECTION 15.1. Article 1 of Chapter 114 of the General Statutes is amended by adding a new section to read:

"**§ 114-8.5. Itemized billing for legal services provided to State agencies.**

Whenever the Department of Justice charges a State agency, board, or commission for legal services rendered by the Department, the Department shall do so by providing the agency, board, or commission with an invoice that includes at least all of the following information for all charges:

(1) The case or matter for which the agency, board, or commission is being charged.

(2) The name of each attorney who worked on each case or matter and the number of hours worked by each attorney.

(3) The hourly rate being charged by each attorney."

BIANNUAL REPORTING ON ATTORNEY ACTIVITY

SECTION 15.2. Beginning on February 1, 2013, and every six months thereafter, the Attorney General shall report on the work of Department of Justice attorneys during the previous two quarters. The reports required by this section shall be filed with the Chairs of the House and Senate Appropriations Subcommittees on Justice and Public Safety and with the Fiscal Research Division of the General Assembly as follows:

(1) Agency-specific work. – A report on the work of Department of Justice attorneys for State agencies. This report shall include at least all of the following information:
   a. The amount of time spent working for each State department and agency.
   b. The amount of time spent on each case for each State department and agency.
   c. The amount billed to each State agency for the legal services provided.

(2) Other work. – A report on the work of Department of Justice attorneys that is not on behalf of a particular State agency. The report required by this

subdivision shall include all of the information required by subdivision (1) of this section. The report shall include at least all of the following information:

a. The amount of time spent by each unit of the Department of Justice.
b. The amount of time spent on each particular matter for each unit of the Department of Justice.

ESTABLISH HUMAN TRAFFICKING COMMISSION

SECTION 15.3.(a) Establishment. – There is established in the Department of Justice the North Carolina Human Trafficking Commission.

SECTION 15.3.(b) Members. – The Commission shall consist of 12 members as follows:

(1) The President Pro Tempore of the Senate shall appoint one representative from each of the following:
   a. The public at large.
   b. A county sheriff's department.
   c. A city or town police department.
(2) The Speaker of the House of Representatives shall appoint one representative from each of the following:
   a. The public at large.
   b. A county sheriff's department.
   c. A city or town police department.
(3) The Governor shall appoint one representative from the public at large.
(4) The following persons, or their designees, shall serve as ex officio members of the Commission:
   a. The Secretary of Public Safety.
   b. The Secretary of Administration.
   c. The Secretary of Labor.
   d. The Secretary of Health and Human Services.
   e. The Attorney General.

SECTION 15.3.(c) Powers. – The Commission shall have the following powers:

(1) To apply for and receive, on behalf of the State, funding from federal, public or private initiatives, grant programs, or donors that will assist in examining and countering the problem of human trafficking in North Carolina.
(2) To commission, fund, and facilitate quantitative and qualitative research to explore the specific ways human trafficking is occurring in North Carolina and the links to international and domestic human trafficking, and to assist in creating measurement, assessment, and accountability mechanisms.
(3) To contribute to efforts to inform and educate law enforcement personnel, social services providers, and the general public about human trafficking so that human traffickers can be prosecuted and victim-survivors can receive appropriate services.
(4) To suggest new policies, procedures, or legislation to further the work of eradicating human trafficking and to provide assistance and review with new policies, procedures, and legislation.
(5) To assist in developing regional response teams or other coordinated efforts to counter human trafficking at the level of law enforcement, legal services, social services, and nonprofits.
(6) To identify gaps in law enforcement or service provision and recommend solutions to those gaps.
(7) To consider whether human trafficking should be added to the list of criminal convictions that require registration under the sex offender and public protection registration program.

SECTION 15.3.(d) Terms. – Members shall serve until the Commission terminates.

SECTION 15.3.(e) Meetings. – The chair shall convene the Commission. Meetings shall be held as often as necessary, but not less than four times a year.

SECTION 15.3.(f) Quorum. – A majority of the members of the Commission shall constitute a quorum for the transaction of business. The affirmative vote of a majority of the

members present at meetings of the Commission shall be necessary for action to be taken by the Commission.

SECTION 15.3.(g) Vacancies. – A vacancy on the Commission or as chair of the Commission resulting from the resignation of a member or otherwise shall be filled in the same manner in which the original appointment was made, and the term shall be for the balance of the unexpired term.

SECTION 15.3.(h) Removal. – The Commission may remove a member for misfeasance, malfeasance, nonfeasance, or neglect of duty.

SECTION 15.3.(i) Compensation. – Commission members shall receive no per diem for their services but shall be entitled to receive travel allowances in accordance with the provisions of G.S. 138-5 or G.S. 138-6, as appropriate.

SECTION 15.3.(j) Staffing. – The Department of Justice shall be responsible for staffing the Commission.

SECTION 15.3.(k) Termination. – The Commission established under this section shall terminate on December 31, 2014.

PART XVI. JUDICIAL DEPARTMENT

STUDY MANAGEMENT OF MAGISTRATE SCHEDULES

SECTION 16.1. The Administrative Office of the Courts shall study the management of magistrate schedules throughout the General Court of Justice and make recommendations to (i) provide for more efficient use of the magistrates established for each county; and (ii) ensure that each county has sufficient coverage to adequately respond to law enforcement and the public. The Administrative Office of the Courts shall report its finding and recommendations to the Chairs of the House and Senate Appropriations Subcommittees on Justice and Public Safety by March 1, 2013.

FOREIGN LANGUAGE INTERPRETERS FOR THE COURTS

SECTION 16.3.(a) G.S. 7A-314(f) is repealed.

SECTION 16.3.(b) G.S. 7A-343 reads as rewritten:

"**§ 7A-343. Duties of Director.**

The Director is the Administrative Officer of the Courts, and the Director's duties include all of the following:

...

(9c) Prescribe policies and procedures for the appointment and payment of foreign language ~~interpreters in those cases specified in G.S. 7A-314(f).~~ interpreters. These policies and procedures shall be applied uniformly throughout the General Court of Justice. After consultation with the Joint Legislative Commission on Governmental Operations, the Director may also convert contractual foreign language interpreter positions to permanent State positions when the Director determines that it is more cost-effective to do so.

...."

SECTION 16.3.(c) The Judicial Department may use funds appropriated and funds available to the Department to provide assistance to persons with limited proficiency in English to assist the court in the fair, efficient, and accurate transaction of business and provide more meaningful access to the courts.

EXTEND SUNSET ON PILOT PROJECT FOR ELECTRONIC FILING IN DOMESTIC VIOLENCE AND CIVIL NO-CONTACT CASES IN ALAMANCE COUNTY

SECTION 16.4.(a) Section 15.13(b) of S.L. 2010-31 reads as rewritten:

"**SECTION 15.13.(b)** This section expires ~~June 30, 2012.~~ June 30, 2014."

SECTION 16.4.(b) This section becomes effective June 30, 2012.

EXPAND USES FOR COURT INFORMATION TECHNOLOGY FUND

SECTION 16.5.(a) G.S. 7A-343.2 reads as rewritten:

"**§ 7A-343.2. Court Information Technology and Facilities Fund.**

(a) Fund. – The Court Information Technology and Facilities Fund is established within the Judicial Department as a special revenue fund. Interest and other investment income earned by the Fund accrues to it. The Fund consists of the following revenues:

(1) All monies collected by the Director pursuant to G.S. 7A-109(d) and G.S. 7A-49.5.

(2) State judicial facilities fees credited to the Fund under G.S. 7A-304 through G.S. 7A-307.

(b) Use. – Money in the Fund derived from State judicial facilities fees must be used to upgrade, maintain, and operate State judicial facilities and the judicial and county courthouse phone systems. All other monies in the Fund must be used to supplement funds otherwise available to the Judicial Department for court information technology and office automation needs.

(c) Report. – The Director must report by August 1 and February 1 of each year to the Joint Legislative Commission on Governmental Operations, the Chairs of the Senate and House Appropriations Committees, and the Chairs of the Senate and House Appropriations Subcommittees on Justice and Public Safety. The report must include the following:

(1) Amounts credited in the preceding six months to the Fund.

(2) Amounts expended in the preceding six months from the Fund and the purposes of the expenditures.

(3) Proposed expenditures of the monies in the Fund."

SECTION 16.5.(b) G.S. 7A-304 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. No costs may be assessed when a case is dismissed. Costs under this section may not be waived unless the judge makes a written finding of just cause to grant such a waiver.

...

(2a) For the upgrade, maintenance, and operation of State judicial facilities and the judicial and county courthouse phone systems, the sum of four dollars ($4.00), to be credited to the Court Information Technology and Facilities Fund.

...."

SECTION 16.5.(c) 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:

...

(1a) For the upgrade, maintenance, and operation of State judicial facilities and the judicial and county courthouse phone systems, the sum of four dollars ($4.00), to be credited to the Court Information Technology and Facilities Fund.

...

(a5) In every civil action in the superior or district court wherein a party files a pleading containing one or more counterclaims or cross-claims, except for counterclaim and cross-claim actions brought under Chapter 50B of the General Statutes for which costs are assessed pursuant to subsection (a1) of this section, the following shall be assessed:

...

(2) For the upgrade, maintenance, and operation of State judicial facilities and the judicial and county courthouse phone systems, the sum of four dollars ($4.00), to be credited to the Court Information Technology and Facilities Fund.

...."

SECTION 16.5.(d) G.S. 7A-306 reads as rewritten:

"**§ 7A-306. Costs in special proceedings.**

(a) In every special proceeding in the superior court, the following costs shall be assessed:

...

(1a) For the upgrade, maintenance, and operation of State judicial facilities and the judicial and county courthouse phone systems, the sum of four dollars ($4.00), to be credited to the Court Information Technology and Facilities Fund.

...."

SECTION 16.5.(e) G.S. 7A-307 reads as rewritten:

"**§ 7A-307. Costs in administration of estates.**

(a) In the administration of the estates of decedents, minors, incompetents, of missing persons, and of trusts under wills and under powers of attorney, in trust proceedings under G.S. 36C-2-203, in estate proceedings under G.S. 28A-2-4, and in collections of personal property by affidavit, the following costs shall be assessed:

...

(1a) For the upgrade, maintenance, and operation of State judicial facilities and the judicial and county courthouse phone systems, the sum of four dollars ($4.00), to be credited to the Court Information Technology and Facilities Fund.

...."

SECTION 16.5.(f) G.S. 7A-49.5(d) reads as rewritten:

"(d) Any funds received by the Administrative Office of the Courts from the vendor selected pursuant to subsection (c) of this section, other than applicable statutory court costs, as a result of electronic filing, shall be deposited in the Court Information Technology and Facilities Fund in accordance with G.S. 7A-343.2."

SECTION 16.5.(g) G.S. 7A-109(d) reads as rewritten:

"(d) In order to facilitate public access to court records, except where public access is prohibited by law, the Director may enter into one or more nonexclusive contracts under reasonable cost recovery terms with third parties to provide remote electronic access to the records by the public. Costs recovered pursuant to this subsection shall be remitted to the State Treasurer to be held in the Court Information Technology and Facilities Fund established in G.S. 7A-343.2."

SECTION 16.5.(h) G.S. 7A-455.1(f) reads as rewritten:

"(f) Of each appointment fee collected under this section, the sum of 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 and Facilities Fund under G.S. 7A-343.2. These fees shall not revert."

SECTION 16.5.(i) This section is effective when it becomes law, and expires June 30, 2013.

WAIVER OF MEDIATION FEES TO REQUIRE FINDING OF JUST CAUSE

SECTION 16.6.(a) G.S. 7A-38.7 reads as rewritten:

"**§ 7A-38.7. Dispute resolution fee for cases resolved in mediation.**

(a) In each criminal case filed in the General Court of Justice that is resolved through referral to a community mediation center, a dispute resolution fee shall be assessed in the sum of sixty dollars ($60.00) per mediation to support the services provided by the community mediation centers and the Mediation Network of North Carolina. Fees assessed under this section shall be paid to the clerk of superior court in the county where the case was filed and remitted by the clerk to the Mediation Network of North Carolina. The Mediation Network may retain up to three dollars ($3.00) of this amount as an allowance for its administrative expenses. The Mediation Network must remit the remainder of this amount to the community mediation center that mediated the case. The court may waive or reduce a fee assessed under this section only upon entry of a written order, supported by findings of fact and conclusions of law, determining there is just cause to grant the waiver or reduction.

(b) Before providing the district attorney with a dismissal form, the community mediation center shall require proof that the defendant has paid the dispute resolution fee as required by subsection (a) of this section and shall attach the receipt to the dismissal form."

SECTION 16.6.(b) 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. No costs may be assessed when a case is dismissed. ~~Costs under this section may not be waived unless the judge~~

~~makes a written finding of just cause to grant such a waiver.~~Only upon entry of a written order, supported by findings of fact and conclusions of law, determining that there is just cause, the court may (i) waive costs assessed under this section or (ii) waive or reduce costs assessed under subdivisions (7) or (8) of this section.

...

(7) For the services of the North Carolina State Crime Laboratory facilities, the district or superior court judge shall, upon conviction, order payment of the sum of 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.~~

(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 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.~~

(9) For the support and services of the State Bureau of Investigation DNA Database and DNA Databank, the sum of two dollars ($2.00). This amount is annually appropriated to the Department of Justice for this purpose. Notwithstanding the provisions of subsection (e) of this section, this cost does not apply to infractions.

...."

SECTION 16.6.(c) This section becomes effective July 1, 2012, and applies to fees waived on or after that date.

COLLECTION OF WORTHLESS CHECK FUNDS

SECTION 16.7. Section 15.4 of S.L. 2011-145 reads as rewritten:

"**SECTION 15.4.** 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, 2011,~~ June 30, 2012, for the purchase or repair of office or information technology equipment during the ~~2011-2012 fiscal year.~~ 2012-2013 fiscal year. Prior to using any funds under this section, the Judicial Department shall report to the Joint Legislative Commission on Governmental ~~Operations and~~ Operations, the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public ~~Safety~~ Safety, and the Office of State Budget and Management on the equipment to be purchased or repaired and the reasons for the purchases."

OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION FUNDS

SECTION 16.8. Section 15.16(a) of S.L. 2011-145 reads as rewritten:

"**SECTION 15.16.(a)** The Judicial Department, Office of Indigent Defense Services, may use up to the sum of two million one hundred fifty thousand dollars ($2,150,000) in appropriated funds during the 2011-2012 fiscal year for the expansion of existing offices currently providing legal services to the indigent population under the oversight of the Office of

Indigent Defense Services, for the creation of new public defender offices within existing public defender programs, or for the establishment of regional public defender programs. Notwithstanding the defender districts established by G.S. 7A-498.7, the Office of Indigent Defense Services may use a portion of these funds to create positions within existing public defender programs to handle cases in adjacent counties or districts. These funds may be used to create up to 50 new attorney positions and 25 new support staff positions during the ~~2011-2012 fiscal year~~ 2011-2013 biennium and for the salaries, benefits, equipment, and related expenses for these positions in both years of the biennium. Positions creation will be staggered across the two years of the biennium. 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/STATE MATCH FOR GRANTS

SECTION 16.9. 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.

PART XVII. OFFICE OF THE STATE AUDITOR

EXEMPT OCCUPATIONAL LICENSING BOARDS FROM PAYING FOR AUDITS UNDER CERTAIN CIRCUMSTANCES

SECTION 17.1. G.S. 93B-4 reads as rewritten:

"**§ 93B-4. Audit of Occupational Licensing Boards; payment of costs.**

(a) The State Auditor shall audit occupational licensing boards from time to time to ensure their proper operation. The books, records, and operations of each occupational licensing board shall be subject to the oversight of the State Auditor pursuant to Article 5A of Chapter 147 of the General Statutes. In accordance with G.S. 147-64.7(b), the State Auditor may contract with independent professionals to meet the requirements of this section.

~~The cost of all audits shall be paid from funds of the occupational licensing board audited.~~

(b) Each occupational licensing board with a budget of at least fifty thousand dollars ($50,000) shall conduct an annual financial audit of its operations and provide a copy to the State Auditor."

SPECIAL RESPONSIBILITY CONSTITUENT INSTITUTIONS – AUDIT

SECTION 17.2. G.S. 116-30.8 reads as rewritten:

"**§ 116-30.8. Special responsibility constituent institutions: annual audit by State Auditor or certified public accountant.**

Each special responsibility constituent institution shall be audited annually. The Chancellor of the special responsibility constituent institution may use State funds to contract with the State Auditor or with a certified public accountant to perform the audit. The contract for audit services may be for up to three years in duration. The audit shall be provided to the Chancellor and Board of Trustees of the special responsibility institution, the Board of Governors of The University of North Carolina, and the State Auditor. The audit shall also be included in the State's Comprehensive Annual Financial Report (CAFR).

The Board of Governors of The University of North Carolina shall ensure that all special responsibility constituent institutions are audited in accordance with this section."

AUDITOR PUBLISH COST OF AUDITS

SECTION 17.3. Article 5A of Chapter 147 of the General Statutes is amended by adding a new section to read:

"**§ 147-64.6C. Cost of audit report published.**

Each audit report shall itemize the number of staff hours used in conducting the audit and in preparation of the audit report and the total cost of conducting the audit and preparing the audit report."

PART XVIII. DEPARTMENT OF CULTURAL RESOURCES

ROANOKE ISLAND COMMISSION REPORTING REQUIREMENT

SECTION 18.1. G.S. 143B-131.4 reads as rewritten:

"**§ 143B-131.4. Commission reports.**

Before July 1, 1995, the Commission shall submit to the General Assembly a comprehensive report incorporating specific recommendations of the Commission for development and promotion of the Elizabeth II State Historic Site and Visitor Center. After the initial report, the Commission shall submit a quarterly report to the ~~General Assembly within 30 days of the convening of each Regular Session of the General Assembly.~~ Chairs of the House Appropriations Subcommittee on General Government and the Chairs of the Senate Appropriations Committee on General Government and Information Technology and to the Fiscal Research Division of the General Assembly. The report shall include:

(1) A summary of actions taken by the Commission consistent with the powers and duties of the Commission set forth in G.S. 143B-131.2.

(2) Recommendations for legislation and administrative action to promote and develop the Elizabeth II State Historic Site and Visitor Center.

(3) An accounting of funds received and expended."

MODIFY STATE HISTORIC SITES SPECIAL FUND TO INCLUDE STATE HISTORY MUSEUMS

SECTION 18.2. G.S. 121-7.7 reads as rewritten:

"**§ 121-7.7. State Historic Sites and Museums special fund.**

(a) Fund. – The State Historic Sites and Museums Fund is created as a special, interest-bearing revenue fund in the Division of State Historic ~~Sites.~~Sites and the Division of State History Museums. The Fund consists of all receipts derived from the lease or rental of property or facilities, disposition of structures or products of the land, private donations, and admissions and fees collected at the State Historic ~~Sites.~~Sites, State History Museums, and Maritime Museums. The revenues in the Fund may be used only for the operation, interpretation, maintenance, preservation, development, and expansion of the individual State Historic ~~Site~~ Site, State History Museum, and Maritime Museum where the receipts are generated. The respective Division and the staff from each State Historic ~~Site~~Site, State History Museum, and Maritime Museum will determine how the funds will be used at that Historic ~~Site.~~Site, State History Museum, and Maritime Museum.

(b) Application. – This section applies to the individual State Historic Sites and State History and Maritime Museums owned by or under the control of the Division of State Historic ~~Sites,~~Sites and the Division of State History Museums, with the exception of the Bentonville Battlefield State Historic ~~Site.~~Site and the North Carolina Transportation Museum. The Bentonville Battlefield State Historic Site is subject to G.S. 121-7.5. The North Carolina Transportation Museum is subject to G.S. 121-7.6.

(c) Reports. – The Department of Cultural Resources must submit to the Joint Legislative Commission on Governmental Operations, the House of Representatives and Senate Appropriations Subcommittees on General Government, and the Fiscal Research Division by September 30 of each year a report on the Fund that includes the source and amounts of all funds credited to the Fund and the purpose and amount of all expenditures from the Fund during the prior fiscal year."

REQUIRE DEPARTMENT OF CULTURAL RESOURCES TO DEVELOP A FIVE-YEAR PLAN FOR CERTAIN HISTORIC SITES

SECTION 18.3. The Department of Cultural Resources shall develop comprehensive five-year plans for the Tryon Palace Historic Sites and Gardens, the Roanoke Island Commission, and the North Carolina Transportation Museum. The plans shall describe in detail revenue and expenditure projections, proposed reductions in scope or expenditures, and each site's plans to further develop non-State sources of funding in accordance with the reductions in appropriations implemented in S.L. 2011-145, including the feasibility of privatization. The Department shall submit its report to the Chairs of the House Appropriations Subcommittee on General Government and the Chairs of the Senate Appropriations Committee on General Government and Information Technology by October 1, 2012.

PART XIX. GENERAL ASSEMBLY

PROGRAM EVALUATION DIVISION TO STUDY THE DUTIES AND SERVICES OF THE NORTH CAROLINA HUMAN RELATIONS COMMISSION AND THE CIVIL RIGHTS DIVISION OF THE OFFICE OF ADMINISTRATIVE HEARINGS

SECTION 19.1. Section 20.2 of S.L. 2011-145, as amended by Section 45(b) of S.L. 2011-391, reads as rewritten:

"**SECTION 20.2.(a)** The ~~Legislative Research Commission is authorized to~~Program Evaluation Division shall study the duties and services of the North Carolina Human Relations Commission and the Civil Rights Division of the Office of Administrative Hearings to determine whether there is unnecessary overlap and duplication of services and recommend the placement of the Commission and Division in the appropriate agency or agencies.

"**SECTION 20.2.(b)** The ~~Legislative Research Commission may make an interim report by May 1, 2012, to the Chairs of the House Appropriations Subcommittee on General Government and the Chairs of the Senate Appropriations Committee on General Government and Information Technology.~~Program Evaluation Division shall report its findings upon the convening of the 2013 General Assembly.

"**SECTION 20.2.(c)** This section is effective when it becomes law."

PART XX. DEPARTMENT OF INSURANCE

DOI TO STUDY FIRE PROTECTION GRANT FUND

SECTION 20.1.(a) The Department of Insurance shall study how the fund distribution method for the State Fire Protection Grant Fund could more fully meet the requirement of G.S. 58-85A-1(b) that the distribution method be equitable and uniform. The study shall consider the following factors, as well as any other factors the Department finds relevant:

(1) Whether the basis for determining the amount of compensation due a local fire district or political subdivision for providing local fire protection to State-owned buildings and their contents actually reflects the cost to the local fire district or political subdivision of providing the fire protection services.

(2) How the division in funds among properties supported by the General Fund, properties supported by the Highway Fund, and properties supported by The University of North Carolina receipts required by G.S. 58-85A-1(c) should be revised to support fire protection services provided to State-owned properties not receiving support from those Funds or receipts.

SECTION 20.1.(b) The Department shall report its findings and any recommendations for revision of the fund distribution method to the House and Senate Appropriations Subcommittees on General Government and to the Fiscal Research Division on or before October 1, 2012.

FUNDING OF BUILDING CODE REVIEWS FOR STATE BUILDINGS

SECTION 20.3. Section 7 of Session Law 2009-474 reads as rewritten:

"**SECTION 7.** The Department of Insurance shall transfer to the Department of Administration four building code review positions selected by the Department of Administration for the purpose of assisting the Department of Administration in administering G.S. 143-341(3) and G.S. 143-139(e). These positions shall be supported by the Insurance Regulatory Fund at one hundred percent (100%) of the full budgeted amount for each ~~position from fiscal year 2009-2010 through fiscal year 2011-2012. Beginning fiscal year 2012-2013, the State Treasurer, as custodian of the State Property Fire Insurance Fund, shall support those positions out of the State Property Fire Insurance Fund.~~position."

DOI TO ASSESS VOLUNTEER SAFETY WORKERS COMPENSATION FUND

SECTION 20.4. The Department of Insurance, from funds available to it, shall contract with an independent actuary to assess the Volunteer Safety Workers Compensation Fund. The assessment shall include the following components:

(1) Recommendations as to the level of funding required to ensure that the Fund can meet its financial obligations.

(2) The level and duration of funding required for the Fund to become self-sufficient in the future.
(3) The nature of the claims paid by the Fund and any claims-related trends that impact the health of the Fund.
(4) Recommendations as to the appropriate level of premiums to be paid by members or their departments.
(5) A projection of revenues to the Fund from sources other than State funding.
(6) A comparison of the projected timing and risk of the cash flow from investments with the cash flow needed to pay claims.

No later than October 1, 2012, the Department shall report the independent actuary's assessment and findings and also provide a comparison of the premiums paid into the Fund and premiums paid by municipal fire departments for their employees' workers compensation insurance to the Chairs of the House of Representatives and Senate Appropriations Committees, the Chairs of the House of Representatives and Senate Appropriations Subcommittees on General Government, and the Fiscal Research Division.

SET REGULATORY CHARGE

SECTION 20.5.(a) The percentage rate to be used in calculating the insurance regulatory charge under G.S. 58-6-25 is six percent (6%) for the 2012 calendar year.

SECTION 20.5.(b) This section is effective when it becomes law.

PART XXII. OFFICE OF STATE BUDGET AND MANAGEMENT

AUTHORIZATION TO SPEND FUNDS FOR CERTAIN PURPOSES

SECTION 22.2. Notwithstanding G.S. 143C-6-5, the Office of State Budget and Management may use funds within Budget Code 13005 to do the following:
(1) Reclassify one or more vacant positions to Senior Economists to provide support in developing Medicaid projections and monitoring Medicaid expenditures.
(2) Support Integrated Budget Information System ongoing operations and maintenance costs.

PART XXII-A. DEPARTMENT OF REVENUE

PROSECUTION OF CASES INVOLVING TAX FRAUD

SECTION 22A.1. The Department of Revenue and the Department of Justice shall enter into an agreement through which the Department of Revenue shall provide funding for an Attorney IV to be employed by the Department of Justice. This position shall be assigned on a full-time basis to assist the Department of Revenue in the investigation and prosecution of cases involving tax fraud.

The agreement shall specify that the attorney shall report periodically to the Secretary of Revenue on his or her work time devoted to prosecution of tax fraud cases rather than to other work within the Department of Justice.

PART XXIII. STATE BOARD OF ELECTIONS

HAVA FUNDS/DISABILITY ACCESS

SECTION 23.1.(a) The State Board of Elections shall not expend any Help America Vote Funds (HAVA) Title II Funds for the 2011-2012 fiscal year and, unless prohibited by federal law, shall retain those funds until Maintenance of Effort funds are appropriated, except that voting accessibility funds granted by the Secretary of Health and Human Services under Section 261 of HAVA may be applied for and expended by the State Board of Elections to improve voting accessibility for the disabled.

SECTION 23.1.(b) This section is effective when it becomes law.

HAVA FUNDS/STATE SUPPORT OF COUNTY BDS OF ELECTIONS

SECTION 23.2.(a) Effective July 1, 2013, G.S. 163-82.28 reads as rewritten:

"§ 163-82.28. The HAVA Election Fund.

There is established a special fund to be known as the Election Fund. All funds received for implementation of the Help America Vote Act of 2002, Public Law 107-252, shall be deposited in that fund. The State Board of Elections shall use funds in the Election Fund only to implement HAVA. No HAVA funds may be granted to or used by counties for the operation of elections or for expenses which by this Chapter are borne by the counties, except that HAVA funds may be used for local infrastructure of SEIMS (State Elections Information Management System), which is necessary for the State to administer the elections. The State Board of Elections shall annually report to the House and Senate Committees on Appropriations, to the Fiscal Research Division, and to the Joint Legislative Commission on Governmental Operations on implementation of this section."

SECTION 23.2.(b) Effective July 1, 2013, Article 4 of Chapter 163 of the General Statutes is amended by adding a new section to read:

"**§ 163-37.1. No State funds for county election expenses.**

No State funds shall be appropriated to counties, or allocated to them by the State Board of Elections, for expenses of the county boards of elections, except that State funds may be used for local infrastructure of SEIMS (State Elections Information Management System), which is necessary for the State to administer the elections. The State Board of Elections shall annually report to the House and Senate Committees on Appropriations, to the Fiscal Research Division, and to the Joint Legislative Commission on Governmental Operations on implementation of this section."

ELECTION SYSTEM MAINTENANCE CONTRACTS

SECTION 23.3.(a) G.S. 163-165.9(b)(2) reads as rewritten:

"(b) After the acquisition of any voting system, the county board of elections shall comply with any requirements of the State Board of Elections regarding training and support of the voting system by completing all of the following:

...

(2) The county board of elections shall annually maintain software license and maintenance agreements necessary to maintain the warranty of its voting system. A county board of elections may employ qualified personnel to maintain a voting system in lieu of entering into maintenance agreements necessary to maintain the warranty of its voting system. State Board of Elections is not required to provide routine maintenance to any county board of elections that does not maintain the warranty of its voting system. If the State Board of Elections provides any maintenance to a county that has not maintained the warranty of its voting system, the county shall reimburse the State for the cost. The State Board of Elections shall annually report to the House and Senate Committees on Appropriations, to the Fiscal Research Division, and to the Joint Legislative Commission on Governmental Operations on implementation of this subdivision. If requested by the county board of elections, the State Board of Elections may enter into contracts on behalf of that county under this subdivision. Any contract entered into by a county under this subdivision is not effective unless approved by the State Board of Elections. Neither a county nor the State Board of Elections shall enter into any contract with any vendor for software license and maintenance agreements unless the vendor agrees to (i) operate a training program for qualification of county personnel under this subsection with training offered within the State of North Carolina and (ii) not dishonor warranties merely because the county is employing qualified personnel to maintain the voting system as long as the county:

a. Pays the costs of the annual software licensing agreement for that county.

b. Ensures that equipment (i) remains in full compliance with State certification requirements and (ii) remains in stock and supply available to the county for up to five years after the vendor discontinues distribution or sale of the equipment.

c. Maintains a tracking record to record and timely report all hardware issues and all repairs and provides those records for review by the vendor and by the State Board of Elections.

d. Provides that only parts provided by the vendor would be used to repair the vendor's equipment, contingent on (i) the county being able to purchase necessary parts in a timely manner from the vendor and (ii) the vendor providing the equipment at least at the lowest price at which it sells the equipment to any other customer in the United States.

e. Accepts financial responsibility for expenses related to voting equipment failure during an election if the failure is caused solely by work of the county technician."

SECTION 23.3.(b) The State Board of Elections shall use funds appropriated for Help America Vote Act (HAVA) Title II maintenance of effort to pay for the training of county technicians under G.S. 163-165.9(b)(2) as amended by this section.

SECTION 23.3.(c) In administering G.S. 163-165.9(b)(2) as amended by this section, the State Board of Elections shall work with all county boards of election interested in obtaining certification for voting equipment maintenance technicians. The State Board of Elections shall work with the county boards of elections to develop a consensus estimate of the percentage of hardware maintenance previously provided by the vendor that will continue to be provided by the vendor rather than by the certified county technicians. In any contract entered into by either a county or the State Board of Elections on behalf of counties for voter equipment maintenance that includes certification of county technicians, the per machine price paid for hardware maintenance agreements shall not exceed the consensus percentage multiplied by the price per machine paid to the vendor for hardware maintenance agreements for the 2011-2012 fiscal year.

SBOE MOE VARIANCE

SECTION 23.4.(a) In the event that funds appropriated to the State Board of Elections (SBOE) for Maintenance of Effort (MOE) are insufficient, SBOE shall transfer funds from their Administration Fund Code (1100) to the Fund Code and Cost Center for MOE to expend on MOE activities to make up the difference.

SECTION 23.4.(b) In the event that funds appropriated to the SBOE for MOE are in excess of the required amount, SBOE shall retain the excess amount and revert it to the General Fund at the end of the 2012-2013 fiscal year.

SBOE SUPPLEMENTAL REPORT ON VOTER-OWNED ELECTIONS ACT

SECTION 23.5. The State Board of Elections shall not later than July 25, 2012, provide to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division a supplemental report on the administration and implementation of Article 22J of Chapter 163 of the General Statutes, the Voter-Owned Elections Act, including all certified candidates for the 2012 General Election and the amounts that have been and will be distributed to each such candidate.

PART XXIV. DEPARTMENT OF TRANSPORTATION

CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 24.1.(a) Section 28.1 of S.L. 2011-145 is repealed.

SECTION 24.1.(b) The General Assembly authorizes and certifies anticipated revenues for the Highway Fund as follows:

For Fiscal Year 2013-2014	$ 2,162.1 million
For Fiscal Year 2014-2015	$ 2,281.8 million
For Fiscal Year 2015-2016	$ 2,407.2 million
For Fiscal Year 2016-2017	$ 2,523.8 million

SECTION 24.1.(c) The General Assembly authorizes and certifies anticipated revenues for the Highway Trust Fund as follows:

For Fiscal Year 2013-2014	$ 1,120.0 million
For Fiscal Year 2014-2015	$ 1,195.5 million
For Fiscal Year 2015-2016	$ 1,284.0 million
For Fiscal Year 2016-2017	$ 1,336.9 million

FURTHER PRIVATIZATION OF PRE-CONSTRUCTION ACTIVITIES

SECTION 24.2. For fiscal year 2013-2014, the Department of Transportation shall increase the outsourcing of preliminary engineering projects from fifty percent (50%) of the total funds in the annual work plan, as required by Section 28.9.(3) of S.L. 2011-145, to sixty percent (60%) of the total funds in the annual work plan.

FUNDS FROM INSPECTION PROGRAM ACCOUNT FOR OTHER HIGHWAY FUND USES

SECTION 24.3. Notwithstanding G.S. 20-183.7(d), the sum of eleven million dollars ($11,000,000) from the Inspection Program Account within the Highway Fund, as established under G.S. 20-183.7(d), is appropriated and allocated as shown in this act.

CLARIFY USE OF CREDIT RESERVE BALANCE IN HIGHWAY FUND

SECTION 24.6. G.S. 136-44.2 reads as rewritten:

"**§ 136-44.2. Budget and appropriations.**

(a) The Director of the Budget shall include in the "Current Operations Appropriations Act" an enumeration of the purposes or objects of the proposed expenditures for each of the construction and maintenance programs for that budget period for the State primary, secondary, State parks road systems, and other transportation systems. The State primary system shall include all portions of the State highway system located both inside and outside municipal corporate limits that are designated by N.C., U.S. or Interstate numbers. The State secondary system shall include all of the State highway system located both inside and outside municipal corporate limits that is not a part of the State primary system. The State parks system shall include all State parks roads and parking lots that are not also part of the State highway system. The transportation systems shall include State-maintained, nonhighway modes of transportation as well.

(b) All construction and maintenance programs for which appropriations are requested shall be enumerated separately in the budget. Programs that are entirely State funded shall be listed separately from those programs involving the use of federal-aid funds. Proposed appropriations of State matching funds for each of the federal-aid construction programs shall be enumerated separately as well as the federal-aid funds anticipated for each program in order that the total construction requirements for each program may be provided for in the budget. Also, proposed State matching funds for the highway planning and research program shall be included separately along with the anticipated federal-aid funds for that purpose.

(c) Other program categories for which appropriations are requested, such as, but not limited to, maintenance, channelization and traffic control, bridge maintenance, public service and access road construction, transportation projects and systems, and ferry operations shall be enumerated in the budget.

(d) The Department of Transportation shall have all powers necessary to comply fully with provisions of present and future federal-aid acts. For purposes of this section, "federally eligible construction project" means any construction project except secondary road projects developed pursuant to G.S. 136-44.7 and 136-44.8 eligible for federal funds under any federal-aid act, whether or not federal funds are actually available.

(e) The "Current Operations Appropriations Act" shall also contain the proposed appropriations of State funds for use in each county for maintenance and construction of secondary roads, to be allocated in accordance with G.S. 136-44.5 and 136-44.6. State funds appropriated for secondary roads shall not be transferred nor used except for the construction and maintenance of secondary roads in the county for which they are allocated pursuant to G.S. 136-44.5 and 136-44.6.

(f) If the unreserved credit balance in the Highway Fund on the last day of a fiscal year is greater than the amount estimated for that date in the Current Operations Appropriations Act for the following fiscal year, the excess shall be used in accordance with this ~~paragraph.~~ subsection. The Director of the Budget ~~may~~shall allocate ~~part or all of~~ the excess ~~among reserves~~ to a reserve (i) for access and public ~~roads, for unforeseen events requiring prompt action,~~ roads or (ii) for other urgent needs. ~~The amount not allocated to any of these reserves by the Director of the Budget shall be credited to a reserve for maintenance. The Board of Transportation shall report monthly to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division on the use of funds in the maintenance reserve.~~ The use of this reserve shall be subject to the following:

(1) Restrictions on use. – No more than five million dollars ($5,000,000) from this reserve may be spent on a single project. Funds from this reserve being used for an "other urgent need" project cannot be used for administrative costs, information technology costs, or economic development.

(2) Approval. – The Department of Transportation shall submit for approval to the Director of the Budget all expenditures from the reserve established under this subsection.

(3) Reporting. – At least five days, not including State holidays or weekend days, prior to submitting an expenditure request to the Director of the Budget under subdivision (2) of this subsection, the Department of Transportation shall submit a report on the expenditure request to the Fiscal Research Division and to the members of the House Appropriations Subcommittee on Transportation and the Senate Appropriations Committee on Department of Transportation. Such report shall be certified by the chief financial officer of the Department of Transportation and shall include (i) a project description, (ii) whether the project is for access and public roads or for other urgent needs, (iii) a justification of the project, (iv) the total project cost, (v) the amount of funding for the project coming from the reserve, and (vi) other funding sources for the project.

(4) Carryforward. – If on the last day of the fiscal year the balance in the reserve established by this subsection is greater than five million dollars ($5,000,000), then the Director of the Budget shall transfer the amount in excess of that sum to the Reserve for General Maintenance in the Highway Fund.

(g) The Department of Transportation may provide for costs incurred or accrued for traffic control measures to be taken by the Department at major events which involve a high degree of traffic concentration on State highways, and which cannot be funded from regular budgeted items. This authorization applies only to events which are expected to generate 30,000 vehicles or more per day. The Department of Transportation shall provide for this funding by allocating and reserving up to one hundred thousand dollars ($100,000) before any other allocations from the appropriations for State maintenance for primary, secondary, and urban road systems are made, based upon the same proportion as is appropriated to each system."

ADJUST TURNPIKE APPROPRIATIONS

SECTION 24.7.(a) Any funds appropriated to the North Carolina Turnpike Authority under G.S. 136-176(b2) to cover debt service or related financing costs for the Mid-Currituck Bridge project and that remain unencumbered at the end of fiscal year 2011-2012 are hereby transferred back to the Highway Trust Fund to be appropriated and allocated as shown in this act.

SECTION 24.7.(b) Notwithstanding G.S. 136-176(b2), the funds appropriated in G.S. 136-176(b2) to the Mid-Currituck Bridge and Garden Parkway projects for fiscal year 2012-2013 are hereby transferred to the Mobility Fund.

SECTION 24.7.(c) Effective July 1, 2013, G.S. 136-176(b2), as amended, reads as rewritten:

"(b2) **(Effective July 1, 2013)** There is annually appropriated to the North Carolina Turnpike Authority from the Highway Trust Fund the sum of ~~one hundred twelve million dollars ($112,000,000).~~ eighty-one million five hundred thousand dollars ($81,500,000). Of the amount allocated by this subsection, twenty-five million dollars ($25,000,000) shall be used to pay debt service or related financing costs and expenses on revenue bonds or notes issued for the construction of the Triangle Expressway, twenty-four million dollars ($24,000,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the Monroe Connector/Bypass, ~~twenty-eight million dollars ($28,000,000)~~ fifteen million dollars ($15,000,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the Mid-Currituck Bridge, and ~~thirty-five million dollars ($35,000,000)~~ seventeen million five hundred thousand dollars ($17,500,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the Garden Parkway. The amounts appropriated to the Authority pursuant to this subsection shall be used by the Authority to pay debt service or

related financing costs and expenses on revenue bonds or notes issued by the Authority to finance the costs of one or more Turnpike Projects, to refund such bonds or notes, or to fund debt service reserves, operating reserves, and similar reserves in connection therewith. The appropriations established by this subsection constitute an agreement by the State to pay the funds appropriated hereby to the Authority within the meaning of G.S. 159-81(4). Notwithstanding the foregoing, it is the intention of the General Assembly that the enactment of this provision and the issuance of bonds or notes by the Authority in reliance thereon shall not in any manner constitute a pledge of the faith and credit and taxing power of the State, and nothing contained herein shall prohibit the General Assembly from amending the appropriations made in this subsection at any time to decrease or eliminate the amount annually appropriated to the Authority. Funds transferred from the Highway Trust Fund to the Authority pursuant to this subsection are not subject to the equity formula in G.S. 136-17.2A."

CODIFY MOBILITY FUND FORMULA DEVELOPED BY DEPARTMENT OF TRANSPORTATION

SECTION 24.8.(a) G.S. 136-188 reads as rewritten:

"**§ 136-188. Use of North Carolina Mobility Fund.**

(a) The Department of Transportation shall use the Mobility Fund to fund transportation projects, selected by the Department, of statewide and regional significance that relieve congestion and enhance mobility across all modes of transportation. ~~The Department of Transportation shall establish project selection criteria based on the provisions of this Article.~~

(b) ~~The~~ Notwithstanding subsections (c) and (d) of this section, the initial project funded from the Mobility Fund shall be the widening and improvement of Interstate 85 north of the Yadkin River Bridge.

(c) To be eligible for funding from the Mobility Fund, a project must meet the following requirements:

(1) The project must be on statewide or Regional tier facilities.

(2) The project must be ready to have funds obligated for construction within five years.

(3) The project must be (i) consistent with MPO/RPO transportation planning efforts, (ii) included in an adopted transportation plan, and (iii) found to be consistent with local land-use plans, where available. As used in this subdivision, "MPO" means metropolitan planning organization and "RPO" means rural transportation planning organization.

(4) The project must be in a conforming transportation plan if the project is in a non-attainment or maintenance area.

(5) Only the project's capital costs, including right-of-way acquisition and construction, may be funded. Maintenance, operation, and planning costs may not be funded from the Mobility Fund.

(6) There is no minimum project capital cost as a threshold for funding a project.

(d) Eligible projects shall be scored and ranked, with the highest scored projects receiving funding priority. Ranking scores shall be determined according to the following formula:

(1) Mobility benefit-cost. – Eighty percent (80%) of the ranking score shall be the estimated travel time savings in vehicle hours that the project will provide over 30 years divided by the cost of the project to the Mobility Fund.

(2) Multimodal/intermodal. – Twenty percent (20%) of the ranking score shall be based on whether the project provides an improvement to more than one mode of transportation and what types of other modes of transportation are involved in the project. Using a scale from zero to 100, the Department of Transportation shall provide for the assignment of points under this subdivision. The Department's determination of a point system under this subdivision shall not be subject to rulemaking under Chapter 150B of the General Statutes."

SECTION 24.8.(b) Section 28.33(c) of S.L. 2011-145 is repealed.

CIVIL PENALTIES TO BE TREATED AS RECEIPTS FOR TRANSFER TO CIVIL PENALTY AND FORFEITURE FUND

SECTION 24.9. The clear proceeds of all civil penalties, civil forfeitures, and civil fines collected by the Department of Transportation for transfer to the Civil Penalty and Forfeiture Fund and which are currently recorded as revenue in the Highway Fund (Budget Code 84210) shall be eliminated from the Estimated Revenue for the Highway Fund. The corresponding Highway Fund appropriation in Fund 150889 shall also be eliminated.

Rather than recording the proceeds as revenue, the clear proceeds of all civil penalties, civil forfeitures, and civil fines collected by the Department of Transportation for transfer to the Civil Penalty and Forfeiture Fund shall be recorded as receipts and budgeted in a totally receipt-supported fund center (150889) in the Highway Fund (Budget Code 84210) for transfer to the Civil Penalty and Forfeiture Fund.

POSITIONS IN SUPPORT OF THE COMBINED MOTOR VEHICLE REGISTRATION AND PROPERTY TAX COLLECTION SYSTEM

SECTION 24.10.(a) Upon request from the Department of Transportation and notwithstanding any other provision of law to the contrary, the Office of State Budget and Management may authorize the creation of time-limited, full-time equivalent positions within the Department of Transportation and its Division of Motor Vehicles in excess of the positions authorized by this act for the sole purposes of implementing and administering the combined motor vehicle registration and property tax collection system, in accordance with the funding authorizations in G.S. 105-330.5 and G.S. 105-330.10. Positions created under this authorization shall terminate no later than June 30, 2014. Following the approval of a request, the Office of State Budget and Management shall direct the transfer of funds from the Combined Motor Vehicle and Registration Account, also known as the Division of Motor Vehicles Taxation Interest Fund for Integrated Computer System, to support personnel and related operating costs for the positions approved under this section.

SECTION 24.10.(b) Beginning October 1, 2012, the Office of State Budget and Management shall report quarterly on all transfers of funds from the Combined Motor Vehicle and Registration Account (Combined Account) and positions supported by the Combined Account during the 2012-2013 fiscal year to the House Appropriations Subcommittee on Transportation, the Senate Appropriations Committee on Department of Transportation, the Joint Legislative Transportation Oversight Committee, and the Fiscal Research Division. The report shall include, at a minimum, the following:

(1) A summary of activities funded by the Combined Account to date.
(2) Amounts transferred from the Combined Account and expended per activity.
(3) A detailed listing of positions funded by receipts to the Combined Account, identifying the position number, title, effective date and duration, cost, functions performed, and organizational unit to which the position is assigned.

SECTION 24.10.(c) No later than May 1, 2013, the Department of Revenue and the Department of Transportation shall jointly report on the status of the Memorandum of Understanding required by G.S. 105-330.11 to the following: the House Appropriations Subcommittee on Transportation, the Senate Appropriations Committee on Department of Transportation, the cochairs of the House Appropriations Committee, the cochairs of the Senate Appropriations/Base Budget Committee, and the Fiscal Research Division. The report shall identify the estimated recurring costs of system administration and proposed administrative fees to support the costs of combined notice generation and collection of registration fees and vehicle property taxes.

REDUCE MOTOR FUEL EXCISE TAX RATE

SECTION 24.11. Notwithstanding G.S. 105-449.80(a), for the period July 1, 2012, through June 30, 2013, the motor fuel excise tax rate may not exceed thirty-seven and one-half cents (37 1/2¢) a gallon.

USE OF UNEXPENDED CONTINGENCY FUNDS

SECTION 24.12. Notwithstanding any other provision of law and not including the funds appropriated in Section 28.6(2) of S.L. 2011-145 for the 2011-2013 fiscal biennium, the sum of twenty-two million dollars ($22,000,000) is transferred from the unexpended

balance of contingency fund appropriations to the Highway Fund. That sum is appropriated and allocated as shown in this act.

INCREASE GENERAL FUND TRANSFER FROM HIGHWAY FUND

SECTION 24.13. Notwithstanding Section 28.27(b) of S.L. 2011-145 or any other provision of that act, as amended, the amount transferred from the Highway Fund to the General Fund under that act is hereby increased by eight million dollars ($8,000,000), recurring, in fiscal year 2012-2013.

EXEMPT B.S.I.P. SYSTEM FROM INFORMATION TECHNOLOGY HOSTING REQUIREMENT

SECTION 24.14. Section 6A.2(f) of S.L. 2011-145, as amended by Section 11(c) of S.L. 2011-391, reads as rewritten:

"**SECTION 6A.2.(f)** Information Technology Hosting. – State agencies developing and implementing information technology projects/applications shall use the State infrastructure to host their ~~projects.~~ projects, except for the SAP Business System Integration Portal (BSIP) system of the North Carolina Department of Transportation. An exception to this requirement may be granted only if approved by either the State Chief Information Officer on the basis of technology requirements or by the Office of State Budget and Management based on cost savings, subject to consultation with the Joint Legislative Commission on Governmental Operations and a report to the Joint Legislative Oversight Committee on Information Technology.

Projects/applications currently hosted outside the State infrastructure shall be returned to State infrastructure not later than the end of any current contract.

By October 1, 2011, the State Chief Information Officer shall report to the Joint Legislative Oversight Committee on Information Technology regarding projects currently hosted outside State infrastructure and a schedule to return those projects to State infrastructure."

PRIORITIZE PAVING OF UNPAVED ROADS THROUGHOUT THE STATE

SECTION 24.15. For fiscal year 2012-2013, the Department of Transportation shall expend funds allocated to the paving of unpaved secondary roads for the paving of unpaved secondary roads based on a statewide prioritization. The Department shall pave the eligible unpaved secondary roads that receive the highest priority ranking within this statewide prioritization, notwithstanding the distribution formula in G.S. 136-17.2A or any other funding distribution formula in law. This section applies to funding for the paving of secondary roads from both the Highway Fund and the Highway Trust Fund.

APPLY STATE ETHICS ACT TO METROPOLITAN PLANNING ORGANIZATIONS AND RURAL PLANNING ORGANIZATIONS

SECTION 24.16.(a) G.S. 136-202 is amended by adding a new subsection to read:

"(e) A Metropolitan Planning Organization shall be treated as a board for purposes of Chapter 138A of the General Statutes."

SECTION 24.16.(b) G.S. 136-211 is amended by adding a new subsection to read:

"(e) Ethics Requirements. – A Rural Transportation Planning Organization shall be treated as a board for purposes of Chapter 138A of the General Statutes."

SECTION 24.16.(c) Members of Metropolitan Planning Organizations and Rural Transportation Planning Organizations shall file an initial Statement of Economic Interest with the State Ethics Commission no later than April 15, 2013. All information provided in the Statement of Economic Interest shall be current as of December 31, 2012. The initial Statement of Economic Interest shall be filed electronically.

SECTION 24.16.(d) This section becomes effective January 1, 2013.

PAYMENT OF DRIVER EDUCATION FEE WHEN GETTING PERMIT; ADDITIONAL FUNDING FOR DRIVER EDUCATION

SECTION 24.17.(a) G.S. 20-11 reads as rewritten:

"**§ 20-11. Issuance of limited learner's permit and provisional drivers license to person who is less than 18 years old.**

...

(j) ~~Duration and Fee.~~Duration. – A limited learner's permit expires on the eighteenth birthday of the permit holder. A limited provisional license expires on the eighteenth birthday of the license holder. A limited learner's permit or limited provisional license issued under this section that expires on a weekend or State holiday shall remain valid through the fifth regular State business day following the date of expiration. A full provisional license expires on the date set under G.S. 20-7(f).

(j1) Fees. – The fees for licenses issued under this section are as follows:

(1) The fee for a limited learner's permit ~~or~~for an applicant who did not participate in the driver education program established under Article 14 of Chapter 115C of the General Statutes is fifteen dollars ($15.00).

(2) An applicant for a limited learner's permit who did participate in the driver education program established under Article 14 of Chapter 115C of the General Statutes shall be subject to the following fees:

a. Fifteen dollars ($15.00).

b. Forty-five dollars ($45.00), which shall be credited to the costs of administering the driver education program established under Article 14 of Chapter 115C of the General Statutes.

(3) The fee for a limited provisional license is fifteen dollars ($15.00).

(4) The fee for a full provisional license is the amount set under G.S. 20-7(i).

...."

SECTION 24.17.(b) G.S. 115C-216(g) is repealed.

SECTION 24.17.(c) An applicant for a limited learner's permit who is subject to G.S. 20-11(j1)(2), as amended by this section, shall be entitled to a credit toward the forty-five dollar ($45.00) fee under G.S. 20-11(j1)(2)b., as amended by this section, for any fee previously paid under G.S. 115C-216(g). An applicant shall provide evidence of having previously paid a fee for driver education to a local board of education under G.S. 115C-216(g) at the time of applying for a limited learner's permit.

SECTION 24.17.(d) G.S. 105-449.125 reads as rewritten:

"**§ 105-449.125. Distribution of tax revenue among various funds and accounts.**

The Secretary shall allocate the amount of revenue collected under this Article from an excise tax of one-half cent (1/2¢) a gallon to the following funds and accounts in the fraction indicated:

Fund or Account	Amount
Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund	Nineteen thirty-seconds
Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund	Three thirty-seconds
Water and Air Quality Account	Five-sixteenths.

The Secretary shall allocate seventy-five percent (75%) of the remaining excise tax revenue collected under this Article to the Highway Fund and shall allocate twenty-five percent (25%) to the Highway Trust Fund.

The Secretary shall charge a proportionate share of a refund allowed under this Article to each fund or account to which revenue collected under this Article is credited. The Secretary shall credit revenue or charge refunds to the appropriate funds or accounts on a monthly basis.

Of the funds allocated to the Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund within a fiscal year under this section, the sum of two million eighty-five thousand five hundred eighty-five dollars ($2,085,585) shall be allocated by the Secretary to the Department of Public Instruction, and those funds are appropriated to the Department of Public Instruction for the driver education program."

CLARIFY FERRY TOLLING

SECTION 24.18.(a) G.S. 136-82 reads as rewritten:

"**§ 136-82. Department of Transportation to establish and maintain ferries.**

The Department of Transportation is vested with authority to provide for the establishment and maintenance of ferries connecting the parts of the State highway system, whenever in its discretion the public good may so require, and ~~to prescribe and~~shall collect ~~such tolls therefor as may, in the discretion of the Department of Transportation, be expedient.~~tolls, as established by the Board of Transportation, on the ferry routes. The Board of Transportation shall establish

tolls for all ferry ~~routes, except for the Ocracoke/Hatteras Ferry and the Knotts Island Ferry.~~routes.

To accomplish the purpose of this section said Department of Transportation is authorized to acquire, own, lease, charter or otherwise control all necessary vessels, boats, terminals or other facilities required for the proper operation of such ferries or to enter into contracts with persons, firms or corporations for the operation thereof and to pay therefor such reasonable sums as may in the opinion of said Department of Transportation represent the fair value of the public service rendered.

The Department of Transportation, notwithstanding any other provision of law, may operate, or contract for the operation of, concessions on the ferries and at ferry facilities to provide to passengers on the ferries food, drink, and other refreshments, personal comfort items, and souvenirs publicizing the ferry system."

SECTION 24.18.(b) Given that (i) under Section 1 of Article II of the North Carolina Constitution, the General Assembly holds the "legislative power of the State," which is the power to enact laws, (ii) under Section 1 of Article III of the North Carolina Constitution, the Governor holds the "executive power of the State," which is the power to carry out rather than enact laws, (iii) the Governor's Executive Order No. 116 directly conflicts with ferry tolling required by S.L. 2011-145, and (iv) as written by the Department of Justice in its April 12, 2012, letter to the Honorable Representative Phillip D. Frye, "a direct conflict between a law enacted by the General Assembly and an executive order issued by the Governor must be resolved through implementation of the law," the General Assembly, therefore, hereby declares Executive Order No. 116 an unconstitutional attempt to exercise authority that the Governor does not possess and, as such, the Department of Transportation shall disregard Executive Order No. 116 and shall collect the tolls required by S.L. 2011-145 and this section.

PUBLIC TRANSPORTATION FUNDING ADJUSTMENTS

SECTION 24.19.(a) The Regional New Starts & Capital Program within the Public Transportation Division of the Department of Transportation is eliminated. The unexpended balance of funds for this program are reallocated to the Reserve for General Maintenance in the Highway Fund.

SECTION 24.19.(b) G.S. 136-44.20 is amended by adding a new subsection to read as follows:

"**§ 136-44.20. Department of Transportation designated agency to administer and fund public transportation programs; authority of political subdivisions.**

...

(e) Public transportation appropriations from the Highway Fund shall not be expended on any fixed guideway project in Mecklenburg County."

SECTION 24.19.(c) G.S. 136-176 is amended by adding a new subsection to read as follows:

"**§ 136-176. Creation, revenue sources, and purpose of North Carolina Highway Trust Fund.**

...

(e) Subject to G.S. 136-17.2A and other funding distribution formulas, funds allocated under subdivisions (1), (3), and (4) of subsection (b) of this section may also be used for fixed guideway projects, including providing matching funds for federal grants for fixed guideway projects."

REPEAL PROGRAM EVALUATION DIVISION STUDY OF NORTH CAROLINA RAILROAD COMPANY

SECTION 24.20. Section 28.12A of S.L. 2011-145, as amended by Section 52 of S.L. 2011-391, is repealed.

STUDY INTERSTATE 95 TOLLING

SECTION 24.21.(a) The Department of Transportation shall conduct a comprehensive study of the transportation corridor containing Interstate 95, including, but not limited to, the following:

(1) The economic impact of tolling the present road on the residents and businesses along the Interstate 95 corridor.

(2) The impact of tolling the present road on the alternative routes to Interstate 95, including expected increased traffic on those routes, any safety issues created by any increased traffic on those routes, and expected travel time delays for drivers using the alternative routes.
(3) New or existing alternative routes for Interstate 95.
(4) Options for funding to make critical repairs and lane mile expansions to Interstate 95 without the use of tolls.

The Department shall solicit feedback on its various tolling proposals from the local governments and residents along the Interstate 95 corridor.

SECTION 24.21.(b) The Department of Transportation shall report the results of its study to the 2013 General Assembly by March 1, 2013.

SECTION 24.21.(c) Notwithstanding G.S. 136-89.198, the Department of Transportation shall not establish or collect tolls on Interstate 95 prior to July 1, 2013.

PART XXV. SALARIES AND BENEFITS

GOVERNOR AND COUNCIL OF STATE

SECTION 25.01.(a) Section 29.1(a) of S.L. 2011-145 reads as rewritten:

"**SECTION 29.1.(a)** Effective for the ~~2011-2013 fiscal biennium,~~2011-2012 fiscal year, the salary of the Governor set by G.S. 147-11(a) in the amount of one hundred thirty-nine thousand five hundred ninety dollars ($139,590) annually, payable monthly, shall remain unchanged."

SECTION 25.01.(b) G.S. 147-11(a) reads as rewritten:

"(a) The salary of the Governor shall be ~~one hundred thirty-nine thousand five hundred ninety dollars ($139,590)~~ one hundred forty-one thousand two hundred sixty-five dollars ($141,265) annually, payable monthly."

SECTION 25.01.(c) The prefatory language contained in Section 29.1(b) of S.L. 2011-145 reads as rewritten:

"**SECTION 29.1.(b)** Effective for the ~~2011-2013 fiscal biennium,~~ 2011-2012 fiscal year, the annual salaries for the members of the Council of State, payable monthly, ~~for the 2011-2013 fiscal biennium shall remain unchanged as follows:~~ are set as follows:".

SECTION 25.01.(d) Effective for the 2012-2013 fiscal year, the annual salaries for members of the Council of State, payable monthly, are set as follows:

Council of State	Annual Salary
Lieutenant Governor	$124,676
Attorney General	124,676
Secretary of State	124,676
State Treasurer	124,676
State Auditor	124,676
Superintendent of Public Instruction	124,676
Agriculture Commissioner	124,676
Insurance Commissioner	124,676
Labor Commissioner	124,676

NONELECTED DEPARTMENT HEADS

SECTION 25.02.(a) Section 29.2(a) of S.L. 2011-145 reads as rewritten:

"**SECTION 29.2.(a)** Effective for the ~~2011-2013 fiscal biennium,~~2011-2012 fiscal year, the salaries set by G.S. 143B-9, the maximum annual salaries, payable monthly, for the nonelected heads of the principal State departments ~~remain unchanged~~ are set as follows:

Nonelected Department Heads	Annual Salary
Secretary of Administration	$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 Public Safety	120,363
Secretary of Revenue	120,363

Secretary of Transportation	120,363".

SECTION 25.02.(b) Effective July 1, 2012, the maximum annual salaries, payable monthly, for the nonelected heads of the principal State departments are set as follows:

Nonelected Department Heads	Annual Salary
Secretary of Administration	$121,807
Secretary of Cultural Resources	121,807
Secretary of Commerce	121,807
Secretary of Environment and Natural Resources	121,807
Secretary of Health and Human Services	121,807
Secretary of Public Safety	121,807
Secretary of Revenue	121,807
Secretary of Transportation	121,807

SECTION 25.02.(c) G.S. 143B-9 reads as rewritten:

"**§ 143B-9. Appointment of officers and employees.**

The head of each principal State department, except those departments headed by popularly elected officers, shall be appointed by the Governor and serve at his pleasure.

The salary of the head of each of the principal State departments shall be set by the Governor, and the salary of elected officials shall be as provided by law.

The head of a principal State department shall appoint a chief deputy or chief assistant, and such chief deputy or chief assistant shall not be subject to the State Personnel Act. The salary of such chief deputy or chief assistant ~~shall, upon the recommendation of the Governor, be set by the General Assembly.~~shall be set by the Governor. Unless otherwise provided for in the Executive Organization Act of 1973, and subject to the provisions of the Personnel Act, the head of each principal State department shall designate the administrative head of each transferred agency and all employees of each division, section, or other unit of the principal State department."

SECTION 25.02.(d) Subsection (c) of this section applies to persons appointed on or after January 1, 2013. Subsection (b) of this section does not apply to such persons.

CERTAIN EXECUTIVE BRANCH OFFICIALS

SECTION 25.1.(a) Section 29.3 of S.L. 2011-145 reads as rewritten:

"**CERTAIN EXECUTIVE BRANCH OFFICIALS**

"**SECTION 29.3.** Effective for the ~~2011-2013 fiscal biennium,~~ 2012-2013 fiscal year, the annual salaries, payable monthly, for the following executive branch officials ~~shall remain unchanged~~ are set as follows:

Executive Branch Officials	Annual Salary
Chairman, Alcoholic Beverage Control Commission	~~$109,553~~$110,868
State Controller	~~153,319~~155,159
Commissioner of Motor Vehicles	~~109,553~~110,868
Commissioner of Banks	~~123,198~~124,676
~~Chairman, Employment Security Commission~~	~~120,363~~
Chair, Board of Review, Division of Employment Security	122,255
Members, Board of Review, Division of Employment Security	120,737
State Personnel Director	~~120,363~~121,807
Chairman, Parole Commission	~~100,035~~101,235
Members of the Parole Commission	~~46,178~~46,732
Chairman, Utilities Commission	~~137,203~~138,849
Members of the Utilities Commission	~~123,198~~124,676
~~Executive Director, Agency for Public Telecommunications~~	~~92,356~~
Director, Museum of Art	~~112,256~~113,603
Executive Director, North Carolina Agricultural Finance Authority	~~106,635~~107,915
State Chief Information Officer	~~153,227~~155,066".

SECTION 25.1.(b) G.S. 20-2(a) reads as rewritten:

"(a) Commissioner and Assistants. – The Division of Motor Vehicles shall be administered by the Commissioner of Motor Vehicles, who shall be appointed by and serve at

the pleasure of the Secretary of the Department of Transportation. The Commissioner shall be paid an annual salary to be fixed by the ~~General Assembly in the Current Operations Appropriations Act~~ Governor and allowed ~~his~~ traveling expenses as allowed by law.

In any action, proceeding, or matter of any kind, to which the Commissioner of Motor Vehicles is a party or in which he may have an interest, all pleadings, legal notices, proof of claim, warrants for collection, certificates of tax liability, executions, and other legal documents, may be signed and verified on behalf of the Commissioner of Motor Vehicles by the Assistant Commissioner of Motor Vehicles or by any director or assistant director of any section of the Division of Motor Vehicles or by any other agent or employee of the Division so authorized by the Commissioner of Motor Vehicles."

SECTION 25.1.(c) G.S. 126-3(a) reads as rewritten:

"(a) There is hereby established the Office of State Personnel (hereinafter referred to as "the Office") which shall be placed for organizational purposes within the Department of Administration. Notwithstanding the provisions of North Carolina State government reorganization as of January 1, 1975, and specifically notwithstanding the provisions of Chapter 864 of the 1971 North Carolina Session Laws [Chapter 143A], the Office of State Personnel shall exercise all of its statutory powers in this Chapter independent of control by the Secretary of Administration and shall be under the administration and supervision of a State Personnel Director (hereinafter referred to as "the Director") appointed by the Governor and subject to the supervision of the Commission for purposes of this Chapter. The salary of the Director shall be fixed by the ~~General Assembly in the Current Operations Appropriations Act.~~ Governor. The Director shall serve at the pleasure of the Governor."

SECTION 25.1.(d) G.S. 140-5.15(c) reads as rewritten:

"(c) The State-funded portion of the salary of the Director shall be fixed by the ~~General Assembly in the Current Operations Appropriations Act.~~Governor."

SECTION 25.1.(e) G.S. 147-33.76(c) reads as rewritten:

"(c) The salary of the State Chief Information Officer shall be set by the ~~General Assembly in the Current Operations Appropriations Act.~~Governor. The State Chief Information Officer shall receive longevity pay on the same basis as is provided to employees of the State who are subject to the State Personnel Act."

SECTION 25.1.(f) Subsections (b) through (e) of this section apply to persons appointed to the positions of Commissioner of Motor Vehicles, State Personnel Director, Director of the North Carolina Museum of Art, and State Chief Information Officer on or after January 1, 2013. Subsection (a) of this section does not apply to such persons.

JUDICIAL BRANCH

SECTION 25.1A.(a) Section 29.4(a) of S.L. 2011-145 reads as rewritten:

"**SECTION 29.4.(a)** Effective for the ~~2011-2013 fiscal biennium,~~2012-2013 fiscal year, the annual salaries, payable monthly, for specified judicial branch officials ~~shall remain unchanged~~ are set as follows:

Judicial Branch Officials	Annual Salary
Chief Justice, Supreme Court	~~$140,932~~$142,623
Associate Justice, Supreme Court	~~137,249~~138,896
Chief Judge, Court of Appeals	~~135,061~~136,682
Judge, Court of Appeals	~~131,531~~133,109
Judge, Senior Regular Resident Superior Court	~~127,957~~129,492
Judge, Superior Court	~~124,382~~125,875
Chief Judge, District Court	~~112,946~~114,301
Judge, District Court	~~109,372~~110,684
District Attorney	~~119,305~~120,737
Administrative Officer of the Courts	~~126,738~~128,259
Assistant Administrative Officer of the Courts	~~115,763~~117,152
Public Defender	~~119,305~~120,737
Director of Indigent Defense Services	~~123,022~~124,498".

SECTION 25.1A.(b) The annual salaries of permanent full-time employees of the Judicial Department whose salaries are not itemized in this act shall be increased by one and two-tenths percent (1.2%).

SECTION 25.1A.(c) Section 29.4(b) of S.L. 2011-145 reads as rewritten:

"**SECTION 29.4.(b)** Effective for the ~~2011-2013 fiscal biennium,~~2011-2012 fiscal year, the annual salaries of employees of the Judicial Department shall remain unchanged as follows:

(1) The annual salaries of permanent full-time and part-time employees of the Judicial Department whose salaries are not itemized in this act shall remain unchanged.

(2) Notwithstanding anything to the contrary, the annual salaries of clerks of superior court under G.S. 7A-101(a) shall not change when a county changes from one population group to another.

(3) The annual salaries of assistant and deputy clerks of court set under G.S. 7A-102(c1) shall remain unchanged for the 2011-2013 fiscal biennium.

(4) The annual salaries of magistrates set under G.S. 7A-171.1(a) or G.S. 7A-171.1(a1)(1) shall remain unchanged."

SECTION 25.1A.(d) 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-one thousand seven hundred ninety-seven dollars ($71,797) and the minimum salary of any assistant district attorney or assistant public defender is at least thirty-seven thousand six hundred twenty-eight dollars ($37,628), effective July 1, 2012.

SECTION 25.1A.(e) G.S. 7A-101(a) reads as rewritten:

"(a) The clerk of superior court is a full-time employee of the State and shall receive an annual salary, payable in equal monthly installments, based on the population of the county as determined in subsection (a1) of this section, according to the following schedule:

Population	Annual Salary
Less than 100,000	$ ~~82,401~~$ 83,390
100,000 to 149,999	~~92,468~~93,578
150,000 to 249,999	~~102,536~~103,766
250,000 and above	~~112,607.~~113,958

When a county changes from one population group to another, the salary of the clerk shall be changed, on July 1 of the fiscal year for which the change is reported, to the salary appropriate for the new population group, except that the salary of an incumbent clerk shall not be decreased by any change in population group during his continuance in office."

SECTION 25.1A.(f) G.S. 7A-102(c1) reads as rewritten:

"(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	~~$32,222~~$32,609
Maximum	~~54,767~~55,424

Deputy Clerks	Annual Salary
Minimum	~~$27,888~~$28,223
Maximum	~~42,596.~~43,107".

SECTION 25.1A.(g) G.S. 7A-171.1(a)(1) reads as rewritten:

"(1) A full-time magistrate shall be paid the annual salary indicated in the table set out in this subdivision. A full-time magistrate is a magistrate who is assigned to work an average of not less than 40 hours a week during the term of office. The Administrative Officer of the Courts shall designate whether a magistrate is full-time. Initial appointment shall be at the entry rate. A magistrate's salary shall increase to the next step every two years on the anniversary of the date the magistrate was originally appointed for increases to Steps 1 through 3, and every four years on the anniversary of the date the magistrate was originally appointed for increases to Steps 4 through 6.

Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary
Entry Rate	~~$32,633~~$33,025
Step 1	~~35,525~~35,951
Step 2	~~38,671~~39,135

Step 3 ~~42,134~~42,640
Step 4 ~~45,999~~46,551
Step 5 ~~50,335~~50,959
Step 6 ~~55,238~~55,901".

SECTION 25.1A.(h) G.S. 7A-171.1(a1)(1) reads as rewritten:

"(a1) Notwithstanding subsection (a) of this section, the following salary provisions apply to individuals who were serving as magistrates on June 30, 1994:

(1) The salaries of magistrates who on June 30, 1994, were paid at a salary level of less than five years of service under the table in effect that date shall be as follows:

Less than 1 year of service ~~$26,528~~$26,846
1 or more but less than 3 years of service ~~27,695~~28,027
3 or more but less than 5 years of service ~~30,044~~30,405

Upon completion of five years of service, those magistrates shall receive the salary set as the Entry Rate in the table in subsection (a)."

LEGISLATIVE BRANCH

SECTION 25.1B.(a) Section 29.5 of S.L. 2011-145 reads as rewritten:

"**GENERAL ASSEMBLY**

"**SECTION 29.5.** For the 2011-2013 fiscal biennium, the salaries of members and officers of the General Assembly shall remain unchanged at the amounts set under G.S. 120-3, as provided in 1994 by the 1993 General Assembly. Effective for the ~~2011-2013 fiscal biennium,~~2011-2012 fiscal year, salaries in the legislative branch shall remain unchanged, as follows:

~~(1) The salaries of members and officers of the General Assembly shall remain unchanged at the amounts set under G.S. 120-3, as provided in 1994 by the 1993 General Assembly.~~

(2) The annual salaries set by G.S. 120-37(c) for the principal clerks in each house shall remain unchanged.

(3) The annual salaries set by G.S. 120-37(b) of the sergeant-at-arms and the reading clerk in each house shall remain unchanged.

(4) The annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly set under G.S. 120-32 shall remain unchanged."

SECTION 25.1B.(b) G.S. 120-37(c) reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ~~one hundred four thousand eighty-four dollars ($104,084)~~ one hundred five thousand three hundred thirty-three dollars ($105,333), payable monthly. Each principal clerk shall also receive such additional compensation as approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this paragraph."

SECTION 25.1B.(c) G.S. 120-37(b) reads as rewritten:

"(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~three hundred eighty dollars ($380.00)~~ three hundred eighty-five dollars ($385.00) per week plus subsistence at the same daily rate provided for members of the General Assembly, plus mileage at the rate provided for members of the General Assembly for one round trip only from their homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General Assembly and at such time prior to the convening of, and subsequent to adjournment or recess of, sessions as may be authorized by the Legislative Services Commission. The reading clerks shall serve during sessions only."

SECTION 25.1B.(d) The Legislative Services Officer shall increase the salaries of nonelected employees of the General Assembly in effect on June 30, 2012, by one and two-tenths percent (1.2%).

COMMUNITY COLLEGES PERSONNEL

SECTION 25.1C.(a) Section 29.6 of S.L. 2011-145 reads as rewritten:

"**COMMUNITY COLLEGES PERSONNEL**

"**SECTION 29.6.(a)** The annual salaries of all community college nonfaculty and professional staff whose salaries are supported from the State's General Fund shall remain unchanged for the ~~2011-2013 fiscal biennium.~~2011-2012 fiscal year.

"**SECTION 29.6.(b)** For the ~~2011-2013 fiscal biennium,~~2011-2012 fiscal year, the annual salaries of all community college faculty whose salaries are supported from the State's General Fund shall remain unchanged. The minimum salaries for nine-month, full-time curriculum community college faculty shall also remain unchanged 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."

SECTION 25.1C.(b) For the 2012-2013 fiscal year, the Director of the Budget shall transfer from the Reserve for Compensation Increases created in this act to the State Board of Community Colleges funds sufficient to provide community college employees a salary increase of one and two-tenths percent (1.2%), including funds for the employers' retirement and social security contributions. These compensation funds may be used for any one or more of the following: (i) merit pay increases, (ii) across-the-board increases, (iii) recruitment bonuses, (iv) retention increases, (v) any other compensation increase, (vi) to offset the management flexibility reduction, or (vii) employ personnel. Categories (i) through (v) shall be pursuant to policies adopted by the State Board of Community Colleges. The State Board of Community Colleges shall make a preliminary report on the use of these funds to the 2013 Regular Session of the General Assembly no later than March 1, 2013, and a final report on September 1, 2013.

UNIVERSITY OF NORTH CAROLINA SYSTEM

SECTION 25.1D.(a) Section 29.7 of S.L. 2011-145 reads as rewritten:

"**UNIVERSITY OF NORTH CAROLINA SYSTEM**

"**SECTION 29.7.(a)** The annual salaries of all University of North Carolina EPA faculty, EPA nonfaculty, SPA employees, and teachers employed by the North Carolina School of Science and Math shall remain unchanged for the ~~2011-2013 fiscal biennium.~~2011-2012 fiscal year.

"**SECTION 29.7.(b)** The annual salaries of all employees of the University of North Carolina Health Care System and the Medical Faculty Practice Plan at East Carolina University shall remain unchanged for the ~~2011-2013 fiscal biennium.~~2011-2012 fiscal year."

SECTION 25.1D.(b) For the 2012-2013 fiscal year, the Director of the Budget shall transfer from the Reserve for Compensation Increases created in this act to the Board of Governors of The University of North Carolina funds sufficient to provide to employees who are exempt from the State Personnel Act (EPA) a salary increase of one and two-tenths percent (1.2%), including funds for the employers' retirement and social security contributions. These compensation funds may be used to award compensation increases to EPA employees, pursuant to policies adopted by the Board of Governors, including, but not limited to, any one or more of the following: (i) merit pay increases, (ii) across-the-board increases, (iii) recruitment bonuses, and (iv) retention increases. These compensation funds may also be used for one or more of the following (i) to offset the management flexibility reduction, or (ii) employ personnel. The Board of Governors shall make a preliminary report on the use of funds under this subsection to the 2013 Regular Session of the General Assembly no later than March 1, 2013, and a final report on September 1, 2013.

SECTION 25.1D.(c) For the 2012-2013 fiscal year, the Director of the Budget shall transfer from the Reserve for Compensation Increases created in this act to the Board of Governors of The University of North Carolina funds sufficient to provide to employees who

are subject to the State Personnel Act (SPA) a salary increase of one and two-tenths percent (1.2%), including funds for the employers' retirement and social security contributions.

MOST STATE EMPLOYEES

SECTION 25.1E.(a) Section 29.9 of S.L. 2011-145 reads as rewritten:

"**MOST STATE EMPLOYEES**

"**SECTION 29.9.(a)** Effective for the ~~2011-2013 fiscal biennium,~~2011-2012 fiscal year, the salaries in effect June 30, 2011, of all permanent, full-time State employees whose salaries are set in accordance with the State Personnel Act, shall remain unchanged.

"**SECTION 29.9.(b)** Effective for the ~~2011-2013 fiscal biennium,~~2011-2012 fiscal year, the compensation of permanent, full-time State officials and persons in exempt positions shall remain unchanged.

"**SECTION 29.9.(c)** Effective for the ~~2011-2013 fiscal biennium,~~2011-2012 fiscal year, the salaries of permanent, part-time State employees shall remain unchanged.

"**SECTION 29.9.(d)** Effective for the ~~2011-2013 fiscal biennium,~~2011-2012 fiscal year, the compensation of temporary and permanent hourly State employees shall remain unchanged."

SECTION 25.1E.(b) For the 2012-2013 fiscal year, the salaries in effect June 30, 2012, for the following employees shall be increased by one and two-tenths percent (1.2%), effective July 1, 2012:

(1) Permanent full-time State officials and persons whose salaries are set in accordance with the State Personnel Act.

(2) Permanent full-time State officials and persons in positions exempt from the State Personnel Act.

(3) Permanent part-time State employees.

(4) Temporary and permanent hourly State employees.

SECTION 25.1E.(c) Section 29.10(b) of S.L. 2011-145 reads as rewritten:

"**SECTION 29.10.(b)** For the ~~2011-2013 fiscal biennium,~~ 2011-2012 fiscal year, the salaries of permanent, full-time employees who work a nine-, ten-, or eleven-month work year schedule shall remain unchanged."

ALL STATE-SUPPORTED PERSONNEL/SALARY INCREASES

SECTION 25.1F.(a) The Director of the Budget shall transfer from the Reserve for Compensation Increases in this act for fiscal year 2012-2013 all funds necessary for the salary increases provided by this act, including funds for the employers' retirement and social security contributions.

SECTION 25.1F.(b) Salaries and related benefits for positions that are funded partially from the General Fund or Highway Fund and partially from sources other than the General Fund or Highway Fund shall be increased from the General Fund or Highway Fund appropriation only to the extent of the proportionate part of the salaries paid from the General Fund or Highway Fund. Nothing in this act authorizes the transfer of funds between the General Fund and the Highway Fund for salary increases.

SECTION 25.1F.(c) The fiscal year 2012-2013 salary increases provided in this act are to be effective July 1, 2012, and do not apply to persons separated from State service due to resignation, dismissal, reduction in force, death, or retirement or whose last workday is prior to July 1, 2012.

SECTION 25.1F.(d) The granting of the salary increases under this act does not affect the status of eligibility for salary increments for which employees may be eligible unless otherwise required by this act.

SECTION 25.1F.(e) Payroll checks issued to employees July 1, 2012, which represent payment of services provided prior to these increases shall not be eligible for salary increases provided for in this act. This subsection shall apply to all employees, subject to or exempt from the State Personnel Act, paid from State funds, including public schools, community colleges, and The University of North Carolina.

SECTION 25.1F.(f) For the 2012-2013 fiscal year, permanent full-time employees who work a nine-, 10-, or 11-month work year schedule shall receive the one and two-tenths percent (1.2%) annual increase provided by this act.

SALARY ADJUSTMENTS FOR SPECIAL CIRCUMSTANCES ONLY/NO AUTOMATIC INCREASES

SECTION 25.2. Section 29.8 of S.L. 2011-145, as amended by Section 59A of S.L. 2011-391, reads as rewritten:

"**SECTION 29.8.(a)** The annual pay of all State employees for the ~~2011-2013 fiscal biennium~~ 2011-2012 fiscal year shall remain unchanged from that authorized on June 30, 2011, or the last date in pay status during the 2010-2011 fiscal year, if earlier, except that an increase may be allowed during the 2011-2012 fiscal year under the following special circumstances:

(1) For all State employees regardless of funding source, and for employees of the North Carolina Community College System and local school boards who are paid from State funds, 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 Part. All other salary increases are prohibited.

(1a) For employees of the North Carolina Community College System, notwithstanding subdivision (1) of this subsection, salaries may be increased if the increase is funded from local funding sources.

(2) For The University of North Carolina, (i) faculty using funds from the Faculty Recruiting and Retention Fund, the Distinguished Professors Endowment Fund, or the University Cancer Research Fund in the case of faculty involved in cancer research supported by that fund and (ii) faculty, nonfaculty, and other employee adjustments, including retention adjustments, funded from non-State funding sources.

(3) For employees of the judicial branch, for local supplementation as authorized by G.S. 7A-300.1.

The cumulative salary adjustment allowed under this subsection for the 2011-2012 fiscal year may exceed ten percent (10%) of annual salary only if the adjustment is approved in advance by the Office of State Budget and Management, The University of North Carolina Board of Governors, the Board of the North Carolina Community College System, the Legislative Services Commission, the local board of education, or other authorized body as appropriate.

"**SECTION 29.8.(b)** The automatic salary step increases for assistant and deputy clerks of superior court and magistrates are suspended for the 2011-2013 fiscal biennium.

"**SECTION 29.8.(c)** The salary increase provisions of G.S. 20-187.3 are suspended for the 2011-2013 fiscal biennium.

"**SECTION 29.8.(d)** Notwithstanding G.S. 53-96.1, ~~and except as provided by subdivision (1) of subsection (a) of this section,~~ employees of the Office of the Commissioner of Banks shall not be awarded compensation increases or bonuses during the 2011-2013 fiscal biennium. Employees of the Office of the Commissioner of Banks shall receive an across-the-board salary increase of one and two-tenths percent (1.2%) for the 2012-2013 fiscal year, as provided in section 25.1E of The Current Operations and Capital Improvements Appropriations Act of 2012.

"**SECTION 29.8.(e)** Employees of the Lottery Commission shall not receive compensation bonuses during the 2011-2013 fiscal biennium. Employees of the Lottery Commission shall receive an across-the-board salary increase of one and two-tenths percent (1.2%) for the 2012-2013 fiscal year, as provided in section 25.1E of The Current Operations and Capital Improvements Appropriations Act of 2012.

~~"**SECTION 29.8.(f)** No employee of any other State agency or constituent institution of The University of North Carolina, excluding employees of the University of North Carolina Health Care System and employees participating in a constituent institution's medical faculty practice plan, shall receive compensation bonuses.~~"

REPEAL OF PROVISIONS RELATED TO COMPENSATION ADJUSTMENT AND PERFORMANCE PAY RESERVE

SECTION 25.2A. Section 29.20A of S.L. 2011-145 is repealed.

MONITOR MOST SALARY INCREASES

SECTION 25.2B. Section 29.19 of S.L. 2011-145 reads as rewritten:

"**SECTION 29.19.(a)** The Office of State Budget and Management and the Office of State Personnel shall monitor jointly ~~the compliance of~~ salary increases awarded by the following units of government ~~with the provisions of Section 29.8 of this act~~ and 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~~including, but not limited to, promotion, reallocation, career progression, salary adjustment, range revision, equity 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 other 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 29.19.(b)** The Legislative Services Officer shall report quarterly to the President Pro Tempore of the Senate and the Speaker of the House of Representatives on compliance with this act."

REPEAL COMPREHENSIVE COMPENSATION SYSTEM

SECTION 25.2C.(a) The catch line of G.S. 126-7 reads as rewritten:

"**§ 126-7. ~~Compensation of State employees.~~Annual Compensation Survey.**"

SECTION 25.2C.(b) G.S. 126-7(a), (a2), (b1), (c), and (e) are repealed.

SECTION 25.2C.(c) G.S. 126-7(b) reads as rewritten:

"(b) To guide the Governor and the General Assembly in making ~~appropriations to fund the Comprehensive Compensation System,~~decisions regarding the compensation of State employees, the State Personnel Commission shall conduct annual compensation surveys. The Commission shall present the results of the compensation survey to the Appropriations Committees of the House and Senate no later than two weeks after the convening of the legislature in odd years and May 1st of even years."

SECTION 25.2C.(d) G.S. 20-187.3(a) reads as rewritten:

"(a) The Secretary of Public Safety shall not make or permit to be made any order, rule, or regulation requiring the issuance of any minimum number of traffic citations, or ticket quotas, by any member or members of the State Highway Patrol. Pay and promotions of members of the Highway Patrol shall be based on their overall job performance and not on the basis of the volume of citations issued or arrests made. ~~The provisions of G.S. 126-7 shall not apply to members of the State Highway Patrol.~~ Members of the Highway Patrol ~~shall, however,~~shall be subject to salary classes, ranges and longevity pay for service as are applicable to other State employees generally. Beginning July 1, 1985, and annually thereafter, each member of the Highway Patrol shall be granted a salary increase in an amount corresponding to the increments between steps within the salary range established for the class to which the member's position is assigned by the State Personnel Commission, not to exceed the maximum of each applicable salary range."

COMPREHENSIVE REVIEW FOR REFORM OF PUBLIC EMPLOYEE COMPENSATION PLANS/RECOMMENDATIONS FOR LEGISLATION BY MARCH 1, 2013

SECTION 25.2D. Section 29.20 of S.L. 2011-145 reads as rewritten:

"**SECTION 29.20.(a)** It is the intent of the General Assembly to create and implement a modernized, fair, and fully functional performance-based compensation system for employees

of State agencies, departments, ~~institutions,~~and institutions and for employees of The University of North Carolina ~~System, the North Carolina Community College System, and local education agencies.~~System who are subject to the State Personnel Act. To that end, the Legislative Services Commission, jointly through the Fiscal Research and Program Evaluation Divisions, is directed to commission a review and study of the current compensation plans of State agencies, departments, ~~institutions,~~ and institutions and employees of The University of North Carolina ~~System, the North Carolina Community College System, and local education agencies~~System who are subject to the State Personnel Act (government sectors). The Legislative Services Commission may use a Request for Information process or a Request for Proposals process to contract with a qualified consulting firm to perform this review and study. The study, at minimum, shall include all of the following:

(1) A labor market analysis of pay, fringe benefits, classification, and banding plans of government sector employees to determine whether current employees are compensated appropriately relative to market rates for similar positions as compared to (i) other North Carolina public employees, (ii) similar positions and employees in other states, and (iii) where applicable, employees in private industry.

(2) An analysis of current performance-based compensation plans in use by the North Carolina Banking ~~Commission,~~Commission and the University of North Carolina Health Care ~~System, and the performance-based compensation system proposed by Charlotte/Mecklenburg County Schools.~~System. This analysis should include an assessment of the effectiveness of these performance-based plans and should include identification of best practices.

(3) An evaluation of current longevity pay as applicable to most government sector employees and recommendations as to whether longevity pay should be continued for new hires.

(4) An evaluation of current laws and policies related to "career status" for employees subject to the State Personnel ~~Act and tenure for public school teachers and university professors. For public school teachers, the evaluation of tenure shall include its relationship with student performance, if any.~~ Act. This evaluation should also include recommendations as to whether these laws and policies should be continued or modified based upon human resource best practices.

~~(5) An evaluation of salary supplements for public school employees paid on account of master's degrees, attainment of other advanced degrees, and national board certification, including the relationship to student performance, if any. This evaluation should also include recommendations as to whether these salary supplements should be continued or modified based upon the effect on student performance, if any, and human resource best practices.~~

(6) An evaluation of the State Personnel Act, including recommendations as to whether these laws and policies should be continued or modified based upon human resource best practices.

(7) An analysis of the effect of in-State regional variables on employee compensation and recommendations as to how those variables should be addressed in the future.

(8) Recommendations of how to evaluate and compare the value of employee fringe benefits.

(9) Recommendations, timetable, and design of a comprehensive performance-based compensation plan across all government sectors for implementation by the General Assembly. Recommendations must include the design of an effective employee performance evaluation system, including the identification of effective employee performance measures and information systems (including estimated costs) to track and monitor employee performance.

(10) Training recommendations for supervisors and managers regarding employee productivity and performance evaluation.

(11) Recommendations to assure equity of compensation among public employees across government sectors.

(12) Feasibility of a consensus forecasting group to make annual recommendations for compensation policy across all government sectors. These recommendations should include how to establish and maintain priorities for General Fund appropriations necessary to fund the performance-based compensation system while remaining affordable for the State and its taxpayers.

"**SECTION 29.20.(b)** In the event that the Legislative Services Commission contracts with a qualified consulting firm to perform the review and study, the consultant shall report its progress to the Fiscal Research and Program Evaluation Divisions every 90 days.

"**SECTION 29.20.(c)** By ~~May 1, 2012,~~ March 1, 2013, the Fiscal Research and Program Evaluation Divisions, or at their direction by the consultant hired to perform the review and study, shall report all findings and any other final results of the study, including recommendations and legislative proposals, to the ~~2012 Regular Session of the 2011~~2013 General Assembly.

"**SECTION 29.20.(d)** All State agencies, departments, ~~institutions,~~and institutions, and The University of North Carolina ~~System, the North Carolina Community College System, and local education agencies~~ System shall provide any information, data, or documents within their possession, ascertainable from their records, or otherwise available to them to the Fiscal Research and Program Evaluation Divisions and/or the consultant necessary to complete this review and study.

"**SECTION 29.20.(e)** The State Personnel Director, the State Budget Director, the State Controller, and the State Treasurer shall dedicate and identify staff for technical assistance, as needed, to aid in the reviews required by this section."

UNIVERSITY FACULTY RECRUITING AND RETENTION FUND

SECTION 25.3. The Faculty Recruiting and Retention Fund under the Office of the President of The University of North Carolina is reestablished for the 2012-2013 fiscal year. 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.

TEACHER SALARY SCHEDULES

SECTION 25.6.(a) The following monthly salary schedules shall apply for the 2012-2013 fiscal year to certified personnel of the public schools who are classified as teachers. The schedules contain 36 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 2011-2012 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.

2012-2013 Monthly Salary Schedule

Years of Experience	"A" Teachers	NBPTS Certification
	"A" Teachers	
0	$3,043	N/A
1	$3,043	N/A
2	$3,043	N/A
3	$3,043	$3,408
4	$3,043	$3,408
5	$3,085	$3,455
6	$3,129	$3,504
7	$3,264	$3,656
8	$3,404	$3,812
9	$3,538	$3,963
10	$3,667	$4,107
11	$3,771	$4,224

12	$3,819	$4,277
13	$3,868	$4,332
14	$3,918	$4,388
15	$3,967	$4,443
16	$4,018	$4,500
17	$4,069	$4,557
18	$4,122	$4,617
19	$4,176	$4,677
20	$4,231	$4,739
21	$4,286	$4,800
22	$4,345	$4,866
23	$4,403	$4,931
24	$4,461	$4,996
25	$4,523	$5,066
26	$4,584	$5,134
27	$4,650	$5,208
28	$4,714	$5,280
29	$4,779	$5,352
30	$4,845	$5,426
31	$4,913	$5,503
32	$4,984	$5,582
33	$5,055	$5,662
34	$5,153	$5,771
35+	$5,255	$5,886

2012-2013 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	$3,347	$3,749
4	$3,347	$3,749
5	$3,394	$3,801
6	$3,442	$3,855
7	$3,590	$4,021
8	$3,744	$4,193
9	$3,892	$4,359
10	$4,034	$4,518
11	$4,148	$4,646
12	$4,201	$4,705
13	$4,255	$4,766
14	$4,310	$4,827
15	$4,364	$4,888
16	$4,420	$4,950
17	$4,476	$5,013
18	$4,534	$5,078
19	$4,594	$5,145
20	$4,654	$5,212
21	$4,715	$5,281
22	$4,780	$5,354
23	$4,843	$5,424
24	$4,907	$5,496
25	$4,975	$5,572
26	$5,042	$5,647
27	$5,115	$5,729
28	$5,185	$5,807
29	$5,257	$5,888
30	$5,330	$5,970

31	$5,404	$6,052
32	$5,482	$6,140
33	$5,561	$6,228
34	$5,668	$6,348
35+	$5,781	$6,475

SECTION 25.6.(b) Section 29.12(d) of S.L. 2011-145 reads as rewritten:

"**SECTION 29.12.(d)** The first step of the salary schedule for school psychologists shall be equivalent to ~~Step 5,~~ Step 9, corresponding to ~~five~~ nine 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."

SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 25.7.(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 2012-2013 fiscal year, commencing July 1, 2012. Provided, however, school-based administrators (i) employed during the 2011-2012 school year who did not work the required number of months to acquire an additional year of experience and (ii) employed during the 2012-2013 school year in the same classification shall not receive a decrease in salary as otherwise would be required by the salary schedule below.

2012-2013 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)
0-8	$3,781	-	-	-	-
9	$3,931	-	-	-	-
10	$4,074	-	-	-	-
11	$4,189	-	-	-	-
12	$4,243	$4,243	-	-	-
13	$4,298	$4,298	-	-	-
14	$4,353	$4,353	$4,408	-	-
15	$4,408	$4,408	$4,464	-	-
16	$4,464	$4,464	$4,521	$4,579	-
17	$4,521	$4,521	$4,579	$4,640	$4,701
18	$4,579	$4,579	$4,640	$4,701	$4,762
19	$4,640	$4,640	$4,701	$4,762	$4,828
20	$4,701	$4,701	$4,762	$4,828	$4,891
21	$4,762	$4,762	$4,828	$4,891	$4,956
22	$4,828	$4,828	$4,891	$4,956	$5,025
23	$4,891	$4,891	$4,956	$5,025	$5,092
24	$4,956	$4,956	$5,025	$5,092	$5,166
25	$5,025	$5,025	$5,092	$5,166	$5,237
26	$5,092	$5,092	$5,166	$5,237	$5,310
27	$5,166	$5,166	$5,237	$5,310	$5,383
28	$5,237	$5,237	$5,310	$5,383	$5,458
29	$5,310	$5,310	$5,383	$5,458	$5,537
30	$5,383	$5,383	$5,458	$5,537	$5,617
31	$5,458	$5,458	$5,537	$5,617	$5,725
32	$5,537	$5,537	$5,617	$5,725	$5,839
33	$5,617	$5,617	$5,725	$5,839	$5,956
34	$5,725	$5,725	$5,839	$5,956	$6,075

35	$5,839	$5,839	$5,956	$6,075	$6,197
36	-	$5,956	$6,075	$6,197	$6,321
37	-	-	$6,197	$6,321	$6,447
38	-	-	$6,321	$6,447	$6,576
39	-	-	-	$6,576	$6,708
40	-	-	-	$6,708	$6,842
41	-	-	-	-	$6,979

2012-2013 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+)
0-18	$4,828	-	-	-
19	$4,891	-	-	-
20	$4,956	$5,025	-	-
21	$5,025	$5,092	$5,237	-
22	$5,092	$5,166	$5,310	$5,383
23	$5,166	$5,237	$5,383	$5,458
24	$5,237	$5,310	$5,458	$5,537
25	$5,310	$5,383	$5,537	$5,617
26	$5,383	$5,458	$5,617	$5,725
27	$5,458	$5,537	$5,725	$5,839
28	$5,537	$5,617	$5,839	$5,956
29	$5,617	$5,725	$5,956	$6,075
30	$5,725	$5,839	$6,075	$6,197
31	$5,839	$5,956	$6,197	$6,321
32	$5,956	$6,075	$6,321	$6,447
33	$6,075	$6,197	$6,447	$6,576
34	$6,197	$6,321	$6,576	$6,708
35	$6,321	$6,447	$6,708	$6,842
36	$6,447	$6,576	$6,842	$6,979
37	$6,576	$6,708	$6,979	$7,119
38	$6,708	$6,842	$7,119	$7,261
39	$6,842	$6,979	$7,261	$7,406
40	$6,979	$7,119	$7,406	$7,554
41	$7,119	$7,261	$7,554	$7,705
42	$7,261	$7,406	$7,705	$7,859
43	-	$7,554	$7,859	$8,016
44	-	$7,705	$8,016	$8,176
45	-	-	$8,176	$8,340

SECTION 25.7.(b) G.S. 29.13(h) of S.L. 2011-145 reads as rewritten:

"**SECTION 29.13.(h)** During the 2011-2012 fiscal ~~year,~~year and the 2012-2013 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."

FUNDS FOR PERSONNEL FLEXIBILITY IN THE LEAS

SECTION 25.7A.(a) Effective July 1, 2012, the Director of the Budget shall transfer from the Reserve for Compensation Increases and Personnel Flexibility to the State Board of Education the sum of eighty-four million nine hundred sixty-four thousand one hundred forty-two dollars ($84,964,142) for the 2012-2013 fiscal year.

The State Board of Education shall allocate these funds to local school administrative units on the basis of average daily membership.

SECTION 25.7A.(b) Local school administrative units may use these funds to do one or more of the following: (i) award compensation increases to employees, including, but not limited to, merit increases, across-the-board increases, recruitment and retention bonuses, and other bonuses, pursuant to local personnel policies; (ii) offset the LEA flexibility adjustment; or (iii) employ personnel.

SECTION 25.7A.(c) No compensation increase awarded pursuant to this section shall be construed to modify an employee's placement on a State salary schedule.

SECTION 25.7A.(d) Local school administrative units shall report to the State Board of Education on the use of these funds. The State Board of Education shall make preliminary reports on the use of these funds by local school administrative units to the General Assembly on October 1, 2012, and March 1, 2013, and shall make a final report on September 1, 2013.

EXEMPT POSITIONS

SECTION 25.7B.(a) G.S. 126-5(d) reads as rewritten:

"(d) (1) Exempt Positions in Cabinet Department. – ~~The~~ Subject to the provisions of this Chapter, which is known as the State Personnel Act, the Governor may designate a total of ~~100~~1,000 exempt ~~policymaking~~ positions throughout the following departments:

a. Department of Administration;
b. Department of Commerce;
~~c. Division of Adult Correction of the Department of Public Safety;~~
d. Department of Public Safety;
e. Department of Cultural Resources;
f. Department of Health and Human Services;
g. Department of Environment and Natural Resources;
h. Department of Revenue;
i. Department of ~~Transportation; and~~ Transportation.
~~j. Division of Juvenile Justice of the Department of Public Safety.~~

~~The Governor may designate exempt managerial positions in a number up to one percent (1%) of the total number of full-time positions in each cabinet department listed above in this sub-subdivision, not to exceed 30 positions in each department. Notwithstanding the provisions of this subdivision, or the other requirements of this subsection, the Governor may at any time increase by five the number of exempt policymaking positions at the Department of Health and Human Services, but at no time shall the total number of exempt policymaking positions exceed 105. The Governor shall notify the General Assembly and the State Personnel Director of the additional positions designated hereunder.~~

(2) Exempt Positions in Council of State Departments and Offices. – The Secretary of State, the Auditor, the Treasurer, the Attorney General, the Commissioner of Agriculture, the Commissioner of Insurance, and the Labor Commissioner may designate exempt positions. The State Board of Education may designate exempt positions in the Department of Public Instruction. The number of exempt policymaking positions in each department headed by an elected department head listed above in this sub-subdivision shall be limited to 20 exempt policymaking positions or one percent (1%) of the total number of full-time positions in the department, whichever is greater. The number of exempt managerial positions shall be limited to 20 positions or one percent (1%) of the total number of full-time positions in the department, whichever is greater.

(2a) Designation of Additional Positions. – The Governor, elected department head, or State Board of Education may request that additional positions be designated as exempt. The request shall be made by sending a list of exempt positions that exceed the limit imposed by this subsection to the Speaker of the North Carolina House of Representatives and the President of the North Carolina Senate. A copy of the list also shall be sent to the State Personnel Director. The General Assembly may authorize all, or part of, the additional positions to be designated as exempt positions. If the General Assembly is in session when the list is submitted and does not act within 30 days after the list is submitted, the list shall be deemed approved by the General Assembly, and the positions shall be designated as exempt positions. If the General Assembly is not in session when the list is submitted, the 30-day period shall not begin to run until the next date that the General Assembly convenes or

reconvenes, other than for a special session called for a specific purpose not involving the approval of the list of additional positions to be designated as exempt positions; the policymaking positions shall not be designated as exempt during the interim.

(3) Letter. – These positions shall be designated in a letter to the State Personnel Director, the Speaker of the House of Representatives, and the President of the Senate by ~~May 1~~ July 1 of the year in which the oath of office is administered to each Governor unless the provisions of subsection (d)(4) apply.

(4) Vacancies. – In the event of a vacancy in the Office of Governor or in the office of a member of the Council of State, the person who succeeds to or is appointed or elected to fill the unexpired term shall make such designations in a letter to the State Personnel Director, the Speaker of the House of Representatives, and the President of the Senate within ~~120~~180 days after the oath of office is administered to that person. In the event of a vacancy in the Office of Governor, the State Board of Education shall make these designations in a letter to the State Personnel Director, the Speaker of the House of Representatives, and the President of the Senate within ~~120~~180 days after the oath of office is administered to the Governor.

(5) Creation, Transfer, or Reorganization. – The Governor, elected department head, or State Board of Education may designate as exempt a position that is created or transferred to a different department, or is located in a department in which reorganization has occurred, after ~~May 1~~ July 1 of the year in which the oath of office is administered to the Governor. The designation must be made in a letter to the State Personnel Director, the Speaker of the North Carolina House of Representatives, and the President of the North Carolina Senate within ~~120~~180 days after such position is created, transferred, or in which reorganization has occurred.

(6) Reversal. – Subsequent to the designation of a position as an exempt position as hereinabove provided, the status of the position may be reversed and made subject to the provisions of this Chapter by the Governor, by an elected department head, or by the State Board of Education in a letter to the State Personnel Director, the Speaker of the North Carolina House of Representatives, and the President of the North Carolina Senate.

(7) Hearing Officers. – Except as otherwise specifically provided by this section, no employee, by whatever title, whose primary duties include the power to conduct hearings, take evidence, and enter a decision based on findings of fact and conclusions of law based on statutes and legal precedents shall be designated as exempt. This subdivision shall apply beginning July 1, 1985, and no list submitted after that date shall designate as exempt any employee described in this subdivision."

SECTION 25.7B.(b) This section becomes effective January 1, 2013.

SALARY-RELATED CONTRIBUTIONS

SECTION 25.10. Section 29.22(d) of S.L. 2011-145 reads as rewritten:

"**SECTION 29.22.(d)** Effective July 1, 2012, the State's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for the 2012-2013 fiscal year are: (i) ~~fourteen and thirty-one hundredths percent (14.31%)~~fourteen and twenty-three hundredths percent (14.23%) – Teachers and State Employees; (ii) ~~nineteen and thirty-one hundredths percent (19.31%)~~nineteen and twenty-three hundredths percent (19.23%) – State Law Enforcement Officers; (iii) ~~twelve and sixty-six hundredths percent (12.66%)~~ twelve and fifty-eight hundredths percent (12.58%) – University Employees' Optional Retirement System; (iv) ~~twelve and sixty-six hundredths percent (12.66%)~~twelve and fifty-eight hundredths percent (12.58%) – Community College Optional Retirement Program; (v) ~~thirty-one and seventy hundredths percent (31.70%)~~thirty-one and eighty-five hundredths percent (31.85%) – Consolidated Judicial Retirement System; and (vi) five and thirty hundredths percent (5.30%) – Legislative Retirement System. Each of the foregoing contribution rates includes five and thirty hundredths percent (5.30%) 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%)~~forty-four hundredths percent (0.44%) 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."

EXPAND OPTIONAL RETIREMENT PROGRAM FOR UNIVERSITY OF NORTH CAROLINA SYSTEM

SECTION 25.12. G.S. 135-5.1(a) reads as rewritten:

"(a) An Optional Retirement Program provided for in this section is authorized and established and shall be implemented by the Board of Governors of The University of North Carolina. The Optional Retirement Program shall be underwritten by the purchase of annuity contracts, which may be both fixed and variable contracts or a combination thereof, or financed through the establishment of a trust, for the benefit of participants in the Program. Participation in the Optional Retirement Program shall be limited to University personnel who are eligible for membership in the Teachers' and State Employees' Retirement Program and who are:

(1) Administrators and faculty of The University of North Carolina with the rank of instructor or above;

(2) The President and employees of The University of North Carolina who are appointed by the Board of Governors on recommendation of the President pursuant to G.S. 116-11(4), 116-11(5), and 116-14 or who are appointed by the Board of Trustees of a constituent institution of The University of North Carolina upon the recommendation of the Chancellor pursuant to G.S. 116-40.22(b);

(3) Nonfaculty instructional and research staff who are exempt from the State Personnel Act, as defined by the provisions of G.S. 126-5(c1)(8), and the faculty of the North Carolina School of Science and Mathematics; and

(4) Field faculty of the Cooperative Agriculture Extension Service, and tenure track faculty in North Carolina State University agriculture research programs who are exempt from the State Personnel Act and who are eligible for membership in the Teachers' and State Employees' Retirement System pursuant to G.S. 135-3(1), who in any of the cases described in this subsection (i) had been members of the Optional Retirement Program under the provisions of Chapter 338, Session Laws of 1971, immediately prior to July 1, 1985, or (ii) have sought membership as required in subsection (b), below. Under the Optional Retirement Program, the State and the participant shall contribute, to the extent authorized or required, toward the purchase of such contracts or deposited in such trust on the participant's behalf.

(5) Employees of The University of North Carolina Health Care System, subject to rules for eligibility and participation as may be adopted by the Board of Governors in the Optional Retirement Program plan document.

(6) Employees hired on or after January 1, 2013."

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

SECTION 25.13.(a) G.S. 135-5 is amended by adding a new subsection to read:

"(sss) From and after July 1, 2012, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2011, shall be increased by one percent (1%) of the allowance payable on June 1, 2012, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2012, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2011, but before June 30, 2012, shall be increased by a prorated amount of one percent (1%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2011, and June 30, 2012."

SECTION 25.13.(b) G.S. 135-65 is amended by adding a new subsection to read:

"(dd) From and after July 1, 2012, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2011, shall be increased by one

percent (1%) of the allowance payable on June 1, 2012. Furthermore, from and after July 1, 2012, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2011, but before June 30, 2012, shall be increased by a prorated amount of one percent (1%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2011, and June 30, 2012."

SECTION 25.13.(c) G.S. 120-4.22A is amended by adding a new subsection to read:

"(x) In accordance with subsection (a) of this section, from and after July 1, 2012, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before January 1, 2012, shall be increased by one percent (1%) of the allowance payable on June 1, 2012. Furthermore, from and after July 1, 2012, the retirement allowance to or on account of beneficiaries whose retirement commenced after January 1, 2012, but before June 30, 2012, shall be increased by a prorated amount of one percent (1%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between January 1, 2012, and June 30, 2012."

PART XXVI. CAPITAL APPROPRIATIONS

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 26.1. There is appropriated from the General Fund for the 2012-2013 fiscal year the following amounts for capital improvements:

Capital Improvements – General Fund	**2012-2013**
Department of Environment and Natural Resources	
Water Resources Development Projects	$ 5,000,000
TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	**$ 5,000,000**

WATER RESOURCES DEVELOPMENT PROJECTS

SECTION 26.2.(a) The Department of Environment and Natural Resources shall allocate funds for water resources projects in accordance with the schedule that follows. The amounts set forth in the schedule include funds appropriated in this act for water resources projects and funds carried forward from previous fiscal years in accordance with subsection (b) of this section. These funds will provide a State match for an estimated eighty-six million three hundred ninety thousand dollars ($86,390,000) in federal funds.

	Name of Project	**2012-2013**
(1)	B. Everett Jordan Lake Water Supply Storage	$200,000
(2)	Wilmington Harbor Maintenance	1,200,000
(3)	Morehead City Harbor Maintenance	–
(4)	Wilmington Harbor Deepening	6,000,000
(5)	2012 Corps Long Term MOA for Dredging	3,350,000
(6)	Carolina Beach Renourishment Project	1,184,000
(7)	Wilmington Harbor Improvements Feasibility	500,000
(8)	John H. Kerr Dam and Reservoir Sec. 216	200,000
(9)	Aquatic Plant Control, Statewide and Lake Gaston	200,000
(10)	State-Local Projects	593,000
(11)	Catawba Water Management Group Study	100,000
TOTALS		**$ 13,527,000**

SECTION 26.2.(b) It is the intent of the General Assembly that funds carried forward from previous fiscal years be used to supplement the five million dollars ($5,000,000) appropriated for water resources development projects in Section 26.1 of this act. Therefore, the following funds carried forward from previous fiscal years shall be used for the following projects:

	Name of Project	Amount Carried Forward
(1)	B. Everett Jordan Lake Water Supply Storage	$ 200,000
(2)	Wilmington Harbor Maintenance	1,200,000
(3)	2012 Corps MOA for Shallow Draft Inlet Dredging	3,350,000
(4)	Wilmington Harbor Deepening	3,000,000
(5)	Wilmington Harbor Improvements Feasibility	250,000
(6)	State-Local Projects	527,000
TOTALS		**$ 8,527,000**

SECTION 26.2.(c) 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 2012-2013 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 the 2012-2013 fiscal year.
(3) State-local water resources development projects.

Funds subject to this subsection that are not expended or encumbered for the purposes set forth in subdivisions (1) through (3) of this subsection shall revert to the General Fund at the end of the 2013-2014 fiscal year.

SECTION 26.2.(d) The Department shall make semiannual reports on the use of these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division of the General Assembly, 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.

SECTION 26.2.(e) Notwithstanding any provision of law to the contrary, funds appropriated for a water resources development project shall be used to provide no more than fifty percent (50%) of the nonfederal portion of funds for the project. This subsection applies to funds appropriated in this act and to funds appropriated prior to the 2011-2013 fiscal biennium that are unencumbered and proposed for reallocation to provide the nonfederal portion of funds for water resources development projects. The limitation on fund usage contained in this subsection applies only to projects in which a local government or local governments participate.

SECTION 26.2.(f) The 2012 Long Term Dredging Memorandum of Agreement with the U.S. Army Corps of Engineers authorized by this section shall provide for all of the following:

(1) Prioritization of projects through joint consultation with the State, applicable units of local government, and the U.S. Army Corps of Engineers.
(2) Adherence to the requirements of subsection (e) of this section.
(3) Annual reporting by the Department on the use of funds provided to the U.S. Army Corps of Engineers under the 2012 Long Term Dredging Memorandum of Agreement. These reports shall be made to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division of the General Assembly, and the Office of State Budget and Management and shall include all of the following:
    a. A list of all projects commenced.

b. The estimated cost of each project.
c. The date that work on each project commenced or is expected to commence.
d. The date that work on each project was completed or is expected to be completed.
e. The actual cost of each project.

REPAIRS AND RENOVATIONS RESERVE ALLOCATION

SECTION 26.4.(a) Of the funds in the Reserve for Repairs and Renovations for the 2012-2013 fiscal year, the following allocations shall be made to the following agencies for repairs and renovations pursuant to G.S. 143C-4-3:

(1) Fifty-four percent (54%) shall be allocated to the Board of Governors of The University of North Carolina.
(2) Forty-six percent (46%) shall be allocated to the Office of State Budget and Management.

The Office of State Budget and Management shall consult with or report to the Joint Legislative Commission on Governmental Operations, as appropriate, in accordance with G.S. 143C-4-3(e). The Board of Governors shall report to the Joint Legislative Commission on Governmental Operations in accordance with G.S. 143C-4-3(d).

SECTION 26.4.(b) Notwithstanding G.S. 143C-4-3(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 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 26.4.(c) Notwithstanding G.S. 143C-4-3(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 campus public safety improvements allowable under G.S. 143C-4-3(b).

REPORTING ON CAPITAL PROJECTS

SECTION 26.5.(a) Definitions. – The following definitions apply in this section:

(1) Capital project. – Any capital improvement, as that term is defined in G.S. 143C-1-1, that is not complete by the effective date of this section and that is funded in whole or in part with either State funds or statutorily or constitutionally authorized indebtedness of any kind. This term includes only

projects with a total cost of one hundred thousand dollars ($100,000) or more.

(2) Construction phase. – The status of a particular capital project as described using the terms customarily employed in the design and construction industries.

(3) New capital project. – A capital project that is authorized in this act or subsequent to the effective date of this act.

SECTION 26.5.(b) Reporting. – The following reports are required:

(1) By October 1, 2012, and every six months thereafter, each State agency shall report on the status of agency capital projects to the Joint Legislative Commission on Governmental Operations and to the Joint Legislative Oversight Committee on Capital Improvements.

(2) By October 1, 2012, and quarterly thereafter, each State agency shall report on the status of agency capital projects to the Fiscal Research Division of the General Assembly and to the Office of State Budget and Management.

SECTION 26.5.(c) The reports required by this section shall include at least the following information about every agency capital project:

(1) The current construction phase of the project.

(2) The anticipated timeline from the current construction phase to project completion.

(3) Information about expenditures that have been made in connection with the project, regardless of source of the funds expended.

(4) Information about the adequacy of funding to complete the project, including estimates of how final expenditures will relate to initial estimates of expenditures, and whether or not scope reductions will be necessary in order to complete the project within its budget.

(5) For new capital projects only, an estimate of the operating costs for the project for the first five fiscal years of its operation.

UNCW SOCIAL AND BEHAVIORAL SCIENCES BUILDING

SECTION 26.6. Section 29.13(a) of S.L. 2007-323, as amended by Section 27.8(d) of S.L. 2008-107 and Section 2(b) of S.L. 2009-209, 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:

...

(9) In the maximum aggregate principal amount of thirty-two million eight hundred ninety-nine thousand six hundred ninety-nine dollars ($32,899,699) to finance the capital facility costs of completing a new teaching laboratory at the University of North Carolina at Wilmington and of renovating the Social and Behavioral Science Building 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.

...."

TRANSFER FOR PLANT CONSERVATION PROGRAM

SECTION 26.9. 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 2012-2013 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, and environmental studies, and for the management of the plant conservation program preserves owned by the Department.

AUTHORIZE UNC CARRYFORWARD FUNDS TO BE USED FOR CAPITAL PROJECTS

SECTION 26.10. G.S. 143C-8-12 reads as rewritten:

"**§ 143C-8-12. University system capital improvement projects from sources that are not General Fund sources: approval of new project or change in scope of existing project.**

Notwithstanding any other provision of this Chapter, the Board of Governors of The University of North Carolina may approve: (i) expenditures to plan a capital improvement project of The University of North Carolina the planning for which is to be funded entirely with non-General Fund money, (ii) expenditures for a capital improvement project of The University of North Carolina that is to be funded and operated entirely with non-General Fund money, or (iii) a change in the scope of any previously approved capital improvement project of The University of North Carolina provided that both the project and change in scope are funded entirely with non-General Fund money. For purposes of this section, the term "non-General Fund money" includes funds carried forward from one fiscal year to another pursuant to G.S. 116-30.3. The Board of Governors shall report any expenditure made pursuant to this section to the Office of State Budget and Management and to the Joint Legislative Commission on Governmental Operations."

OSBM ALLOCATION OF REPAIRS AND RENOVATIONS FUNDS

SECTION 26.11. G.S. 143C-4-3 is amended by adding a new subsection to read:

"(e) Office of State Budget and Management May Allocate Funds to Particular Projects. – Any funds in the Reserve for Repairs and Renovations that are allocated to the Office of State Budget and Management may be allocated or reallocated by the State Budget Office for repairs and renovations projects so long as any project that receives an allocation or reallocation satisfies the requirements of subsection (b) of this section. The Office of State Budget and Management shall consult with the Joint Legislative Commission on Governmental Operations prior to the allocation of these funds. The State Budget Office shall report to the Joint Legislative Commission on Governmental Operations on the reallocation of funds pursuant to this section within 60 days of any reallocation under this subsection."

PART XXVII. MISCELLANEOUS PROVISIONS

STATE BUDGET ACT APPLIES

SECTION 27.1. 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 27.2.(a) The Senate Base Budget/Appropriations Committee Report on the Continuation, Expansion and Capital Budgets dated June 12, 2012, which was distributed in the Senate 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 27.2.(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 2012-2013 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 May 2012 in the document "Investing in Our Future/Recommended Adjustments 2012-2013 North Carolina State Budget" for the 2012-2013 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 27.2.(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.

REPORT BY FISCAL RESEARCH DIVISION ON CHANGES TO 2012-2013 BUDGET/PUBLICATION

SECTION 27.3.(a) The Fiscal Research Division of the Legislative Services Commission shall issue a report on budget actions taken by the 2011 Regular Session of the General Assembly in 2012. The report shall be in the form of a revision of the Committee Report adopted for House Bill 950 pursuant to G.S. 143C-5-5, and shall include all modifications made to the 2012-2013 budget prior to sine die adjournment of the 2011 Regular Session.

SECTION 27.3.(b) The report issued pursuant to this section, and the Committee Report issued pursuant to G.S. 143C-5-5, shall be construed together with this act in determining the intent of the General Assembly.

SECTION 27.3.(c) The Director of the Fiscal Research Division of the Legislative Services Commission shall send a copy of the report issued pursuant to this section to the Director of the Budget. The report shall be published on the General Assembly's Internet Web site for public access.

MOST TEXT APPLIES ONLY TO THE 2012-2013 FISCAL YEAR

SECTION 27.4. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2012-2013 fiscal year, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 2012-2013 fiscal year.

EFFECT OF HEADINGS

SECTION 27.5. 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 27.6.(a) Except where expressly repealed or amended by this act, the provisions of S.L. 2011-145, S.L. 2011-315, S.L. 2011-373, S.L. 2011-391, S.L. 2011-419, and S.L. 2012-2 remain in effect.

SECTION 27.6.(b) Notwithstanding any modifications by this act in the amounts appropriated, except where expressly repealed or amended, the limitations and directions for the 2012-2013 fiscal year in S.L. 2011-145, S.L. 2011-315, S.L. 2011-373, S.L. 2011-391, S.L. 2011-419, and S.L. 2012-2 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

SECTION 27.7. 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 27.8. Except as otherwise provided, this act becomes effective July 1, 2012.

ATTACHMENT 5

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE

REPORT
ON THE
CONTINUATION, EXPANSION
AND
CAPITAL BUDGETS

House Bill 950

Proposed Senate Committee Substitute

June 12th, 2012

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2	Anticipated Overcollections from FY 2011-12	232,500,000
3	Anticipated Reversions for FY 2011-12	205,500,000
4	Net Supplemental Medicaid Appropriation (S.L. 2012-2; SB 797)	(154,000,000)
5	Less Earmarkings of Year End Fund Balance	
6	Savings Reserve Account	(139,339,925)
7	Repairs and Renovations Reserve Account	(39,339,925)
8	**Beginning Unreserved Fund Balance**	**146,552,475**
9		
10	**Revenue Based on Existing Tax Structure**	**18,931,200,000**
11		
12	**Non-tax Revenue**	
13	Investment Income	21,600,000
14	Judicial Fees	258,700,000
15	Disproportionate Share	115,000,000
16	Insurance	73,700,000
17	Other Non-tax Revenues	304,400,000
18	Highway Trust Fund Transfer	27,600,000
19	Highway Fund Transfer	212,280,000
20	Total - Non-Tax Revenues	**1,013,280,000**
21		
22	**Subtotal General Fund Availability**	**20,091,032,475**
23		
24	**Adjustments to Availability: 2012 Session**	
25	E-Commerce Reserve Cash Balance	2,470,642
26	One North Carolina Fund Cash Balance	50,000,000
27	Sale of State Assets Receipt	(25,000,000)
28	Information Technology Internal Service Fund Cash Balance	14,000,000
29	National Mortgage Settlement	9,610,000
30	Highway Fund Transfer - Technical Adjustment	8,000,000
31	Work Opportunity Tax Credit Extension	(800,000)
32		
33	**Subtotal Adjustments to Availability:**	**58,280,642**
34		
35	**Revised Total General Fund Availability**	**20,149,313,117**
36	**Less General Fund Appropriations**	**20,149,313,117**
37		
38	**Balance Remaining**	**0**

SUMMARY:

GENERAL FUND APPROPRIATIONS

SUMMARY OF GENE FUND APPROPRIATIONS
Fiscal Year 2012-13

	2011 Approved Budget	Legislative Adjustments: Recurring Adjustments	Legislative Adjustments: Nonrecurring Adjustments	Legislative Adjustments: Net Changes	FTE Changes	Revised Appropriation 2012-13
Education						
Community Colleges	985,000,000	(4,177,523)	0	(4,177,523)	0.00	980,822,477
Public Education	7,444,122,100	34,142,118	0	34,142,118	0.00	7,478,264,218
University System	2,551,672,698	29,756,254	(5,710,783)	24,045,471	244.90	2,575,718,169
Total Education	**10,980,794,798**	**59,720,849**	**(5,710,783)**	**54,010,066**	**244.90**	**11,034,804,864**
Health and Human Services						
Central Management and Support	44,577,987	(28,697,345)	0	(28,697,345)	0.00	15,880,642
Aging and Adult Services	37,019,667	10,300,000	25,000,000	35,300,000	0.00	72,319,667
Blind and Deaf / Hard of Hearing Services	8,372,886	0	0	0	0.00	8,372,886
Child Development	266,102,933	0	(10,000,000)	(10,000,000)	0.00	256,102,933
Health Service Regulation	16,133,031	0	0	0	0.00	16,133,031
Medical Assistance	2,907,276,302	176,668,118	52,906,924	229,575,042	0.00	3,136,851,344
Mental Health, Dev. Disabilities and Sub. Abuse	710,712,232	3,472,954	(227,000)	3,245,954	373.10	713,958,186
NC Health Choice	83,717,865	0	0	0	0.00	83,717,865
Public Health	157,538,834	5,077,450	0	5,077,450	53.05	162,616,284
Social Services	186,183,068	0	0	0	0.00	186,183,068
Vocational Rehabilitation	37,528,128	0	0	0	0.00	37,528,128
Total Health and Human Services	**4,455,162,933**	**166,821,177**	**67,679,924**	**234,501,101**	**426.15**	**4,689,664,034**
Justice and Public Safety						
Public Safety	1,694,715,876	(30,437,508)	(5,000,000)	(35,437,508)	14.92	1,659,278,368
Judicial Department	435,141,107	(4,279,349)	0	(4,279,349)	44.00	430,861,758
Judicial - Indigent Defense	112,748,733	0	0	0	0.00	112,748,733
Justice	80,864,138	(3,375,063)	(3,000,000)	(6,375,063)	(17.00)	74,489,075
Total Justice and Public Safety	**2,323,469,854**	**(38,091,920)**	**(8,000,000)**	**(46,091,920)**	**41.92**	**2,277,377,934**

SUMMARY OF GENERAL FUND APPROPRIATIONS Fiscal Year 2012-13						
		Legislative Adjustments				Revised
	2011 Approved Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2012-13
Natural and Economic Resources						
Agriculture and Consumer Services	62,198,634	45,794,624	0	45,794,624	514.06	107,993,258
Commerce	33,250,463	(449,410)	12,500,000	12,050,590	2.00	45,301,053
Commerce - State Aid	30,151,984	(2,829,040)	(14,000)	(2,843,040)	0.00	27,308,944
Environment and Natural Resources	148,148,105	(41,893,545)	0	(41,893,545)	(429.07)	106,254,560
Clean Water Mgmt. Trust Fund	11,250,000	0	0	0	0.00	11,250,000
Labor	15,836,887	(316,738)	0	(316,738)	0.00	15,520,149
NC Biotechnology Center	17,551,710	(351,034)	0	(351,034)	0.00	17,200,676
Rural Economic Development Center	25,376,729	(7,007,535)	0	(7,007,535)	0.00	18,369,194
Wildlife Resources Commission	17,221,179	434,397	0	434,397	0.00	17,655,576
Total Natural and Economic Resources	**360,985,691**	**(6,618,281)**	**12,486,000**	**5,867,719**	**86.99**	**366,853,410**
General Government						
Administration	66,353,073	(1,327,061)	420,000	(907,061)	0.00	65,446,012
Auditor	10,676,035	(213,521)	0	(213,521)	0.00	10,462,514
Cultural Resources	61,697,001	(1,233,940)	0	(1,233,940)	0.00	60,463,061
Cultural Resources - Roanoke Island Comm.	1,203,491	(24,070)	0	(24,070)	0.00	1,179,421
General Assembly	50,104,208	3,684,977	(2,114,555)	1,570,422	31.60	51,674,630
Governor	4,741,157	(94,823)	0	(94,823)	0.00	4,646,334
Housing Finance Agency	9,673,051	(187,879)	(7,876,755)	(8,064,634)	0.00	1,608,417
Insurance	36,393,921	(73,550)	0	(73,550)	0.00	36,320,371
Insurance - Worker's Compensation Fund	2,623,654	0	0	0	0.00	2,623,654
Lieutenant Governor	695,324	(144,150)	0	(144,150)	0.00	551,174
Office of Administrative Hearings	4,142,258	(82,845)	0	(82,845)	0.00	4,059,413
Revenue	78,199,538	(1,563,991)	0	(1,563,991)	0.00	76,635,547
Secretary of State	10,654,563	(213,091)	0	(213,091)	0.00	10,441,472
State Board of Elections	5,126,603	(102,532)	563,936	461,404	0.00	5,588,007
State Budget and Management (OSBM)	5,848,663	(116,973)	0	(116,973)	0.00	5,731,690
OSBM - Special Appropriations	440,612	(391,612)	330,000	(61,612)	0.00	379,000
State Controller	28,368,957	(567,379)	1,347,397	780,018	0.00	29,148,975
Treasurer - Operations	6,621,750	0	0	0	0.00	6,621,750
Treasurer - Fire/Rescue Retirement	17,812,114	0	0	0	0.00	17,812,114
Total General Government	**401,375,973**	**(2,652,440)**	**(7,329,977)**	**(9,982,417)**	**31.60**	**391,393,556**

SUMMARY OF GENE FUND APPROPRIATIONS
Fiscal Year 2012-13

	2011 Approved Budget	Legislative Adjustments: Recurring Adjustments	Legislative Adjustments: Nonrecurring Adjustments	Legislative Adjustments: Net Changes	FTE Changes	Revised Appropriation 2012-13
Debt Service and Statewide Reserves						
Debt Service:						
Interest / Redemption	759,984,974	(52,904,635)	0	(52,904,635)	0.00	707,080,339
Federal Reimbursement	1,616,380		0	0	0.00	1,616,380
Subtotal Debt Service	**761,601,354**	**(52,904,635)**	**0**	**(52,904,635)**		**708,696,719**
Statewide Reserves:						
Contingency and Emergency Fund	5,000,000			0	0.00	5,000,000
Information Technology Fund	6,158,142	0	(750,000)	(750,000)	0.00	5,408,142
Job Development Investment Grants (JDIG)	27,400,000	0	(6,500,000)	(6,500,000)	0.00	20,900,000
State Retirement System Contributions	336,000,000	0	0	0	0.00	336,000,000
Judicial Retirement System Contribution	7,800,000	100,000	0	100,000	0.00	7,900,000
Firemen & Rescue Squad Workers Pension Fund	5,366,928	0	0	0	0.00	5,366,928
State Health Plan	102,151,104	0	0	0	0.00	102,151,104
Continuation/Justification Review Reserve	35,576,758	0	(35,576,758)	(35,576,758)	0.00	0
Compensation and Performance Pay Reserve	121,105,840	(121,105,840)		(121,105,840)	0.00	0
Reserve for Compensation Increases and Personnel Flexibility	0	159,984,426	0	159,984,426	0.00	159,984,426
Disability Income Plan of North Carolina	0	(8,688,000)	0	(8,688,000)	0.00	(8,688,000)
Automated Fraud Detection Development	7,000,000	0	0	0	0.00	7,000,000
Controller - Fraud Detection Development	500,000	0	0	0	0.00	500,000
One North Carolina Fund	0	9,000,000	0	9,000,000	0.00	9,000,000
VIPER Reserve	0	0	25,000,000	25,000,000	0.00	25,000,000
Subtotal Statewide Reserves	**654,058,772**	**39,290,586**	**(17,826,758)**	**21,463,828**		**675,522,600**
Total Reserves and Debt Service	**1,415,660,126**	**(13,614,049)**	**(17,826,758)**	**(31,440,807)**		**1,384,219,319**
Total General Fund for Operations	**19,937,449,375**	**165,565,336**	**41,298,406**	**206,863,742**	**831.56**	**20,144,313,117**

SUMMARY OF GENERAL FUND APPROPRIATIONS Fiscal Year 2012-13						
		Legislative Adjustments				Revised
	2011 Approved Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Appropriation 2012-13
Capital Improvements						
Water Resources Development Projects	0	0	0	5,000,000	0.00	5,000,000
Total Capital Improvements	**0**	**0**	**0**	**5,000,000**	**0**	**5,000,000**
Total General Fund Budget	**19,937,449,375**	**165,565,336**	**41,298,406**	**211,863,742**	**831.56**	**20,149,313,117**

EDUCATION
Section F

Public Education

	GENERAL FUND
Total Budget Approved 2011 Session	**FY 12-13** **$7,444,122,100**

Budget Changes

A. Technical Adjustments

1 Average Teacher Salary ($85,670,329) R

Revises budgeted funding for certified personnel salaries based on actual salary data from December 2011. The adjustment does not reduce any salary paid to certified personnel, nor does it reduce the number of guaranteed State-funded teachers, administrators, or instructional support personnel.

2 Average Daily Membership ($6,423,088) R

Revises projected ADM for FY 2012-13 to reflect 2,084 fewer students than originally projected. The adjustment includes revisions to all position, dollar, and categorical allotments.

Total allotted ADM for FY 2012-13 is 1,492,793, an increase of 11,802 students over FY 2011-12.

B. Other Public School Funding Adjustments

3 LEA Adjustment Reduction $74,076,032 R

Eliminates the budgeted increase to the LEA Adjustment in FY 2012-13. The State Board of Education shall distribute the remainder of this reduction to all LEAs and charter schools on the basis of ADM. LEAs and charters will then be responsible for identifying budget reductions in order to meet their share of the LEA Adjustment.

D. Department of Public Instruction

4 Residential Schools $4,500,000 R

Restores funds to operate all three Residential Schools. None of the Residential Schools shall be closed. The Department of Public Instruction is strongly encouraged to maximize the use of all three facilities to generate receipts to further defray General Fund reductions to program operations.

5 Governor's Schools Provides funding for this program that supports summer enrichment activities for talented high school students.	$800,000	R
6 Liability Insurance for Public School Personnel The actual cost of securing the statewide liability insurance policy in school year 2011-12 was less than the appropriation. This reduction better aligns the appropriation with projected costs.	($555,000)	R
E. Excellent Public Schools Act		
7 Excellent Public Schools Act Provides full support for the first-year implementation of S.B. 795, the Excellent Public Schools Act.	$47,414,503	R
Budget Changes	**$34,142,118**	**R**
Total Position Changes		
Revised Total Budget	**$7,478,264,218**	

Community Colleges

	GENERAL FUND
Total Budget Approved 2011 Session	**FY 12-13** **$985,000,000**

Budget Changes

A. Technical Adjustments

8 Enrollment Growth Adjustments ($12,108,704) R

Adjusts funds for FY 2012-13 based on the estimated decline in community college enrollment.

According to the FY 2011-12 spring enrollment census, enrollment has declined by 1.1% (2,663 full-time-equivalent students or FTE) from the FY 2011-12 budgeted enrollment of 251,017 and by 2.5% (6,335 FTE) from the current budgeted enrollment for FY 2012-13.

Total requirements will be reduced by $31,705,796. Of this reduction, $19,597,092 is due to revised tuition and fee revenue estimates based on the new enrollment estimates.

9 NC Community College Grant Program Adjustment $165,000 R

Makes a technical adjustment to the General Fund funding for the NC Community College Grant, a need-based scholarship program for community college students. This will be offset by an equal reduction in funding from the Escheat Fund.

B. Other Community College Funding Adjustments

10 Management Flexibility Reduction $7,766,181 R

Eliminates the budgeted increase to the management flexibility reduction for FY 2012-13. The State Board of Community Colleges shall distribute the remaining reduction accounting for the unique needs of each college.

Budget Changes	**($4,177,523)**	R
Total Position Changes		
Revised Total Budget	**$980,822,477**	

UNC System

	GENERAL FUND
Total Budget Approved 2011 Session	**FY 12-13**
	$2,551,672,698

Budget Changes

A. Technical Adjustments

11 Enrollment Adjustments $1,376,061 R

Funds projected enrollment growth for FY 2012-13 at the University of North Carolina. This $1.4 million net increase consists of projected enrollment increases of $17,434,805 and a reduction of $16,058,744 to adjust for campuses whose enrollment is projected to be less than what is currently budgeted. The Board of Governors shall determine the allocations by campus.

B. Reserves for New and Renovated Facilities

12 Building Reserves $6,802,285 R

$2,263,358 NR

101.90

Provides funds to operate new or renovated UNC buildings that will be completed in FY 2012-13. Specifically, funds are for the housekeeping, maintenance, and security requirements for the added building square footage.

13 NCSU Centennial Campus Library Operational and Program Funds $2,000,000 R

27.00

Provides operating and program funds for a new library that will open in FY 2012-13 on NCSU's Centennial Campus. The library will serve as a second "main library" for NCSU to help ease overcrowding in the D.H. Hill Library on the school's North Campus. The appropriation includes funds for 27 additional FTE.

14 Joint School of Nanoscience & Nanoengineering Operational and Program Funds $2,000,000 R

($1,000,000) NR

Funds the NC A&T/UNC-G Joint School of Nanoscience and Nanoengineering located in the Gateway University Research Park in Greensboro. The program is designed to conduct research in areas such as drug design and delivery, nanobioengineering, and genetic screening.

Specifically, the budget provides an additional $1 million in recurring funding and converts an existing $1 million nonrecurring appropriation to recurring.

C. Other UNC Funding Adjustments

15	**Faculty Recruiting and Retention Fund** Provides funding for the Faculty Recruiting and Retention Fund, which the General Assembly created in S.L. 2006-66, Sec. 22.12A, to offer salary increases to recruit and retain faculty members. This appropriation increases the Fund's total recurring budget to $13 million.	$3,000,000	R
16	**Management Flexibility Reduction** Eliminates the budgeted increase to the management flexibility reduction for FY 2012-13. The University of North Carolina Board of Governors shall allocate this reduction according the terms of S.L. 2011-145, Sec. 9.6.	$9,184,767	R
17	**Center for Public Television** Restores funding for the Center for Public Television, which was subject to a Continuation Review in FY 2011-12.	$10,558,141 116.00	R

D. Need-based Student Financial Aid

18	**UNC Need-based Financial Aid Program** Adjust the General Fund appropriation for the UNC Need-based Financial Aid program to account for corresponding increases in funding from the Escheat Fund and the Lottery Fund. In addition to the increases described above, an additional $35 million is appropriated for this program from the Lottery Fund in Section 5.3. Total funding for the UNC Need-based Financial Aid program from all sources will be $157,475,842, which is $35 million more than originally budgeted.	($5,165,000) ($6,974,141)	R NR

Budget Changes	**$29,756,254**	**R**
	($5,710,783)	**NR**
Total Position Changes	244.90	
Revised Total Budget	**$2,575,718,169**	

HEALTH
&
HUMAN SERVICES
Section G

Health and Human Services

	GENERAL FUND
	FY 12-13
Total Budget Approved 2011 Session	**$4,455,162,933**

Budget Changes

(1.0) Division of Medical Assistance

1	**Pharmacy Savings - 340B Pricing Program** Reduces funds based upon savings from increased utilization of the federal 340B pricing program for hemophilia pharmaceuticals. The 340B program allows clinics and other facilities to purchase these prescription drugs at a reduced cost.	($1,391,906)	R
2	**Medicaid Rebase** Provides additional funds for the Medicaid program based upon projected growth in number of people eligible for Medicaid and growth in consumption.	$168,676,461	R
3	**Federal Repayment of 2009 Federal Overdraw of Funds** Provides funding to repay the federal government due to an erroneous federal draw down for the Medicaid program. FY 2012-13 will be the final year in which quarterly payments are due and satisfies this obligation to the federal government.	$31,300,776	NR
4	**Federal Drug Rebate Payment** Provides funding to pay the amount owed to the federal government as a result of a 2010 federal policy change related to drug rebates.	$24,606,148	NR
5	**Managed Care Organizations Schedule Delays** Provides necessary funds due to the delayed state-wide expansion of the Medicaid behavioral health 1915 b/c waiver sites (S.L. 2011-264). The loss is based upon changes to the implementation schedule as reported by the Division of Medical Assistance. In FY12-13, LMEs will convert to Managed Care Organizations (MCOs) and will receive capitated Medicaid funding to purchase mental health, developmental disabilities, and substance abuse services for eligible persons living within the LME coverage areas.	$11,000,000	NR

6	**Restructure Fee for Service Payments** Revises payment structures for various services provided within the Medicaid program. These changes will result in bundling of payments for services based upon a period of time or a diagnosis instead of fee-for-service.	($1,976,636)	R
7	**Revise Medicaid Pharmacy Dispensing Fees** Reduces funds paid to pharmacies to dispense prescription drugs. This reduction lowers the tiered fee structure for dispensing generic prescriptions and reduces the brand prescription dispensing fee by $1.00.	($2,639,801)	R
8	**CHIPRA Bonus** Reduces Medicaid funds in anticipation of receiving the FY12-13 federal Children's Health Insurance Program Reauthorization Act (CHIPRA) bonus for Health Choice enrollment growth.	($14,000,000)	NR
9	**Medicaid Contracts** Provides funding for Medicaid contracts, including claims processing, prior authorization, and various studies.	$5,000,000	R
10	**Medicaid Settlements** Provides funding for Medicaid cost settlements with various providers and fraud, waste, and abuse prevention initiatives.	$15,000,000	R
11	**Personal Care Services (PCS)** Budgets reduced Medicaid cost as a result of changing the eligibility criteria for personal care services (PCS) to needing assistance with two or more activities of daily living (ADL).	($6,000,000)	R

(2.0) Division of Child Development and Early Education

12	**Block Grant Funding** Provides federal block grant funds for the Smart Start Program. This continues similar actions taken by the Office of State Budget and Management during FY 2011-12 in which $4 million of Smart Start funds were replaced by $4 million of Block Grant funds.	($10,000,000)	NR

(5.0) Division of Central Management and Support

13 DIRM Contracts $5,599,390 R

Restores recurring State General Fund Appropriations for the Division of Information Resources Management (DIRM) for various contracts for Department-wide IT services. S.L. 2011-145 eliminated the recurring funds for this purpose pending the findings and recommendations from a continuation review.

14 Management Flexibility ($34,296,735) R

Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.

(7.0) Division of Aging and Adult Services

15 Transition to Community Living $10,300,000 R

Establishes a reserve fund, Transitions to Community Living Fund, to facilitate implementation of the plan to transition individuals with severe mental illness to community living arrangments, including establishing a rental assistance program.

16 Temporary Short-term Assistance

Establishes a reserve fund for the implementation of the State's plan to provide temporary, short-term assistance to adult care and group homes as they transition to the State's Transitions to Community Living Plan. These funds will be used to pay monthly stipends to adult care and group homes for residents who are no longer eligible to receive Medicaid-reimbursable personal care services but for whom a community placement has not yet been arranged. $25,000,000 NR

(10.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

17 Federal Block Grant Funding

Provides federal Substance Abuse Prevention and Treatment Block Grant funds for Division of Mental Health's administrative costs. ($227,000) NR

18 Cherry Hospital $3,472,954 R

Provides funding to support the expanded bed capacity at the new Cherry Hospital, which is scheduled to begin operating in April 2013. The new hospital will have 314 beds, an increase of 124 beds. 373.10

(11.0) Division of Public Health

19	**Environmental Health Section** Provides for a technical correction reflecting the Type I transfer of the Division of Environmental Health from the Department of Natural and Economic Resources to the Department of Health and Human Services, Division of Public Health. This transfer was enacted during the 2011 Legislative Session via SL 2011-145. S.L. 2011-145, Sec. 13.3	$3,700,675 38.05	R
20	**State Public Health Lab and Office of Chief Medical Examiner** Provides funds for new positions and operating costs for the new State Public Health Laboratory and the Chief Medical Examiner's Office which will begin operating in FY12-13.	$1,155,666 12.00	R
21	**Environmental Health Regional Office Positions** Restores funding for transferred positions formerly located in DENR regional offices. This funding was made non-recurring in FY 2011-12 pending a Justification Review. Due to the FY 2011-12 transfer of the Division of Environmental Health to the Division of Public Health in the Department of Health & Human Services (DHHS), the restored salaries and benefits of positions formerly located in DENR regional offices are transferred from DENR to DHHS as follows: 60034273 Env Health Reg Spec $69,922 60034303 Env Health Reg Spec $67,812 60034278 Soil Scientist $83,375 S.L. 2011-145, Sec. 6.69(b)	$221,109 3.00	R

Budget Changes	**$166,821,177**	R
	$67,679,924	NR
Total Position Changes	426.15	
Revised Total Budget	**$4,689,664,034**	

NATURAL & ECONOMIC RESOURCES Section H

Senate Subcommittee on Natural and Economic Resources

Agriculture and Consumer Services

GENERAL FUND

	FY 12-13
Total Budget Approved 2011 Session	**$62,198,634**

Budget Changes

(1.0) Technical Correction

1 NC Forest Service — $36,462,776 R

Provides for a technical correction showing the transfer of the NC Forest Service from the Department of Environment & Natural Resources to the Department of Agriculture & Consumer Services. The Division was transferred in FY 2011-12 after certification of the budget. This item should not be certified in the FY 2012-13 budget as it will be certified through a budget revision.

452.16

2 Division of Soil & Water Conservation — $10,323,455 R

Provides for a technical correction showing the transfer of the Division of Soil & Water Conservation from the Department of Environment & Natural Resources to the Department of Agriculture & Consumer Services. The Division was transferred in FY 2011-12 after certification of the budget. This item should not be certified in the FY 2012-13 budget as it will be certified through a budget revision.

42.15

3 Four Central Office Positions — $178,410 R

Provides for a technical correction showing the transfer of 4.0 central office positions from the Department of Environment & Natural Resources to the Department of Agriculture & Consumer Services. The Division was transferred in FY 2011-12 after certification of the budget. This item should not be certified in the FY 2012-13 budget as it will be certified through a budget revision.

4.00

Department-wide

4 Management Flexibility Reduction — ($2,183,266) R

Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.

Markets

5 Southeastern Agricultural Center & Farmers Market $362,230 R

Restores General Fund support for the Southeastern Agricultural Center & Farmers Market in Lumberton. This facility was subject to Justification Review in FY 2011-12. 6.00

Soil & Water Conservation

6 Restore Regional Office Positions - DACS $651,019 R

Restores funding for transferred positions formerly located in DENR regional offices. This funding was made non-recurring in FY 2011-12 pending a Justification Review. Due to the FY 2011-12 transfers of the Division of Soil & Water Conservation to the Department of Agriculture & Consumer Services (DACS), the restored salaries and benefits of positions formerly located in DENR regional offices will need to be transferred from DENR to DACS as follows: 9.75

60032345	Engineer	$74,775	1.00 FTE
60032360	Engineer	$64,270	1.00 FTE
60032341	Soil Scientist	$62,380	1.00 FTE
60032328	Env Prog Super III	$79,165	1.00 FTE
60032369	Env Specialist	$55,581	1.00 FTE
60090071	Paralegal II	$47,567	0.75 FTE
60032346	Engineer	$69,056	1.00 FTE
60032323	Soil Scientist	$79,106	1.00 FTE
60032372	Env Specialist	$53,060	1.00 FTE
60032348	Engineer	$66,059	1.00 FTE

Budget Changes	**$45,794,624**	R
Total Position Changes	514.06	
Revised Total Budget	**$107,993,258**	

Senate Subcommittee on Natural and Economic Resources

Labor

	GENERAL FUND	
	FY 12-13	
Total Budget Approved 2011 Session	**$15,836,887**	
Budget Changes		
Department-wide		
7 **Management Flexibility Reduction** Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.	($316,738)	R
Budget Changes	**($316,738)**	**R**
Total Position Changes		
Revised Total Budget	**$15,520,149**	

Environment & Natural Resources

GENERAL FUND

	FY 12-13
Total Budget Approved 2011 Session	**$148,148,105**

Budget Changes

(1.0) Technical Correction

8 NC Forest Service ($36,462,776) R

Provides for a technical correction showing the transfer of the NC Forest Service from the Department of Environment & Natural Resources to the Department of Agriculture & Consumer Services. The Division was transferred in FY 2011-12 after certification of the budget. This item should not be certified in the FY 2012-13 budget as it will be certified through a budget revision.

-452.16

9 Division of Soil & Water Conservation ($10,323,455) R

Provides for a technical correction showing the transfer of the Division of Soil & Water Conservation from the Department of Environment & Natural Resources to the Department of Agriculture & Consumer Services. The Division was transferred in FY 2011-12 after certification of the budget. This item should not be certified in the FY 2012-13 budget as it will be certified through a budget revision.

-42.15

10 Four Central Office Positions ($178,410) R

Provides for a technical correction showing the transfer of 4.0 central office positions from the Department of Environment & Natural Resources to the Department of Agriculture & Consumer Services. The Division was transferred in FY 2011-12 after certification of the budget. This item should not be certified in the FY 2012-13 budget as it will be certified through a budget revision.

-4.00

11 Division of Environmental Health ($3,700,675) R

Provides for a technical correction showing the transfer of the Division of Environmental Health from the Department of Environment & Natural Resources to the Department of Health & Human Services. The Division was transferred in FY 2011-12 after certification of the budget. This item should not be certified in the FY 2012-13 budget as it will be certified through a budget revision.

-38.05

(1.0) Department-wide

12 Management Flexibility Reduction ($2,023,669) R

Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.

(1.0) Reserves & Transfers

13 Clean Water State Revolving Fund

Directs the Department to use $5,101,400 of its loan origination fee fund to provide the 20% State match needed to draw down $25,507,000, the maximum available federal funds for the Clean Water State Revolving Fund for FY 2012-13. The Department needs permission from the US EPA to use these funds for FY 2012-13 only.

14 Drinking Water State Revolving Fund

Directs the Department to use funds from the Drinking Water Reserve to provide the 20% State match needed to draw down the maximum available federal funds for the Drinking Water State Revolving Fund. The match amount of $4,939,600 for Federal Fiscal Year 2011-12 will allow the State to draw down $24,698,000 in federal funds, and the match amount of $4,707,400 for the Federal Fiscal Year 2012-13 will allow the State to draw down $23,537,000 in federal funds. The EPA encourages states to have their match amounts available prior to the beginning of the Federal Fiscal Year so the amount of the State grant can be encumbered in the EPA budget. The Department is currently a year in arrears obtaining these federal grants from EPA, and this will allow the Department to have its match amounts available prior to the beginning of future Federal Fiscal Years.

(2.0) Land Resources

15 Geodetic Survey Section to Emergency Management ($819,861) R

Transfers the Geodetic Survey Section from the Department of Environment and Natural Resources to the Department of Public Safety as a Type I transfer. Geodetic Survey will be housed in the Division of Law Enforcement, Emergency Management Section. The transfer includes the following positions: -12.92

General Fund Supported Positions (12.92 FTE):

60032386	Engineering/Architectural Supervisor	$104,835	1.00 FTE
60032388	Office Assistant III	$40,362	1.00 FTE
60032387	Office Assistant IV	$43,691	1.00 FTE
60032389	Engineering/Architectural Technician	$62,320	1.00 FTE
60032390	Engineering/Architectural Supervisor	$78,995	1.00 FTE
60032393	Technology Support Analyst	$60,575	1.00 FTE
60032395	Engineering/Architectural Technician	$66,407	1.00 FTE
60032396	Engineering/Architectural Technician	$52,381	1.00 FTE
60032399	Business And Technology Applic Tech	$72,037	1.00 FTE
60032400	Information & Communication Specialist	$58,698	1.00 FTE
60032402	Engineering/Architectural Technician	$38,901	0.92 FTE
60032403	Engineering/Architectural Technician	$46,161	1.00 FTE
60032405	Engineering/Architectural Technician	$59,173	1.00 FTE

Operating Costs $35,325

Receipt Supported Positions (4.08 FTE):

60032392	Engineer	$67,539	1.00 FTE
60032398	Engineering/Architectural Technician	$63,939	1.00 FTE
60032401	Engineering/Architectural Technician	$42,436	1.00 FTE
60032402	Engineering/Architectural Technician	$3,535	0.08 FTE
60032404	Engineering/Architectural Technician	$45,139	1.00 FTE
60032406	Engineering/Architectural Technician	$42,436	1.00 FTE

(2.0) Regional Offices

16 Restore Regional Offices $12,624,378 R

Restores funding for the regional offices. This funding was made non-recurring in FY 2011-12 pending a Justification Review. Due to the FY 2011-12 transfers of the Division of Soil & Water Conservation to the Department of Agriculture & Consumer Services (DACS) and the Division of Environmental Health to the Division of Public Health in the Department of Health & Human Services (DHHS), the restored salaries and benefits of positions formerly located in DENR regional offices will need to be transferred from DENR to those Departments as follows: 134.96

Division of Public Health (DHHS)	$221,109	3.00 FTE
Division of Soil & Water Conservation (DACS)	$651,019	9.75 FTE

17 Restore Regional Office Positions - DHHS ($221,109) R

-3.00

Restores funding for transferred positions formerly located in DENR regional offices. This funding was made non-recurring in FY 2011-12 pending a Justification Review. Due to the FY 2011-12 transfer of the Division of Environmental Health to the Division of Public Health in the Department of Health & Human Services (DHHS), the restored salaries and benefits of positions formerly located in DENR regional offices will need to be transferred from DENR to DHHS as follows:

60034273	Env Health Reg Spec	$69,922	1.00 FTE
60034303	Env Health Reg Spec	$67,812	1.00 FTE
60034278	Soil Scientist	$83,375	1.00 FTE

18 Restore Regional Office Positions - DACS ($651,019) R

-9.75

Restores funding for transferred positions formerly located in DENR regional offices. This funding was made non-recurring in FY 2011-12 pending a Justification Review. Due to the FY 2011-12 transfers of the Division of Soil & Water Conservation to the Department of Agriculture & Consumer Services (DACS), the restored salaries and benefits of positions formerly located in DENR regional offices will need to be transferred from DENR to DACS as follows:

60032345	Engineer	$74,775	1.00 FTE
60032360	Engineer	$64,270	1.00 FTE
60032341	Soil Scientist	$62,380	1.00 FTE
60032328	Env Prog Super III	$79,165	1.00 FTE
60032369	Env Specialist	$55,581	1.00 FTE
60090071	Paralegal II	$47,567	0.75 FTE
60032346	Engineer	$69,056	1.00 FTE
60032323	Soil Scientist	$79,106	1.00 FTE
60032372	Env Specialist	$53,060	1.00 FTE
60032348	Engineer	$66,059	1.00 FTE

19 Restore Regional Office Positions - DPS ($136,949) R

-2.00

Restores funding for transferred positions formerly located in DENR regional offices. This funding was made non-recurring in FY 2011-12 pending a Justification Review. Due to the FY 2012-13 transfer of the Division of Land Resources' Geodetic Survey Section to the Emergency Management Section of the Division of Law Enforcement in the Department of Public Safety (DPS), the restored salaries and benefits of positions formerly located in DENR regional offices will need to be transferred from DENR to DPS as follows:

60032391	Engineering/Architectural Supervisor	$77,859	1.00 FTE
60032397	Engineering/Architectural Technician	$59,090	1.00 FTE

Budget Changes	**($41,893,545)**	**R**
Total Position Changes	-429.07	
Revised Total Budget	**$106,254,560**	

Senate Subcommittee on Natural and Economic Resources

DENR-Clean Water Management Trust Fund

GENERAL FUND

	FY 12-13
Total Budget Approved 2011 Session	**$11,250,000**
Budget Changes	
20 No Legislative Changes	
Budget Changes	
Total Position Changes	
Revised Total Budget	**$11,250,000**

Wildlife Resources Commission

	GENERAL FUND	
	FY 12-13	
Total Budget Approved 2011 Session	**$17,221,179**	
Budget Changes		
Commission-wide		
21 **Management Flexibility Reduction** Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.	($344,424)	R
Conservation Education		
22 **Continuation Review** Restores the $778,821 appropriation for the Conservation Education program, the full amount of General Fund support for the program.	$778,821	R
Budget Changes	**$434,397**	R
Total Position Changes		
Revised Total Budget	**$17,655,576**	

Commerce

	GENERAL FUND
	FY 12-13
Total Budget Approved 2011 Session	**$33,250,463**

Budget Changes

Department-wide

23 Management Flexibility Reduction ($665,009) R

Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.

Commerce Finance Center

24 Job Maintenance and Capital Development Fund (JMAC)

Provides $6 million nonrecurring to be allocated to fulfill existing agreements with Bridgestone/Firestone and Goodyear. $6,000,000 NR

25 Economic Development Project

Provides $6.5 million nonrecurring for an economic development project land purchase. $6,500,000 NR

Energy Office

26 TVA Settlement Funds

Directs the Energy Office to apply for funding from the TVA Settlement Agreement in accordance with the Consent Decree. The requested funding will be for biofuels projects in alignment with work currently done by the Biofuels Center. Once funds are received, Commerce is to disburse them to the Biofuels Center. The Settlement is for a total of $11.2 million over 5 years, and it is anticipated that the funds will continue to be used for biofuels purposes.

Office of Science and Technology

27 Continuation Review $215,599 R

Restores funding eliminated due to the Continuation Review of this program in FY 2011-12. 2.00

Budget Changes	**($449,410)**	**R**
	$12,500,000	**NR**
Total Position Changes	2.00	
Revised Total Budget	**$45,301,053**	

Commerce - State Aid

	GENERAL FUND	
	FY 12-13	
Total Budget Approved 2011 Session	**$30,151,984**	
Budget Changes		
28 Management Flexibility Reduction to all Commerce State-Aid Nonprofits Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program. The Department is to allocate this cut out on a pro-rata basis to all non-profits funded through Commerce State-Aid.	($589,040) ($14,000)	R NR
29 Biofuels Center Provides $2.24 million in the Biofuels Center budget with receipts from the TVA Settlement Agreement. A corresponding item within the Commerce section of the budget directs Commerce to apply for funds from the TVA Settlement Agreement which will then be allocated to the Biofuels Center. The Biofuels Center is encouraged to allocate these funds to projects and programs in Western North Carolina. The Settlement is for a total of $11.2 million over 5 years, and it is anticipated that the funds will continue to be used for biofuels purposes.	($2,240,000)	R
Budget Changes	**($2,829,040)** **($14,000)**	**R** **NR**
Total Position Changes		
Revised Total Budget	**$27,308,944**	

N.C. Biotechnology Center

	GENERAL FUND	
	FY 12-13	
Total Budget Approved 2011 Session	**$17,551,710**	
Budget Changes		
30 Management Flexibility Reduction Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.	($351,034)	R
Budget Changes	**($351,034)**	**R**
Total Position Changes		
Revised Total Budget	**$17,200,676**	

Rural Economic Development Center

	GENERAL FUND	
	FY 12-13	
Total Budget Approved 2011 Session	**$25,376,729**	
Budget Changes		
31 Operating Reduction Reduces the General Fund appropriation for the Rural Economic Development Center.	($6,500,000)	R
32 Management Flexibility Reduction Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.	($507,535)	R
Budget Changes	**($7,007,535)**	R
Total Position Changes		
Revised Total Budget	**$18,369,194**	

Commerce Special GF

Budget Code: 24609

	FY 2012-13	
Beginning Unreserved Fund Balance	**$77,403,582**	
Recommended Budget		
Requirements	**$28,711,556**	
Receipts	**$28,476,737**	
Positions	**0.00**	

Legislative Changes

Requirements:

One NC Fund - General Fund Transfer	$0	R
Transfers $50 million to the General Fund for general availability.	$50,000,000	NR
	0.00	
Subtotal Legislative Changes	**$0**	R
	$50,000,000	NR
	0.00	

Receipts:

One North Carolina Fund	$0	R
	$0	NR
Subtotal Legislative Changes	**$0**	R
	$0	NR

	FY 2012-13
Revised Total Requirements	**$78,711,556**
Revised Total Receipts	**$28,476,737**
Change in Fund Balance	**($50,234,819)**
Total Positions	**0.00**
Unappropriated Balance Remaining	**$27,168,763**

DENR - Commercial LUST Cleanup

Budget Code: 64305

	FY 2012-13	
Beginning Unreserved Fund Balance	**$91,104,286**	
Recommended Budget		
Requirements	**$35,790,105**	
Receipts	**$32,994,218**	
Positions	**0.00**	

Legislative Changes

Requirements:

Reduce Motor Fuel Tax Transfer to Commercial LUST	($2,085,585)	R
Reduces the amount of Motor Fuel Tax transferred to the Commercial Leaking Underground Storage Tank (LUST) Fund.	$0	NR
	0.00	
Subtotal Legislative Changes	**($2,085,585)**	R
	$0	NR
	0.00	

Receipts:

Reduce Motor Fuel Tax Transfer to Commercial LUST	($2,085,585)	R
Reduces the amount of Motor Fuel Tax transferred to the Commercial Leaking Underground Storage Tank (LUST) Fund.	$0	NR
Subtotal Legislative Changes	**($2,085,585)**	R
	$0	NR

	FY 2012-13
Revised Total Requirements	**$33,704,520**
Revised Total Receipts	**$30,908,633**
Change in Fund Balance	**($2,795,887)**
Total Positions	**0.00**
Unappropriated Balance Remaining	**$88,308,399**

DENR Water Pollution Revolving Loan

Budget Code: 64311

	FY 2012-13	
Beginning Unreserved Fund Balance	**$251,442,946**	
Recommended Budget		
Requirements	**$64,304,756**	
Receipts	**$64,304,756**	
Positions	**0.00**	

Legislative Changes

Requirements:

Clean Water State Revolving Fund	$0	R
Directs the Department to use $5,101,400 of its loan origination fee fund to provide the 20% State match needed to draw down $25,507,000, the maximum available federal funds for the Clean Water State Revolving Fund for FY 2012-13.	$5,101,400	NR
	0.00	
Subtotal Legislative Changes	**$0**	R
	$5,101,400	NR
	0.00	

Receipts:

Clean Water State Revolving Fund	$0	R
	$0	NR
Subtotal Legislative Changes	**$0**	R
	$0	NR

	FY 2012-13
Revised Total Requirements	**$69,406,156**
Revised Total Receipts	**$64,304,756**
Change in Fund Balance	**($5,101,400)**
Total Positions	**0.00**
Unappropriated Balance Remaining	**$246,341,546**

DENR Drinking Water SRF

Budget Code: 64320

	FY 2012-13	
Beginning Unreserved Fund Balance	**$66,581,987**	
Recommended Budget		
Requirements	**$52,236,713**	
Receipts	**$51,066,125**	
Positions	**0.00**	

Legislative Changes

Requirements:

Drinking Water State Revolving Fund Directs the Department to use funds from the Drinking Water Reserve to provide the 20% State match needed to draw down the maximum available federal funds for the Drinking Water State Revolving Fund. The match amount of $4,939,600 for Federal Fiscal Year 2011-12 will allow the State to draw down $24,698,000 in federal funds, and the match amount of $4,707,400 for the Federal Fiscal Year 2012-13 will allow the State to draw down $23,537,000 in federal funds.	$0 $9,647,000 0.00	R NR
Subtotal Legislative Changes	**$0** **$9,647,000** 0.00	R NR

Receipts:

Drinking Water State Revolving Fund Directs the Department to use funds from the Drinking Water Reserve to provide the 20% State match needed to draw down the maximum available federal funds for the Drinking Water State Revolving Fund. The match amount of $4,939,600 for Federal Fiscal Year 2011-12 will allow the State to draw down $24,698,000 in federal funds, and the match amount of $4,707,400 for the Federal Fiscal Year 2012-13 will allow the State to draw down $23,537,000 in federal funds.	$0 $9,647,000	R NR
Subtotal Legislative Changes	**$0** **$9,647,000**	R NR

Senate Appropriations Subcommittee on Natural and Economic Resources

	FY 2012-13
Revised Total Requirements	**$61,883,713**
Revised Total Receipts	**$60,713,125**
Change in Fund Balance	**($1,170,588)**
Total Positions	**0.00**
Unappropriated Balance Remaining	**$65,411,399**

DENR – Drinking Water Reserve

Budget Code: 64324

	FY 2012-13	
Beginning Unreserved Fund Balance	**$11,970,949**	
Recommended Budget		
Requirements	**$472,051**	
Receipts	**$472,051**	
Positions	**0.00**	

Legislative Changes

Requirements:

Drinking Water State Revolving Fund Directs the Department to use funds from the Drinking Water Reserve to provide the 20% State match needed to draw down the maximum available federal funds for the Drinking Water State Revolving Fund. The match amount of $4,939,600 for Federal Fiscal Year 2011-12 will allow the State to draw down $24,698,000 in federal funds, and the match amount of $4,707,400 for the Federal Fiscal Year 2012-13 will allow the State to draw down $23,537,000 in federal funds.	$0 $9,647,000 0.00	R NR
Subtotal Legislative Changes	**$0** **$9,647,000** 0.00	R NR

Receipts:

Drinking Water State Revolving Fund	$0 $0	R NR
Subtotal Legislative Changes	**$0** **$0**	R NR

	FY 2012-13
Revised Total Requirements	**$10,119,051**
Revised Total Receipts	**$472,051**
Change in Fund Balance	**($9,647,000)**
Total Positions	**0.00**
Unappropriated Balance Remaining	**$2,323,949**

Wildlife Res. - MTR-BT-Int. Bearing

Budget Code: 24352

	FY 2012-13	
Beginning Unreserved Fund Balance	**$992,340**	
Recommended Budget		
Requirements	**$10,773,694**	
Receipts	**$10,773,694**	
Positions	**0.00**	

Legislative Changes

Requirements:

Motor Fuels Adjustment and Cap	$0	R
	$0	NR
	0.00	
Subtotal Legislative Changes	**$0**	R
	$0	NR
	0.00	

Receipts:

Motor Fuels Adjustment and Cap	($196,833)	R
Reduces the amount of receipts expected to be transferred from the Department of Transportation to the Wildlife Resources Commission.	$0	NR
Subtotal Legislative Changes	**($196,833)**	R
	$0	NR

	FY 2012-13
Revised Total Requirements	**$10,773,694**
Revised Total Receipts	**$10,576,861**
Change in Fund Balance	**($196,833)**
Total Positions	**0.00**
Unappropriated Balance Remaining	**$795,507**

JUSTICE
&
PUBLIC SAFETY
Section I

Senate Subcommittee on Justice and Public Safety

Public Safety

	GENERAL FUND
	FY 12-13
Total Budget Approved 2011 Session	**$1,694,715,876**

Budget Changes

1	**Management Flexibility Reserve** Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.	($31,394,318)	R
2	**Treatment for Effective Community Supervision** Transfers $5 million from the Statewide Misdemeanant Confinement Fund (Special Fund code 24500-2225), to the Division of Adult Correction (General Fund budget code 14500-1433) for the Treatment for Effective Community Supervision program. This program provides treatment services to probationers in the community.	($5,000,000)	NR
3	**Geodetic Survey Section Transfer** Transfers additional Geodetic Survey positions to the Emergency Management Section of the Division of Law Enforcement in the Department of Public Safety (DPS). These positions had been included in a Justification Review of DENR's Regional Offices. The following positions are transferred:	$136,949 2.00	R

Position	Title	Total Position Cost	FTE
60032391	Engineering/Architectural Supervisor	$77,859	1.00
60032397	Engineering/Architectural Technician	$59,090	1.00

4 Geodetic Survey Section Transfer $819,861 R

Transfers the Geodetic Survey Section from the Department of Environment and Natural Resources to the Department of Public Safety as a Type I transfer. Geodetic Survey will be housed in the Division of Law Enforcement, Emergency Management Section. The transfer includes $35,325 in operating funds and the following positions: 12.92

General Fund Supported Positions:

Position	Title	Total Position Cost	FTE
60032386	Engineering/Architectural Supervisor	$104,835	1.00
60032387	Office Assistant IV	$ 43,691	1.00
60032388	Office Assistant III	$ 40,362	1.00
60032389	Engineering/Architectural Technician	$ 62,320	1.00
60032390	Engineering/Architectural Supervisor	$ 78,995	1.00
60032393	Technology Support Analyst	$ 60,575	1.00
60032395	Engineering/Architectural Technician	$ 66,407	1.00
60032396	Engineering/Architectural Technician	$ 52,381	1.00
60032399	Business And Technology Applic. Tech	$ 72,037	1.00
60032400	Information & Communication Specialist	$ 58,698	1.00
60032402	Engineering/Architectural Technician	$ 38,901	0.92
60032403	Engineering/Architectural Technician	$ 46,161	1.00
60032405	Engineering/Architectural Technician	$ 42,436	1.00

Receipt Supported Positions:

60032392	Engineer	$ 67,539	1.00
60032398	Engineering/Architectural Technician	$ 63,939	1.00
60032401	Engineering/Architectural Technician	$ 42,436	1.00
60032402	Engineering/Architectural Technician	$ 3,535	0.08
60032404	Engineering/Architectural Technician	$ 45,139	1.00
60032406	Engineering/Architectural Technician	$ 42,436	1.00

Budget Changes	**($30,437,508)**	R
	($5,000,000)	NR
Total Position Changes	14.92	
Revised Total Budget	**$1,659,278,368**	

Justice

	GENERAL FUND	
	FY 12-13	
Total Budget Approved 2011 Session	**$80,864,138**	
Budget Changes		
5 Management Flexibility Reserve Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.	($1,617,283)	R
6 Non-recurring Operating Reduction Uses DOJ receipts to partially fund operations for one year.	($3,000,000)	NR
B. Legal Services		
7 Consumer Protection Transfers the Consumer Protection Section to receipt support. Currently, half of this section is supported by receipts from settlement agreements. This reduction transfers the remaining consumer protection section to receipt support.	($1,757,780) -17.00	R
Budget Changes	**($3,375,063)**	R
	($3,000,000)	NR
Total Position Changes	-17.00	
Revised Total Budget	**$74,489,075**	

Judicial - Indigent Defense

GENERAL FUND

	FY 12-13
Total Budget Approved 2011 Session	**$112,748,733**

Budget Changes

8 No legislative changes.

Budget Changes

Total Position Changes

Revised Total Budget	**$112,748,733**

Judicial

	GENERAL FUND	
	FY 12-13	
Total Budget Approved 2011 Session	**$435,141,107**	
Budget Changes		
9 Management Flexibility Reserve Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.	($6,945,042)	R
10 Family Courts Restores the recurring appropriation for the Family Court Program.	$2,865,693 44.00	R
11 Administration of Mortgage Settlement Funds Reduces the pass-through appropriation to the Conference of District Attorneys by $200,000. The Conference of District Attorneys has been awarded $6.69 million in the Mortgage Settlement Agreement. These funds are to be used for grants and training for prosecutorial offices throughout the State. A portion of the funds can be used for administration at the Conference.	($200,000)	R
Budget Changes	**($4,279,349)**	R
Total Position Changes	44.00	
Revised Total Budget	**$430,861,758**	

Correction - Special

Budget Code: 24500

	FY 2012-13	
Beginning Unreserved Fund Balance	**$13,922,110**	
Recommended Budget		
Requirements	**$0**	
Receipts	**$0**	
Positions	**0.00**	

Legislative Changes

Requirements:

Statewide Misdemeanant Confinement Fund	$0	R
Transfers $5 million nonrecurring to the Division of Adult Correction for the Treatment of Effective Community Supervision program.	$5,000,000	NR
	0.00	
Subtotal Legislative Changes	**$0**	R
	$5,000,000	NR
	0.00	

Receipts:

Statewide Misdemeanant Confinement Fund	$0	R
	$0	NR
Subtotal Legislative Changes	**$0**	R
	$0	NR

	FY 2012-13
Revised Total Requirements	**$5,000,000**
Revised Total Receipts	**$0**
Change in Fund Balance	**($5,000,000)**
Total Positions	**0.00**
Unappropriated Balance Remaining	**$8,922,110**

GENERAL GOVERNMENT
Section J

Senate Subcommittee on General Government

Administration

GENERAL FUND

Total Budget Approved 2011 Session	**FY 12-13**
	$66,353,073

Budget Changes

2401 - E-Commerce Reserve

1 Reduce E-Commerce Reserve to Fund Cash Management Module

Reduces the E-Commerce Reserve at the Department of Administration by $2,470,642 to transfer to General Availability. Of this amount, $1,347,397 will be utilized to fund the General Fund-supported portion of the Banking System Upgrade at the Office of the State Controller.

Department-wide

2 Management Flexibility Reduction ($1,178,696) R

Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.

Office of State Personnel

3 Management Flexibility Reduction ($125,473) R

Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.

State Ethics Commission

4 Management Flexibility Reduction ($22,892) R

Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.

Transition and Inauguration

5 Fund Governor's Transition and Inauguration

Provides funding for the Transition Team and Governor's Inauguration to fund all fiscal activities related to the Governor Inauguration and Transition for the Governor and Council of State. In FY 2008-09 these items were funded, in total, at $420,000. Funds are to be distributed as follows: Fund Code: 1881: $170,000 Fund Code: 1882: $250,000	$420,000	NR

Budget Changes	**($1,327,061)**	**R**
	$420,000	**NR**
Total Position Changes		
Revised Total Budget	**$65,446,012**	

Senate Subcommittee on General Government

Auditor

GENERAL FUND

	FY 12-13	
Total Budget Approved 2011 Session	**$10,676,035**	
Budget Changes		
Department-wide		
6 Management Flexibility Reduction Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.	($213,521)	R
Budget Changes	**($213,521)**	**R**
Total Position Changes		
Revised Total Budget	**$10,462,514**	

Cultural Resources

GENERAL FUND

	FY 12-13	
Total Budget Approved 2011 Session	**$61,697,001**	
Budget Changes		
Department-wide		
7 **Management Flexibility Reduction** Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.	($1,233,940)	R
Budget Changes	**($1,233,940)**	**R**
Total Position Changes		
Revised Total Budget	**$60,463,061**	

Cultural Resources - Roanoke Island Commission

GENERAL FUND

	FY 12-13	
Total Budget Approved 2011 Session	**$1,203,491**	
Budget Changes		
All RIC Fund Codes		
8 **Technical Correction: Apply Reduction to Multiple Fund Codes** Clarifies that the reduction of $1.2 million (50%) in the 2011 Conference Report is to be achieved by reductions in Fund 1584 (RIC Operating Fund) and Fund 1586 (RIC Performing Arts Fund).	($1,203,491)	R
Fund Code 1584		
9 **Technical Correction: Restore Reduction to Operating Fund Code** Clarifies that the reduction of $1.2 million (50%) in the 2011 Conference Report is to be achieved by reductions in Fund 1584 (RIC Operating Fund) and Fund 1586 (RIC Performing Arts Fund).	$1,203,491	R
Roanoke Island Commission-Wide		
10 **Management Flexibility Reduction** Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.	($24,070)	R
Budget Changes	**($24,070)**	R
Total Position Changes		
Revised Total Budget	**$1,179,421**	

General Assembly

GENERAL FUND

	FY 12-13	
Total Budget Approved 2011 Session	**$50,104,208**	
Budget Changes		
Building & Maintenance		
11 **Building & Maintenance Continuation Review**	$2,572,506	R
Restores recurring funding for the Building & Maintenance Division, which was subject to Continuation Review for FY 2011-12.	31.60	
Department-wide		
12 **Management Flexibility Reduction**	($1,002,084)	R
Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.		
Information Systems Division		
13 **Clarify Funding Mechanism**	$2,114,555	R
	($2,114,555)	NR
Clarifies language in Item #61 of the 2011 Conference Report. Continues the elimination of appropriations for ISD non-personnel costs for FY 2012-13 by budgeting receipts from the Carryforward Reserve on a nonrecurring basis. Restores operating account requirements and offsets those requirements with Carryforward Reserve receipts.		
Budget Changes	**$3,684,977**	R
	($2,114,555)	NR
Total Position Changes	31.60	
Revised Total Budget	**$51,674,630**	

Governor

GENERAL FUND

	FY 12-13	
Total Budget Approved 2011 Session	**$4,741,157**	
Budget Changes		
Department-wide		
14 Management Flexibility Reduction Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.	($94,823)	R
Budget Changes	**($94,823)**	**R**
Total Position Changes		
Revised Total Budget	**$4,646,334**	

Housing Finance Agency

GENERAL FUND

Total Budget Approved 2011 Session	**FY 12-13** **$9,673,051**	
Budget Changes		
1100 - Home Protection Pilot		
15 Eliminate Funding for Home Protection Pilot Eliminates funding for the Home Protection Pilot Program. Funding is unnecessary due to the Housing Finance Agency's participation in the Hardest Hit Program.	($187,879)	R
1100: Housing Trust Fund		
16 Utilization of Housing Settlement Funds to Fund the Housing Trust Funds Eliminates, on a non-recurring basis, the General Fund appropriation to the Housing Trust Fund. Funds from the Mortgage Settlement Agreement to the Housing Finance Agency may be redirected or deposited into the Housing Trust Fund to offset FY 2012-13 non-recurring reductions to the fund. Nothing in this item is intended to, or shall be construed to, conflict with the mandatory requirements of the Mortgage Settlement Agreement.	($7,876,755)	NR
Budget Changes	**($187,879)**	**R**
	($7,876,755)	**NR**
Total Position Changes		
Revised Total Budget	**$1,608,417**	

Insurance

GENERAL FUND

	FY 12-13
Total Budget Approved 2011 Session	**$36,393,921**
Budget Changes	
State Fire Protection Grant Fund	
17 **Management Flexibility Reduction** Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.	($73,550) R
Budget Changes	**($73,550)** R
Total Position Changes	
Revised Total Budget	**$36,320,371**

Senate Subcommittee on General Government

Insurance - Volunteer Safety Workers' Compensation Fund

GENERAL FUND

	FY 12-13
Total Budget Approved 2011 Session	**$2,623,654**
Budget Changes	
18 No Changes	
Budget Changes	
Total Position Changes	
Revised Total Budget	**$2,623,654**

Senate Subcommittee on General Government

Lieutenant Governor

GENERAL FUND

	FY 12-13	
Total Budget Approved 2011 Session	**$695,324**	
Budget Changes		
Department-wide		
19 **Consolidate Functions** Reduces appropriations for staff salaries and related expenses, effective December 31, 2012. The Office is directed to consolidate staff functions and reduce positions to achieve savings.	($144,150)	R
Budget Changes	**($144,150)**	**R**
Total Position Changes		
Revised Total Budget	**$551,174**	

Office of Administrative Hearings

GENERAL FUND

	FY 12-13	
Total Budget Approved 2011 Session	**$4,142,258**	
Budget Changes		
Department-wide		
20 **Management Flexibility Reduction** Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.	($82,845)	R
Budget Changes	**($82,845)**	**R**
Total Position Changes		
Revised Total Budget	**$4,059,413**	

Revenue

GENERAL FUND

Total Budget Approved 2011 Session

FY 12-13
$78,199,538

Budget Changes

1629 - Local Government Division

21 Combined Registration and Tax Collection System

Budgets receipts from the Combined Motor Vehicle and Registration Account to support the development and implementation costs for the Combined Motor Vehicle Registration and Property Tax System as required by S.L. 2005-294. The total costs for FY 2012-13 are $377,797 with $353,197 of this amount as recurring costs. Four new positions within the division are created:

Business & Technology Application Specialist
DBE Specialist
Property Valuation Specialist I
Property Valuation Specialist II

1710 - Fuel Tax Compliance

22 Eliminate Vacant Positions

Eliminates ten (10) vacant positions for a total personnel savings to the Highway Fund of $488,366. Other costs to support these personnel, such as travel, per diem, and supplies are reduced by $32,000.

The positions eliminated include eight (8) Motor Fuel Auditors and two (2) Law Enforcement Agents. The position numbers supported by the Highway Fund are 60083149, 60083173, 60083153, 60083182, 60083177, 60083178, 60083201,and 60083205. Two positions supported with federal funds are 65007466 and 65007490.

Department-wide

23 Management Flexibility Reduction ($1,563,991) R

Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.

Budget Changes	**($1,563,991)**	**R**
Total Position Changes		
Revised Total Budget	**$76,635,547**	

Secretary of State

GENERAL FUND

	FY 12-13	
Total Budget Approved 2011 Session	**$10,654,563**	
Budget Changes		
Department-wide		
24 Management Flexibility Reduction Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.	($213,091)	R
Budget Changes	**($213,091)**	**R**
Total Position Changes		
Revised Total Budget	**$10,441,472**	

State Board of Elections

GENERAL FUND

	FY 12-13	
Total Budget Approved 2011 Session	**$5,126,603**	
Budget Changes		
25 Management Flexibility Reduction Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program. For FY 2012-13, the reductions shall be taken in the Administration and Campaign Reporting Divisions, so that there will be no reduction to the Maintenance of Effort expenditures required to access federal Help America Vote Act Title II funds.	($102,532)	R
26 Maintenance of Effort Appropriates funds to meet federal Help America Vote Act (HAVA) Title II Maintenance of Effort requirements, which will enable the State Board of Elections to access and expend the remaining $4 million in federal HAVA Title II Funds. Total required to meet MOE is based on the most recent data from the State Board of Elections.	$563,936	NR
Budget Changes	**($102,532)**	**R**
	$563,936	**NR**
Total Position Changes		
Revised Total Budget	**$5,588,007**	

State Budget & Management

GENERAL FUND

	FY 12-13
Total Budget Approved 2011 Session	**$5,848,663**

Budget Changes

27 Eliminate Receipt-Supported Positions ($116,973) R

Eliminates two receipt-supported internal auditor positions, which will no longer be funded with receipts from the Information Technology Internal Service Fund. Savings to the Information Technology Internal Service Fund total $170,152:

#65009983 ($85,686) salary & benefits
#65011783 ($84,466) salary & benefits

Department-wide

28 Management Flexibility Reduction

Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.

Budget Changes	**($116,973)**	**R**
Total Position Changes		
Revised Total Budget	**$5,731,690**	

State Budget and Management - Special

GENERAL FUND

	FY 12-13	
Total Budget Approved 2011 Session	**$440,612**	
Budget Changes		
29 Align Budget With 2011 Reductions Adjusts the total transferred to the Department of Insurance for the Fire Protection Grant Fund to account for the 10% reduction directed in the 2011 Conference Report.	($390,612)	R
30 Transition Reserve Funds a reserve for operating expenses and temporary staff for planning, reorganization, and other activities related to the transition of Executive Branch offices. Any unspent funds shall revert to the General Fund at the end of the fiscal year.	$330,000	NR
N.C. Humanities Council		
31 Management Flexibility Reduction Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.	($1,000)	R
Budget Changes	**($391,612)**	**R**
	$330,000	**NR**
Total Position Changes		
Revised Total Budget	**$379,000**	

State Controller

GENERAL FUND

	FY 12-13	
Total Budget Approved 2011 Session	**$28,368,957**	
Budget Changes		
32 Cash Management Module Funds the Office of the State Controller's portion of the upgrade of the State's Cash Management System. This is a joint project between the Department of the State Treasurer and the Office of the State Controller.	$1,347,397	NR
Department-wide		
33 Management Flexibility Reduction Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.	($567,379)	R
Budget Changes	**($567,379)**	**R**
	$1,347,397	**NR**
Total Position Changes		
Revised Total Budget	**$29,148,975**	

Treasurer

GENERAL FUND

Total Budget Approved 2011 Session	**FY 12-13**
	$6,621,750

Budget Changes

1310 - Local Government Operations

34 Audit, Integrated Debt, And Fiscal Management System

Funds the acquisition of an electronic audit management system and the development and implementation of a debt management system. The Department received authorization for the first phase of the project in FY 2011-12 regarding a document management system. This is the second phase of the project. Funding for the project is from fees assessed by the Department on debt issuances which were previously approved by the General Assembly. Total cost for the system in FY 2012-13 is $1,082,219 with $200,419 recurring and $881,800 non-recurring.

1510 - Financial Operations Division

35 Banking System Upgrade

Funds the Department of State Treasurer's portion of the upgrade of the State's Cash Management System that is utilized by the State's Pension Fund. This is a joint project between the Department of the State Treasurer and the Office of the State Controller. The portions not related to the State's Pension Fund shall be funded by an appropriation to the Office of the State Controller. The total amount authorized to be used by the Department of the State Treasurer is $2,052,000 in FY 2012-13.

Budget Changes	
Total Position Changes	
Revised Total Budget	**$6,621,750**

Senate Subcommittee on General Government

Treasurer - Retirement for Fire and Rescue

GENERAL FUND

	FY 12-13
Total Budget Approved 2011 Session	**$17,812,114**
Budget Changes	
36 No Changes	
Budget Changes	
Total Position Changes	
Revised Total Budget	**$17,812,114**

TRANSPORTATION
Section K

Senate Subcommittee on Transportation

Highway Fund

	HIGHWAY FUND
	FY 12-13
Total Budget Approved 2011 Session	**$2,134,160,000**

Budget Changes

Administration

1	**Information Technology** Appropriates additional funds to support telecommunication ($750,000) and data processing costs ($930,000), as well as lease requirements ($340,000).	$2,020,000	R
2	**Information Technology - Combined Registration and Tax Collection System** Budgets receipts from the Combined Motor Vehicle and Registration Account to support development and implementation costs for the Combined Motor Vehicle Registration and Property Tax Collection System. Receipts budgeted for FY 2012-13 total $2,267,963 recurring and $12,290,309 non-recurring.		
3	**Fiscal - Combined Registration and Tax Collection System** Authorizes six (6) receipt-supported positions to oversee the collection of registration fees and property taxes in advance of the July 1, 2013 implementation date for the Combined Motor Vehicle Registration and Property Tax Collection System. Pre-implementation functions include initiation of system projects and changes which affect revenue capture and reporting from the: State Registration and Titling System (STARS), Vehicle Property Tax System (VPT), State Automated Driver's License System (SADLS), Fuel Tax Compliance System (FuelTacs), SAP, the Division of Motor Vehicles (DMV) Bad Debt System, and other DMV subsystems. Budgeted receipts for FY 2012-13 total $370,038 recurring and $121,806 non-recurring, per transfers from the Combined Motor Vehicle and Registration Account. Effective dates for the authorized positions are shown below:		

Grade	Position Title	Effective Date
Banded - J	Accounting Manager	07/01/2012
Banded - A	Accountant	08/01/2012
Banded - C	Accountant	09/01/2012
Banded - J	Accounting Technician	09/01/2012
Banded - C	Accountant	12/01/2012
Banded - J	Accounting Technician	12/01/2012

Construction

4 Contingency Fund

Appropriates $22,000,000 of accumulated unencumbered fund balance from the Contingency Fund.

5 Secondary Roads ($17,737,270) R

Reduces funding to the secondary system construction program to meet new revenue target. The total budget is $35,742,912 in FY 2012-13.

Department-wide

6 Personnel Reduction ($588,561) R

-9.00

Eliminates 70 vacant positions throughout the Department, including: nine (9) positions funded with Highway Funds; 12 receipt-supported Highway Trust Fund positions totaling $661,669; and 49 field positions totaling $3,439,178. The total includes salary, benefits, and an employee cost multiplier of 2.31%. DOT is directed to identify the 12 receipt-supported Highway Trust Fund and 49 field positions for elimination. The nine (9) positions funded with Highway Funds are:

- Asset Management:
  2 vacant HF: 60027653 Engineering Director
  60027656 Technical Trainer

- Information Technology:
  1 vacant HF: 60015188 Business & Technology Analyst

- Fiscal Management:
  1 vacant HF: 60015370 Processing Asst IV

- Purchasing:
  2 vacant HF: 60015403 Departmental Purchasing Agent I
  60015404 Processing Asst IV

- Human Resources:
  3 vacant HF: 60027540 Personnel Technician III
  60015027 Personnel Analyst II
  60015026 Personnel Analyst II

Division of Motor Vehicles

7 Adjust Driver License Credit/Debit Costs ($792,641) NR

Reduces funds budgeted for credit/debit card transaction costs based on the revised implementation timeline for the Next Generation Secure Driver License System (NGSDLS) and a rate reduction for Information Technology Services (ITS) common payment services. Phased implementation of the NGSDLS is targeted for January 2013.

8 Bulk Data Fee Receipts $4,000,000 R

Adjusts net appropriations per projected FY 2012-13 bulk data fee receipts.

9 Internal Consolidation ($747,667) R

-13.00

Consolidates the Division of Motor Vehicles (DMV) fiscal, human resources, information technology, facility management, and associated functions assigned to the "DOT PAM/PD DMV II Operations" and "DOT PAM/PD DMV II Operations Budget" organizational units among respective central administrative units of the Department of Transportation.

The following positions are eliminated effective July 31, 2012, per this restructuring:

Position Number	Position Title
60029792	Administrative Assistant
60029795	Technology Support Analyst
60029798	Safety Officer II
60029799	Business Officer
60030094	Administrative Officer III
60029837	Departmental Purchasing Agent I
60029839	Accountant
60030103	Processing Assistant IV
60030155	Processing Assistant V
60030157	Processing Assistant V
60030165	Administrative Assistant I
60030168	Departmental Purchasing Agent I
60030596	Accountant
60030925	Departmental Purchasing Agent I
60088760	Accountant

To supplement administrative support for the Division of Motor Vehicles, two (2) full-time, permanent positions are created within the Division of Motor Vehicles Office of the Commissioner effective July 1, 2012.

Respective classifications and funding are:

Grade	Position Title	Position Cost

Banded - J	Accountant	$76,835
Banded - J	Accountant	$76,835

Net recurring savings per this restructuring total $747,667 for FY 2012-13. Annualized savings, beginning in FY 2013-14, total $829,606.

An additional $303,675 is appropriated, per item 22, on a non-recurring basis for estimated severance payments incurred during FY 2012-13.

10 Driver License Program Continuation Review $47,713,947 R

Restores recurring funds held in reserve for the Driver License Program per continuation review.

11 DMV - Combined Registration and Tax System

Authorizes 43 receipt-supported positions, of which 22 are time-limited, within the Vehicle Services Section to implement and administer the Combined Motor Vehicle Registration and Property Tax Collection System. This authorization includes: four (4) Staff Development Specialist I positions to conduct training in advance of system implementation; four (4) Administrative Assistant II positions to assist license plate agencies by recording and resolving system problems; two (2) Title Examiner Supervisor I positions to supervise call center employees; four (4) Information Processing Technicians to support transaction volumes at the Raleigh and Charlotte offices; 25 Information Processing Technicians to resolve customer service requests; and, four (4) Processing Assistant IV positions to accommodate increases in mailings and internet renewals. Time-limited positions shall terminate no later than June 30, 2014.

Budgeted receipts for FY 2012-13 total $1,407,763 recurring and $1,802,955 non-recurring. Non-recurring costs include equipment acquisitions to implement credit/debit payments at license plate agencies and State offices. These costs are offset by corresponding transfers from the Combined Motor Vehicle and Registration Account.

Effective dates for the authorized positions are shown below:

Grade	Position Title	Effective Date	FTE
67	Staff Development Specialist I	07/01/2012	1.00
67	Staff Development Specialist I - TL	07/01/2012	3.00
65	Administrative Assistant II	10/01/2012	2.00
65	Administrative Assistant II - TL	10/01/2012	2.00
64	Title Examiner Supervisor I	10/01/2012	2.00
63	Information Processing Technician	10/01/2012	14.00
63	Information Processing Technician - TL	10/01/2012	15.00
59	Processing Assistant IV	04/01/2013	2.00
59	Processing Assistant IV - TL	04/01/2013	2.00

Intermodal

12 Public Transportation Division - New Starts ($28,972,845) R

Eliminates the New Start & Regional Capital grant program within the Public Transportation Division. The remaining unexpended program balance within the Highway Fund is transferred to the General Maintenance Reserve.

13 Rail Division - Personnel Reduction

Eliminates one (1) vacant, receipt-supported field position (60015656 Engineering Technician) totaling $74,900 in estimated operating savings.

14 Ferry Division - Dredge Replacement Project ($3,000,000) NR

Adjusts funding for the dredge build project per the engineer's estimate of total project cost.

15 Ferry Division - Personnel Reduction

Eliminates nineteen (19) vacant, receipt-supported field positions totaling $787,294 in estimated operating savings. The total includes salary, benefits, and an employee cost multiplier of 2.31%. FTE reductions are as follows:

Position Number	Position Title
60018911	Office Assistant III
60018566	Processing Assistant III
60018501	Ferry Crew Member I
60018533	Security Guard
60018538	Security Guard
60018611	Security Guard
60018617	Security Guard
65009109	Security Guard
65009108	Security Guard
60089130	Ferry Crew Member I
60018643	Security Guard
60018667	Security Guard
60018729	Security Guard
65009103	Security Guard
60018490	Dredge Deckhand
60018796	Ferry Master
60018883	Maintenance Mechanic IV
60018872	Processing Assistant IV
60018864	Processing Assistant III

Maintenance

16 Primary System ($29,562,116) R
Reduces funding to the primary system maintenance program to meet new revenue target. The total budget is $152,408,682 in FY 2012-13.

17 Secondary System ($11,824,846) R
Reduces funding to the secondary system maintenance program to meet new revenue target. The total budget is $252,686,978 in FY 2012-13.

18 System Preservation $520,014 R
Per G.S. 119-18(b), increases system preservation by $520,014 from cuts made to the Department of Revenue's Taxpayer Collection Division for motor fuel enforcement and auditing. The total budget is $235,504,017 in FY 2012-13.

Reserves

19 Compensation Adjustment and Performance Pay Reserve ($4,906,715) R
Eliminates the reserve in FY 2012-13.

20 Highway Fund Reserve for Compensation Increases $4,668,590 R
Provides funding to support an annual salary increase of 1.2% to permanent employees whose salaries are supported by Highway Fund appropriations.

21 Disability Income Plan of North Carolina ($255,000) R
Reduces the State's contribution to the Disability Income Plan from .52% of payroll to .44% of payroll (a .08% reduction) as a result of the December 31, 2010 actuarial valuation.

22 Severance Expenditure Reserve
Increases funding for severance salary continuation payments and health benefit coverage under the State Health Plan for employees reduced-in-force. $303,675 NR

23 State Retirement System Contributions - State Highway Patrol Transfer ($4,000,000) R
Adjusts the budgeted retirement contribution to the Teachers' and State Employees' Retirement System for 2012-13 per the transfer of the State

Highway Patrol to the General Fund.

24 State Health Plan - State Highway Patrol Transfer ($1,000,000) R
Adjusts funding for the State Health Plan per the transfer of the State Highway Patrol to the General Fund.

25 Global TransPark ($152,000) R
Reduces operating assistance to the Global TransPark by $152,000. FY 2012-13 appropriations total $1.0 million.

26 Reserve for Continuation Review ($47,713,947) R
Eliminates the internal reserve for the Driver License Program per restoration of funding.

Revenue Availability

27 Inspection Program Account Balance
Notwithstands G.S. 20-183.7(d) to appropriate $11.0 million from the Inspection Program Account balance. Highway Fund availability is adjusted accordingly.

28 Civil Penalty Collections
Reduces estimated Highway Fund revenue by $22.0 million to reflect a change in accounting procedure. Rather than recording civil penalty proceeds as revenue, the clear proceeds of all civil penalties, civil forfeitures, and civil fines collected by the Department of Transportation for transfer to the Civil Penalty and Forfeiture Fund shall be recorded as receipts and budgeted in a receipt-supported fund center for transfer to the Civil Penalty and Forfeiture Fund.

29 Division of Motor Vehicles - Limited Learner Permit
Increases projected driver license revenues by $3.18 million per the establishment of a $45 supplemental fee to be paid by limited learner permit applicants who participated in public driver education programs.

Statutory Adjustments

30 Aid to Municipalities ($912,604) R

Reduces funds for State Aid to Municipalities for FY 2012-13, consistent with new revenue estimates and G.S. 136-41.1.

Transfers

31 State Retirement System Contributions - State Highway Patrol Transfer $4,000,000 R
$3,000,000 NR

Adjusts the budgeted retirement contribution to the Teachers' and State Employees' Retirement System for 2011-12 and 2012-13 per the transfer of the State Highway Patrol to the General Fund.

32 State Health Plan Contribution - State Highway Patrol Transfer $1,000,000 R

Adjusts the budgeted contribution for the State Health Plan in 2012-13 per the transfer of the State Highway Patrol to the General Fund.

33 Department of Revenue - Taxpayer Collections (Motor Fuels) ($520,014) R

Eliminates ten (10) vacant positions for a total personnel savings of $488,014. Other costs to support these personnel, such as travel, per diem, and supplies are reduced by $32,000. The savings transferred to System Preservation total $520,014.

The positions eliminated include eight (8) Motor Fuel Auditors and two (2) Law Enforcement Agents. The position numbers supported by the Highway Fund are 60083149, 60083173, 60083153, 60083182, 60083177, 60083178, 60083201,and 60083205. Two positions supported with federal funds are 65007466 and 65007490.

34 Motor Carrier Safety Assistance Program (MCSAP) $330,000 R

Increases budgeted State matching funds to match $6.0 million in anticipated federal MCSAP basic and incentive grants administered by the Department of Public Safety, State Highway Patrol. Appropriated matching and maintenance of effort funds total $1,980,458.

35 Civil Penalty and Forfeiture Fund ($22,000,000) R

Eliminates the appropriated reserve (84210-0889) historically used to budget civil penalty collections and transfer funds to the Civil Penalty and Forfeiture Fund. Civil penalties are instead budgeted as receipts to better account for the annual fluctuation in collections, and to establish consistency in statewide accounting procedures. Estimated Highway Fund revenue is reduced accordingly.

Per FY 2012-13 projections, an estimated $29.88 million will be transferred to the Civil Penalty and Forfeiture Fund.

36	**Department of Public Instruction - Driver Education Program** Appropriates $3.18 million for driver education funding per repeal of S.L. 2011-145, Sec. 31.1 and establishment of a new $45 supplemental fee for a (GDL-1) limited learner permit.	$3,180,000	R

Budget Changes	**($103,461,034)**	**R**
	($488,966)	**NR**
Total Position Changes	-22.00	
Revised Total Budget	**$2,030,210,000**	

Senate Subcommittee on Transportation

Highway Trust Fund

	HIGHWAY TRUST FUND
	FY 12-13
Total Budget Approved 2011 Session	**$1,086,910,000**

Budget Changes

Administration

37	**Statutory Adjustment to Program Administration** Decreases funds for Program Administration for FY 2012-13 consistent with new revenue estimates and G.S. 136-176(b). The total budget is $45,590,880 in FY 2012-13.	($1,516,320)	R

Aid to Municipalities

38	**Statutory Adjustment to Aid to Municipalities Allocation** Decreases funds for State Aid to Municipalities for FY 2012-13, consistent with new revenue estimates and G.S. 136-176(b)(3). The total budget is $53,063,643 in FY 2012-13.	($979,789)	R

Construction

39	**Urban Loops** Reduces funds for Urban Loops by 25.05% of the total amount needed to balance the Highway Trust Fund in accordance to the formula in G.S. 136-176(b)(2). The total budget is $209,182,029 in FY 2012-13.	($3,775,957)	R
40	**Intrastate System** Reduces funds for the Intrastate System by 61.95% of the total amount needed to balance the Highway Trust Fund in accordance to the formula in G.S. 136-176(b)(1). The total budget is $478,164,889 in FY 2012-13.	($9,338,145)	R
41	**Secondary Roads** Reduces funds for Secondary Roads by 6.5% of the total amount needed to balance the Highway Trust Fund in accordance to the formula in G.S. 136-176(b)(4). The total budget is $48,341,155 in FY 2012-13.	($979,789)	R

Mobility Fund

42	**Mobility Fund** Transfers funds in the DOT Prioritization Reserve to the Mobility Fund and transfers $32.5 million in unneeded FY 2012-13 gap funds appropriated to the Garden Parkway and Mid-Currituck Bridge projects.	$45,000,000 $32,500,000	R NR
43	**DOT Prioritization Reserve** Eliminates the DOT Prioritization Reserve.	($45,000,000)	R

Turnpike Authority

44	**Mid-Currituck Bridge Project** Reallocates $15,000,000 of unencumbered gap funds appropriated in FY 2011-12 to the Mid-Currituck Bridge project.		
45	**Gap Funds** Eliminates the FY 2012-13 gap funding to the Garden Parkway and the Mid-Currituck Bridge projects based on a determination by DOT that these two projects will not issue debt until FY 2013-14.	($32,500,000)	NR

Budget Changes	**($16,590,000)**	**R**
	$0	**NR**
Total Position Changes		
Revised Total Budget	**$1,070,320,000**	

Turnpike Authority

	TURNPIKE AUTHORITY	
	FY 12-13	
Total Budget Approved 2011 Session	**$3,642,571**	
Budget Changes		
Turnpike Authority Administration		
46 Reduces Operating Funds Eliminates three (3) vacant receipt-supported positions totaling $336,193. The total includes salary, benefits, and an employee cost multiplier of 2.31%. 60088764 Engineering Manager 65004640 Technology Support Specialist 65007229 Business Officer	($336,193)	R
Budget Changes	**($336,193)**	**R**
Total Position Changes		
Revised Total Budget	**$3,306,378**	

RESERVES/
DEBT SERVICE/
ADJUSTMENTS
Section L

Statewide Reserves

	GENERAL FUND
	FY 12-13
Total Budget Approved 2011 Session	**$1,415,660,126**

Budget Changes

A. Employee Benefits

1	**Compensation and Performance Pay Reserve** The balance in this reserve is transferred to the Reserve for Compensation Increases and Personnel Flexibility.	($121,105,840)	R
2	**Reserve for Compensation Increases and Personnel Flexibility** Provide funds to support salary increases for employees of State agencies, departments, and university SPA employees and to support salary increases and personnel flexibility for university EPA employees, and employees of community college institutions and public schools.	$159,984,426	R
3	**State Agency/Department Salary Increases** Provides up to $30,046,765 to support an annual salary increase of 1.2% for permanent employees of State agencies and departments.		
4	**Public School Salary Increases/Personnel Flexibility** Provides up to $84,964,142 to local school administrative units for personnel expenditures. Local school administrative units may use these funds to award compensation increases to employees including but not limited to merit increases, across-the-board increases, recruitment bonuses, retention increases, and other bonuses pursuant to local personnel policies; to offset the LEA flexibility adjustment; and to employ personnel. No compensation increase awarded shall modify an employee's placement on a State salary schedule.		
5	**Community College Salary Increases/Personnel Flexibility** Provides up to $14,102,935, the amount necessary to support a 1.2% annual salary increase, to State-funded community college employees. The State Board of Community Colleges may use these funds to award compensation increases to employees, including but not limited to merit increases, across-the-board increases, recruitment bonuses, retention increases, and other increases pursuant to applicable personnel policies; to offset the management flexibility reduction; and to employ personnel.		

6	**University Salary Increase/Personnel Flexibility** Provides up to $8,649,234 for SPA employees and $22,221,350 for EPA employees, the amount necessary to support a 1.2% annual salary increase. Permanent university SPA employees shall receive a 1.2% annual salary increase. The University Board of Governors may use funds designated for EPA faculty and EPA nonfaculty to award compensation increases to EPA employees including but not limited to merit increases, across-the-board increases, recruitment bonuses, retention increases, and other increases pursuant to applicable personnel policies; to offset the management flexibility reduction; and to employ personnel.		
7	**Highway Fund Reserve for Compensation Increases** Provides funding in the amount of $4,668,590 recurring to support an annual salary increase of 1.2% to permanent employees whose salaries are supported by Highway Fund appropriations.		
8	**Retirement Systems Cost of Living Increase** Provides a 1.0% cost of living adjustment to retirees of the Teachers' and State Employees' Retirement System effective July 1, 2012 at a cost of $32,142,000 annually. Also, provides a 1.0% cost of living adjustment to retirees of the Legislative Retirement System effective July 1, 2012 at a cost of $21,000.		
9	**Consolidated Judicial Retirement System** Increases the State's contribution for Fiscal Year 2012-2013 to provide a 1.0% cost-of-living adjustment for retirees of the Consolidated Judicial Retirement System at a cost of $385,000 annually. This adjustment is funded in part with actuarial gains within the Retirement System.	$100,000	R
10	**Disability Income Plan of North Carolina** Reduces the State's contribution to the Disability Income Plan from .52% of payroll to .44% of payroll (a .08% reduction) as a result of the December 31, 2010 actuarial valuation.	($8,688,000)	R
B. Other Reserves			
11	**One North Carolina Fund** Provides recurring funding for the One North Carolina Fund. A corresponding special provision changes the funding basis to cash flow. The Fund currently has a cash balance of over $60.0 million. $10.0 million will remain in the Fund and $50.0 million will be transferred to the General Fund.	$9,000,000	R
12	**VIPER Reserve** Authorizes the State Highway Patrol to use up to $25 million in FY 2012-13 for the Voice Interoperability Plan for Emergency Response (VIPER) system. Funds may be used for construction of the remaining 23 towers and for migrating existing and new sites to P25 technology.	$25,000,000	NR
13	**Job Development Investment Grant Reserves** Reduces the funding for Job Development Investment Grants to the amount needed to meet projected needs for FY 2012-13 grant payments.	($6,500,000)	NR

14 Information Technology Fund Continues reduction in IT consolidation funding taken by the Office of State Budget and Management in FY 2011-12.	($750,000)	NR
15 Continuation/Justification Review Reserve Eliminates reserve due to the distribution of funds to agencies with programs under review.	($35,576,758)	NR
C. Debt Service		
16 Adjust Debt Service Payments	($52,904,635)	R
Budget Changes	**($13,614,049)**	**R**
	($17,826,758)	**NR**
Total Position Changes		
Revised Total Budget	**$1,384,219,319**	

Senate Appropriations

State Health Plan (Administration)

Budget Code: 28410

	FY 2012-13	
Beginning Unreserved Fund Balance	**$40,005**	
Recommended Budget		
Requirements	**$183,604,143**	
Receipts	**$183,604,143**	
Positions	**42.00**	

Legislative Changes

Requirements:

Other Administrative Cost	$328,332	R
Creates three new staff positions to administer a Medicare Part D Employer Group Waiver Plan (EGWP) that will reduce the State Health Plan's cost of drug coverage.	$10,200	NR
	3.00	
Pharmacy Benefits Management Contract	$5,444,717	R
Increases the budgeted amount for the Pharmacy Benefit Management Contract to cover fees to administer a Medicare Part D Employer Group Waiver Plan (EGWP) that will reduce the State Health Plan's cost of drug coverage.	$0	NR
	0.00	
Subtotal Legislative Changes	**$5,773,049**	R
	$10,200	NR
	3.00	

Receipts:

Increase Transfers from Trust Funds	$5,773,049	R
Increases the amount of transfer from the Plan's health benefit trust fund budget codes to support administrative costs related to Medicare Part D Employer Group Waiver Plan (EGWP).	$10,200	NR
Subtotal Legislative Changes	**$5,773,049**	R
	$10,200	NR

	FY 2012-13
Revised Total Requirements	**$189,387,392**
Revised Total Receipts	**$189,387,392**
Change in Fund Balance	**$0**
Total Positions	**45.00**
Unappropriated Balance Remaining	**$40,005**

CAPITAL
Section M

Capital

	GENERAL FUND	
Department of Environment and Natural Resources		
1 Water Resources Development Projects Provides funds for the State's share of Water Resources Development Projects. Funds will provide a State match for $86.39 million in federal funds. The projects are listed in a special provision.	$5,000,000	NR
Total Appropriation to Capital	**$5,000,000**	**NR**

INFORMATION TECHNOLOGY SERVICES
Section N

Information Technology Fund

Budget Code: 24667

	FY 2012-13
Beginning Unreserved Fund Balance	**$794,928**
Recommended Budget	
Requirements	**$6,183,142**
Receipts	**$6,158,142**
Positions	**31.00**

Legislative Changes

Requirements:

Information Technology Consolidation Reduction Reduces IT Consolidation by $250,000 and transfer that amount to the General Fund to reflect previous year OSBM reduction to the IT Fund.	$0 ($250,000) 0.00	R NR
Provide Architecture and Engineering Strategists Increases Architecture and Engineering funding to provide a Computer Strategist and a Network Strategist to build roadmaps and assessments to support Office of Information Technology Services systems and services deployments. Transfers two positions from the Information Technology Internal Service Fund to support this effort.	$270,000 $0 2.00	R NR
Reduction to CGIA Appropriation Reduces appropriation for the Center for Geographic Information and Analysis and transfer requirements to receipt support.	($137,476) $0 0.00	R NR
Increase Appropriation to CJIN Increases appropriation to the Criminal Justice Information Network to include overhead costs.	$12,404 $0 0.00	R NR
Funding for State Website Provides funding to support current State website.	$150,000 $0 0.00	R NR

	FY 2012-13	
Subtotal Legislative Changes	**$294,928**	R
	($250,000)	NR
	2.00	

Receipts:

Information Technology Fund Interest Accounts for the interest generated by the Information Technology Fund.	$25,000	R
	$0	NR
Transfer to General Fund Transfers portion of carryforward balance to the General Fund.	$0	R
	($750,000)	NR
Subtotal Legislative Changes	**$25,000**	R
	($750,000)	NR

Revised Total Requirements	**$6,228,070**
Revised Total Receipts	**$5,433,142**
Change in Fund Balance	**($794,928)**
Total Positions	**33.00**
Ending Unreserved Fund Balance	**$0**

Information Technology Internal Service Fund

Budget Code: 74660

	FY 2012-13
Beginning Unreserved Fund Balance	**$34,643,121**
Recommended Budget	
Requirements	**$189,626,312**
Receipts	**$189,095,142**
Positions	**531.00**

Legislative Changes

Requirements:

Reduction to IT Internal Service Fund — $0 R

Requires the Office of the State Chief Information Officer and the Office of Information Technology Services to reduce requirements for the Information Technology Internal Service Fund to reflect a reduction of 24 positions ($2,588,162), elimination of lease costs ($491,302), delay in replacement of lighting ($780,000), transfer of two positions to the IT Fund ($270,000), return internal auditors to OSBM ($170,152), elimination of in-kind services ($266,979), Gartner seat reductions ($270,155), email increase ($500,000), hosting exemption for the Department of Transportation that eliminates the need for ITS hosting ($2,500,000), and elimination of proposed increases in hosting contracts ($7,929,219).

($15,765,969) NR

-26.00

Eliminated positions include:
60087660, 65010103, 60087301, 60087342, 65000716, 60087484, 60087378, 60087439, 60087526, 65000533, 60089793, 60087677, 60087592, 60087668, 65000051, 60087657, 60087672, 60087643, 60093435, 60087699, 60087637, 60087701, 60089800, 65000708.

Transfer to General Fund — $0 R

Transfers $14 million in allowable receipts in excess of 40-day balance to the General Fund.

$14,000,000 NR

0.00

Subtotal Legislative Changes — **$0** R

($1,765,969) NR

-26.00

Receipts:

	FY 2012-13	
Reduction to IT Internal Service Fund	$0	R
Reduces receipts for IT Internal Service Fund to reflect reduction in requirements.	($15,765,969)	NR
Subtotal Legislative Changes	**$0**	R
	($15,765,969)	NR
Revised Total Requirements	**$187,860,343**	
Revised Total Receipts	**$173,329,173**	
Change in Fund Balance	**($14,531,170)**	
Total Positions	**505.00**	
Ending Unreserved Fund Balance	**$20,111,951**	

ATTACHMENT 6

PUBLIC SPEAKER REGISTRATION SHEET

Senate Appropriations Base Budget
(Committee Name)

06/12/2012
Date

Speakers : PLEASE SIGN IN BELOW AND RETURN TO Sgt. At Arms

NAME	FIRM OR AGENCY AND ADDRESS
Jo Ann Norris	Public School Forum-(Teaching Fellows)
Mark Bold	Justice for Sterilization Victims Project
KRISTY ANDREWS	SAVE / TRU
Dunie Atkinson	Department of Public Instruction
Dallas WOODHOUSE	Americans For Prosperity
Becki Gray	JLF
Michael Rice	Save the Cape - Southport
Kay Phillips	APPCNC
Con Wilson	NC LTC
Karen Moriarty	Carillon Assisted Living
Pam Seamans	NC Alliance for Health
Mary Bethel	AARP-NC
Jon Carr	NC Assoc. FQHC Clinics
~~Roy Johnson~~	~~NCCF Transportation Museum~~ Foundation

09-21-2011

PUBLIC SPEAKER REGISTRATION SHEET

Senate Appropriations Base Budget
(Committee Name)

06/12/2012
Date

Speakers : PLEASE SIGN IN BELOW AND RETURN TO Sgt. At Arms

NAME	FIRM OR AGENCY AND ADDRESS
√ Larry Hinton	Region A Partnership for Children
√ Sheri Strickland	NCAE
√ Donald Bryson	citizen
Roy Johnson	~~NC Trans. Museum Foundation~~

09-21-2011

ATTACHMENT 7

AMENDMENT LOG: HB 950

SENATE APPROPRIATIONS BASE BUDGET COMMITTEE June 12, 2012

DRAFT NUMBER	SPONSOR	PROPOSED ORDER
AMD-94 [v14]	R. Stevens	1 Adopted
AMG-79 [v2]	L. Pate	2 Adopted
AMH-94 [v1]	D Rouzer	3 ✓
ALE-109 [v1]	Tillman	4 ✓
ALE-110 [v1]	East	5 ✓
AME-154 [v1]	Brock	6 ✓
ALB-180 [v1]	Tucker	7 ✓

Adopted

ATTACHMENT 8

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 950

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

H950-AMD-94 [v.14]

Comm. Sub. [YES]
Amends Title [NO]
H950-PCS

Date _____,2012

Senator Stevens

Moves to amend the bill on Page 3, Lines 3 through 5, by deleting the lines and substituting the following:

"DENR Clean Water Management Trust Fund 0

Department of Labor (316,738)"; and

On Page 25, Lines 44 through 49, by deleting the lines; and

On Page 26, Lines 29 and 30, by inserting between the lines the following:

"j. An inventory of all potential resources, both public and private, available to support the development, implementation, operation, and management of the private cloud, and the costs and benefits associated with each."; and

On Page 81, Line 49, by adding a new section immediately after that line to read:

"**LIABILITY INSURANCE**

SECTION 9.15. G.S. 116-11 is amended by adding a new subsection to read:

"(13a) The Board of Governors may authorize the President to purchase commercial insurance of any kind to cover all risks or potential liability of the University, the Board of Governors, President, the University benefit plan administrators, and employees and agents of the University relating to the management, direction and administration of University employee benefit plans, including the risks and potential liability related to benefit plan investments managed by the University.

Members of the Board of Governors and employees of the University shall be considered State employees for purposes of Articles 31 and 31A of Chapter 143 of the General Statutes. To the extent that the President purchases commercial liability insurance coverage in excess of one hundred fifty thousand dollars ($150,000) per claim for liability arising under Article 31 or 31A of Chapter 143 of the General Statutes, the provisions of G.S. 143-299.4 shall not apply. To the extent that the President purchases commercial insurance coverage for liability arising under Article 31 or 31A

9:15

of Chapter 143 of the General Statutes, the provisions of G.S. 143-300.6(a) shall not apply.

The purchase of insurance by the President under this section shall not be construed to waive sovereign immunity or any other defense available to the University, the Board of Governors, President, University benefit plan administrators, and employees and agents of the University in an action or contested matter in any court, agency, or tribunal. The purchase of insurance by the President shall not be construed to alter or expand the limitations on claims or payments established in G.S. 143-299.2 or limit the right of the University, the Board of Governors, President, University benefit plan administrators, and employees and agents of the University to defense by the State as provided by G.S.-143 300.3."; and

On Page 87, Lines 14 through 22, by deleting the lines and substituting the following:
"**OUTPATIENT IMAGING SERVICES**

SECTION 10.9D. Prior to March 31, 2013, the Department of Health and Human Services shall not issue any request for proposals for the provision of outpatient imaging services for the Medicaid program."; and

On Page 92, Line 58 through Page 94, Line 44, by deleting the lines; and

On Page 98, Line 34, by reducing the amount by one hundred thousand dollars ($100,000); and

On Page 99, Line 21, by inserting the following:
"Division of Central Management and Support

19A. ALS Association Jim "Catfish" Hunter Chapter 100,000"; and

On Page 100, Line 59, by inserting on that line "(TEACH Program $3,800,000)"; and

On Page 101, Line 7, by rewriting the line to read:
"06. Local Subsidized Child Care Services Support
(4% Administrative Allowance) 15,898,602"; and

On Page 102, Lines 3 through 5, by rewriting the lines to read:
"01. Children's Health Services
(Nurse-Family Partnership $375,000)) 8,487,547

02. Women's Health
(March of Dimes $350,000; Teen Pregnancy
Prevention Initiatives $650,000; Perinatal
Quality Collaborative $250,000; 17P Project $47,000) 8,404,244"; and

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 950

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

H950-AMD-94 [v.14]

On Page 105, Line 42, by inserting immediately after the line the following:

"**SECTION 10.25.(s1)** The sum of one hundred thousand dollars ($100,000) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year to the Department of Health and Human Services, Division of Central Management and Support, shall be allocated to the ALS Association, Jim "Catfish" Hunter Chapter, to be used to provide patient care and community services to persons with ALS and their families. These funds are exempt from the provisions of 10A NCAC 71R .0201(3)."; and

On Page 148, Line 55, by deleting "employees" and substituting "State agency employees".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

9:15
5

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 950

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

H950-AMG-79 [v.2]

Comm. Sub. [YES]
Amends Title [NO]
H950-PCS30634-MDxf-28

Date _____,2012

Senator Pate

moves to amend the bill on page 99, line 7, by rewriting the line to read:
" 15. Guardianship $4,356,604";

and on page 106, line 3, by inserting a new section on the line to read:
"**SECTION 10.25.(w1)** The sum of four million three hundred fifty-six thousand six hundred four dollars ($4,356,604) appropriated in this section in the Social Services Block Grant for the 2012-13 fiscal year to the Department of Health and Human Services, Divisions of Social Services and Aging and Adult Services shall be used for guardianship services pursuant to Article 2 of Chapter 35A of the General Statutes. The Department may expend funds appropriated in this section to support existing state and local level corporate guardianship contracts entered into during the 2012-13 fiscal year."; and

By adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

10
10:15

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 950

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

H950-AMH-94 [v.1]

Comm. Sub. [YES]
Amends Title [NO]
H950-PCS30634-MDxf-28

Date _____,2012

Senator Rouzer

moves to amend the bill on page 111, lines 49-50, by inserting between those lines the following language:

"**SECTION 12.5.(d1)** Grants for projects with partnering local municipalities awarded prior to the effective date of this act may be transferred to the local partnering municipality for completion or fulfillment.".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

8:57
4

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 950

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

H950-ALE-109 [v.1]

Comm. Sub. [YES]
Amends Title [NO]
PCS

Date _____ ,2012

Senator ~~Hise~~ TILLMAN

moves to amend the bill on page 35, line 47, by adding a new section to read:

" GEOGRAPHICALLY ISOLATED SCHOOLS

SECTION 7.16. A local school administrative unit receiving special allotments for a small, geographically isolated school shall continue to receive one-half of that special allotment funding for the fiscal year after the school is closed. These funds shall be used to assist in the transition of students from the closed school to other schools in the local school administrative unit."

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

8:48
3

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 950

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

H950-ALE-110 [v.1]

Comm. Sub. [NO]
Amends Title [NO]
PCS

Date _____,2012

Senator East

moves to amend the bill on page 35, line 47, by adding a new section after the line to read:

"**INVESTING IN INNOVATION GRANT**

SECTION 7.16.(a) The federal Investing in Innovation Fund Grant: Validating Early College Strategies for Traditional Comprehensive High Schools awarded to the North Carolina New Schools Project for 2012-2017, requires students to enroll in a community college course in the tenth grade. Notwithstanding any other provision of law, specified local school administrative units may offer one community college course to participating sophomore (tenth grade) students. Participating local school administrative units are Alleghany, Beaufort, Hertford, Jones, Madison, Richmond, Rutherford, Sampson, Surry, Wilkes, and Yancey County Schools.

SECTION 7.16.(b) Grant funds shall be used to pay for all costs incurred by the local school administrative units and the community college partners to implement the grant, including community college FTE. Community colleges shall not earn budget FTE for student course enrollments supported with this grant.

SECTION 7.16.(c) Research for the project shall address the effects of Early College strategies in preparing students for Career and College Promise. The North Carolina New Schools Project shall report on the implementation of the grant to the State Board of Education, State Board of Community Colleges, Office of the Governor, and the Joint Legislative Education Oversight Committee no later than March 15, 2013, and annually thereafter until the end of the grant period."

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

8:31

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 950

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

H950-AME-154 [v.1]

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

Date _____,2012

Senator Brock

moves to amend the bill on page 85, line 58, by inserting the following after that line:

"**STUDY ELECTRONIC PRIOR AUTHORIZATION FOR MEDICAID PRESCRIPTIONS**

SECTION 10.8A. The Department of Health and Human services shall study the implementation of a system for the Medicaid program that would exchange standard electronic prior authorization requests with health care providers for drugs and devices using electronic data interchange standards consistent with those adopted by the National Council of Prescription Drug Programs for pharmacy benefits managers to exchange standard electronic prior authorization requests with health care providers. As part of its study, the Department shall review the experience of other states, including startup costs and annual savings, to provide an estimate of the potential costs and savings for this State. No later than March 1, 2013, the Department shall report its findings to the House Appropriations Subcommittee on Health and Human Services and the Senate Appropriations Committee on Health and Human Services.".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

9:51
9

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 950

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

H950-ALB-180 [v.1]

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

Date _____ ,2012

Senator Tucker

moves to amend the bill on page 130, line 57, by deleting "October 1, 2012" and substituting "February 1, 2013"

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

9:40
6

ATTACHMENT 9

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — June 12, 2012

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
W. Daniel Ambrose	NCRMA
Jake Cashion	NCCC
Fred Box	Box & Asso.
Ashley Jones	Biofuels Ctr of NC
Allison Waller	Nelson Mullins
Meredith Smithdeal	The Policy Group
John Hardin	NC Dept of Commerce
JAY PERENS	CSS
Doug Peters	CSB
Matt Harrell	NCSRA
Emily Doyle	NCDAPA

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — June 12, 2012

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
Jack Hoke	NCSSA
Katherine Joyce	NCASA
Susan Harris	NCSCNA
JOANNE Stevens	NCNA
Barbara Carlson	BRCOC
Christopher Jones	OSBM
Bryan Conrad	OSBM
Jack Brinson	Labor
Jennifer Haigwood	↓
Art Britt	
Michael Rice	Save the Cape, Southport

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — June 12, 2012

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
Mary Jennings	NCDPS
Tara Fields	Benchmarks
Angie Harris	Williams Mullen
Stuart Books	Ward and Smith
[illegible]	NC Rural Center
Billy Gullett	NCRC
John Tucker	Moore & Van Allen
Tommy Sewell	Moore and Van Allen
[illegible]	BMI
[illegible]	[illegible]
[illegible]	NCAOC

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — June 12, 2012

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
[illegible]	NAMI NC
Jennie Lancaster	NC DPS
Mitch Leonard	SEANC
Tom West	Eckerd
Stan Williams	NC Symphony
Rob Schiller	NC Symphony
Betty Huskins	Ridgetop Associates
[illegible]	[illegible]
Chris Dixon	[illegible]
Tommy Clark	NCWRC
Joy Hicks	NCDAQSS

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — June 12, 2012

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
Ray Starling	NCDA+CS
Chuck Stone	SLEAC
John Bode	BCS
Kelly Nicholson	UNC H.C.
Jon Carr	Jordan Price Law Firm
Whitney Christensen	NCRLA
DAVID BARNES	PS
DANIEL BOONE	
[illegible]	Ideal Courtesy

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — June 12, 2012

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
Barbara Moore	Conf of Clerks of Sup Ct
David Cook	Conf. of Clerks of Sup. Ct.
Michael Houser	NC DCR
Anne Murtha	NC DCR
MIKE WATERS	NCRPA
Annette Nowell	NBC17
David Hawkins	NCARC
[illegible]	MSC
TRACY COLVARD	ATTC
Ken Melton	KMA
M. Mouse	Disney

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — June 12, 2012

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
Elizabeth Brownstein	OSBM
Sam Spencer	OSBM
Deborah Landry	OSBM
Pam Kilpatrick	OSBM
Kay Phillips	APPCNC
Patricia A. Yancey	APPCNC
Matthew Eisley	Smith Anderson
Becki Gray	Locke Foundation
Lynn Bray	UNC GA

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — June 12, 2012

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
John W Smith	NC AOC
MAJ Sean Moser	NCNG/DPS
TIM BOWLIN	NCNG
[illegible]	MWC
[illegible]	MWC
[illegible]	RMC
[illegible]	NCACC
Ed [illegible]	Brooks Pierce
Betsy McCorkle	NCSC
Doug Lewis	DENR
[illegible]	DENR

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — June 12, 2012

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
Clare FitzGerald	DENR
Kari Barsness	DENR
Dennis Patterson	OSA
Tim Hoegemeyer	OSA
Sara Kraus	NCACC
Kay Parsons	NASW-NC
Wayne Williams	State Budget Office
Mark Lanier	UNCW
Jennifer Willis	NCCCS
Kevin Howell	NCSU
Charlie Perusse	UNC GA
Ginger Burks	UNC GA

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — June 12, 2012

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
Alan Briggs	NC Food Banks
Penn Droyhill	UCSR
Jimmy Broughton	WCSR
Kris Horton	DHHS
Jessica Hall	NMSS
Doug Richard	The AR
Maribeth Wooten	DHHS
Sharnese Ransome	DHHS
Henry Hatsell	N.C.B.A.
Ashley Thrift	UNC-TV
Lisa Hartzjian	NCAAN

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — June 12, 2012

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
Betsy Vetter	American Heart Assn
Peg O'Connell	March of Dimes
Mari Andrews	Justin's Fight Club
KRISTY ANDREWS	SAVE
KARIN FULLINGTON	JUSTIN'S FIGHT CLUB
Christine Wilson	American Cancer Society
Elise Quick	Treatment Seekers
Erin O'Quinn	PPCNC
Faith Bynum	NC Community Development Initiative, Inc.
Lee Storrow	NC Alliance for Health
Susan McCrae	Appalachian State

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — June 12, 2012

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
G.A. Symmonds	Appalachian State Univ.
Tara Steinmetz	NC AIDS Action Network
Chris Agan	DJA
Jean Mahan	ASNC
R. Rogers	CWMTF
Seth Morris	CWMTF
Barbara Roper	DOA
Mary Bethea	AARP NC
Carl Dean	DOS
Carl Goodwin	OSP
Marsha Overby	NCSHP

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — June 12, 2012

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
Yolanda Smith	Longmire Group
Pat Garcia	Coalition of DAs

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — June 12, 2012

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
Annette Falwell	WNCN-TV
Will Pauny-Hine	NCHFA
Doug Heron	WM
Heather Barnett	WM
Ardis Watkins	SEANC
Rob Parrott	Edmisten, Webb, & Moore
Annette Etheridge	NCCCC
ROSE HOBAN	NC HEALTH NEWS
Dorothy Gilenti	NCAPH
Tyra Adams	The Arc of NC
Mark Johnson	NCAE

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — June 12, 2012

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
ROY JOHNSON	NC TRANSPORTATION MUSEUM FOUNDATION
Dan Leza	Yes Solar Solutions
Jay Sainer	Journalist
DAVE Simpson	CAUC
Dana Fenton	City of Charlotte
Janice Freedman	NC Healthy Start
Mike Torrent	UNC
John Tallent	Progress NC
Alex Miller	KCG
Anya GORDON	Irregardless Cafe
Stephen Kauba	Compassnc

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — June 12, 2012

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
Kim Lowe	NCBA
Barbara Hart	NCAJ
David Horner	NC Center for Nonprofits

VISITOR REGISTRATION SHEET

Senate Appropriations/Base Budget — June 12, 2012

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY AND ADDRESS
Andrew Cagle	NC Sheriffs' Assn.
Gene Causby	NCSCA

SENATE PAGES ATTENDING

COMMITTEE: Appropriations **ROOM:** 643

DATE: 6-12 **TIME:** 10^AM - 2nd Group

PLEASE PRINT LEGIBILY!!!!!!!!!!!!!

Page Name	Hometown	Sponsoring Senator
1 Savanna Lupton	Cedar Island	Jean Preston
2 Rachael Cockrell	Beaufort	Preston
3 Victoria Kroll	Holly Springs	Brunstetter
4 Josh Classon	Wilmington	Walters
5 Sam Stephenson	↓ "	↓ "
6 Alex Anderson	Burlington	Gunn
7 Rob McCarthy	Greenville	Pate
8		
9		
10		

Do not add names below the grid.

Pages: Present this form to either the Committee Clerk at the meeting or to the Sgt-at-Arms.

ATTACHMENT 10

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

Tuesday, June 12, 2012

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

UNFAVORABLE AS TO COMMITTEE SUBSTITUTE BILL NO. 1, BUT FAVORABLE AS TO SENATE COMMITTEE SUBSTITUTE BILL WITH UNENGROSSED AMENDMENTS

H.B.(CS #1) **950** Modify 2011 Appropriations Act.

Draft Number:	30634
Sequential Referral:	None
Recommended Referral:	Finance
Long Title Amended:	No

TOTAL REPORTED: 1

Committee Clerk Comments:

ATTACHMENT 1

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	June 21, 2012	8:30 AM	643 LOB

The following will be considered:

BILL NO.	SHORT TITLE	SPONSOR
HB 14	Vietnam Veterans and Beirut Memorial Signs.	Representative Cleveland Representative Shepard

Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

ATTACHMENT 2

Senate Appropriations/Base Budget Committee
Thursday, June 21, 2012, 8:30 AM
643 LOB

AGENDA

Welcome and Opening Remarks

Introduction of the Pages

Bills

HB 14	Vietnam Veterans and Beirut Memorial Signs.	Rep. Cleveland Rep. Shepard

Adjournment

ATTACHMENT 3

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

H D

HOUSE BILL 14*
Committee Substitute Favorable 2/24/11
Third Edition Engrossed 6/8/11
PROPOSED SENATE COMMITTEE SUBSTITUTE H14-PCS11384-LE-32

Short Title: Use R&R Funds for 2011-2012 Medicaid Costs. (Public)

Sponsors:

Referred to:

January 31, 2011

A BILL TO BE ENTITLED

AN ACT AUTHORIZING THE DIRECTOR OF THE BUDGET TO USE REPAIRS AND RENOVATIONS FUNDS TO ENSURE ADEQUATE FUNDING IN THE STATE MEDICAID PROGRAM FOR THE 2011-2012 FISCAL YEAR.

The General Assembly of North Carolina enacts:

SECTION 1.(a) In order to ensure that there is adequate funding in the Medicaid budget for the 2011-2012 fiscal year, the General Assembly directs the Director of the Budget, in conjunction with the State Controller and other necessary State officials, to effectuate the following extraordinary budget adjustment. To the extent necessary for this purpose, up to ninety-four million dollars ($94,000,000) in funds appropriated to the Repairs and Renovations Reserve Account for the 2011-2012 fiscal year and allocated to State agencies and The University of North Carolina shall be transferred to the State Controller, deposited in the appropriate budget code as determined by the State Controller, and used to ensure payment to Medicaid providers for the remainder of the 2011-2012 fiscal year.

SECTION 1.(b) Subsection (a) of this section applies only to funds required to cover the costs of paying Medicaid providers during the 2011-2012 fiscal year. Transfers under this section shall be limited to the amounts actually required to pay providers through the end of the 2011-2012 fiscal year. To the extent that the full amount of any of the funds transferred is not required to pay providers through the end of the 2011-2012 fiscal year, (i) the authority to transfer funds shall immediately lapse with respect to the unneeded portions and unneeded adjustments; and (ii) any excess funds transferred shall be transferred back to the Repairs and Renovations Reserve Account for reallocation to State agencies.

SECTION 1.(c) On or before October 1, 2012, the Office of State Budget and Management and the Department of Health and Human Services shall report on the measures taken pursuant to this section to the Appropriations/Base Budget Committee of the Senate, the Appropriations Committee of the House of Representatives, and the Joint Legislative Commission on Governmental Operations.

SECTION 2. This act is effective when it becomes law.

ATTACHMENT 4

H14:
Use R&R Funds for 2011-2012 Medicaid Costs

2011-2013 General Assembly

SUMMARY: ***The bill directs the Governor to make up to $98,000,000 in funds from the Repairs and Renovations Reserve Account available in order to assure the timely payment of Medicaid providers during the 2012-2013 fiscal year.***

BILL ANALYSIS:

Section 1(a) of the bill directs the Governor, in conjunction with other State officials, to transfer up to $94,000,000 in funds from the Repairs and Renovations Reserve Account to the Medicaid program in order to ensure that Medicaid providers are paid on a timely basis during the 2011-2012 fiscal year.

Section 1(b) limits fund transfers to amounts actually required to pay Medicaid providers through the end of the 2011-2012 fiscal year. To the extent that funds are not required for this purpose, the authority to transfer the funds lapses and any unspent portion of transferred funds must be returned the Repairs and Renovations Reserve Account for allocation to State agencies and The University of North Carolina.

Section 1(c) requires that a report on the implementation of the act be filed with the House and Senate Appropriations committees and with the Joint Legislative Commission on Governmental Operations no later than October 1, 2012.

EFFECTIVE DATE: The bill is effective when it becomes law.

ATTACHMENT 5

VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 21, 2012

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

	NAME	FIRM OR AGENCY AND ADDRESS
1	Elise Quick	Troutman Sanders
2		DHHS
3		NCDAACS
4	Allison Walker	Nelson Mullins
5	Daniel Ambrum	NCRMA
6	R Rogers	CWMTP
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VISITOR REGISTRATION SHEET

APPROPRIATIONS/BASE BUDGET

DATE: June 21, 2012

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

	NAME	FIRM OR AGENCY AND ADDRESS
52	Alissa Willett	NCACC
53	Susanna Hailey	K&L Gates
54	Andy Willis	CSBM
55	Jean Elliott	EHGR
56	Erin Wynia	NCLM
57	Annaliese Dolph	PRNC
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66		
67		

ATTACHMENT 6

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

Thursday, June 21, 2012

Senator STEVENS,
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) **14** Vietnam Veterans and Beirut Memorial Signs.

Draft Number:	11384
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	Yes

TOTAL REPORTED: 1

Committee Clerk Comments:
H14 – Senator Brunstetter

SENATE APPROPRIATIONS/BASE BUDGET COMMITTEE
Wednesday, June 27, 2012 at 8:30 AM
Room 643, Legislative Office Building

MINUTES

The Senate Appropriations/Base Budget Committee met at 8:35 AM on June 27, 2012, in Room 643 of the Legislative Office Building. 16 members of the committee were present. Senator Hunt presided. Senator Hunt called the meeting to order and recognized the Pages and the Senate Sergeant at Arms' staff.

Senator Brunstetter motioned to hear S. 866.

Chairman Hunt recognized Senator Stevens to explain the Proposed Committee Substitute: **S 866: An Act to Make Essential Adjustments to the Current Operations and Capital Improvements Appropriations Act of 2011.** Senator Stevens' remarks follow:

Bill Analysis: The bill makes essential adjustment to the Current Operations and Capital Improvements Appropriations Act of 2011.

Section 1 of the bill prevents the transfer of funds from the unreserved credit balance to the Repairs and Renovations Reserve Account that would ordinarily occur by operation of statute. This section is effective on June 30, 2012.

Section 2 and 3 of the bill appropriate Department of Health and Human Services and Natural and Economic Resources federal block grant funds, respectively. Amounts are identical to those found in H950, as amended to reflect technical corrections.

Section 4 of the bill appropriates lottery funds in the same manner and amounts as H950.

Section 5 of the bill appropriates national mortgage settlement funds in the same manner and amounts as H950.

Section 6 of the bill appropriates Employment Security Reserve Funds in an amount sufficient to make the interest payment due to the federal government for the debt owed to the U.S. Treasury for unemployment benefits.

Section 7 of the bill amends the State Budget Act to prohibit expenditures for expansion items that were included in the version of a bill that is ratified by the General Assembly but which does not become law.

Effective Date: Except for Section 1, the bill is effective when it becomes law.

Senator Tillman moved for a favorable report. The motion carried.

Attachments:
1. Agenda
2. SB 866
3. Summary of SB 866
4. Visitor's Log
5. Committee Report

The meeting adjourned at 8:39 AM

Senator Neal Hunt, Presiding

Kathy Davis, Committee Clerk

Senate Appropriations/Base Budget Committee
Wednesday, June 27, 2012, 8:30 AM
643 LOB

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills

SB 866 Modify 2011 Appropriations Act. Senator Stevens

Adjournment

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

S D

SENATE BILL 866*
PROPOSED COMMITTEE SUBSTITUTE S866-PCS15257-MD-33

Short Title: Essential Adjustments to 2011 Budget. (Public)

Sponsors:

Referred to:

May 23, 2012

A BILL TO BE ENTITLED

AN ACT TO MAKE ESSENTIAL ADJUSTMENTS TO THE CURRENT OPERATIONS AND CAPITAL IMPROVEMENTS APPROPRIATIONS ACT OF 2011.

The General Assembly of North Carolina enacts:

NO TRANSFERS OF FUNDS TO THE REPAIRS AND RENOVATIONS RESERVE ACCOUNT

SECTION 1.(a) Notwithstanding G.S. 143C-4-3, funds shall not be reserved to the Repairs and Renovations Reserve Account, and the State Controller shall not transfer funds from the unreserved credit balance to that account on June 30, 2012.

SECTION 1.(b) This section becomes effective June 30, 2012.

APPROPRIATION OF DHHS FEDERAL BLOCK GRANT FUNDS

SECTION 2.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2013, according to the following schedule:

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS

Local Program Expenditures

Division of Social Services

01.	Work First Family Assistance	$ 60,285,413
02.	Work First County Block Grants	83,386,330
03.	Work First Electing Counties	2,378,213
04.	Adoption Services – Special Children's Adoption Fund	2,026,877
05.	Child Protective Services – Child Welfare Workers for Local DSS	14,452,391

06.	Child Welfare Collaborative	754,115
	Division of Child Development	
07.	Subsidized Child Care Program	59,645,662
08.	Swap Child Care Subsidy	6,352,644
	Division of Public Health	
09.	Teen Pregnancy Initiatives	2,500,000
	DHHS Administration	
10.	Division of Social Services	2,482,260
11.	Office of the Secretary	34,042
	Transfers to Other Block Grants	
	Division of Child Development	
12.	Transfer to the Child Care and Development Fund	71,773,001
13.	Transfer to Social Services Block Grant for Child Protective Services – Child Welfare Training in Counties	1,300,000
14.	Transfer to Social Services Block Grant for Child Protective Services	5,040,000
15.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,148,001
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS		$ 316,558,949

TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS

	Local Program Expenditures	
	Division of Social Services	
01.	Work First County Block Grants	$ 11,066,985
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS		$ 11,066,985

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 $4,148,001)	$ 30,452,068
02.	Child Protective Services (Transfer from TANF)	5,040,000
03.	State In-Home Services Fund	2,101,113
04.	Adult Protective Services	1,346,047
05.	State Adult Day Care Fund	2,155,301
06.	Child Protective Services/CPS Investigative Services-Child Medical Evaluation Program (Carousel Center for Abused Children $134,592)	744,047
07.	Special Children Adoption Incentive Fund	500,000
08.	Child Protective Services-Child Welfare Training for Counties (Transfer from TANF)	1,300,000
09.	Home and Community Care Block Grant (HCCBG)	1,834,077
10.	Maternity Homes	925,085
11.	Child Advocacy Centers	375,000
12.	Work First – Boys and Girls Clubs	2,452,500
13.	Food Banks	1,000,000
14.	Child Care Subsidy	2,598,319
15.	Guardianship	4,356,604
16.	UNC Cares Contract	247,920
16A.	Foster Care Services	1,497,138
Division of Public Health		
16B.	Tobacco Cessation	2,728,000
18.	Prevent Blindness	150,000
Division of Vocational Rehabilitation		
19.	Vocational Rehabilitation Services – Easter Seal Society/UCP	

Community Health Program	188,263
Division of Central Management and Support	
19A. ALS Association Jim "Catfish" Hunter Chapter	400,000
DHHS Program Expenditures	
Division of Services for the Blind	
20. Independent Living Program	3,633,077
21. Accessible Electronic Information for Blind and Disabled Persons	75,000
Division of Health Service Regulation	
22. Adult Care Licensure Program	411,897
23. Mental Health Licensure and Certification Program	205,668
DHHS Administration	
24. Division of Aging and Adult Services	624,454
25. Division of Social Services	604,311
26. Office of the Secretary/Controller's Office	138,058
27. Division of Child Development	15,000
28. Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	29,665
29. Division of Health Service Regulation	128,562
TOTAL SOCIAL SERVICES BLOCK GRANT	$ 68,257,174

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

Local Program Expenditures	
Division of Social Services	
01. Low-Income Energy Assistance Program (LIEAP)	$ 14,688,575
02. Crisis Intervention Program (CIP)	33,255,130
Local Administration	
Division of Social Services	

03.	County DSS Administration	4,444,717
DHHS Administration		
04.	Office of the Secretary/DIRM	219,490
05.	Office of the Secretary/Controller's Office	9,779
Transfers to Other State Agencies		
Department of Commerce		
06.	Weatherization Program	8,464,517
07.	Heating Air Repair and Replacement Program (HARRP)	4,073,690
08.	Local Residential Energy Efficiency Service Providers – Weatherization	19,825
09.	Local Residential Energy Efficiency Service Providers – HARRP	180,041
10.	Department of Commerce Administration – Weatherization	19,825
11.	Department of Commerce Administration – HARRP	180,041
Department of Administration		
12.	N.C. Commission on Indian Affairs	87,736
TOTAL LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT		$ 65,643,366

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

Local Program Expenditures		
Division of Child Development		
01.	Child Care Services (Smart Start $7,000,000)	$ 154,695,081
02.	Electronic Tracking System	3,000,000
03.	Transfer from TANF Block Grant for Child Care Subsidies	71,773,001
04.	Quality and Availability Initiatives	

(TEACH Program $3,800,000)	26,484,816
DHHS Administration	
Division of Child Development	
05. DCDEE Administrative Expenses	6,000,000
06. Local Subsidized Child Care Services Support (4% Administrative Allowance)	15,898,602
Division of Central Administration	
07. DHHS Central Administration – DIRM Technical Services	775,000
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	$ 278,626,500
MENTAL HEALTH SERVICES BLOCK GRANT	
Local Program Expenditures	
01. Mental Health Services – Adult	$ 8,870,595
02. Mental Health Services – Child	5,121,991
03. Administration	100,000
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	$ 14,092,586
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	$ 15,328,802
02. Substance Abuse Treatment Alternative for Women	6,050,300
03. Substance Abuse – HIV and IV Drug	3,919,723
04. Substance Abuse Prevention – Child	7,186,857
05. Substance Abuse Services – Child	4,940,500
06. Administration	454,000
Division of Public Health	

07. Risk Reduction Projects	575,654
08. Aid-to-Counties	190,295
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT	$ 38,646,131

MATERNAL AND CHILD HEALTH BLOCK GRANT

Local Program Expenditures

Division of Public Health

01. Children's Health Services	$ 8,569,465
02. Women's Health (March of Dimes $350,000; Teen Pregnancy Prevention Initiatives $650,000; Perinatal Quality Collaborative $250,000; 17P Project $47,000)	8,404,244
03. Oral Health	42,268

DHHS Program Expenditures

Division of Public Health

04. Children's Health Services	1,250,000
05. Women's Health	136,628
06. State Center for Health Statistics	164,318
07. Quality Improvement in Public Health	2,774
08. Health Promotion	89,374

DHHS Administration

Division of Public Health

09. Division of Public Health Administration	600,000
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT	$ 19,259,071

PREVENTIVE HEALTH SERVICES BLOCK GRANT

Local Program Expenditures

Division of Public Health

01. HIV/STD Prevention and Community Planning	180,470
DHHS Program Expenditures	
Division of Public Health	
02. State Center for Health Statistics	160,000
TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT	$ 340,470

COMMUNITY SERVICES BLOCK GRANT

Local Program Expenditures	
Office of Economic Opportunity	
01. Community Action Agencies	$ 18,075,488
02. Limited Purpose Agencies	1,004,194
DHHS Administration	
03. Office of Economic Opportunity	1,004,194
TOTAL COMMUNITY SERVICES BLOCK GRANT	$ 20,083,876

GENERAL PROVISIONS

SECTION 2.(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 2.(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 develop a plan to adjust the block grants based on reduced federal funding.

Notwithstanding the provisions of this subsection, for the 2012-2013 fiscal year, increases in the federal fund availability for the Temporary Assistance to Needy Families (TANF) Block Grant shall be used for the North Carolina Child Care Subsidy program to pay for child care in four- or five-star rated facilities for four-year-old children.

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 2.(d) Appropriations from federal Block Grant funds are made for the fiscal year ending June 30, 2013, according to the schedule enacted for State fiscal year 2012-2013 or until a new schedule is enacted by the General Assembly.

SECTION 2.(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.

SECTION 2.(f) If the Preventive Health Services Block Grant is funded at the federal level and the State receives a block grant for Preventive Health Services, the 2011-2012 allocation plan shall remain in effect for the 2012-2013 fiscal year.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS

SECTION 2.(g) The sum of eighty-three million three hundred eighty-six thousand three hundred thirty dollars ($83,386,330) appropriated in this section in TANF funds to the Department of Health and Human Services, Division of Social Services, for the 2012-2013 fiscal year shall be used for Work First County Block Grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State-level services based on current year actual expenditures.

SECTION 2.(h) The sum of two million four hundred eighty-two thousand two hundred sixty dollars ($2,482,260) appropriated in this section in TANF funds to the Department of Health and Human Services, Division of Social Services, for the 2012-2013 fiscal year shall be used to support administration of TANF-funded programs.

SECTION 2.(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 2012-2013 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.

Counties shall maintain their level of expenditures in local funds for Child Protective Services' workers. Of the block grant funds appropriated for Child Protective Services' workers, the total expenditures from State and local funds for the 2012-2013 fiscal year shall not be less than the total expended from State and local funds for the 2011-2012 fiscal year.

SECTION 2.(j) The sum of two million twenty-six thousand eight hundred seventy-seven dollars ($2,026,877) appropriated in this section in TANF funds to the Department of Health and Human Services, Special Children Adoption Fund, for the 2012-2013 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 2.(k) The sum of seven hundred fifty-four thousand one hundred fifteen dollars ($754,115) appropriated in this section to the Department of Health and Human Services in TANF funds for the 2012-2013 fiscal year shall be used to continue support for the Child Welfare Collaborative.

SOCIAL SERVICES BLOCK GRANT

SECTION 2.(l) The sum of thirty million four hundred fifty-two thousand sixty-eight dollars ($30,452,068) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2012-2013 fiscal year shall be used for County Block Grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State-level services based on current year actual expenditures.

SECTION 2.(m) The sum of one million three hundred thousand dollars ($1,300,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2012-2013 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 2.(n) 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 2.(o) Social Services Block Grant funds appropriated for the Special Children's Adoption Incentive Fund will require a fifty percent (50%) local match.

SECTION 2.(p) The sum of five million forty thousand dollars ($5,040,000) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year shall be allocated to the Department of Health and Human Services, Division of Social Services. The Division shall allocate these funds to local departments of social services to replace the loss of Child Protective Services State funds that are currently used by county government to pay for Child Protective Services staff at the local level. These funds shall be used to maintain the number of Child Protective Services workers throughout the State. These

Social Services Block Grant funds shall be used to pay for salaries and related expenses only and are exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five percent (25%).

SECTION 2.(q) The sum of two million four hundred fifty-two thousand five hundred dollars ($2,452,500) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in the Social Services Block Grant for Boys and Girls Clubs for the 2012-2013 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 Social Services 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 facilitate collaboration between the Boys and Girls Clubs and Support Our Students, Communities in Schools, and similar programs and encourage them to submit joint applications for the funds if appropriate. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 2.(r) The sum of nine hundred twenty-five thousand eighty-five dollars ($925,085) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year to the Department of Health and Human Services, Division of Social Services, shall be used for maternity homes. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 2.(r1) The sum of two million seven hundred twenty-eight thousand dollars ($2,728,000) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year to the Department of Health and Human Services, Division of Social Services, shall be used for tobacco cessation. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 2.(s) The sum of one hundred fifty thousand dollars ($150,000) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year to the Department of Health and Human Services, Division of Public Health, shall be allocated to Prevent Blindness North Carolina to be used for direct service programs. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 2.(s1) The sum of four hundred thousand dollars ($400,000) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year to the Department of Health and Human Services, Division of Central Management and Support, shall be allocated to the ALS Association, Jim "Catfish" Hunter Chapter, to be used to provide patient care and community services to persons with ALS and their families. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 2.(t) The sum of seventy-five thousand dollars ($75,000) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year to the Department of Health and Human Services, Division of Services for the Blind, shall be used to provide accessible electronic information for blind and disabled persons. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 2.(u) The sum of three hundred seventy-five thousand dollars ($375,000) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year to the Department of Health and Human Services, Division of Social Services, shall be used to continue support for the Child Advocacy Centers and are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 2.(v) Social Services Block Grant funds allocated for the 2012-2013 fiscal year for child medical evaluations and the Carousel Center for Abused Children are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 2.(w) The sum of one million dollars ($1,000,000) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year to the Department of Health and Human Services, Division of Social Services, shall be allocated to North Carolina Food Bank agencies to be used to purchase and distribute food staples for emergency food assistance. These funds are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 2.(w1) The sum of four million three hundred fifty-six thousand six hundred four dollars ($4,356,604) appropriated in this section in the Social Services Block Grant for the 2012-2013 fiscal year to the Department of Health and Human Services, Divisions of Social Services and Aging and Adult Services, shall be used for guardianship services pursuant to Chapter 35A of the General Statutes. The Department may expend funds appropriated in this section to support (i) existing corporate guardianship contracts during the 2012-2013 fiscal year and (ii) guardianship contracts transferred to the State from local management entities or managed care organizations during the 2012-2013 fiscal year.

LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

SECTION 2.(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.

SECTION 2.(y) The sum of fourteen million six hundred eighty-eight thousand five hundred seventy-five dollars ($14,688,575) appropriated in this section in the Low-Income Home Energy Assistance Block Grant for the 2012-2013 fiscal year to the Department of Health and Human Services, Division of Social Services, shall be used for energy assistance payments for the households of (i) elderly persons age 60 and above with income up to one hundred thirty percent (130%) of the federal poverty level and (ii) disabled persons eligible for services funded through the Division of Aging and Adult Services. County departments of social services shall submit to the Division of Social Services an outreach plan for targeting households with 60-year-old household members no later than August 1 of each year.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 2.(z) 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 2.(aa) 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.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 2.(bb) 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 2012-2013 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 2.(cc) The Department of Health and Human Services shall ensure that there will be follow-up testing in the Newborn Screening Program.

APPROPRIATION OF NER BLOCK GRANTS

SECTION 3. Section 14.1 of S.L. 2011-145 reads as rewritten:

"**SECTION 14.1.(a)** Appropriations from federal block grant funds are made for the fiscal year ending ~~June 30, 2012,~~June 30, 2013, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01.	State Administration	$ 1,000,000
~~02.~~	~~State Technical Assistance~~	~~450,000~~
03.	Scattered Site Housing	~~8,000,000~~7,200,000
04.	Economic Development	~~7,210,000~~7,000,000
05.	Small Business/Entrepreneurship	~~3,000,000~~2,500,000
06.	NC Catalyst	~~5,000,000~~4,500,000
07.	Infrastructure	~~19,740,000~~20,300,000
~~08.~~	~~Capacity Building~~	~~600,000~~
TOTAL COMMUNITY DEVELOPMENT BLOCK GRANT – ~~2012~~2013 Program Year		~~$ 45,000,000~~ $42,500,000

"**SECTION 14.1.(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 14.1.(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 14.1.(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 four hundred fifty thousand dollars ($450,000) may be used for State Technical Assistance;~~ up to ~~eight million dollars ($8,000,000)~~seven million two hundred thousand dollars ($7,200,000) may be used for Scattered Site Housing; up to ~~seven million two hundred ten thousand dollars ($7,210,000)~~seven million dollars ($7,000,000) may be used for Economic Development; up to ~~three million dollars ($3,000,000)~~two million five hundred thousand dollars ($2,500,000) may be used for Small Business/Entrepreneurship; up to ~~five million dollars ($5,000,000)~~four million five hundred thousand dollars ($4,500,000) shall be used for NC Catalyst; up to ~~nineteen million seven hundred forty thousand dollars ($19,740,000)~~twenty million three

hundred thousand dollars ($20,300,000) may be used for ~~Infrastructure; up to six hundred thousand dollars ($600,000) may be used for Capacity Building.~~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 14.1.(e)** 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 14.1.(f)** By ~~September 1, 2011,~~September 1, 2012, 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. The report shall include the following:

(1) A discussion of each of the categories of funding and how the categories were selected, including information on how a determination was made that there was a statewide need in each of the categories.

(2) Information on the number of applications that were received in each category and the total dollar amount requested in each category.

(3) A list of grantees, including the grantee's name, county, category under which the grant was funded, the amount awarded, and a narrative description of the project.

"**SECTION 14.1.(g)** For purposes of this section, eligible activities under the category of Infrastructure in subsection (a) of this section are limited to the installation of public water or sewer lines and improvements to water or sewer treatment plants that have specific problems such as being under moratoriums or special orders of consent. Notwithstanding the provisions of subsection (e) of this section, funds allocated to the Infrastructure category in subsection (a) of this section shall not be reallocated to any other category."

EDUCATION LOTTERY

SECTION 4.(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 four hundred forty-one million three hundred fifty-nine thousand four hundred one dollars ($441,359,401) for the 2012-2013 fiscal year.

SECTION 4.(b) Notwithstanding G.S. 18C-164, the North Carolina State Lottery Commission shall not transfer funds to the Education Lottery Reserve Fund for the 2012-2013 fiscal year.

SECTION 4.(c) Section 5.4(f) of S.L. 2011-145 is repealed.

SECTION 4.(d) Notwithstanding G.S. 18C-164(f) or any other provision of law, excess lottery receipts realized in the 2011-2012 fiscal year in the amount of twenty-five million five hundred eighty-eight thousand three hundred seventy dollars ($25,588,370) shall be allocated for UNC Need-Based Financial Aid.

SECTION 4.(g) Notwithstanding G.S. 18C-164, the appropriations made from the Education Lottery Fund for the 2012-2013 fiscal year are as follows:

Teachers in Early Grades	$ 220,643,188
Prekindergarten Program	$ 63,135,709
Public School Building Capital Fund	$ 100,000,000
Scholarships for Needy Students	$ 30,450,000
UNC Need-Based Financial Aid	$ 10,744,733
LEA Adjustment	$ 16,385,771
Total Appropriation	$ 441,359,401

SECTION 4.(h) 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 2012-2013 fiscal year shall be allocated to counties on the basis of average daily membership (ADM).

SECTION 4.(i) Notwithstanding G.S. 18C-164(c), Article 35A of Chapter 115C of the General Statutes, or any other provision of law, the funds appropriated in this section for UNC Need-Based Financial Aid shall be administered in accordance with the policy adopted by the Board of Governors of The University of North Carolina.

APPROPRIATION OF NATIONAL MORTGAGE SETTLEMENT FUNDS

SECTION 5.(a) The Consent Judgment in *U.S. v. Bank of America*, Civil Action No. 12-CV-0361, dated April 4, 2012, provides for monetary payments to the State and, therefore, the General Assembly authorizes the expenditure of these State revenues as set forth in subsection (b) of this section.

SECTION 5.(b) Settlement funds received by the State pursuant to the Consent Judgment in *U.S. v. Bank of America*, Civil Action No. 12-CV-0361, dated April 4, 2012, shall be deposited and credited in accordance with the North Carolina Constitution and Chapter 143C of the General Statutes and are appropriated for the 2012-2013 fiscal year as follows:

(1) The sum of four million seven hundred eighty thousand dollars ($4,780,000) to the Department of Justice, Consumer Protection Division, for financial fraud detection and prevention efforts.

(2) The sum of six million six hundred ninety thousand dollars ($6,690,000) to the Administrative Office of the Courts to be administered by the North Carolina Conference of District Attorneys. Funds shall be used for grants and training for prosecutorial offices to expand prosecution of lending and financial crimes.

(3) The sum of thirty million five hundred twenty thousand dollars ($30,520,000) to the Housing Finance Agency for housing counselors and other assistance to help distressed homeowners.

(4) The sum of five million seven hundred forty thousand dollars ($5,740,000) in civil penalties shall be deposited in the Civil Penalty and Forfeiture Fund.

(5) The sum of two million eight hundred seventy thousand dollars ($2,870,000) to the Department of Justice, State Bureau of Investigation, to expand its accounting and financial investigative ability and its expertise to investigate financial and lending crimes.

SECTION 5.(c) No State agency receiving money from the National Mortgage Settlement may make expenditures for purposes not authorized by the General Assembly, nor

may a State agency spend an amount totaling more than that appropriated by the General Assembly; however, a State agency may use the funds to offset 2012-2013 fiscal year nonrecurring reductions. Any positions established by State agencies with funds appropriated pursuant to this section shall be temporary or time-limited positions.

SECTION 5.(d) Nothing in this section is intended to be in conflict with the mandatory provisions of the Consent Judgment.

APPROPRIATION OF FUNDS FROM THE EMPLOYMENT SECURITY COMMISSION RESERVE FUND

SECTION 6. There is appropriated from the Employment Security Reserve Fund to the Department of Commerce, Division of Employment Security, the amount needed for the 2012-2013 fiscal year to fund the interest payment due to the federal government for the debt owed to the U.S. Treasury for unemployment benefits.

EXPENDITURE OF FUNDS FOR CERTAIN PURPOSES AUTHORIZED

SECTION 7. G.S. 143C-6-5 reads as rewritten:

"**§ 143C-6-5. No expenditures for purposes for which the General Assembly has considered but not enacted an appropriation; no fee increases that the General Assembly has rejected.**

(a) Notwithstanding any other provision of law, no funds from any source, except for gifts, grants, or funds allocated from the Repair and Renovations Account in accordance with G.S. 143C-4-3, funds allocated from the Contingency and Emergency Fund in accordance with G.S. 143C-4-4, and funds exempted from Chapter 143C in accordance with G.S. 143C-1-3(c) may be expended for any new or expanded purpose, position, or other expenditure for which the General Assembly has considered but not enacted an appropriation of funds for the current fiscal period. For the purpose of this subsection, the General Assembly has considered a purpose, position, or other expenditure (i) when that purpose is included in a bill which fails a reading, ~~or~~ (ii) if the purpose is included in the version of a bill that passes one house, but the bill is enacted without the ~~purpose.~~purpose, or (iii) if the purpose is included in the version of a bill that is ratified by the General Assembly but the bill does not become law.

(b) Notwithstanding any other provision of law, no fee shall be increased if the General Assembly has rejected an increase of that fee for the current fiscal period. For the purpose of this subsection, the General Assembly has rejected a fee increase when that fee increase is included in a bill which fails a reading, or if the fee increase is included in the version of a bill that passes one house, but the bill is enacted without the fee increase."

EFFECTIVE DATE

SECTION 8. Except as otherwise provided, this act becomes effective July 1, 2012.

S866:
Essential Adjustments to 2011 Budget

2011-2013 General Assembly

SUMMARY: ***The bill makes essential adjustments to the Current Operations and Capital Improvements Appropriations Act of 2011.***

BILL ANALYSIS:

Section 1 of the bill prevents the transfer of funds from the unreserved credit balance to the Repairs and Renovations Reserve Account that would ordinarily occur by operation of statute. This section is effective on June 30, 2012.

Sections 2 and 3 of the bill appropriate Department of Health and Human Services and Natural and Economic Resources federal block grant funds, respectively. Amounts are identical to those found in H950, as amended to reflect technical corrections.

Section 4 of the bill appropriates lottery funds in the same manner and amounts as H950.

Section 5 of the bill appropriates national mortgage settlement funds in the same manner and amounts as H950.

Section 6 of the bill appropriates Employment Security Reserve Funds in an amount sufficient to make the interest payment due to the federal government for the debt owed to the U.S. Treasury for unemployment benefits.

Section 7 of the bill amends the State Budget Act to prohibit expenditures for expansion items that were included in the version of a bill that is ratified by the General Assembly but which does not become law.

EFFECTIVE DATE: Except for Section 1, the bill is effective when it becomes law.

VISITOR REGISTRATION SHEET

Appropriations/Base Budget

Date 6/27/2012

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Elise Quick	Tractman Media
Chuck Stone	SEANC
Mitch Leonard	SEANC
Sarah Krance	NCDOL
Matt Meinig	NCLM
Amelia Nitz	Office of Lt. Gov.
Bridget Garner	Office of Lt. Gov.
David Hansen	NC Center for Nonprofits
Stuart Brooks	Ward and Smith
Welden Jones	Jordan Price
George Smith	Williams Mullen

VISITOR REGISTRATION SHEET

Appropriations/Base Budget

Date 6/27/2012

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Doug Holbrook	NC DPS
Mary Jennings	NCDPS
Ken Burgess	NCDENR
Anita McNeil	DENR
Clare FitzGerald	DENR
Vicky Yoeng	NCDOT
Susanna Hailey	K&L Gates
Laurel Sisler	NASW-NC
Kay Paksay	NASW-NC
Marge Foreman	NCAE
Elizabeth Greenstein	OSBM
Steve Williams	NCS
[illegible]	CFTF
John R Thomas	CFTF

VISITOR REGISTRATION SHEET

Appropriations/Base Budget

Date 6/27/2012

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NAME	FIRM OR AGENCY AND ADDRESS
Seth Morris	CWMTF

ATTACHMENT 5

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

APPROPRIATIONS/BASE BUDGET COMMITTEE REPORT
Senator Peter S. Brunstetter, Co-Chair
Senator Neal Hunt, Co-Chair
Senator Richard Stevens, Co-Chair

Monday, June 27, 2112

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

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO COMMITTEE SUBSTITUTE BILL

S.B. **866** Modify 2011 Appropriations Act.

Draft Number:	15257
Sequential Referral:	None
Recommended Referral:	None
Long Title Amended:	Yes

TOTAL REPORTED: 1

Committee Clerk Comments:

Senator Stevens will present the bill