

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003**

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SENATE BILL 717*

Short Title: Governor's Budget Bill.

(Public)

Sponsors: Senators Garrou, Dalton, and Hagan.

Referred to: Appropriations/Base Budget.

April 2, 2003

1 A BILL TO BE ENTITLED
2 AN ACT TO MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT
3 OPERATIONS OF STATE DEPARTMENTS, INSTITUTIONS, AND
4 AGENCIES, AND FOR OTHER PURPOSES.

5 The General Assembly of North Carolina enacts:

6
7 **PART I. INTRODUCTION AND TITLE OF ACT**

8
9 **INTRODUCTION**

10 **SECTION 1.** The appropriations made in this act are for maximum amounts
11 necessary to provide the services and accomplish the purposes described in the budget.
12 Savings shall be effected where the total amounts appropriated are not required to
13 perform these services and accomplish these purposes and, except as allowed by the
14 Executive Budget Act, or this act, the savings shall revert to the appropriate fund at the
15 end of each fiscal year.

16
17 **TITLE OF ACT**

18 **SECTION 2.** This act shall be known as "The Current Operations and
19 Capital Improvements Appropriations Act of 2003".

20
21 **PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND**

22
23 **SECTION 3.** Appropriations from the General Fund of the State for the
24 maintenance of the State's departments, institutions, and agencies, and for other
25 purposes as enumerated are made for the biennium ending June 30, 2005, according to
26 the following schedule:

27
28 **State Agency or Division**

**2003-2004
Recommended**

**2004-2005
Recommended**

29

	Appropriation	Appropriation
1		
2	HEALTH AND HUMAN SERVICES	
3	Central Administration	84,783,833
4	Aging	27,585,838
5	Child Development	259,792,167
6	Smart Start	
7	Education Services	31,866,862
8	Public Health	127,742,287
9	Social Services	178,154,934
10	Medical Assistance	2,287,015,656
11	Child Health	50,368,030
12	Services for the Blind	9,352,670
13	Mental Health/DD/SAS	557,623,983
14	Facility Services	9,442,530
15	Vocational Rehabilitation	40,042,124
16	Total Health & Human Services	3,663,770,914
17		
18	NATURAL AND ECONOMIC RESOURCES	
19	Agriculture & Consumer Services	48,756,978
20	Commerce	33,133,442
21	Commerce – State Aid to Nonstate Entities	20,062,464
22	Environment and Natural Resources	146,430,988
23	Clean Water Management Trust Fund	66,381,860
24	NC Housing Finance	4,750,945
25	Labor	13,265,001
26	Total Natural and Economic Resources	332,781,678
27		
28	JUSTICE AND PUBLIC SAFETY	
29	Correction	940,718,058
30	Crime Control & Public Safety	28,088,773
31	Judicial	303,316,657
32	Judicial – Indigent Defense	73,048,607
33	Justice	70,681,908
34	Juvenile Justice	131,262,105
35	Total Justice and Public Safety	1,547,116,108
36		
37	GENERAL GOVERNMENT	
38	Administration	50,797,218
39	State Auditor	10,305,302
40	Cultural Resources	53,050,958
41	Cultural Resources – Roanoke Island	1,634,905
42	General Assembly	41,561,463
43	Governor's Office	4,986,503
44	Insurance	21,971,063

1	Insurance – Worker’s Compensation Fund	4,500,000	4,500,000
2	Lieutenant Governor	601,722	601,722
3	Office of Administrative Hearings	2,413,683	2,415,797
4	Revenue	73,536,823	73,536,823
5	Rules Review Commission	310,454	310,454
6	Secretary of State	7,799,789	7,810,408
7	State Board of Elections	7,642,776	3,458,357
8	State Budget and Management (OSBM)	4,207,130	4,211,435
9	OSBM – Special Appropriations	3,080,000	3,080,000
10	Office of State Controller	9,694,464	9,719,451
11	State Treasurer	7,418,650	7,421,405
12	State Treasurer – Retirement/Benefits	7,131,179	7,131,179
13	Total General Government	312,644,082	312,077,082
14			
15	TRANSPORTATION	11,429,525	11,460,101
16			
17	EDUCATION		
18	Public Schools	5,998,996,820	6,018,823,114
19	Community Colleges	673,956,026	673,765,340
20	University System	1,612,814,122	1,647,422,277
21	UNC – Hospital	39,303,483	39,303,483
22	UNC – GA Passthrough	144,353,091	144,695,876
23	Total Education	8,469,423,542	8,524,010,090
24			
25	TOTAL BUDGET	14,337,165,849	14,742,690,470
26			
27	Debt Service:		
28	General Debt Service	387,785,920	474,479,452
29	Federal Reimbursement	1,155,948	1,155,948
30	Total Debt Service	388,941,868	475,635,400
31			
32	RESERVES & ADJUSTMENTS		
33	Contingency and Emergency Reserve	5,000,000	5,000,000
34	Compensation Increase Reserve	132,350,000	129,500,000
35	Salary Adjustment Reserve	500,000	500,000
36	Retirement System Reserve	47,000,000	158,000,000
37	Easley Health Initiative	5,000,000	5,000,000
38	Reserve – HIPPA Implementation	5,000,000	-
39	Health Plan Reserve	72,000,000	96,000,000
40	Mental Health/DD/SAS Trust Fund Reserve	10,000,000	-
41	Total Reserves & Adjustments	276,850,000	394,000,000
42			
43	CAPITAL		
44	Capital Improvements	29,407,000	-

1	Total Capital	29,407,000	-
2			
3	TOTAL GENERAL FUND BUDGET	15,032,364,717	15,612,325,870
4			
5	PART III. CURRENT OPERATIONS/HIGHWAY FUND		
6			
7	SECTION 4. Appropriations from the Highway Fund of the State for the		
8	maintenance and operation of the Department of Transportation, and for other purposes		
9	as enumerated, are made for the biennium ending June 30, 2005, according to the		
10	following schedule:		
11			
12	Current Operations – Highway Fund	2003-2004	2004-2005
13		Recommended	Recommended
14	DOT		
15	General Administration	\$ 72,625,987	\$ 72,648,211
16	Highway Division Administration	28,190,393	28,150,605
17	State Match for Federal Aid-Planning and Research	4,160,000	4,280,000
18			
19	Construction Program		
20	State Secondary System	89,600,000	90,590,000
21	State Urban System	14,000,000	14,000,000
22	Discretionary Funds	10,000,000	10,000,000
23	Spot Safety Improvements	9,100,000	9,100,000
24	Access and Public Services Roads	2,000,000	2,000,000
25	Total Construction Program	124,700,000	125,690,000
26			
27	Maintenance Program		
28	Primary System	120,553,156	120,553,156
29	Secondary System	206,386,339	206,386,339
30	Urban System	39,113,550	39,113,550
31	Contract Resurfacing	152,638,316	153,745,716
32	General Maintenance Reserve	78,291,522	52,505,787
33	Total Maintenance Program	596,982,883	572,304,548
34			
35	Ferry Operations	19,677,283	19,677,283
36	State Aid to Municipalities	89,600,000	90,590,000
37	State Aid to Railroads	15,090,919	15,531,153
38	State Aid for Public Transportation	79,905,266	114,325,772
39	Asphalt Plant Cleanup	425,000	425,000
40	Governor's Highway Safety Program	292,449	293,118
41	Division of Motor Vehicles	100,255,703	100,323,363
42			
43	Total Department of Transportation	\$ 1,131,905,883	\$ 1,144,239,053
44			

1	APPROPRIATIONS TO OTHER STATE AGENCIES		
2	Agriculture	3,710,722	3,786,844
3	Revenue	4,222,813	4,226,491
4	State Treasurer – Sales Tax	16,379,000	16,910,000
5	Public Instruction – Driver Education	31,623,338	32,336,509
6	CCPS – Highway Patrol	137,378,475	137,676,134
7	DENR – LUST Trust Fund	5,626,465	6,016,665
8	DHHS – Chemical Test	528,304	528,304
9	Global Transpark	1,600,000	-
10	Total – Other State Agencies	201,069,117	201,480,947
11			
12	RESERVES AND TRANSFERS		
13	Salary Adjustment	400,000	400,000
14	Legislative Salary Increase	5,600,000	5,600,000
15	Comprehensive Major Medical Plan	3,000,000	3,000,000
16	Retirement Contribution	980,000	7,385,000
17	Minority Contractor Development	150,000	150,000
18	State Fire Protection Grant	150,000	150,000
19	Stormwater Discharge Permit	500,000	500,000
20	Reserve for Visitor’s Centers	175,000	175,000
21	Total Reserves and Transfers	10,955,000	17,360,000
22			
23	Total Current Operations	1,343,930,000	1,363,080,000
24			
25	Capital Improvements	7,000,000	10,000,000
26			
27	Total Highway Fund Appropriation	1,350,930,000	1,373,080,000

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29 **PART IV. HIGHWAY TRUST FUND**

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31 **SECTION 5.** Appropriations from the Highway Trust Fund are made for the
 32 fiscal biennium ending June 30, 2005, according to the following schedule:
 33

34 Highway Trust Fund	2003-0004	2004-2005
	Recommended	Recommended
35		
36 DEPARTMENT OF TRANSPORTATION		
37 Maximum Allowance for Administration	\$ 43,417,646	\$ 45,311,311
38 Construction Allocation		
39 Intrastate System	420,638,518	455,848,147
40 Urban Loop System	170,088,698	184,326,006
41 Secondary Roads	79,337,221	83,982,103
42 Transfer to Highway Fund	-	-
43 State Aid to Municipalities	44,134,792	47,829,103
44 Transfer to the General Fund (1)	252,422,125	231,774,330

1 Total Highway Trust Fund \$ 1,010,039,000 \$ 1,049,071,000

2

3 (1) Transfer required by G.S. 105-187.9.

4

5 **PART V. GENERAL FUND AVAILABILITY STATEMENT**

6

7 **BUDGET REFORM STATEMENT**

8 **SECTION 6.1.** The General Fund availability used in developing the
9 2003-05 budget is shown below:

10 Description	2003-2004 Recommended (In Millions)	2004-2005 Recommended (In Millions)
11 Beginning Availability		
12 Easley Executive Order #22	\$ 100.0	-
13 Credit Balance FY 2002-03		
14 (Reversions & Overcollections)	375.0	-
15 Credit to Savings Reserve Account	(100.0)	-
16 Credit to Repairs and Renovations Reserve	(50.0)	-
17 Beginning Unreserved Credit Balance	325.0	-
18		
19 Revenue:		
20 Tax:		
21 Income (Individual & Corporate)	8,448.9	9,064.5
22 Sales and Use	4,095.8	4,339.9
23 Other Tax	1,314.7	1,391.4
24 Total Tax	13,859.4	14,795.9
25 Nontax	519.4	538.1
26 Transfers	328.8	308.7
27 Total Revenue	14,707.6	15,642.7
28		
29 Total Availability	15,032.6	15,642.7
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SECTION 6.2. Notwithstanding G.S. 143-16.4(a2), of the funds credited to the Tobacco Trust Account from the Master Settlement Agreement pursuant to Section 6(2) of S.L. 1999-2 during the 2003-2004 and 2004-2005 fiscal years, the sum of forty million dollars (\$40,000,000) shall be transferred from the Department of Agriculture and Consumer Services, Budget Code 23703 (Tobacco Trust Fund) to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2003-2004 and 2004-2005 fiscal years.

SECTION 6.3. Notwithstanding G.S. 143-16.4(a1), of the funds credited to the Health Trust Account from the Master Settlement Agreement pursuant to Section 6(2) of S.L. 1999-2 during the 2003-2004 and 2004-2005 fiscal years, the sum of twenty million dollars (\$20,000,000) that would otherwise be deposited in the Fund Reserve established by G.S. 147-86.30(c) shall be transferred from the Department of State

1 Treasurer, Budget Code 23460 (Health and Wellness Trust Fund) to the State Controller
2 to be deposited in Nontax Budget Code 19978 (Intra State Transfers) to support General
3 Fund appropriations for the 2003-2004 and 2004-2005 fiscal years.

4 **SECTION 6.4.** Notwithstanding the allocations outlined in G.S. 143-15.2
5 and G.S. 143-15.3, the sum of one hundred million dollars (\$100,000,000) shall be
6 reserved to the Savings Reserve Account from the beginning credit balance on June 30,
7 2003.

8 **SECTION 6.5.** Notwithstanding the allocations outlined in G.S. 143-15.2
9 and G.S. 143-15.3, the sum of fifty million dollars (\$50,000,000) shall be reserved to
10 the Repairs and Renovations Reserve Account from the credit balance on June 30, 2003.

11 **PART VI. GENERAL PROVISIONS**

12 **SPECIAL FUNDS, FEDERAL FUNDS, AND DEPARTMENTAL RECEIPTS,** 13 **AND AUTHORIZATION FOR EXPENDITURES**

14 **SECTION 7.1.** There is appropriated out of the cash balances, federal
15 receipts, and departmental receipts available to each department, sufficient amounts to
16 carry on authorized activities included under each department's operations. All these
17 cash balances, federal receipts, and departmental receipts shall be expended and
18 reported in accordance with provisions of the Executive Budget Act, except as
19 otherwise provided by statute, and shall be expended at the level of service authorized
20 by the General Assembly. If the receipts, other than gifts and grants that are
21 unanticipated and are for a specific purpose only, collected in a fiscal year by an
22 institution, department, or agency exceed the receipts certified for it in General Fund
23 Codes or Highway Fund Codes, then the Director of the Budget shall decrease the
24 amount he allots to that institution, department, or agency from appropriations from that
25 Fund by the amount of the excess, unless the Director of the Budget finds that the
26 appropriations from the Fund are necessary to maintain the function that generated the
27 receipts at the level anticipated in the certified Budget Codes for that Fund.
28

29 Funds that become available from overrealized receipts in General Fund
30 Codes and Highway Fund Codes may be used for new permanent employee positions or
31 to raise the salary of existing employees only as follows:
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- 33 (1) As provided in G.S. 116-30.1, G.S. 116-30.2, G.S. 116-30.3, G.S.
34 116-30.4; or
- 35 (2) If the Director of the Budget finds that the new permanent employee
36 positions are necessary to maintain the function that generated the
37 receipts at the level anticipated in the certified budget codes for that
38 Fund. The Director of the Budget shall notify the President Pro
39 Tempore of the Senate, the Speaker(s) of the House of
40 Representatives, the chairmen of the appropriations committees of the
41 Senate and the House of Representatives, and the Fiscal Research
42 Division of the Legislative Services Office that he intends to make
43 such a finding at least 10 days before he makes the finding. The

1 notification shall set out the reason the positions are necessary to
2 maintain the function.

3 The Office of State Budget and Management shall report to the Joint
4 Legislative Commission on Governmental Operations and to the Fiscal Research
5 Division of the Legislative Services Office within 30 days after the end of each quarter
6 the General Fund Codes or Highway Fund Codes that did not result in a corresponding
7 reduced allotment from appropriations from that Fund.

8 **SECTION 7.2.** Notwithstanding any other provisions of law to the contrary,
9 the following statutes and session laws shall be repealed effective July 1, 2003: Section
10 34.13(c) of S.L. 2001-424, G.S. 105-521(b), G.S. 105-521(c), Section 34.18(b) of S.L.
11 2001-424, G.S. 105-134.6(c)(3) and (4) as outlined in Section 34.19 of S.L. 2001-424,
12 and G.S. 105-151.24 as outlined in Section 34.20 of S.L. 2001-424.

13 14 **INSURANCE AND FIDELITY BONDS**

15 **SECTION 8.** All insurance and all official fidelity and surety bonds
16 authorized for the several departments, institutions, and agencies shall be effected and
17 placed by the Department of Insurance, and the cost of placement shall be paid by the
18 affected department, institution, or agency
19 with the approval of the Commissioner of Insurance.

20 21 **CONTINGENCY AND EMERGENCY FUND ALLOCATIONS**

22 **SECTION 9.1.** Funds in the amount of five million dollars (\$5,000,000) for
23 the 2003-2004 fiscal year and five million dollars (\$5,000,000) for the 2004-2005 fiscal
24 year are appropriated in this act to the Contingency and Emergency Fund. Of the funds:

- 25 (1) The sum of three million eight hundred seventy-five thousand dollars
26 (\$3,875,000) for the 2003-2004 fiscal year and the sum of three
27 million eight hundred seventy-five thousand dollars (\$3,875,000) for
28 the 2004-2005 fiscal year shall be used only to respond to an
29 unanticipated disaster such as a fire, hurricane, or tornado;
- 30 (2) The sum of nine hundred thousand dollars (\$900,000) for the
31 2003-2004 fiscal year and the sum of nine hundred thousand dollars
32 (\$900,000) for the 2004-2005 fiscal year shall be used only (i) for the
33 purposes set out in subdivision (1) of this subsection, (ii) as required
34 by a court, Industrial Commission, or administrative hearing officer's
35 order or award, or (iii) to match unanticipated federal funds; and
- 36 (3) The sum of two hundred twenty-five thousand dollars (\$225,000) for
37 the 2003-2004 fiscal year and the sum of two hundred twenty-five
38 thousand dollars (\$225,000) for the 2004-2005 fiscal year shall be used
39 for the purposes set out in subdivisions (1) and (2) of this section or for
40 other allocations from the Contingency and Emergency Fund.

41 **SECTION 9.2.** Funds appropriated to the Contingency and Emergency Fund
42 shall not be used to lease office space unless the expenditure is for a purpose set out in
43 subdivision (1) or (2) of Section 9.1.

AUTHORIZED TRANSFERS

SECTION 10. The Director of the Budget may transfer to General Fund budget codes from the General Fund Salary Adjustment Reserves appropriation, and may transfer to Highway Fund budget codes from the Highway Fund Salary Adjustment Reserve appropriation amounts required to support approved salary adjustments made necessary by difficulties in recruiting and holding qualified employees in State government. The funds may be transferred only when salary reserve funds in individual operating budgets are not available.

EXPENDITURES OF FUNDS IN RESERVES LIMITED

SECTION 11. All funds appropriated by this act into reserves may be expended only for the purposes for which the reserves were established.

STATE MONEY RECIPIENTS/CONFLICT OF INTEREST POLICY

SECTION 12. Each private, nonprofit entity eligible to receive State funds, either by General Assembly appropriation, or by grant, loan, or other allocation from a State agency, before funds may be disbursed to the entity, shall file with the disbursing agency a notarized copy of that entity's policy addressing conflicts of interest that may arise involving the entity's management employees and the members of its board of directors or other governing body. The policy shall address situations in which any of these individuals may directly or indirectly benefit, except as the entity's employees or members of the board or other governing body, from the entity's disbursing of State funds, and shall include actions to be taken by the entity or the individual, or both, to avoid conflicts of interest and the appearance of impropriety.

BUDGET FLEXIBILITY FOR STATE AGENCIES

SECTION 13. G.S. 143-23 is amended by adding a new subsection to read:

"(a5) State departments and agencies may transfer General Fund appropriations between personal service and non-personal service line items provided that it has received approval by the Department or Agency Head and has received approval from the Office of State Budget and Management. Personal service funds may be transferred and used for non-personal service items to pay for costs related to continuing operations. Personal service funds shall not be used to expand existing programs or to establish new programs.

State departments and agencies shall report to the Joint Legislative Commission on Governmental Operations within 30 days of all transfers from personal service line items to non-personal service line items.

General Fund salary and related employee benefit appropriations for State departments and agencies that are reduced or eliminated by action of the General Assembly shall not be replaced by other budgeted line items supported by General Fund appropriations. Non-personal service funds or lapsed salary funds shall not be used to establish new permanent employee positions or to raise the salary of existing employees."

RECEIPT SUPPORTED POSITIONS CONSULTATION REQUIREMENT

SECTION 14. G.S. 143-34.1(a1) reads as rewritten:

"(a1) A department, institution, or other agency of State government may establish new receipt-supported positions only after prior consultation with the Joint Legislative Commission on Governmental Operations. This subsection shall not apply to work-order funded positions in the Department of Transportation that are created for the purpose of highway construction, to positions at The University of North Carolina or its constituent institutions, or to positions established by the Governor to expand the State's capabilities in dealing with the threat of terrorism in the event of an emergency or other exigent circumstances. When the General Assembly is not in session, a department, institution, or other agency of State government may provide a written report to the Joint Legislative Commission on Governmental Operations to meet the consultation requirement in this subsection. If the Joint Legislative Commission on Governmental Operations does not meet for 30 days after submission of a written report, a department, institution, or other agency of State government may establish receipt-supported positions upon the approval of the Office of State Budget and Management. The department, institution, or other agency of State government shall then report to the Joint Legislative Commission on Governmental Operations at the next scheduled meeting of the Commission.

When the General Assembly is in session, a department, institution, or other agency of State government may report to its Appropriations Subcommittee to satisfy the consultation requirement in this subsection."

GENERAL FUND APPROPRIATIONS CAP

SECTION 15. Article 1 of Chapter 143 of the General Statutes is amended by adding the following new sections:

"§ 143-2.1. Definitions and determination of the General Fund appropriations cap.

(a) Definitions. The following definitions apply in this section and in G.S. 143-2.2:

1. Fiscal growth factor. – The average of total state personal income change for each of the preceding ten state fiscal years. If income change for any of the preceding ten fiscal years is negative, then that change shall be counted as zero.
2. Total state personal income change. – The annual percentage change in state personal income for each state fiscal year as reported by the Office of State Budget and Management.

(b) General Fund Appropriations Limit. – The General Fund appropriations limit for each fiscal year shall be the previous fiscal year's General Fund appropriations for operating and capital increased by a percentage rate that equals the fiscal growth factor.

(c) Fiscal Reports. – On or before March 15 of each year, the Fiscal Research Division and the Office of State Budget and Management shall issue a determination of the General Fund appropriations limit for the fiscal year beginning July 1 of that year and a projection of the General Fund appropriations limit for the next fiscal year."

"§ 143-2.2. Increase in General Fund appropriations limited.

1 (a) Governor Bound by General Fund Appropriations Limit. – In preparing a
2 budget for a fiscal year, the Governor shall not propose appropriations from the General
3 Fund for the ensuing fiscal period in excess of the projected General Fund
4 appropriations limit established under G.S. 143-2.1. For purposes of this section,
5 transfers, appropriations or other deposits to the Savings Reserve Account established
6 under G.S. 143-15.3 and the Repairs and Renovations Reserve Account established
7 under G.S. 143-15.3A shall not count toward the calculation of the limit.

8 (b) General Assembly Bound by General Fund Appropriations Limit. – In
9 enacting a budget for the fiscal year, the General Assembly shall not make
10 appropriations from the General Fund in excess of the projected General Fund
11 appropriations limit established under G.S. 143-2.1. For purposes of this section,
12 transfers, appropriations or other deposits to the Savings Reserve Account established
13 under G.S. 143-15.3 and the Repairs and Renovations Reserve Account established
14 under G.S. 143-15.3A shall not count toward the calculation of the limit.

15 (c) Revenue in Excess of General Fund Appropriations Limit Credit to Savings
16 Reserve Account. – All General Fund revenue collected in excess of the General Fund
17 appropriations limit shall be credited to the Savings Reserve Account at the end of each
18 fiscal year."

19 20 **PART VII. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

21 22 **CENTRAL ADMINISTRATION**

23 24 **DHHS PAYROLL DEDUCTION FOR CHILD CARE SERVICES**

25 **SECTION 16.** Subject to the rules adopted by the State Controller, an
26 employee of the Department of Health and Human Services may authorize, in writing,
27 the periodic deduction from the employees' salary or wages paid for employment by the
28 State of a designated lump sum to be paid to satisfy the cost of the services received for
29 child care provided by the Department of Health and Human Services.

30 31 **WEATHERIZATION ASSISTANCE**

32 **SECTION 17.** The Department of Health and Human Services may
33 administer the Weatherization Assistance Program for Low-Income Families and the
34 Heating/Air Repair and Replacement Program functions.

35 36 **MORE AT FOUR PROGRAM**

37 **SECTION 18.1.** The Department of Health and Human Services and the
38 Department of Public Instruction shall establish the "More At Four" Pre-K Task Force
39 to oversee development and implementation of the "More At Four" program. The
40 membership shall include:

- 41 (1) Parents of at-risk children.
- 42 (2) Representatives with expertise in early childhood development.
- 43 (3) Classroom teachers who are certified in early childhood education.

- 1 (4) Representatives of the private not-for-profit and for-profit child care
2 providers in North Carolina.
- 3 (5) Employees of the Department of Health and Human Services who are
4 knowledgeable in the areas of early childhood development, current
5 State and federally funded efforts in child development, and providing
6 child care.
- 7 (6) Representatives of local Smart Start partnerships.
- 8 (7) Representatives of local school administrative units.
- 9 (8) Representatives of Head Start prekindergarten programs in North
10 Carolina.
- 11 (9) Employees of the Department of Public Instruction.

12 **SECTION 18.2.** The Department of Health and Human Services and the
13 Department of Public Instruction, under the guidance of the Task Force, shall develop
14 and implement the "More At Four" prekindergarten program for at-risk four-year-olds
15 who are at risk of failure in kindergarten. The program shall be distributed
16 geographically to ensure adequate representation of the diverse areas of the State,
17 including underserved areas. The goal of the program shall be to provide quality
18 prekindergarten services in order to enhance kindergarten readiness for these children.
19 The program shall be consistent with standards and assessments established jointly by
20 the Department of Health and Human Services, the Department of Public Instruction,
21 and the Task Force and may consider the "More At Four" Pre-K Task Force
22 recommendations. The program shall include:

- 23 (1) A process and system for identifying children at risk of academic
24 failure.
- 25 (2) A process and system for identifying children who have never been
26 served in a formal early education program such as child care, public
27 or private preschool, Head Start, Early Head Start, early intervention
28 programs or other such programs, who demonstrate educational needs
29 on the basis of a prekindergarten assessment, and who are eligible to
30 enter kindergarten the next school year.
- 31 (3) A curriculum or several curricula that are recommended by the Task
32 Force. The Task Force may consider curricula used by established
33 prekindergarten programs such as WINGS, Bright Beginnings, and
34 others. These curricula shall: (i) focus primarily on oral language and
35 emergent literacy, (ii) engage children through key experiences and
36 provide background knowledge requisite for formal learning and
37 successful reading in the early elementary years, (iii) involve active
38 learning, (iv) promote measurable kindergarten language-readiness
39 skills that focus on emergent literacy and mathematical skills, and (v)
40 develop skills that will prepare children emotionally and socially for
41 kindergarten.
- 42 (4) An emphasis on ongoing family involvement with the prekindergarten
43 program.

- 1 (5) Evaluation of child progress through pre- and post-assessment of
2 children as well as ongoing assessment of the children by teachers.
- 3 (6) Guidelines for a system to reimburse local school boards and systems,
4 private child care providers, and other entities willing to establish and
5 provide prekindergarten programs to serve at-risk children. A process
6 and system for reimbursing providers that builds upon the existing
7 child care subsidy reimbursement system.
- 8 (7) A system built upon existing local school boards and systems, private
9 child care providers, and other entities who demonstrate the ability to
10 establish or expand prekindergarten capacity.
- 11 (8) A quality-control system. Participating providers shall comply with
12 standards and guidelines as established by the Department of Health
13 and Human Services, the Department of Public Instruction, and the
14 Task Force. The Department may use the child care rating system to
15 assist in determining program participation.
- 16 (9) Standards for minimum teacher qualifications. A portion of the
17 classroom sites initially funded shall have at least one teacher who is
18 certified or provisionally certified in birth to kindergarten education.
- 19 (10) A local contribution. Programs must demonstrate that they are
20 accessing resources other than "More At Four."
- 21 (11) A system of accountability.
- 22 (12) Collaboration with State agencies and other organizations. The
23 Department of Health and Human Services, the Department of Public
24 Instruction, and the Task Force shall collaborate with State agencies
25 and other organizations such as the North Carolina Partnership for
26 Children, Inc., in the design and implementation of the program.
- 27 (13) Consideration of the reallocation of existing funds. In order to
28 maximize current funding and resources, the Department of Health and
29 Human Services, the Department of Public Instruction, and the Task
30 Force shall consider the reallocation of existing funds from State and
31 local programs that provide prekindergarten related care and services.
- 32 (14) Recommendations for long-term organizational placement and
33 administration of the program.

34 **SECTION 18.3.** In development of the "More At Four" program, the
35 Department of Health and Human Services, in consultation with the Department of
36 Public Instruction and the Task Force, shall:

- 37 (1) Contract with an independent research organization, outside the
38 Department of Health and Human Services and the Department of
39 Public Instruction, with proven expertise in evaluation of
40 prekindergarten programs, for the design of an evaluation component.
41 The evaluation component shall facilitate longitudinal review of the
42 program and child-specific outcomes to include, at a minimum,
43 participants' readiness for kindergarten, percentage of participants

1 scoring at or above grade level on the third grade end-of-grade test,
2 and high school graduation rates.

- 3 (2) Collaborate in the development of a system to collect and maintain
4 child-specific information to provide for the long-term evaluation of
5 the program. The system shall be developed in a manner which utilizes
6 existing State and local systems and the North Carolina Student
7 Information Management System.

8 **SECTION 18.4.** State funds appropriated under this act for the "More At
9 Four" program shall not supplant current expenditures by counties, local partnerships, or
10 other recipients of State and federal funds, allocated and expended on behalf of young
11 children.

12
13 **DIVISION OF AGING**

14
15 **FUNDS FOR ALZHEIMER'S ASSOCIATION CHAPTERS IN NORTH**
16 **CAROLINA**

17 **SECTION 19.** Of the funds appropriated in this act to the Department of
18 Health and Human Services, Division of Aging, the sum of one hundred fifty thousand
19 dollars (\$150,000) for the 2003-2005 fiscal year and the sum of one hundred fifty
20 thousand dollars (\$150,000) for the 2003-2005 fiscal year shall be allocated as follows:

- 21 (1) \$75,000 in each fiscal year for the Western Alzheimer's Chapter; and
22 (2) \$75,000 in each fiscal year for the Eastern Alzheimer's Chapter.

23 Before funds may be allocated to any chapter under this section, the Chapter shall
24 submit to the Division of Aging, for its approval, a plan for the use of the funds.

25
26 **SENIOR CENTER OUTREACH**

27 **SECTION 20.1.** Funds appropriated to the Department of Health and
28 Human Services, Division of Aging, for the 2003-2005 fiscal biennium, shall be used by
29 the Division of Aging to enhance senior center programs as follows:

- 30 (1) To expand the outreach capacity of senior centers to reach unserved or
31 underserved areas; or
32 (2) To provide start-up funds for new senior centers.

33 All of these funds shall be allocated by October 1 of each fiscal year.

34 **SECTION 20.2.** Prior to funds being allocated pursuant to this section for
35 start-up funds for a new senior center, the county commissioners of the county in which
36 the new center will be located shall:

- 37 (1) Formally endorse the need for such a center;
38 (2) Formally agree on the sponsoring agency for the center; and
39 (3) Make a formal commitment to use local funds to support the ongoing
40 operation of the center.

41 **SECTION 20.3.** State funding shall not exceed ninety percent (90%) of
42 reimbursable costs.

43
44 **CHILD DEVELOPMENT**

CHILD CARE SUBSIDY RATES

SECTION 21.1. 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 21.2. Fees for families who are required to share in the cost of care shall be established based on a percent of gross family income and adjusted for family size. Effective October 1, 2001, fees shall be determined as follows:

Family Size	Percent Of Gross Family Income
1-3	10%
4-5	9%
6 or more	8%.

SECTION 21.3. Effective October 1, 2001, payments for the purchase of child care services for low-income children shall be in accordance with the following requirements:

- (1) Religious-sponsored child care facilities operating pursuant to G.S. 110-106 and licensed child care centers and homes that meet the minimum licensing standards that are participating in the subsidized child care program shall be paid the one-star county market rate or the rate they charge privately paying parents, whichever is lower.
- (2) Licensed child care centers and homes with two or more stars shall receive the market rate for that rated license level for that age group or the rate they charge privately paying parents, whichever is lower.
- (3) Nonlicensed homes shall receive fifty percent (50%) of the county market rate or the rate they charge privately paying parents, whichever is lower.
- (4) Maximum payment rates shall also be calculated periodically by the Division of Child Development for transportation to and from child care provided by the child care provider, individual transporter, or transportation agency, and for fees charged by providers to parents. These payment rates shall be based upon information collected by market rate surveys.

SECTION 21.4. Provision of payment rates for child care providers in counties that do not have at least 50 children in each age group for center-based and home-based care are as follows:

- (1) Payment rates may 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 21.5. 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

1 of enrollees and shall be representative of fees charged to unsubsidized privately paying
2 parents for each age group of enrollees within the county. The Division of Child
3 Development shall also calculate a statewide rate and regional market rates for each
4 rated license level for each age category.

5 **SECTION 21.6.** Facilities licensed pursuant to Article 7 of Chapter 110 of
6 the General Statutes and facilities operated pursuant to G.S. 110-106 may participate in
7 the program that provides for the purchase of care in child care facilities for minor
8 children of needy families. No separate licensing requirements shall be used to select
9 facilities to participate. In addition, child care facilities shall be required to meet any
10 additional applicable requirements of federal law or regulations. Child care
11 arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of the
12 General Statutes shall meet the requirements established by other State law and by the
13 Social Services Commission.

14 County departments of social services or other local contracting agencies
15 shall not use a provider's failure to comply with requirements in addition to those
16 specified in this subsection as a condition for reducing the provider's subsidized child
17 care rate.

18 **SECTION 21.7.** Payment for subsidized child care services provided with
19 Work First Block Grant funds shall comply with all regulations and policies issued by
20 the Division of Child Development for the subsidized child care program.

21 **SECTION 21.8.** Noncitizen families who reside in this State legally shall be
22 eligible for child care subsidies if all other conditions of eligibility are met. If all other
23 conditions of eligibility are met, noncitizen families who reside in this State illegally
24 shall be eligible for child care subsidies only if at least one of the following conditions
25 is met:

- 26 (1) The child for whom a child care subsidy is sought is receiving child
27 protective services or foster care services.
- 28 (2) The child for whom a child care subsidy is sought is developmentally
29 delayed or at risk of being developmentally delayed.
- 30 (3) The child for whom a child care subsidy is sought is a citizen of the
31 United States.

32 **EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES**

33 **SECTION 22.** G.S. 143B-168.15 is amended by adding a new subsection to
34 read:

35 "(h) Administrative costs shall be equivalent to, on an average statewide basis for
36 all local partnerships, not more than eight percent (8%) of the total statewide allocation
37 to all local partnerships. For the purposes of this subsection, administrative costs shall
38 include costs associated with partnership oversight, business and financial management,
39 general accounting, human resources, budgeting, purchasing, contracting, and
40 information systems management."

41 **EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES**

42 **ENHANCEMENTS**

1 **SECTION 23.1.** The North Carolina Partnership for Children, Inc., and the
2 Department of Health and Human Services shall immediately develop and implement
3 the following:

- 4 (1) Policies to ensure Early Childhood Education and Development
5 Initiatives funds are allocated to child care programs, providers, and
6 services that serve low-income children.
- 7 (2) Policies to ensure the allocation of all State funds and federal funds
8 where appropriate to the neediest child care providers with priority
9 given from the lowest licensure rating to the highest. The North
10 Carolina Partnership for Children, Inc., and the Department of Health
11 and Human Services shall develop the definition of "neediest" as used
12 in this subsection.
- 13 (3) Policies to ensure the allocation of State funds and federal funds where
14 appropriate to child care programs and providers that serve an
15 adequate number of children and families are eligible to participate in
16 the State child care subsidy voucher program. The North Carolina
17 Partnership for Children, Inc., and the Department of Health and
18 Human Services shall develop policies and a definition of "adequate"
19 as used in this subsection that takes into consideration the following:
 - 20 (a) County economic conditions.
 - 21 (b) Numbers of eligible families in a county.
 - 22 (c) The diversity of child care needs in a county.
 - 23 (d) Other factors that may impact on the number of child care
24 facilities and the availability of child care in a county.
- 25 (4) Policies to ensure the elimination of local duplication and increased
26 efficiency in the administration of child care subsidy voucher funds,
27 unless local partnerships in collaboration with county departments of
28 social services can demonstrate to the Department a more efficient and
29 effective plan for administration of child care subsidy voucher funds.
- 30 (5) Policies and procedures to ensure the unduplicated compilation of
31 children served through State and federal child care subsidy voucher
32 funds.
- 33 (6) Policies and procedures to ensure the timely, accurate, and consistent
34 reporting of information on local child care subsidy waiting lists
35 statewide.

36 **SECTION 23.2.** In consultation with the Department of Public Instruction
37 and the North Carolina Partnership for Children, Inc., the Department of Health and
38 Human Services shall develop and implement policies and procedures to ensure that
39 local partnerships that allocate funds to child care providers receiving State and federal
40 child care funds plan and coordinate with their local education agencies the following:

- 41 (1) Selection of preschool curriculum with measurable outcomes.
- 42 (2) Kindergarten transition activities.
- 43 (3) Other activities needed to ensure that children transitioning from child
44 care settings to kindergarten enter school ready to succeed.

1 **SECTION 23.3.** The Department of Health and Human Services, in
2 consultation with the North Carolina Partnership for Children, Inc., and the Office of
3 State Budget and Management, shall develop a separate North Carolina Partnership for
4 Children, Inc., Early Childhood Education and Development Initiative Program budget,
5 within the Division of Child Development fund code for the purpose of segregating all
6 expenditures related to the administration and operation of the statewide Smart Start
7 program.

8 **SECTION 23.4.** The Department of Health and Human Services and the
9 North Carolina Partnership for Children, Inc., shall ensure that the allocation of funds
10 for Early Childhood Education and Development Initiatives for State fiscal years
11 2003-2004 and 2004-2005 shall be administered and distributed in the following
12 manner:

- 13 (1) The North Carolina Partnership for Children, Inc., shall develop a
14 policy to allocate the reduction of funds for Early Childhood
15 Education and Development Initiatives for the 2003-2004 and
16 2004-2005 fiscal years.
- 17 (2) The North Carolina Partnership for Children, Inc., administration shall
18 be reduced by ten percent (10%) from the 2000-2001 fiscal year level.
- 19 (3) The Department of Health and Human Services Smart Start
20 administration shall be reduced by ten percent (10%) from the
21 2000-2001 fiscal year level.
- 22 (4) Capital expenditures and playground equipment expenditures are
23 prohibited for fiscal years 2003-2004 and 2004-2005. For the purposes
24 of this subsection, "capital expenditures" means expenditures for
25 capital improvements as defined in G.S. 143-34.40.
- 26 (5) Expenditures of State funds for advertising and promotional activities
27 are prohibited for fiscal year 2002-2003.

28 **SECTION 23.5.** The allocation of State carryforward funds is prohibited,
29 and all unspent funds shall revert to the General Fund at the end of the fiscal year.

30 **SECTION 23.6.** The North Carolina Partnership for Children, Inc., shall not
31 approve local partnership plans that allocate State funds to child care providers for
32 one-time quality improvement initiatives in the following circumstances:

- 33 (1) Child care facilities with licensure of four or five stars, unless the
34 expenditure of funds is to expand capacity for low-income children.
- 35 (2) Child care facilities that do not accept child care subsidy funds.
- 36 (3) Child care facilities that previously received quality improvement
37 grants whose quality initiatives failed to increase licensure.

38 **SECTION 23.7.** For the 2003-2004 fiscal year, the local partnerships shall
39 spend an amount for child care subsidies that provides at least fifty-two million dollars
40 (\$52,000,000) for the TANF maintenance of effort requirement and the Child Care
41 Development Fund and Block Grant match requirement.

42 **SECTION 23.8.** Notwithstanding the funding formula in G.S.
43 143B-168.13(a)(6), the State, in consultation with the North Carolina Partnership for
44 Children, Inc., shall evaluate the feasibility of developing a revised funding formula

1 which takes into consideration all relevant funding used by the State, local human
2 services agencies and programs, and local partnerships to provide services and
3 assistance to children under age five and their families. These funds shall include the
4 Early Intervention Preschool Program, Health Choice, and Family Resource Centers, as
5 well as other State and local services and programs funded with State funds, federal
6 funds, local funds, and other resources.

7
8 **EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES**
9 **EVALUATION**

10 **SECTION 24.** The Department of Health and Human Services, Division of
11 Child Development, may evaluate the Early Childhood Education and Development
12 Initiatives. The evaluation may include:

- 13 (1) Evaluation of the Early Childhood Education and Development
14 Initiatives, including the ongoing review of quality child care efforts
15 and child care providers' progress in preparing children to be ready to
16 enter school and succeed.
17 (2) Continuation of technical assistance to local partnerships in data
18 collection and evaluation.

19
20 **CHILD CARE FUNDS MATCHING REQUIREMENT**

21 **SECTION 25.** No local matching funds may be required by the Department
22 of Health and Human Services as a condition of any locality's receiving any State day
23 care funds appropriated by this act unless federal law requires such a match. This shall
24 not prohibit any locality from spending local funds for child care services.

25
26 **CHILD DAY CARE REVOLVING LOAN**

27 **SECTION 26.** Notwithstanding any law to the contrary, funds budgeted for
28 the Child Care Revolving Loan Fund may be transferred to and invested by the financial
29 institution contracted to operate the Fund. The principal and any income to the Fund
30 may be used to make loans, reduce loan interest to borrowers, serve as collateral for
31 borrowers, pay the contractor's cost of operating the Fund, or to pay the Department's
32 cost of administering the program.

33
34 **DIVISION OF PUBLIC HEALTH**

35
36 **IMMUNIZATION PROGRAM FUNDING**

37 **SECTION 27.1.** Of the funds appropriated in this act to the Department of
38 Health and Human Services for childhood immunization programs for positions,
39 operating support, immunization programs for positions, operating support, equipment,
40 and pharmaceuticals, the sum of up to one million dollars (\$1,000,000) for the
41 2003-2004 fiscal year and the sum of one million dollars (\$1,000,000) for the
42 2004-2005 fiscal year may be used for projects and activities that are also designed to
43 increase childhood immunization rates in North Carolina. These projects and activities
44 shall include the following:

- 1 (1) Outreach efforts at the State and local levels to improve service
2 delivery of vaccines. "Outreach efforts" may include education
3 seminars, media advertising, support services to parents to enable
4 children to be transported to clinics, longer operating hours for clinics,
5 and mobile vaccine units; and

- 6 (2) Continued development of an automated immunization registry.

7 **SECTION 27.2.** Funds authorized to be used for immunization efforts under
8 section 25.1 shall not be used to fund additional State positions in the Department of
9 Health and Human Services or contracts, except for contracts to develop an automated
10 immunization registry or with local health departments for outreach.

11 12 **PRESCRIPTION DRUG ASSISTANCE PROGRAM**

13 **SECTION 28.** Of the funds appropriated in this act to the Department of
14 Health and Human Services, the sum of five hundred thousand dollars (\$500,000) for
15 the 2003-2004 fiscal year and the sum of five hundred thousand (\$500,000) for the
16 2004-2005 fiscal year shall be used to pay the cost of outpatient prescription drugs for
17 persons:

- 18 (1) Over the age of 65 years and not eligible for full Medicaid benefits;
19 (2) Whose income is not more than one hundred fifty percent (150%) of
20 the federal poverty level; and
21 (3) Who have been diagnosed with cardiovascular disease or diabetes.

22 These funds shall be used to pay the cost of outpatient prescription drugs for
23 the treatment of cardiovascular disease or diabetes. Payment shall be not more than the
24 Medicaid cost including rebates. The Department shall develop criteria to maximize the
25 efficient and effective distribution of these drugs.

26 27 **AIDS DRUG ASSISTANCE PROGRAM (ADAP)**

28 **SECTION 29.** For the 2003-2004 fiscal year and for the 2004-2005 fiscal
29 year, HIV-positive individuals with incomes at or below one hundred twenty-five
30 percent (125%) of the federal poverty level are eligible for participation in ADAP.
31 Eligibility for participation in ADAP during the 2003-2005 fiscal biennium shall not be
32 extended to individuals with incomes above one hundred twenty five percent (125%) of
33 the federal poverty level.

34 35 **DUSTY TRADES**

36 **SECTION 30.** G.S. 97-61.1 reads as rewritten:

37 "**§ 97-61.1. First examination of and report on employee having asbestosis or**
38 **silicosis.**

39 When an employee and the Industrial Commission are advised ~~by the Department of~~
40 ~~Health and Human Services~~ that an employee has asbestosis or silicosis, the employer
41 shall be notified by the Industrial Commission, and the employee, when ordered by the
42 Industrial Commission, shall go to a place designated by the Industrial Commission and
43 submit to X rays and a physical examination by the advisory medical committee, at least
44 one of whom shall conduct the examination, and the member or members of the

1 advisory medical committee conducting the examination shall forward the X rays and
2 findings to the member or members of the committee not present for the physical
3 examination. The employer shall pay the expenses connected with the examination in
4 such amounts as shall be directed by the Industrial Commission. Within 30 days after
5 the completion of the examination, the advisory medical committee shall make a written
6 report signed by all of its members setting forth:

- 7 (1) The X rays and clinical procedures used by the committee in arriving
8 at its findings.
- 9 (2) Whether or not the claimant has contracted asbestosis or silicosis.
- 10 (3) The committee's opinion expressed in percentages of the impairment
11 of the employee's ability to perform normal labor in the same or any
12 other employment.
- 13 (4) Any other matter deemed pertinent by the committee.

14 When a competent physician certifies to the Industrial Commission that the
15 employee's physical condition is such that his movement to the place of examination
16 ordered by the Industrial Commission as herein provided in G.S. 97-61.1, 97-61.3 and
17 97-61.4 would be harmful or injurious to the health of the employee, the Industrial
18 Commission shall cause the examination of the employee to be made by the advisory
19 medical committee as herein provided at some place in the vicinity of the residence of
20 the employee suitable for the purposes of making such examination."

21 **SECTION 30.1.** G.S. 97-72(b) reads as rewritten:

22 "(b) The members of the advisory medical committee shall be paid one hundred
23 dollars (\$100.00) per month plus not more than forty dollars (\$40.00) per film
24 examined. The fee per film shall be established by the ~~Secretary of Health and Human~~
25 ~~Services, Commissioner of Labor~~ as guided by the current Medicaid/Medicare
26 reimbursement schedules for North Carolina."

27 **SECTION 30.2.** G.S. 97-73(b) reads rewritten:

28 "(b) The ~~Secretary of Health and Human Services Commissioner of Labor~~ shall
29 establish a schedule of fees for examinations ~~conducted by the Department of Health~~
30 ~~and Human Services directed by the Industrial Commission~~ pursuant to G.S. 97-60. The
31 fees shall be collected in accordance with rules adopted by the ~~Secretary of Health and~~
32 ~~Human Services, Commissioner of Labor.~~"

33 34 **DIVISION OF SOCIAL SERVICES**

35 36 **SPECIAL NEEDS ADOPTIONS INCENTIVE FUND**

37 **SECTION 31.1.** There is created a Special Needs Adoptions Incentive Fund
38 to provide financial assistance to facilitate the adoption of certain children residing in
39 licensed foster care homes, effective January 1, 2001. These funds shall be used to
40 remove financial barriers to the adoption of these children and shall be available to
41 foster care families who adopt children with special needs as defined by the Social
42 Services Commission. These funds shall be matched by county funds.

43 **SECTION 31.2.** This program shall not constitute an entitlement and is
44 subject to the availability of funds.

1 **SECTION 31.3.** The Social Services Commission shall adopt rules to
2 implement the provisions of this section.

3
4 **SPECIAL CHILDREN ADOPTION FUND**

5 **SECTION 32.1.** Of the funds appropriated to the Department of Health and
6 Human Services in this act, the sum of one million one hundred thousand dollars
7 (\$1,100,000) shall be used to support the Special Children Adoption Fund for each year
8 of the 2003-2005 fiscal biennium. The Division of Social Services, in consultation with
9 the North Carolina Association of County Directors of Social Services and
10 representatives of licensed private adoption agencies, shall develop guidelines for the
11 awarding of funds to licensed public and private adoption agencies upon the adoption of
12 children described in G.S. 108A-50 and in foster care. Payments received from the
13 Special Children Adoption Fund by participating agencies shall be used exclusively to
14 enhance the adoption services. No local match shall be required as a condition for
15 receipt of these funds. In accordance with State rules for allowable costs, the Special
16 Children Adoption Fund may be used for post-adoption services for families whose
17 income exceed two hundred percent (200%) of the federal poverty level.

18 **SECTION 32.2.** Of the total funds appropriated for the Special Children
19 Adoption Fund, each year twenty percent (20%) of the total funds available shall be
20 reserved for payment to participating private adoption agencies. If the funds reserved in
21 this subsection for payments to private agencies have not been spent on or before March
22 31, 2004, the Division of Social Services may reallocate those funds, in accordance with
23 this section, to other participating adoption agencies.

24
25 **INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND**
26 **PERFORMANCE ENHANCEMENTS**

27 **SECTION 33.1.** The Department of Health and Human Services shall
28 review the Intensive Family Preservation Services Program (IFPS) to enhance and
29 implement initiatives which focus on increasing the sustainability and effectiveness of
30 the Program.

31 **SECTION 33.2.** Notwithstanding the provisions of G.S. 143B-150.6, the
32 Program shall provide intensive services to children and families in cases of abuse,
33 neglect, and dependency where a child is at imminent risk of removal from the home
34 and to children and families in cases of abuse where a child is not at imminent risk of
35 removal. The Program shall be developed and implemented Statewide on a regional
36 basis. The revised IFPS shall ensure the application of standardized assessment criteria
37 for determining imminent risk and clear criteria for determining out-of-home placement.

38 **SECTION 33.3.** The Department of Health and Human Services shall
39 require that any program or entity that receives State, federal, or other funding for the
40 purpose of Intensive Family Preservation Services shall provide information and data
41 that allows for:

- 42 (1) An established follow-up system with a minimum of six months of
43 follow-up services.

- 1 (2) Detailed information on the specific interventions applied including
2 utilization indicators and performance measurement.
- 3 (3) Cost-benefit data.
- 4 (4) Data on long-term benefits associated with Intensive Family
5 Preservation Services. This data shall be obtained by tracking families
6 through the intervention process.
- 7 (5) The number of families remaining intact and the associated
8 interventions while in IFPS and 12 months thereafter.
- 9 (6) The number and percentage by race of children who received Intensive
10 Family Preservation Services compared to the ratio of their distribution
11 in the general population involved with Child Protective Services.

12 **SECTION 33.4.** The Department shall establish performance-based funding
13 protocol and shall only provide funding to those programs and entities providing the
14 required information specified in section 31.3. The amount of funding shall be based on
15 the individual performance of each program.

16 17 **TANF STATE PLAN AND ELIMINATION OF CERTAIN REPORTING** 18 **REQUIREMENTS**

19 **SECTION 34.1.** The General Assembly approves the plan titled "North
20 Carolina Temporary Assistance for Needy Families State Plan FY 2003-2005", prepared
21 by the Department of Health and Human Services and presented to the General
22 Assembly on May 15, 2003, as revised in accordance with Section 32.2. The North
23 Carolina Temporary Assistance for Needy Families State Plan covers the period
24 October 1, 2003, through September 30, 2005. The Department shall submit the State
25 Plan, as revised in accordance with Section 32.2, to the United States Department of
26 Health and Human Services as amended by this act or any other act of the 2003 General
27 Assembly.

28 **SECTION 34.2.** The Department of Health and Human Services shall revise
29 the North Carolina Temporary Assistance for Needy Families State Plan FY 2003-2005,
30 submitted to the General Assembly for approval on May 15, 2003. The revisions shall
31 be made to the following Plan components:

- 32 (1) Enhanced Employee Assistance Program to reflect changes in funding.
- 33 (2) Services for Families to remove reference to start-up activities.
- 34 (3) Work Responsibility to remove reference to start-up activities.
- 35 (4) Cabarrus County Waiver to reflect changes in the law made by the
36 2003 General Assembly.
- 37 (5) Goal #8 to provide that caseload reduction goals are subject to
38 economic conditions in the county.

39 **SECTION 34.3.** The counties approved as Electing Counties in North
40 Carolina's Temporary Assistance for Needy Families State Plan FY 2003-2005 as
41 approved by this section are: Beaufort, Caldwell, Catawba, Iredell, Lenoir, Lincoln,
42 Macon, McDowell, Sampson, Surry, and Wilkes.

43 **SECTION 34.4.** Counties designated as electing counties pursuant to G.S.
44 108A-27(d) and who submitted the letter of intent to be redesignated as a standard

1 county and the accompanying county plan for fiscal year 2003-2005, pursuant to G.S.
2 108A-27(e), shall operate under the standard county budget requirements effective July
3 1, 2003. Counties that submitted the letter of intent to remain as an electing county or to
4 be redesignated as an electing county and the accompanying county plan for fiscal year
5 2003-2005, pursuant to G.S. 108A-27(e), shall operate under the electing county budget
6 requirements effective July 1, 2003. For programmatic purposes, all counties referred
7 to in this subsection shall remain under their current county designation through
8 September 30, 2003.

10 FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS

11 **SECTION 35.1.** The maximum rates for State participation in the foster care
12 assistance program are established on a graduated scale as follows:

- 13 (1) \$315.00 per child per month for children aged birth through 5;
- 14 (2) \$365.00 per child per month for children aged 6 through 12; and
- 15 (3) \$415.00 per child per month for children aged 13 through 18.

16 Of these amounts, fifteen dollars (\$15.00) is a special needs allowance for the child.

17 **SECTION 35.2.** The maximum rates for State participation in the adoption
18 assistance program are established on a graduated scale as follows:

- 19 \$315.00 per child per month for children aged birth through 5;
- 20 \$365.00 per child per month for children aged 6 through 12; and
- 21 \$415.00 per child per month for children aged 13 through 18.

22 **SECTION 35.3.** In addition to providing board payments to foster and
23 adoptive families of HIV-infected children, as prescribed in Section 23.28 of Chapter
24 324 of the 1995 Session Laws, any additional funds remaining that were appropriated
25 for this purpose shall be used to provide medical training in avoiding HIV transmission
26 in the home.

27 **SECTION 35.4.** The maximum rates for the State participation in HIV foster
28 care and adoption assistance are established on a graduated scale as follows:

- 29 (1) \$800.00 per month per child with indeterminate HIV status;
- 30 (2) \$1,000 per month per child confirmed HIV-infected, asymptomatic;
- 31 (3) \$1,200 per month per child confirmed HIV-infected, symptomatic; and
- 32 (4) \$1,600 per month per child terminally ill with complex care needs.

34 CHILD SUPPORT PROGRAM/ENHANCED STANDARDS

35 **SECTION 36.1.** It is the intent of the General Assembly to increase the
36 productivity and enhance the performance of child support enforcement offices
37 statewide.

38 **SECTION 36.2.** The Department of Health and Human Services shall
39 develop and implement performance standards for each of the state and county child
40 support enforcement offices across the state. In development of these performance
41 standards, the Department of Health and Human Services shall evaluate other private
42 and public child support models and national standards as well as other successful
43 collections models. These performance standards shall include the following:

- 44 (1) Cost per collections.

- 1 (2) Consumer satisfaction.
- 2 (3) Paternity establishments.
- 3 (4) Administrative costs.
- 4 (5) Orders established.
- 5 (6) Collections on arrearages.
- 6 (7) Location of absent parents.
- 7 (8) Other related performance measures.

8 The Department of Health and Human Services shall monitor the
9 performance of each office and shall implement a system of reporting which allows
10 each local office to review its performance as well as the performance of other local
11 offices. The Department of Health and Human Services shall publish an annual
12 performance report that shall include the statewide and local office performance of each
13 child support office.

14 15 **STATE/COUNTY SPECIAL ASSISTANCE TRANSFER OF ASSETS POLICY**

16 **SECTION 37.1.** Notwithstanding any other provision of law to the contrary,
17 Supplemental Security Income (SSI) policy applicable to transfer of assets and estate
18 recovery, as prescribed by federal law, shall apply to applicants for State/County
19 Special Assistance.

20 **SECTION 37.2.** The Department of Health and Human Services shall
21 continue to review whether policy for State/County Special Assistance should be
22 changed to permit an assisted living facility to accept from a family member of a
23 resident who qualifies for State/County Special Assistance payment for the difference in
24 the monthly rate for room, board, and services available. In reviewing current policy,
25 the Department shall consider the following conditions on family contributions to the
26 resident's cost of care:

- 27 (1) Ensuring that the resident meets all income and resource eligibility
28 requirements for State/County Special Assistance.
- 29 (2) Not counting payments made by family members to the facility as
30 income to the resident or as an in-kind contribution when calculating
31 the monthly rate applicable to the resident.
- 32 (3) Ensuring that supplemental payments are made on a voluntary basis as
33 specified in the resident agreement.

34 35 **DIVISION OF MEDICAL ASSISTANCE**

36 37 **MEDICAID COST-CONTAINMENT ACTIVITIES**

38 **SECTION 38.** The Department of Health and Human Services may use not
39 more than three million dollars (\$3,000,000) in each year of the 2003-2005 fiscal
40 biennium in Medicaid funds budgeted for program services to support the cost of
41 administrative activities when cost-effectiveness and savings are demonstrated. The
42 funds shall be used to support activities that will contain the cost of the Medicaid
43 Program, including contracting for services or hiring additional staff. Medicaid
44 cost-containment activities may include prospective reimbursement methods,

1 incentive-based reimbursement methods, service limits, prior authorization of services,
2 periodic medical necessity reviews, revised medical necessity criteria, service provision
3 in the least costly settings, and other cost-containment activities. Funds may be
4 expended under this section only after the Office of State Budget and Management has
5 approved a proposal for the expenditure submitted by the Department. Proposals for
6 expenditure of funds under this section shall include the cost of implementing the
7 cost-containment activity and documentation of the amount of savings expected to be
8 realized from the cost-containment activity. The Department shall provide a copy of
9 proposals for expenditures under this section to the Fiscal Research Division.

10 11 **MEDICAID**

12 **SECTION 39.1.** Funds appropriated in this Title for services provided in
13 accordance with Title XIX of the Social Security Act (Medicaid) are for both the
14 categorically needy and the medically needy. Funds appropriated for these services
15 shall be expended in accordance with the following schedule of services and payment
16 bases. All services and payments are subject to the language at the end of this
17 subsection.

18 Services and payment bases:

- 19 (1) Hospital-Inpatient – Payment for hospital inpatient services will be
20 prescribed in the State Plan as established by the Department of Health
21 and Human Services.
- 22 (2) Hospital-Outpatient – Eighty percent (80%) of allowable costs or a
23 prospective reimbursement plan as established by the Department of
24 Health and Human Services.
- 25 (3) Nursing Facilities – Payment for nursing facility services will be
26 prescribed in the State Plan as established by the Department of Health
27 and Human Services. Nursing facilities providing services to Medicaid
28 recipients who also qualify for Medicare must be enrolled in the
29 Medicare program as a condition of participation in the Medicaid
30 program. State facilities are not subject to the requirement to enroll in
31 the Medicare program. Residents of nursing facilities who are eligible
32 for Medicare coverage of nursing facility services must be placed in a
33 Medicare certified bed. Medicaid shall cover facility services only
34 after the appropriate services have been billed to Medicare. The
35 Division of Medical Assistance shall allow nursing facility providers
36 sufficient time from the effective date of this act to certify additional
37 Medicare beds if necessary. In determining the date that the
38 requirements of this subdivision become effective, the Division of
39 Medical Assistance shall consider the regulations governing
40 certification of Medicare beds and the length of time required for this
41 process to be completed.
- 42 (4) Intermediate Care Facilities for the Mentally Retarded – As prescribed
43 in the State Plan established by the Department of Health and Human
44 Services.

- 1 (5) Drugs – Drug costs as allowed by federal regulations plus a
2 professional services fee per month excluding refills for the same drug
3 or generic equivalent during the same month. Reimbursement shall be
4 available for up to six prescriptions per recipient, per month, including
5 refills. Payments for drugs are subject to the provisions of Section 37.8
6 and to the provisions at the end of Section 37.1, or in accordance with
7 the State Plan adopted by the Department of Health and Human
8 Services consistent with federal reimbursement regulations. Payment
9 of the professional services fee shall be made in accordance with the
10 State Plan adopted by the Department of Health and Human Services,
11 consistent with federal reimbursement regulations. The professional
12 services fee shall be five dollars and sixty cents (\$5.60) per
13 prescription for generic drugs and four dollars (\$4.00) per prescription
14 for brand name drugs. Adjustments to the professional services fee
15 shall be established by the General Assembly.
- 16 (6) Physicians, Chiropractors, Podiatrists, Optometrists, Dentists, Certified
17 Nurse Midwife Services, Nurse Practitioners – Fee schedules as
18 developed by the Department of Health and Human Services.
19 Payments for dental services are subject to the provisions of Section
20 37.7.
- 21 (7) Community Alternative Program, EPSDT Screens – Payment to be
22 made in accordance with rate schedule developed by the Department
23 of Health and Human Services.
- 24 (8) Home Health and Related Services, Private Duty Nursing, Clinic
25 Services, Prepaid Health Plans, Durable Medical Equipment –
26 Payment to be made according to reimbursement plans developed by
27 the Department of Health and Human Services.
- 28 (9) Medicare Buy-In – Social Security Administration premium.
- 29 (10) Ambulance Services – Uniform fee schedules as developed by the
30 Department of Health and Human Services. Public ambulance
31 providers will be reimbursed at cost.
- 32 (11) Hearing Aids – Actual cost plus a dispensing fee.
- 33 (12) Rural Health Clinic Services – Provider-based, reasonable cost;
34 nonprovider-based, single-cost reimbursement rate per clinic visit.
- 35 (13) Family Planning – Negotiated rate for local health departments. For
36 other providers, see specific services, for instance, hospitals,
37 physicians.
- 38 (14) Independent Laboratory and X-Ray Services – Uniform fee schedules
39 as developed by the Department of Health and Human Services.
- 40 (15) Optical Supplies – One hundred percent (100%) of reasonable
41 wholesale cost of materials.
- 42 (16) Ambulatory Surgical Centers – Payment as prescribed in the
43 reimbursement plan established by the Department of Health and
44 Human Services.

- 1 (17) Medicare Crossover Claims – An amount up to the actual coinsurance
2 or deductible or both, in accordance with the State Plan, as approved
3 by the Department of Health and Human Services.
- 4 (18) Physical Therapy and Speech Therapy – Services limited to EPSDT
5 eligible children. Payments are to be made only to qualified providers
6 at rates negotiated by the Department of Health and Human Services.
7 Physical therapy (including occupational therapy) and speech therapy
8 services are subject to prior approval and utilization review.
- 9 (19) Personal Care Services – Payment in accordance with the State Plan
10 approved by the Department of Health and Human Services.
- 11 (20) Case Management Services – Reimbursement in accordance with the
12 availability of funds to be transferred within the Department of Health
13 and Human Services.
- 14 (21) Hospice – Services may be provided in accordance with the State Plan
15 developed by the Department of Health and Human Services.
- 16 (22) Other Mental Health Services – Unless otherwise covered by this
17 section, coverage is limited to:
- 18 a. Services as defined by the Division of Mental Health,
19 Developmental Disabilities, and Substance Abuse Services and
20 approved by the Centers for Medicare and Medicaid Services
21 (CMS) when provided in agencies meeting the requirements of
22 the rules established by the Commission for Mental Health,
23 Developmental Disabilities, and Substance Abuse Services, and
24 reimbursement is made in accordance with a State Plan
25 developed by the Department of Health and Human Services
26 not to exceed the upper limits established in federal regulations,
27 and
- 28 b. For children eligible for EPSDT services:
- 29 1. Licensed or certified psychologists, licensed clinical
30 social workers, certified clinical nurse specialists in
31 psychiatric mental health advanced practice, and nurse
32 practitioners certified as clinical nurse specialists in
33 psychiatric mental health advanced practice, when
34 Medicaid-eligible children are referred by the Carolina
35 ACCESS primary care physician or the area mental
36 health program, and
- 37 2. Institutional providers of residential services as defined
38 by the Division of Mental Health, Developmental
39 Disabilities, and Substance Abuse Services and approved
40 by the Centers for Medicare and Medicaid Services
41 (CMS) for children and Psychiatric Residential
42 Treatment Facility services that meet federal and State
43 requirements as defined by the Department.

1 Notwithstanding G.S. 150B-121.1(a), the Department of Health and
2 Human Services may adopt temporary rules in accordance with
3 Chapter 150B of the General Statutes further defining the
4 qualifications of providers and referral procedures in order to
5 implement this subdivision. Coverage policy for services defined by
6 the Division of Mental Health, Developmental Disabilities, and
7 Substance Abuse Services under sub-subdivisions a. and b.2. of this
8 subdivision shall be established by the Division of Medical Assistance.

9 (23) Medically Necessary Prosthetics or Orthotics for EPSDT Eligible
10 Children – Reimbursement in accordance with the State Plan approved
11 by the Department of Health and Human Services.

12 (24) Health Insurance Premiums – Payments to be made in accordance with
13 the State Plan adopted by the Department of Health and Human
14 Services consistent with federal regulations.

15 (25) Medical Care/Other Remedial Care – Services not covered elsewhere
16 in this section include related services in schools; health professional
17 services provided outside the clinic setting to meet maternal and infant
18 health goals; and services to meet federal EPSDT mandates. Services
19 addressed by this paragraph are limited to those prescribed in the State
20 Plan as established by the Department of Health and Human Services.

21 (26) Pregnancy Related Services – Covered Services for pregnant women
22 shall include nutritional counseling, psychosocial counseling, and
23 predelivery and postpartum home visits by maternity care coordinators
24 and public health nurses.

25 Services and payment bases may be changed with the approval of the
26 Director of the Budget.

27 Payment is limited to Medicaid enrolled providers that purchase a
28 performance bond in an amount not to exceed one hundred thousand dollars (\$100,000)
29 naming as beneficiary the Department of Health and Human Services, Division of
30 Medical Assistance, or provide to the Department a validly executed letter of credit or
31 other financial instrument issued by a financial institution or agency honoring a demand
32 for payment in an equivalent amount. The Department may waive or limit the
33 requirements of this paragraph for one or more classes of Medicaid enrolled providers
34 based on the provider's dollar amount of monthly billings to Medicaid or the length of
35 time the provider has been licensed in this State to provide services. In waiving or
36 limiting requirements of this paragraph, the Department shall take into consideration the
37 potential fiscal impact of the waiver or limitation on the State Medicaid Program.

38 Reimbursement is available for up to 24 visits per recipient per year to any
39 combination of the following: physicians, clinics, hospital outpatient, optometrists,
40 chiropractors, and podiatrists. Prenatal services, all EPSDT children, emergency rooms,
41 and mental health services subject to independent utilization review are exempt from the
42 visit limitations contained in this paragraph. Exceptions may be authorized by the
43 Department of Health and Human Services where the life of the patient would be
44 threatened without such additional care. Any person who is determined by the

1 Department to be exempt from the 24-visit limitation may also be exempt from the
2 six-prescription limitation.

3 **SECTION 39.2.** Allocation of Nonfederal Cost of Medicaid. The State shall
4 pay eighty-five percent (85%); the county shall pay fifteen percent (15%) of the
5 nonfederal costs of all applicable services listed in this section.

6 **SECTION 39.3.** Copayment for Medicaid Services. The Department of
7 Health and Human Services may establish copayment up to the maximum permitted by
8 federal law and regulation.

9 **SECTION 39.4.** Medicaid and Work First Family Assistance, Income
10 Eligibility Standards. The maximum net family annual income eligibility standards for
11 Medicaid and the Standard of Need for Work First Family Assistance shall be as
12 follows:

Categorically Needy		Medically Needy	
Family Size	WFFA* Standard Of Need	Families and Children Income Level	AA,AB,AD*
1	4,344	\$2,172	\$2,900
2	5,664	2,832	3,800
3	6,528	3,264	4,400
4	7,128	3,564	4,800
5	7,776	3,888	5,200
6	8,376	4,188	5,600
7	8,952	4,476	6,000
8	9,256	4,680	6,300

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25 *Work First Family Assistance; Aid to the Aged (AA); Aid to the Blind (AB); and Aid
26 to the Disabled (AD).

27 The payment level for Work First Family Assistance shall be fifty percent (50%) of the
28 standard of need.

29 These standards may be changed with the approval of the Director of the
30 Budget with the advice of the Advisory Budget Commission.

31 **SECTION 39.5.** The Department of Health and Human Services, Division
32 of Medical Assistance, shall provide Medicaid coverage to all elderly, blind, and
33 disabled people who have incomes equal to or less than one hundred percent (100%) of
34 the federal poverty guidelines, as revised each April 1.

35 **SECTION 39.6.** ICF and ICF/MR Work Incentive Allowances. The
36 Department of Health and Human Services may provide an incentive allowance to
37 Medicaid eligible recipients of ICF and ICF/MR facilities who are regularly engaged in
38 work activities as part of their developmental plan and for whom retention of additional
39 income contributes to their achievement of independence. The State funds required to
40 match the federal funds that are required by these allowances shall be provided from
41 savings within the Medicaid budget or from other unbudgeted funds available to the
42 Department. The incentive allowances may be as follows:

Monthly Net Wages	Monthly Incentive Allowance
\$ 1.00 to \$100.99	Up to \$ 50.00

1	\$101.00 to \$200.99	\$ 80.00
2	\$201.00 to \$300.99	\$ 130.00
3	\$301.00 and greater	\$ 212.00

4 **SECTION 39.7.** Dental Coverage Limits. Dental services shall be provided
5 on a restricted basis in accordance with rules adopted by the Department to implement
6 this subsection.

7 **SECTION 39.8.** Dispensing of Generic Drugs. -Notwithstanding G.S.
8 90-85.27 through G.S. 90-85.31, or any other law to the contrary, under the Medical
9 Assistance Program (Title XIX of the Social Security Act), and except as otherwise
10 provided in this subsection for atypical antipsychotic drugs and drugs listed in the
11 narrow therapeutic index, a prescription order for a drug designated by a trade or brand
12 name shall be considered to be an order for the drug by its established or generic name,
13 except when the prescriber has determined, at the time the drug is prescribed, that the
14 brand name drug is medically necessary and has written on the prescription order the
15 phrase "medically necessary". An initial prescription order for an atypical antipsychotic
16 drug or a drug listed in the narrow therapeutic drug index that does not contain the
17 phrase "medically necessary" shall be considered an order for the drug by its established
18 or generic name, except that a pharmacy shall not substitute a generic or established
19 name prescription drug for subsequent brand or trade name prescription orders of the
20 same prescription drug without explicit oral or written approval of the prescriber given
21 at the time the order is filled. Generic drugs shall be dispensed at a lower cost to the
22 Medical Assistance Program rather than trade or brand name drugs. As used in this
23 subsection, "brand name" means the proprietary name the manufacturer places upon a
24 drug product or on its container, label, or wrapping at the time of packaging; and
25 "established name" has the same meaning as in section 502(e)(3) of the Federal Food,
26 Drug, and Cosmetic Act as amended, 21 U.S.C. § 352(e)(3).

27 **SECTION 39.9.** Exceptions to Service Limitations, Eligibility
28 Requirements, and Payments. – Service limitations, eligibility requirements, and
29 payments bases in this section may be waived by the Department of Health and Human
30 Services, with the approval of the Director of the Budget, to allow the Department to
31 carry out pilot programs for prepaid health plans, contracting for services, managed care
32 plans, or community-based services programs in accordance with plans approved by the
33 United States Department of Health and Human Services, or when the Department
34 determines that such a waiver will result in a reduction in the total Medicaid costs for
35 the recipient. The Department of Health and Human Services may proceed with
36 planning and development work on the Program of All-Inclusive Care for the Elderly.

37 **SECTION 39.10.** Volume Purchase Plans and Single Source Procurement. –
38 The Department of Health and Human Services, Division of Medical Assistance, may,
39 subject to the approval of a change in the State Medicaid Plan, contract for services,
40 medical equipment, supplies, and appliances by implementation of volume purchase
41 plans, single source procurement, or other contracting processes in order to improve
42 cost containment.

43 **SECTION 39.11.** Cost Containment Programs. The Department of Health
44 and Human Services, Division of Medical Assistance, may undertake cost containment

1 programs in accordance with Section 3 of S.L. 2001-395, including contracting for
2 services, preadmissions to hospitals and prior approval for certain outpatient surgeries
3 before they may be performed in an inpatient setting.

4 **SECTION 39.12.** For all Medicaid eligibility classifications for which the
5 federal poverty level is used as an income limit for eligibility determination, the income
6 limits will be updated each April 1 immediately following publication of federal poverty
7 guidelines.

8 **SECTION 39.13.** The Department of Health and Human Services shall
9 provide Medicaid to 19-, 20-, and 21-year-olds in accordance with federal rules and
10 regulations.

11 **SECTION 39.14.** The Department of Health and Human Services shall
12 provide coverage to pregnant women and to children according to the following
13 schedule:

- 14 (1) Pregnant women with incomes equal to or less than one hundred
15 eighty-five percent (185%) of the federal poverty guidelines as revised
16 each April 1 shall be covered for Medicaid benefits. In determining
17 income eligibility under this subdivision, the income of a minor's
18 parents shall be counted if the minor is residing in the home.
- 19 (2) Infants under the age of 1 with family incomes equal to or less than
20 one hundred eighty-five percent (185%) of the federal poverty
21 guidelines as revised each April 1 shall be covered for Medicaid
22 benefits.
- 23 (3) Children aged 1 through 5 with family incomes equal to or less than
24 one hundred thirty-three percent (133%) of the federal poverty
25 guidelines as revised each April 1 shall be covered for Medicaid
26 benefits.
- 27 (4) Children aged 6 through 18 with family incomes equal to or less than
28 the federal poverty guidelines as revised each April 1 shall be covered
29 for Medicaid benefits.
- 30 (5) The Department of Health and Human Services shall provide Medicaid
31 coverage for adoptive children with special or rehabilitative needs
32 regardless of the adoptive family's income. Services to pregnant
33 women eligible under this subsection continue throughout the
34 pregnancy but include only those related to pregnancy and to those
35 other conditions determined by the Department as conditions that may
36 complicate pregnancy. In order to reduce county administrative costs
37 and to expedite the provision of medical services to pregnant women,
38 to infants, and to children described in subsections (3) and (4) of this
39 section, no resources test shall be applied.

40 **SECTION 39.15.** Medicaid enrollment of categorically needy families with
41 children shall be continuous for one year without regard to changes in income or assets.

42 **SECTION 39.16.** The Department shall disregard earned income for
43 recipients who would otherwise lose Medicaid eligibility under section 1931 of Title

1 XIX of the Social Security Act due to earnings. This disregard shall be applied for a
2 maximum of 12 consecutive months.

3 **SECTION 39.17.** The Department of Health and Human Services shall
4 submit a quarterly status report on expenditures for acute care and long-term care
5 services to the Fiscal Research Division and to the Office of State Budget and
6 Management. This report shall include an analysis of budgeted versus actual
7 expenditures for eligibles by category and for long-term care beds. In addition, the
8 Department shall revise the program's projected spending for the current fiscal year and
9 the estimated spending for the subsequent fiscal year on a quarterly basis. The quarterly
10 expenditure report and the revised forecast shall be forwarded to the Fiscal Research
11 Division and to the Office of State Budget and Management no later than the third
12 Thursday of the month following the end of each quarter.

13 **SECTION 39.18.** The Division of Medical Assistance, Department of
14 Health and Human Services, may provide incentives to counties that successfully
15 recover fraudulently spent Medicaid funds by sharing State savings with counties
16 responsible for the recovery of the fraudulently spent funds.

17 **SECTION 39.19.** If first approved by the Office of State Budget and
18 Management, the Division of Medical Assistance, Department of Health and Human
19 Services, may use funds that are identified to support the cost of development and
20 acquisition of equipment and software through contractual means to improve and
21 enhance information systems that provide management information and claims
22 processing. The Department of Health and Human Services shall identify adequate
23 funds to support the implementation and first year's operational costs that exceed the
24 currently allocated funds for the new contract for the fiscal agent for the Medicaid
25 Management Information System.

26 **SECTION 39.20.** The Department of Health and Human Services may adopt
27 temporary rules according to the procedures established in G.S. 150B-21.1 when it finds
28 that these rules are necessary to maximize receipt of federal funds within existing State
29 appropriations, to reduce Medicaid expenditures, and to reduce fraud and abuse. Prior
30 to the filing of these temporary rules with the Office of Administrative Hearings, the
31 Department shall consult with the Office of State Budget and Management on the
32 possible fiscal impact of the temporary rule and its effect on State appropriations and
33 local governments.

34 **SECTION 39.21.** The Department shall report to the Fiscal Research
35 Division of the Legislative Services Office and to the House of Representatives
36 Appropriations Subcommittee on Health and Human Services and the Senate
37 Appropriations Committee on Health and Human Services or the Joint Legislative
38 Health Care Oversight Committee on any change it anticipates making in the Medicaid
39 program that impacts the type or level of service, reimbursement methods, or waivers,
40 any of which require a change in the State Plan or other approval by the Centers for
41 Medicare and Medicaid Services (CMS). The reports shall be provided at the same time
42 they are submitted to CMS for approval.

43 **SECTION 39.22.** Upon approval of a demonstration waiver by the Centers
44 for Medicare and Medicaid Services (CMS), the Department of Health and Human

1 Services may provide Medicaid coverage for family planning services to men and
2 women of child-bearing age with family incomes equal to or less than one hundred
3 eighty-five percent (185%) of the federal poverty level. Coverage shall be contingent
4 upon federal approval of the waiver.

5 **SECTION 39.23.** The Department of Health and Human Services, Division
6 of Medical Assistance, shall use the latest audited cost reporting data available when
7 establishing Medicaid provider rates or when making changes to the reimbursement
8 methodology. For hospital services, the Division shall use the latest audited cost
9 reporting data available, supplemented by additional financial information available to
10 the Division if and to the extent that the Division concludes that the information is
11 reliable and relevant, when establishing rates or when making changes to the
12 reimbursement methodology.

13 **SECTION 39.24.** The Department of Health and Human Services, Division
14 of Medical Assistance, shall implement a new coding system for therapeutic mental
15 health services as required by the Health Insurance Portability and Accountability Act
16 of 1996. In implementing the new coding system, the Division shall ensure that the new
17 coding system does not discriminate between providers of therapeutic mental health
18 services with similar qualifications and training. In meeting the requirements of this
19 subsection, the Division shall consult with the Division of Mental Health,
20 Developmental Disabilities, and Substance Abuse Services and the professional
21 licensing boards responsible for licensing the affected professionals.

22 **SECTION 39.25.** The Department of Health and Human Services may apply
23 federal transfer of assets policies, as described in Title XIX, Section 1917(c) of the
24 Social Security Act, including the attachment of liens, to real property excluded as
25 "income producing" tenancy-in-common, or as non-homesite property made "income
26 producing" under Title XIX, Section 1902(r)(2) of the Social Security Act. The transfer
27 of assets policy shall apply only to an institutionalized individual or the individual's
28 spouse as defined in Title XIX, Section 1917(c) of the Social Security Act. This
29 subsection becomes effective no earlier than October 1, 2001. Federal transfer of asset
30 policies and attachment of liens to properties excluded as tenancy-in-common or as
31 non-homesite property made "income producing" in accordance with this subsection
32 shall become effective not earlier than November 1, 2002.

33 **SECTION 39.26.** When implementing the Supplemental Security Income
34 (SSI) method for considering equity value of income producing property, the
35 Department shall, to the maximum extent possible, employ procedures to mitigate the
36 hardship to Medicaid enrollees occurring from application of the Supplemental Security
37 Income (SSI) method.

38 39 **COUNTY MEDICAID COST-SHARE**

40 **SECTION 40.1.** Effective July 1, 2000, the county share of the cost of
41 Medicaid services currently and previously provided by area mental health authorities
42 shall be increased incrementally each fiscal year until the county share reaches fifteen
43 percent (15%) of the nonfederal share by State fiscal year 2009-2010.

1 **SECTION 40.2.** Effective July 1, 2000, the county share of the cost of
2 Medicaid Personal Care Services paid to adult care homes shall be decreased
3 incrementally each fiscal year until the county share reaches fifteen percent (15%) of
4 the nonfederal share by State fiscal year 2009-2010.

5
6 **DISPOSITION OF DISPROPORTIONATE SHARE RECEIPT CHANGE**

7 **SECTION 41.1.** Disproportionate share receipts reserved at the end of the
8 2003-2004 fiscal year shall be deposited with the Department of State Treasurer as
9 nontax revenue for the 2003-2004 fiscal year.

10 **SECTION 41.2.** For the 2003-2004 fiscal year, as it receives funds
11 associated with Disproportionate Share Payments from State hospitals, the Department
12 of Health and Human Services, Division of Medical Assistance, shall deposit up to one
13 hundred million dollars (\$100,000,000) of these Disproportionate Share Payments to the
14 Department of State Treasurer for deposit as nontax revenue. Any Disproportionate
15 Share Payments collected in excess of one hundred million dollars (\$100,000,000) shall
16 be reserved by the State Treasurer for future appropriations.

17
18 **NC HEALTH CHOICE TRANSFER OF STATE APPROPRIATIONS**

19 **SECTION 42.** The total amount of funds appropriated to the North Carolina
20 Health Choice for Children Program for 2003-2005 may be increased through budget
21 transfers, subject to the approval of the Office of State Budget and Management, if
22 needed to match available federal funds to support program expenditures.

23
24 **NC HEALTH CHOICE STATE APPROPRIATIONS NOT TO REVERT**

25 **SECTION 43.** Notwithstanding any other provision of law to the contrary,
26 the balance of unspent State Appropriations remaining at the end of the fiscal year for
27 the North Carolina Health Choice for Children Program shall not revert. The unspent
28 funds shall be carried forward and retained by the Department in a trust account to be
29 used in the subsequent fiscal year(s) as the match for available federal funds.

30
31 **DIVISION OF MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND**
32 **SUBSTANCE ABUSE SERVICES**

33
34 **PRIVATE AGENCY UNIFORM COST FINDING REQUIREMENT**

35 **SECTION 44.** To ensure uniformity in rates charged to area programs and
36 funded with State-allocated resources, the Division of Mental Health, Developmental
37 Disabilities, and Substance Abuse Services of the Department of Health and Human
38 Services may require a private agency that provides services under contract with two or
39 more area programs, except for hospital services that have an established Medicaid rate,
40 to complete an agency-wide uniform cost finding in accordance with G.S.122C-147.2.
41 The resulting cost shall be the maximum included for the private agency in the
42 contracting area program's unit cost finding.

43
44 **LIABILITY INSURANCE**

1 **SECTION 45.** The Secretary of the Department of Health and Human
2 Services, the Secretary of the Department of Environment and Natural Resources, and
3 the Secretary of the Department of Correction may provide medical liability coverage
4 not to exceed one million dollars (\$1,000,000) per incident on behalf of employees of
5 the Departments licensed to practice medicine or dentistry, all licensed physicians who
6 are faculty members of The University of North Carolina who work on contract for the
7 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services
8 for incidents that occur in Division programs, and on behalf of physicians in all
9 residency training programs from The University of North Carolina who are in training
10 at institutions operated by the Department of Health and Human Services. This
11 coverage may include commercial insurance or self-insurance and shall cover these
12 individuals for their acts or omissions only while they are engaged in providing medical
13 and dental services pursuant to their State employment or training.

14 The coverage provided under this section shall not cover any individual for
15 any act or omission that the individual knows or reasonably should know constitutes a
16 violation of the applicable criminal laws of any state or the United States, or that arises
17 out of any sexual, fraudulent, criminal, or malicious act, or out of any act amounting to
18 willful or wanton negligence.

19 The coverage provided pursuant to this section shall not require any
20 additional appropriations and shall not apply to any individual providing contractual
21 service to the Department of Health and Human Services, the Department of
22 Environment and Natural Resources, or the Department of Correction, with the
23 exception that coverage may include physicians in all residency training programs from
24 The University of North Carolina who are in training at institutions operated by the
25 Department of Health and Human Services and licensed physicians who are faculty
26 members of The University of North Carolina who work for the Division of Mental
27 Health, Developmental Disabilities, and Substance Abuse Services.

28

29 **BUTNER COMMUNITY LAND RESERVATION**

30 **SECTION 46.** The Department of Health and Human Services shall reserve
31 and dedicate the following described land for the construction of a community building
32 and related facilities to serve the Butner Reservation:

33 "Approximately 2 acres, on the east side it borders Central Avenue with a line
34 running along the Wallace Bradshur property on the north back to the tree
35 line next to the ADATC. From there it follows the tree line south and west to
36 and including the softball field. From the softball field it turns east to the
37 State Employees Credit Union and follows the Credit Union property on the
38 south side back to Central Avenue."

39 This land shall be reserved and dedicated for the project which shall be
40 funded with contributions from Granville County, contributions from the residents of
41 the Butner Reservation, the use of cablevision franchise rebate funds received by the
42 Department of Health and Human Services on behalf of the Butner Reservation, and
43 other public and private sources.

44

1 **DIVISION OF FACILITY SERVICES**2
3 **DHHS FACILITY SERVICES FEES**4 **SECTION 47.** G.S. 131D-2(b)(1) reads as rewritten:

5 "(b) Licensure; inspections. –

6 (1) The Department of Health and Human Services shall inspect and
7 license, under rules adopted by the Medical Care Commission, all
8 adult care homes for persons who are aged or mentally or physically
9 disabled except those exempt in subsection (c) of this section. Licenses
10 issued under the authority of this section shall be valid for one year
11 from the date of issuance unless revoked earlier by the Secretary for
12 failure to comply with any part of this section or any rules adopted
13 hereunder. Licenses shall be renewed annually upon filing and the
14 Department's approval of the renewal application. The Department
15 shall charge each adult care home with six or fewer beds a
16 nonrefundable annual license fee in the amount of two hundred fifty
17 dollars (\$250.00). The Department shall charge each adult care home
18 with more than six beds a nonrefundable annual license fee in the
19 amount of three hundred fifty dollars (\$350.00) plus a nonrefundable
20 annual per-bed fee of twelve dollars and fifty cents (\$12.50). A license
21 shall not be renewed if outstanding fines and penalties imposed by the
22 State against the home have not been paid. Fines and penalties for
23 which an appeal is pending are exempt from consideration. The
24 renewal application shall contain all necessary and reasonable
25 information that the Department may by rule require. Except as
26 otherwise provided in this subdivision, the Department may amend a
27 license by reducing it from a full license to a provisional license for a
28 period of not more than 90 days whenever the Department finds that:

- 29 a. The licensee has substantially failed to comply with the
30 provisions of Articles 1 and 3 of Chapter 131D of the General
31 Statutes and the rules adopted pursuant to these Articles;
32 b. There is a reasonable probability that the licensee can remedy
33 the licensure deficiencies within a reasonable length of time;
34 and
35 c. There is a reasonable probability that the licensee will be able
36 thereafter to remain in compliance with the licensure rules for
37 the foreseeable future.

38 The Department may extend a provisional license for not more than
39 one additional 90-day period upon finding that the licensee has made
40 substantial progress toward remedying the licensure deficiencies that
41 caused the license to be reduced to provisional status.

42 The Department may revoke a license whenever:

- 43 a. The Department finds that:

- 1 1. The licensee has substantially failed to comply with the
- 2 provisions of Articles 1 and 3 of Chapter 131D of the
- 3 General Statutes and the rules adopted pursuant to these
- 4 Articles; and
- 5 2. It is not reasonably probable that the licensee can remedy
- 6 the licensure deficiencies within a reasonable length of
- 7 time; or
- 8 b. The Department finds that:
- 9 1. The licensee has substantially failed to comply with the
- 10 provisions of Articles 1 and 3 of Chapter 131D of the
- 11 General Statutes and the rules adopted pursuant to these
- 12 Articles; and
- 13 2. Although the licensee may be able to remedy the
- 14 deficiencies within a reasonable time, it is not reasonably
- 15 probable that the licensee will be able to remain in
- 16 compliance with licensure rules for the foreseeable
- 17 future; or
- 18 c. The Department finds that the licensee has failed to comply
- 19 with the provisions of Articles 1 and 3 of Chapter 131D of the
- 20 General Statutes and the rules adopted pursuant to these
- 21 Articles, and the failure to comply endangered the health,
- 22 safety, or welfare of the patients in the facility.

23 The Department may also issue a provisional license to a facility, pursuant to rules
 24 adopted by the Medical Care Commission, for substantial failure to comply with the
 25 provisions of this section or rules adopted pursuant to this section. Any facility wishing
 26 to contest the issuance of a provisional license shall be entitled to an administrative
 27 hearing as provided in the Administrative Procedure Act, Chapter 150B of the General
 28 Statutes. A petition for a contested case shall be filed within 30 days after the
 29 Department mails written notice of the issuance of the provisional license."

30 **SECTION 47.1.** G.S. 131E-77(d) reads as rewritten:

31 "(d) Upon receipt of an application for a license, the Department shall issue a
 32 license if it finds that the applicant complies with the provisions of this Article and the
 33 rules of the Commission. The Department shall renew each license in accordance with
 34 the rules of the Commission. The Department shall charge the applicant a
 35 nonrefundable annual base fee plus a nonrefundable annual per-bed license fee as
 36 follows:

<u>Facility Type</u>	<u>BaseFee</u>	<u>Per-Bed Fee</u>
38 <u>General Acute Hospitals: 1-49 beds</u>	<u>\$250.00</u>	<u>\$12.50</u>
39 <u>50-99 beds</u>	<u>\$350.00</u>	<u>\$12.50</u>
40 <u>100-199 beds</u>	<u>\$450.00</u>	<u>\$12.50</u>
41 <u>200-399 beds</u>	<u>\$550.00</u>	<u>\$12.50</u>
42 <u>400-699 beds</u>	<u>\$750.00</u>	<u>\$12.50</u>
43 <u>700+ beds</u>	<u>\$950.00</u>	<u>\$12.50</u>
44 <u>Other Hospitals</u>	<u>\$500.00</u>	<u>\$12.50."</u>

1 **SECTION 47.2.** G.S. 131E-102(b) reads as rewritten:

2 "(b) Applications shall be available from the Department, and each application
3 filed with the Department shall contain all necessary and reasonable information that the
4 Department may by rule require. A license shall be granted to the applicant upon a
5 determination by the Department that the applicant has complied with the provisions of
6 this Part and the rules promulgated under this Part. The Department shall charge the
7 applicant a nonrefundable annual license fee in the amount of four hundred fifty dollars
8 (\$450.00) plus a nonrefundable annual per-bed fee of twelve dollars and fifty cents
9 (\$12.50)."

10 **SECTION 47.3.** G.S. 131E-138(c) reads as rewritten:

11 "(c) An application for a license shall be available from the Department, and each
12 application filed with the Department shall contain all information requested by the
13 Department. A license shall be granted to the applicant upon a determination by the
14 Department that the applicant has complied with the provisions of this Part and the rules
15 promulgated by the Commission under this Part. The Department shall charge the
16 applicant a nonrefundable annual license fee in the amount of three hundred fifty dollars
17 (\$350.00)."

18 **SECTION 47.4.** G.S. 131E-147(b) reads as rewritten:

19 "(b) Applications shall be available from the Department, and each application
20 filed with the Department shall contain all necessary and reasonable information that the
21 Department may by rule require. A license shall be granted to the applicant upon a
22 determination by the Department that the applicant has complied with the provisions of
23 this Part and the rules promulgated by the Commission under this Part. The Department
24 shall charge the applicant a nonrefundable annual base license fee in the amount of
25 seven hundred dollars (\$700.00) plus a nonrefundable annual per-operating room fee in
26 the amount of fifty dollars (\$50.00)."

27 **SECTION 47.5.** G.S. 131E-167(a) reads as rewritten:

28 "(a) Applications for certification shall be available from the Department, and
29 each application filed with the Department shall contain all necessary and reasonable
30 information that the Department may by rule require. A certificate shall be granted to
31 the applicant for a period not to exceed two years upon a determination by the
32 Department that the applicant has substantially complied with the provisions of this
33 Article and the rules promulgated by the Department under this Article. The Department
34 shall charge the applicant a nonrefundable annual certification fee in the amount of two
35 hundred fifty dollars (\$250.00)."

36 **SECTION 47.6.** G.S. 14-45.1(a) reads as rewritten:

37 "(a) Notwithstanding any of the provisions of G.S. 14-44 and 14-45, it shall not be
38 unlawful, during the first 20 weeks of a woman's pregnancy, to advise, procure, or cause
39 a miscarriage or abortion when the procedure is performed by a physician licensed to
40 practice medicine in North Carolina in a hospital or clinic certified by the Department of
41 Health and Human Services to be a suitable facility for the performance of abortions.
42 The Department of Health and Human Services shall charge the facility a nonrefundable
43 annual certification fee in the amount of seven hundred dollars (\$700.00)."

1 SECTION 47.7. G.S. 122C-23 is amended by adding a new subsection to
2 read:

3 "(h) The Department shall charge facilities licensed under this Chapter that have
4 licensed beds a nonrefundable annual base license fee plus a nonrefundable annual per-
5 bed fee as follows:

<u>Type of Facility</u>	<u>Base Fee</u>	<u>Per-Bed Fee</u>
<u>Facilities (non-ICF/MR): 6 or fewer beds</u>	<u>\$250.00</u>	<u>\$0.00</u>
<u>More than 6 beds</u>	<u>\$250.00</u>	<u>\$12.50.</u>
<u>ICF/MR Only: 6 or fewer beds</u>	<u>\$650.00</u>	<u>\$0.00</u>
<u>More than 6 beds</u>	<u>\$650.00</u>	<u>\$12.50."</u>

6 SECTION 47.8. Article 6 of Chapter 131E of the General Statutes is
7 amended by adding a new section to read:

8 "§ 131E-138.1. Licensure fees for nursing beds and adult care home beds in
9 continuing care retirement communities.

10 The Department shall charge continuing care retirement communities licensed under
11 Article 64 of Chapter 58 of the General Statutes that have nursing home beds or adult
12 care home beds licensed by the Department a nonrefundable annual base license fee in
13 the amount of four hundred fifty dollars (\$450.00) plus a nonrefundable annual per-bed
14 fee in the amount of twelve dollars and fifty cents (\$12.50)."

15 SECTION 47.9. Article 56 of Chapter 143 of the General Statutes is
16 amended by a new section to read:

17 "§ 143-520. Fees.

18 The Department of Health and Human Services shall charge a nonrefundable annual
19 fee for emergency medical services provided under this Article, as follows:

<u>Type of provider/fee</u>	<u>Annual Fee</u>
<u>Credentialing of persons paid for providing EMS Services</u>	<u>\$90.00.</u>
<u>Licensing of EMS Providers/Vehicle Inspections</u>	<u>\$50.00.</u>
<u>Licensing of Emergency Dispatch Providers</u>	<u>\$185.00."</u>

20 SECTION 47.10. Article 16 of Chapter 131E of the General Statutes is
21 amended by adding a new section to read:

22 "§ 131E-267. Fees for departmental review of health care facility construction
23 projects.

24 The Department of Health and Human Services shall charge a fee for the review of
25 each health care facility construction project to ensure that project plans and
26 construction are in compliance with State law. The fee shall be charged on a one-time,
27 per-project basis, as follows:

<u>Institutional Projects:</u>	<u>Project Fee</u>
<u>Hospitals</u>	<u>\$.20/square foot of facility space</u>
<u>Nursing Homes</u>	<u>\$.15/square foot of facility space</u>
<u>Ambulatory Surgical Facility</u>	<u>\$.15/square foot of facility space</u>
<u>Psychiatric Hospital + MHL</u>	<u>\$.15/square foot of facility space</u>
<u>Adult Care Home with more than 7 beds</u>	<u>\$.10/square foot of facility space</u>
<u>Residential Projects:</u>	<u>Project Fee</u>
<u>Family Care Homes</u>	<u>\$175.00 flat fee</u>

1	<u>ICF/MR Group Homes</u>	<u>\$275.00 flat fee</u>
2	<u>Group Homes: 1-3 beds</u>	<u>\$100.00 flat fee</u>
3	<u>Group Homes: 4-6 beds</u>	<u>\$175.00 flat fee</u>
4	<u>Group Homes: 7-9 beds</u>	<u>\$225.00 flat fee</u>
5	<u>Other residential: More than 9 beds</u>	<u>\$0.075/square foot of facility space."</u>

6
7 **PART VIII. DEPARTMENT OF ENVIRONMENT AND NATURAL**
8 **RESOURCES**

9
10 **EXPRESS PERMITTING**

11 **SECTION 48.** The Department of Environment and Natural Resources shall
12 have the authority to develop a pilot program for express permit and certification
13 reviews, subject to full cost recovery. Express reviews may be applied to any one or all
14 of the permits, approvals or certifications in the following programs: erosion and
15 sediment control; coastal management; and water quality, including but not limited to
16 water quality certifications and stormwater management. The Department shall
17 determine the number of applications reviewed under the pilot program. The
18 Department shall have the authority to establish additional staff positions and to set the
19 fee for the express review based on full cost recovery. Any applicant seeking an
20 express application review shall pay a fee in the amount equal to the full cost to the
21 Department of all activities related to the review of the application, including, but not
22 limited to, negotiation of the permit or certification, public notice and community
23 involvement, and all other activities related to the review of the application. The
24 procedure by which the amount of this fee is determined may be established by the
25 Department; and the fees and procedures are not to be considered rule under G.S.
26 150B-2(8a) during the pilot. Fees imposed by this section shall be credited to the
27 appropriate division within the Department on a revolving basis to cover the costs
28 associated with this pilot program. The Department shall report its findings on the
29 expedited permit review pilot program to the General Assembly by January 15, 2005.

30
31 **PART IX. COMMERCE**

32
33 **COUNCIL OF GOVERNMENT FUNDS**

34 **SECTION 49.1.** Of the funds appropriated in this act to the Department of
35 Commerce, eight hundred thirty-two thousand one hundred and fifty dollars (\$832,150)
36 for the 2003-2004 fiscal year and eight hundred thirty-two thousand one hundred fifty
37 dollars (\$832,150) for the 2004-2005 fiscal year shall only be used as provided by this
38 section. Each regional council of government or lead regional organization is allocated
39 up to forty-eight thousand nine hundred fifty dollars (\$48,950) for the 2003-2004 and
40 the 2004-2005 fiscal years.

41 **SECTION 49.2.** The funds shall be allocated as follows: A share of the
42 maximum forty-eight thousand nine hundred and fifty dollars (\$48,950) each fiscal year
43 shall be allocated to each county and smaller city, based on the most recent annual
44 estimate of the Office of State Budget and Management of the population of that county

1 (less the population of any larger city within that county) or smaller city, divided by the
2 sum of the total population of the region (less the population of larger cities within that
3 region) and the total population of the region living in smaller cities. Those funds shall
4 be paid to the regional council of government for the region in which that city or county
5 is located upon receipt by the Department of Commerce of a resolution of the governing
6 board of the county or city requesting release of the funds. If any city or county does
7 not so request payment of funds by June 30 of a State fiscal year, that share of the
8 allocation for that fiscal year shall revert to the General Fund.

9 **SECTION 49.3.** A regional council of government may use funds
10 appropriated by this section only to assist local governments in grant applications,
11 economic development, community development, support of local industrial
12 development activities, and other activities as deemed appropriate by the member
13 governments.

14 **SECTION 49.4.** Funds appropriated by this section shall not be used for
15 payment of dues or assessments by the member governments and shall not supplant
16 funds appropriated by the member governments.

17 **SECTION 49.5.** As used in this section, "Larger City" means an
18 incorporated city with a population of 50,000 or over. "Smaller City" means any other
19 incorporated city.

20 **SECTION 49.6.** Each council of government or lead regional organization
21 shall do the following:

22 (1) By January 15, 2004, and more frequently as requested, report to the
23 Joint Legislative Commission on Governmental Operations and the
24 Fiscal Research Division the following information:

- 25 a. State fiscal year 2002-2003 program activities, objectives, and
26 accomplishments;
27 b. State fiscal year 2002-2003 itemized expenditures and fund
28 sources;
29 c. State fiscal year 2003-2004 planned activities, objectives, and
30 accomplishments, including actual results through December
31 31, 2003; and
32 d. State fiscal year 2003-2004 estimated itemized expenditures
33 and fund sources, including actual expenditures and fund
34 sources through December 31, 2003;

35 (2) By January 15, 2005, and more frequently as requested, report to the
36 Joint Legislative Commission on Governmental Operations and the
37 Fiscal Research Division the following information:

- 38 a. State fiscal year 2003-2004 program activities, objectives, and
39 accomplishments;
40 b. State fiscal year 2003-2004 itemized expenditures and fund
41 sources;
42 c. State fiscal year 2004-2005 planned activities, objectives, and
43 accomplishments, including actual results through December
44 31, 2004; and

- 1 d. State fiscal year 2004-2005 estimated itemized expenditures
2 and fund sources, including actual expenditures and fund
3 sources through December 31, 2004; and
4 (3) Provide to the Fiscal Research Division a copy of the organization's
5 annual audited financial statement within 30 days of issuance of the
6 statement.

7 8 **ONE NORTH CAROLINA FUND**

9 **SECTION 50.** Funds appropriated to the Department of Commerce for the
10 2002-2003 fiscal year for the One North Carolina Fund that are unexpended and
11 unencumbered as of June 30, 2003, shall not revert to the General Fund on June 30,
12 2003, but shall remain available to the Department for providing financial assistance to
13 those businesses and industries deemed by the Governor to be vital to a healthy and
14 growing State economy and that are making significant efforts to establish or expand in
15 North Carolina.

16 This section becomes effective June 30, 2003.

17 18 **TOURISM PROMOTION FUNDS**

19 **SECTION 51.** Funds appropriated in this act to the Department of
20 Commerce for tourism promotion grants shall be allocated to counties in an effort to
21 direct funds to counties most in need. Determinations of which counties are most in
22 need shall focus on those with the lowest per capita income, highest unemployment, and
23 slowest population growth, in the following manner:

- 24 (1) Counties 1 through 20 are each eligible to receive a maximum grant of
25 seven thousand five hundred dollars (\$7,500) for each fiscal year,
26 provided these funds are matched on the basis of one non-State dollar
27 for every four State dollars.
28 (2) Counties 21 through 50 are each eligible to receive a maximum grant
29 of three thousand five hundred dollars (\$3,500) for two of the next
30 three fiscal years, provided these funds are matched on the basis of one
31 non-State dollar for every three State dollars.
32 (3) Counties 51 through 100 are each eligible to receive a maximum grant
33 of three thousand five hundred dollars (\$3,500) for alternating fiscal
34 years, beginning with the 1991-92 fiscal year, provided these funds are
35 matched on the basis of four non-State dollars for every State dollar.

36 37 **WANCHESE SEAFOOD INDUSTRIAL PARK FUNDS/OREGON INLET** 38 **FUNDS**

39 **SECTION 52.1.** Of the funds appropriated in this act to the Department of
40 Commerce for the Wanchese Seafood Industrial Park, the sum of one hundred
41 twenty-seven thousand eight hundred seventy dollars (\$127,870) for the 2003-2004
42 fiscal year and the sum of one hundred twenty-seven thousand eight hundred seventy
43 dollars (\$127,870) for the 2004-2005 fiscal year may be expended by the North
44 Carolina Seafood Industrial Park Authority for operations, maintenance, repair, and

1 capital improvements in accordance with Article 23C of Chapter 113 of the General
2 Statutes, in addition to funds available to the Authority for these purposes.

3 **SECTION 52.2.** Funds appropriated to the Department of Commerce for the
4 2002-2003 fiscal year for the Oregon Inlet Project that are unexpended and
5 unencumbered as of June 30, 2003, shall not revert to the General Fund on June 30,
6 2003, but shall remain available to the Department for legal costs associated with the
7 Project.

8 This section becomes effective June 30, 2003.

9 10 **INDUSTRIAL RECRUITMENT COMPETITIVE FUND**

11 **SECTION 53.1.** Funds appropriated in this act to the Department of
12 Commerce for the Industrial Recruitment Competitive Fund shall be used to continue
13 the Fund. The purpose of the Fund is to provide financial assistance to those businesses
14 or industries deemed by the Governor to be vital to a healthy and growing State
15 economy and that are making significant efforts to establish or expand in North
16 Carolina.

17 Moneys allocated from the Fund shall be used for the following purposes:

- 18 (1) Installation or purchase of equipment;
- 19 (2) Structural repairs, improvements, or renovations of existing buildings
20 to be used for expansion; and
- 21 (3) Construction of or improvements to new or existing water, sewer, gas
22 or electric utility distribution lines, or equipment for existing
23 buildings.

24 Moneys may also be used for construction of or improvements to new or
25 existing water, sewer, gas or electric utility distribution lines, or equipment to serve new
26 or proposed industrial buildings used for manufacturing and industrial operations. The
27 Governor shall adopt guidelines and procedures for the commitment of moneys from the
28 Fund.

29 **SECTION 53.2.** The Department of Commerce shall report on or before
30 January 1, 2004, and quarterly thereafter to the Joint Legislative Commission on
31 Governmental Operations and to the Fiscal Research Division on the commitment,
32 allocation, and use of funds allocated from the Industrial Recruitment Competitive
33 Fund.

34 35 **BIOTECHNOLOGY CENTER**

36 **SECTION 54.1.** The North Carolina Biotechnology Center shall recapture
37 funds spent in support of successful research and development efforts in the for-profit
38 private sector.

39 **SECTION 54.2.** The North Carolina Biotechnology Center shall provide
40 funding for biotechnology, biomedical, and related bioscience applications under its
41 Business and Science Technology Programs.

42 **SECTION 54.3.** The North Carolina Biotechnology Center shall:

- 1 (1) By January 15, 2004, and more frequently as requested, report to the
2 Joint Legislative Commission on Governmental Operations and the
3 Fiscal Research Division the following information:
4 a. State fiscal year 2002-2003 program activities, objectives, and
5 accomplishments;
6 b. State fiscal year 2002-2003 itemized expenditures and fund
7 sources;
8 c. State fiscal year 2002-2003 planned activities, objectives, and
9 accomplishments including actual results through December 31,
10 2003; and
11 d. State fiscal year 2002-2003 estimated itemized expenditures
12 and fund sources including actual expenditures and fund
13 sources through December 31, 2003;
- 14 (2) By January 15, 2004, and more frequently as requested, report to the
15 Joint Legislative Commission on Governmental Operations and the
16 Fiscal Research Division the following information:
17 a. State fiscal year 2003-2004 program activities, objectives, and
18 accomplishments;
19 b. State fiscal year 2003-2004 itemized expenditures and fund
20 sources;
21 c. State fiscal year 2004-2005 planned activities, objectives, and
22 accomplishments including actual results through December 31,
23 2003; and
24 d. State fiscal year 2004-2005 estimated itemized expenditures
25 and fund sources including actual expenditures and fund
26 sources through December 31, 2003; and
- 27 (3) Provide to the Fiscal Research Division a copy of the organization's
28 annual audited financial statement within 30 days of issuance of the
29 statement.

30 **SECTION 54.4.** The North Carolina Biotechnology Center shall provide a
31 report containing detailed budget, personnel, and salary information to the Office of
32 State Budget and Management and to the Fiscal Research Division in the same manner
33 as State departments and agencies in preparation for biennium budget requests.
34

35 **NONPROFIT REPORTING REQUIREMENTS**

36 **SECTION 55.1.** The N.C. Institute for Minority Economic Development,
37 Inc., Land Loss Prevention Project, North Carolina Minority Support Center, North
38 Carolina Community Development Initiative, Inc., North Carolina Association of
39 Community Development Corporations, Inc., and Partnership for the Sounds, Inc., shall
40 do the following:

- 41 (1) By January 15, 2004, and more frequently as requested, report to the
42 Joint Legislative Commission on Governmental Operations and the
43 Fiscal Research Division the following information:

- 1 a. State fiscal year 2002-2003 program activities, objectives, and
2 accomplishments;
- 3 b. State fiscal year 2002-2003 itemized expenditures and fund
4 sources;
- 5 c. State fiscal year 2003-2004 planned activities, objectives, and
6 accomplishments including actual results through December 31,
7 2003; and
- 8 d. State fiscal year 2003-2004 estimated itemized expenditures
9 and fund sources including actual expenditures and fund
10 sources through December 31, 2003;
- 11 (2) By January 15, 2005, and more frequently as requested, report to the
12 Joint Legislative Commission on Governmental Operations and the
13 Fiscal Research Division the following information:
- 14 a. State fiscal year 2003-2004 program activities, objectives, and
15 accomplishments;
- 16 b. State fiscal year 2003-2004 itemized expenditures and fund
17 sources;
- 18 c. State fiscal year 2004-2005 planned activities, objectives, and
19 accomplishments including actual results through December 31,
20 2004; and
- 21 d. State fiscal year 2004-2005 estimated itemized expenditures
22 and fund sources including actual expenditures and fund
23 sources through December 31, 2004; and
- 24 (3) Provide to the Fiscal Research Division a copy of the organization's
25 annual audited financial statement within 30 days of issuance of the
26 statement.

27 **SECTION 55.2.** No funds appropriated under this act shall be released to a
28 nonprofit organization listed in section 53.1 until the organization has satisfied the
29 reporting requirement for January 15, 2003. Fourth quarter allotments shall not be
30 released to any nonprofit organization that does not satisfy the reporting requirements
31 for January 15, 2004, or January 15, 2005.

32 33 **RURAL ECONOMIC DEVELOPMENT CENTER**

34 **SECTION 56.1.** The Rural Economic Development Center, Inc., shall
35 provide a report containing detailed budget, personnel, and salary information to the
36 Office of State Budget and Management in the same manner as State departments and
37 agencies in preparation for biennium budget requests.

38 **SECTION 56.2.** Not more than fifty percent (50%) of the interest earned on
39 State funds appropriated to the Rural Economic Development Center, Inc., may be used
40 by the Center for administrative purposes, including salaries and fringe benefits.

- 41 **SECTION 56.3.** The Rural Economic Development Center, Inc., shall:
- 42 (1) By January 15, 2004, and more frequently as requested, report to the
43 Joint Legislative Commission on Governmental Operations and the
44 Fiscal Research Division the following information:

- 1 a. State fiscal year 2002-2003 program activities, objectives, and
2 accomplishments;
- 3 b. State fiscal year 2002-2003 itemized expenditures and fund
4 sources;
- 5 c. State fiscal year 2003-2004 planned activities, objectives, and
6 accomplishments including actual results through December 31,
7 2003; and
- 8 d. State fiscal year 2003-2004 estimated itemized expenditures
9 and fund sources including actual expenditures and fund
10 sources through December 31, 2003.
- 11 (2) By January 15, 2005, and more frequently as requested, report to the
12 Joint Legislative Commission on Governmental Operations and the
13 Fiscal Research Division the following information:
- 14 a. State fiscal year 2003-2004 program activities, objectives, and
15 accomplishments;
- 16 b. State fiscal year 2003-2004 itemized expenditures and fund
17 sources;
- 18 c. State fiscal year 2004-2005 planned activities, objectives, and
19 accomplishments including actual results through December 31,
20 2004; and
- 21 d. State fiscal year 2004-2005 estimated itemized expenditures
22 and fund sources including actual expenditures and fund
23 sources through December 31, 2004.
- 24 (3) Provide to the Fiscal Research Division a copy of each grant
25 recipient's annual audited financial statement within 30 days of
26 issuance of the statement.
- 27

28 PART X. REGULATORY FEE FOR UTILITIES COMMISSION

29

30 **SECTION 57.1.** The percentage rate to be used in calculating the public
31 utility regulatory fee under G.S. 62-302(b)(2) is twelve hundredths of a percent (0.12%)
32 for each public utility's North Carolina jurisdictional revenues earned during each
33 quarter that begins on or after July 1, 2003.

34 **SECTION 57.2.** The electric membership corporation regulatory fee
35 imposed under G.S. 62-302(b1) for the 2002-2003 fiscal year is two hundred thousand
36 dollars (\$200,000).

37 **SECTION 57.3.** This section becomes effective July 1, 2003.

38

39 PART XI. INSURANCE

40

41 **SECTION 58.** The Commissioner of Insurance shall transfer funds quarterly
42 from the Department of Insurance Fund to the General Fund to repay the funds
43 appropriated to the Department of Insurance from the General Fund for each fiscal year,
44 plus accrued interest at a rate determined by the State Treasurer.

1
2 **PART XII. HOUSING FINANCE AGENCY HOME PROGRAM MATCHING**
3 **FUNDS**
4

5 **SECTION 59.1.** Funds appropriated in this act to the Housing Finance
6 Agency for the federal HOME Program shall be used to match federal funds
7 appropriated for the HOME Program. In allocating State funds appropriated to match
8 federal HOME Program funds, the Agency shall give priority to HOME Program
9 projects, as follows:

- 10 (1) First priority to projects that are located in counties designated as Tier
11 One, Tier Two, or Tier Three Enterprise Counties under G.S.
12 105-129.3; and
13 (2) Second priority to projects that benefit persons and families whose
14 incomes are fifty percent (50%) or less of the median family income
15 for the local area, with adjustments for family size, according to the
16 latest figures available from the United States Department of Housing
17 and Urban Development.

18 The Housing Finance Agency shall report to the Joint Legislative
19 Commission on Governmental Operations by April 1 of each year concerning the status
20 of the HOME Program and shall include in the report information on priorities met,
21 types of activities funded, and types of activities not funded.

22 **SECTION 59.2.** If the United States Congress changes the HOME Program
23 such that matching funds are not required for a given program year, then the Agency
24 shall not spend the matching funds appropriated under this act for that program year.

25 **SECTION 59.3.** Funds appropriated in this act to match federal HOME
26 Program funds shall not revert to the General Fund on June 30, 2004, or on June 30,
27 2005.
28

29 **PART XIII. JUSTICE AND PUBLIC SAFETY**
30

31 **STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS**

32 **SECTION 60.** Funds appropriated in this act to the Department of Juvenile
33 Justice and Delinquency Prevention for the 2003-2004 fiscal year may be used as
34 matching funds for the Juvenile Accountability Incentive Block Grants. If North
35 Carolina receives Juvenile Accountability Incentive Block Grants, or a notice of funds
36 to be awarded, the Office of State Budget and Management and the Governor's Crime
37 Commission shall consult with the Department of Juvenile Justice and Delinquency
38 Prevention regarding the criteria for awarding federal funds. The Office of State Budget
39 and Management, the Governor's Crime Commission, and the Department of Juvenile
40 Justice and Delinquency Prevention shall report to the Appropriations Committees of
41 the Senate and House of Representatives and the Joint Legislative Commission on
42 Governmental Operations prior to allocation of the federal funds. The report shall
43 identify the amount of funds to be received for the 2003-2004 fiscal year, the amount of

1 funds anticipated for the 2004-2005 fiscal year, and the allocation of funds by program
2 and purpose.

3 4 **FEDERAL GRANT MATCHING FUNDS**

5 **SECTION 61.** Notwithstanding the provisions of G.S. 148-2, the
6 Department of Correction may use up to the sum of nine hundred thousand dollars
7 (\$900,000) from funds available to the Department to provide the State match needed in
8 order to receive federal grant funds. Prior to using funds for this purpose, the
9 Department shall report to the Chairs of the Senate and House of Representatives
10 Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative
11 Commission on Governmental Operations on the grants to be matched using these
12 funds.

13 14 **MEDIUM CUSTODY ROAD CREW COMPENSATION**

15 **SECTION 62.** Of funds appropriated to the Department of Transportation by
16 this act, the sum of ten million dollars (\$10,000,000) per year shall be transferred by the
17 Department to the Department of Correction during the 2003-2005 biennium for the
18 actual costs of highway-related labor performed by medium-custody prisoners, as
19 authorized by G.S. 148-26.5. This transfer shall be made quarterly in the amount of two
20 million five hundred thousand dollars (\$2,500,000). The Department of Transportation
21 may use funds appropriated by this act to pay an additional amount exceeding the ten
22 million dollars (\$10,000,000), but those payments shall be subject to negotiations
23 among the Department of Transportation, the Department of Correction, and the Office
24 of State Budget and Management prior to payment by the Department of
25 Transportation.

26 27 **LIMIT USE OF OPERATIONAL FUNDS**

28 **SECTION 63.** Funds appropriated in this act to the Department of
29 Correction for operational costs for additional facilities shall be used for personnel and
30 operating expenses set forth in the budget approved by the General Assembly in this act.
31 These funds shall not be expended for any other purpose, except as provided for in this
32 act, and shall not be expended for additional prison personnel positions until the new
33 facilities are within 180 days of projected completion, except for certain management,
34 security, and support positions necessary to prepare the facility for opening, as
35 authorized in the budget approved by the General Assembly.

36 37 **USE OF CLOSED PRISON FACILITIES**

38 **SECTION 64.** In conjunction with the closing of prison facilities, including
39 small expensive prison units recommended for consolidation by the Government
40 Performance Audit Committee, the Department of Correction shall consult with the
41 county or municipality in which the unit is located, with the elected State and local
42 officials, and with State agencies about the possibility of converting that unit to other
43 use. The Department may also consult with any private for-profit or nonprofit firm
44 about the possibility of converting the unit to other use. In developing a proposal for

1 future use of each unit, the Department shall give priority to converting the unit to other
2 criminal justice use. Consistent with existing law and the future needs of the
3 Department of Correction, the State may provide for the transfer or the lease of any of
4 these units to counties, municipalities, State agencies, or private firms wishing to
5 convert them to other use. The Department of Correction may also consider converting
6 some of the units recommended for closing from one security custody level to another,
7 where that conversion would be cost-effective. A prison unit under lease to a county
8 pursuant to the provisions of this section for use as a jail is exempt for the period of the
9 lease from any of the minimum standards adopted by the Secretary of Health and
10 Human Services pursuant to G.S. 153A-221 for the housing of adult prisoners that
11 would subject the unit to greater standards than those required of a unit of the State
12 prison system.

13 Prior to any transfer or lease of these units, the Department of Correction
14 shall report on the terms of the proposed transfer or lease to the Joint Legislative
15 Commission on Governmental Operations and the Joint Legislative Corrections, Crime
16 Control, and Juvenile Justice Oversight Committee. The Department of Correction shall
17 also provide annual summary reports to the Joint Legislative Commission on
18 Governmental Operations and the Joint Legislative Corrections, Crime Control, and
19 Juvenile Justice Oversight Committee on the conversion of these units to other use and
20 on all leases or transfers entered into pursuant to this section.

21 22 **PART XIV. DEPARTMENT OF ADMINISTRATION**

23 24 **PETROLEUM OVERCHARGE FUNDS ALLOCATION**

25 **SECTION 65.1.** There is appropriated from funds and interest thereon
26 received from the case of United States v. Exxon that remain in the Special Reserve for
27 Oil Overcharge Funds to the Department of Administration the sum of one million
28 dollars (\$1,000,000) for the 2003-2004 fiscal year. Funds are to be used for the Energy
29 Efficient Affordable Housing Program. The Energy Efficient Affordable Housing
30 Program does not duplicate the current weatherization program administered by the
31 Department of Health and Human Services. Funds will be administered by the State
32 Energy Office within the Department of Administration.

33 **SECTION 65.2.** Any funds remaining in the Special Reserve for Oil
34 Overcharge Funds after the allocation is made pursuant to section 64.1 may be
35 expended only as authorized by the General Assembly. All interest or income accruing
36 from all deposits or investments of cash balances shall be credited to the Special
37 Reserve for Oil Overcharge Funds.

38 39 **PART XV. OFFICE OF THE STATE AUDITOR**

40 41 **SMART START AUDITS**

42 **SECTION 66.** G.S. 143B-168.14(b) reads as rewritten:

43 "(b) Each local partnership shall be subject to audit and review by the State
44 Auditor under Article 5A of Chapter 147 of the General Statutes. The State Auditor

1 shall conduct annual financial and compliance audits of ~~the local partnerships~~ that are
2 rated "needs improvement" in performance assessments authorized in G.S.
3 143B-168.12(a)(7). Local partnerships that are rated "superior" or "satisfactory" in
4 performance assessments authorized in G.S. 143B-168.12(a)(7) shall undergo biennial
5 financial and compliance audits by the State Auditor."
6

7 PART XVI. DEPARTMENT OF TRANSPORTATION

8

9 GLOBAL TRANSPARK AUTHORITY TO REIMBURSE HIGHWAY FUND 10 FROM FEDERAL SOURCES

11 SECTION 67. When funds are provided from the Highway Fund to the
12 Global TransPark Authority for environmental impact statements or assessments and the
13 Global TransPark Authority applies for and receives reimbursement for those expenses
14 from federal sources, up to one million eight hundred thousand dollars (\$1,800,000) of
15 the federal reimbursements shall be paid over by the Global TransPark Authority into
16 the Highway Fund within 30 days of receipt. These funds shall be allocated to
17 State-funded maintenance appropriations in the manner approved by the Board of
18 Transportation.
19

20 AIRCRAFT AND FERRY ACQUISITIONS

21 SECTION 68. Before approving the purchase of an aircraft from the
22 Equipment Fund or a ferry in a Transportation Improvement Program, the Board of
23 Transportation shall prepare an estimate of the operational costs and capital costs
24 associated with the addition of the aircraft or ferry and shall report those additional costs
25 to the General Assembly pursuant to G.S. 136-12(b), and to the Joint Legislative
26 Commission on Governmental Operations.
27

28 HIGHWAY FUND ALLOCATIONS BY CONTROLLER

29 SECTION 69. The Controller of the Department of Transportation shall
30 allocate at the beginning of each fiscal year from the various appropriations made to the
31 Department of Transportation in this act, Titles:

32 State Construction

33 State Funds to Match Federal Highway Aid

34 State Maintenance

35 Ferry Operations,

36 sufficient funds to eliminate all overdrafts on State maintenance and construction
37 projects, and these allocations may not be diverted to other purposes.
38

39 CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND 40 APPROPRIATIONS

41 SECTION 70.1. The General Assembly authorizes and certifies anticipated
42 revenues of the Highway Fund as follows:

43 For Fiscal Year 2005-06

\$1,409.2 Million

44 For Fiscal Year 2006-07

\$1,458.9 Million

1 For Fiscal Year 2007-08 \$1,509.4 Million
2 For Fiscal Year 2008-09 \$1,558.8 Million

3 **SECTION 70.2.** The General Assembly authorizes and certifies anticipated
4 revenues of the Highway Trust Fund as follows:

5 For Fiscal Year 2005-06 \$1,096.3 Million
6 For Fiscal Year 2006-07 \$1,148.0 Million
7 For Fiscal Year 2007-08 \$1,202.6 Million
8 For Fiscal Year 2008-09 \$1,252.4 Million

9

10 **HIGHWAY FUND LIMITATIONS ON OVER-EXPENDITURES**

11 **SECTION 71.1.** Over-expenditures from Section 4 of this act may be made
12 by authorization of the Director of the Budget, Titles:

13 State Construction Primary Construction
14 State Construction Urban Construction
15 Spot Safety Construction
16 State Construction Access and Public Service Roads
17 State Funds to Match Federal Highway Aid
18 State Maintenance
19 Ferry Operations,

20 provided that there are corresponding under-expenditures from these same Titles.
21 Over-expenditures or under-expenditures in any Titles may not vary by more than ten
22 percent (10%) without prior consultation with the Advisory Budget Commission.
23 Written reports covering over-expenditures or under-expenditures of more than ten
24 percent (10%) shall be made to the Joint Legislative Oversight Committee. The reports
25 shall be delivered to the Director of the Fiscal Research Division not less than 96 hours
26 prior to the beginning of the Commission's full meeting.

27 **SECTION 71.2.** Over-expenditures from Section 4 of this act, Titles:

28 State Construction Primary Construction
29 State Construction Urban Construction
30 Spot Safety Construction
31 State Construction Access and Public Service Roads
32 State Funds to Match Federal Highway Aid
33 State Maintenance
34 Ferry Operations,

35 for the purpose of providing additional positions, shall be approved by the Director of
36 the Budget and shall be reported on a quarterly basis to the Joint Legislative Highway
37 Oversight Committee and to the Fiscal Research Division.

38

39 **HIGHWAY FUND ADJUSTMENTS TO REFLECT ACTUAL REVENUE**

40 **SECTION 72.** Any unreserved credit balance in the Highway Fund on June
41 30 of each of the fiscal years of this biennium shall support appropriations in the
42 succeeding fiscal year. If all of the balance is not needed for these appropriations, the
43 Director of the Budget may use the remaining excess to establish a reserve for access
44 and public roads, a reserve for unforeseen happening of a state of affairs requiring

1 prompt action as provided by G.S. 136-44.2, and other required reserves. If all of the
2 remaining excess is not used to establish these reserves, the remainder shall be allocated
3 to the State-funded maintenance appropriations in the manner approved by the Board of
4 Transportation. The Board of Transportation shall report monthly to the Joint
5 Legislative Highway Oversight Committee and the Fiscal Research Division about the
6 use of the reserve for highway and maintenance.

7
8 **DEPARTMENT OF TRANSPORTATION EXEMPTION FROM GENERAL**
9 **STATUTES FOR EXPERIMENTAL PROJECT-CONGESTION**
10 **MANAGEMENT**

11 **SECTION 73.** The Department of Transportation may enter into a
12 design-build-warrant contract to develop, with Federal Highway Administration
13 participation under The 1991 Intermodal Surface Transportation Efficiency Act, Title
14 VI, Part B, Sections 6051-6059, a “Congestion Avoidance and Reduction for Autos and
15 Trucks (CARAT)” system of traffic management for the greater Charlotte-Mecklenburg
16 urban areas. Notwithstanding any other provision of law, contractors, contractors’
17 employees, and Department of Transportation employees involved only in this project
18 do not have to be licensed by occupational licensing boards as “license” and
19 “occupational licensing board” as these terms are defined in G.S. 93B-1. For the
20 purpose of entering into contracts, the Department of Transportation is exempted from
21 the provisions of the following General Statutes: G.S. 136-28.1, 143-52, 143-53,
22 143-58, 143-128, and 143-129. These statutory exemptions are limited and available
23 only to the extent necessary to comply with federal rules, regulations, and policies for
24 completion of this project.

25 The Department of Transportation shall report quarterly to the Joint
26 Legislative Highway Oversight Committee on its efforts to enter into a
27 design-build-warrant contract and to award and construct the project. The report shall
28 include, but not be limited to, the number of types of firms bidding on the project,
29 special qualifications of the firms bidding, and the effect statutory exemptions might
30 have had on the award and construction of the project and the receipt of federal
31 discretionary funding for the project.

32
33 **ALLOCATION OF FUNDS FOR DRIVER TRAINING**

34 **SECTION 74.** In allocating funds for driver training, the State Board of
35 Education shall consider the needs of small and low-wealth local school administrative
36 units.

37 **INCREASE IN TRANSFER AMOUNT FROM HIGHWAY TRUST FUND TO**
38 **GENERAL FUND**

39 **SECTION 75.** Pursuant to G.S. 105-187.9 Highway Use Taxes collected at
40 the rate of three percent (3%) of motor vehicle sales shall be credited to the North
41 Carolina Highway Trust Fund. An inflationary amount of eighty million dollars
42 (\$80,000,000) shall be added to the transfer amount for Fiscal Year 2004-2005 of one
43 hundred fifty one million seven hundred seventy four thousand three hundred and thirty
44 dollars (\$151,774,330) making the total transfer for Fiscal Year 2004-2005 to be two

1 hundred thirty one million seven hundred seventy four thousand three hundred and
2 thirty dollars (\$231,774,330).

3 The increase of eighty million dollars (\$80,000,000) in the transfer represents
4 an inflationary factor that is applied to bring the initial amount established in 1989 to
5 today's value and shall be continued each year hereafter until revised by legislation.

6 7 **DMV/PROOF OF RESIDENCY**

8 **SECTION 76.** If any person has prior to January 1, 2002, been issued an
9 identification card, learners permit, or drivers license by the Division of Motor Vehicles
10 without providing that person's valid social security number, the Commissioner may not
11 renew or accept an address change to that identification card, learners permit, or drivers
12 license without the proof of that person's valid social security number or valid
13 Individual Taxpayer Identification Number required for original issuance.

14 15 **DIVISION 3 HEADQUARTERS COMPLEX FUNDS**

16 **SECTION 77.** The requirement in Section 27.14 of S.L. 1999-237 that the
17 Highway Fund reimburse the Highway Trust Fund by June 30, 2004, for the capital
18 costs required to relocate the Division 3 headquarters complex in Wilmington, North
19 Carolina, is rescinded.

20 21 **ASPHALT PAVEMENT RECYCLING**

22 **SECTION 78.** The Department of Transportation as part of its resurfacing
23 programs, shall recycle pavement surfaces, where feasible, based on engineering and
24 economic analyses. On projects where hot in-place recycling is determined to be a
25 viable option, the Department shall use an alternate bid process.

26 27 **DEPARTMENT OF TRANSPORTATION PRODUCTIVITY PILOT 28 PROGRAMS**

29 **SECTION 79.** The Department of Transportation may establish two pilot
30 programs to test incentive pay for employees as a means for increasing efficiency and
31 productivity. One of the pilot programs shall involve the highway resurfacing program
32 using road oil. Up to one-fourth of one percent (0.25%) of the budget allocation for this
33 program may be used to provide employee incentive payments.

34 The other pilot project may be selected by the Department of Transportation,
35 and up to twenty-five thousand dollars (\$25,000) may be used from existing budgets for
36 incentives.

37 Incentive payments shall be based on quantifiable measures and production
38 schedules determined prior to the implementation of the pilot programs that shall last no
39 more than two years.

40 The Department of Transportation shall report to the Joint Legislative
41 Transportation Oversight Committee on the pilot programs at least 30 days prior to their
42 implementation.

43 44 **DEPARTMENT OF TRANSPORTATION CASH FLOW MANAGEMENT**

1 **SECTION 80.** The Department of Transportation is directed to reorganize
2 its cash management procedures consistent with the March 2001 Joint Legislative
3 Transportation Oversight Committee Cash Management Study final report.

4 The Department is directed to:

- 5 (1) Utilize cash flow financing to the maximum extent possible to fund
6 highway construction projects with the goal of reducing the combined
7 average daily cash balance of the Highway Trust Fund and the
8 Highway Fund to an amount equal to twelve percent (12%) of
9 combined estimate of the yearly receipts of the Funds, exclusive of
10 municipal aid funds.
- 11 (2) Establish necessary management controls to facilitate use of cash flow
12 financing, such as establishment of a financial planning committee,
13 development of a monthly financial report, establishment of
14 appropriate fund cash level targets, review of revenue forecasting
15 procedures, and reduction of accrued unbilled costs.
- 16 (3) Strengthen the project delivery process by reorganization of
17 preconstruction functions in order to expedite project delivery and
18 maximize use of cash flow financing of projects. The Department shall
19 designate one person responsible for project delivery, developing
20 project delivery reports, and continually assessing which projects can
21 be accelerated using cash flow financing.
- 22 (4) Report quarterly to the Joint Legislative Transportation Oversight
23 Committee on its efforts to reorganize the cash management and
24 project delivery process and the results of those efforts.
- 25

26 **STATE TIRE RETREADING CONTRACT**

27 **SECTION 81.** The Purchase and Contract Division of the Department of
28 Administration shall take steps to insure that the bid process for the State contract for
29 tire retreading is fair and open and that it complies with State purchasing laws.

30 Before soliciting bids, the Purchase and Contract Division shall:

- 31 (1) Research technologies for tire retreading and tire retread testing to
32 determine which technologies are most consistent with State needs and
33 safety requirements.
- 34 (2) Circulate proposed specifications for the retread tire contract to tire
35 retread vendors, tire retreading industry associations, and State users of
36 retread tires.
- 37 (3) Solicit comments and feedback from the entities listed in subdivision
38 (2) of this section.
- 39 (4) Provide a copy of the final specifications for the retread tire contract to
40 the Joint Legislative Transportation Oversight Committee at least six
41 weeks prior to soliciting bids.

42 **STATE HIGHWAY PATROL TO REPORT TO LEGISLATIVE OVERSIGHT** 43 **COMMITTEES ON BUDGETARY MATTERS**

1 **SECTION 82.** The State Highway Patrol shall report to the Joint Legislative
2 Transportation Oversight Committee and to the Joint Legislative Corrections, Crime
3 Control, and Juvenile Justice Oversight Committee on its revenues, expenditures, and
4 other budget related matters. These financial reports shall be made in writing to the
5 co-chairs of the oversight committees and to the Fiscal Research Division by November
6 15, February 15, May 15, and August 15 of each year to be taken up, if necessary, at the
7 next meetings of the oversight committees following those dates.

8
9 **LEGISLATIVE RESEARCH COMMISSION TO STUDY NONBETTERMENT**
10 **UTILITY RELOCATION COSTS IN HIGHWAY**
11 **CONSTRUCTION**

12 **SECTION 83.** The Legislative Research Commission may study the issue of
13 nonbetterment utility relocation costs. As a part of its study, the LRC shall consider all
14 of the following:

- 15 (1) The current statutory procedure for allocation of relocation costs,
16 found in G.S. 136-27.1.
17 (2) The current population ceiling of 5,500 for municipalities to receive
18 utility relocation assistance from the Department of Transportation,
19 and the appropriateness of this ceiling.
20 (3) The history of exceptions to the general policy on the nonpayment by
21 the Department of Transportation for nonbetterment utility relocation
22 costs and the rationales for these exceptions.
23 (4) The development of a rational and equitable policy for the payment for
24 nonbetterment utility relocation costs.
25 (5) Any other issue related to nonbetterment utility relocation costs.

26
27 **RAIL DIVISION FUNDS FOR RAILROAD BRIDGE REPLACEMENT**
28 **PROJECT PLANNING AND PRELIMINARY ENGINEERING**

29 **SECTION 84.** Of funds appropriated to the Department of Transportation
30 Rail Division, up to eight hundred thousand dollars (\$800,000) shall be used for
31 planning and preliminary engineering of the Neuse Railroad Bridge east of Kinston
32 replacement project and the Highway 54 Railroad bridge in Research Triangle Park
33 replacement project.

34
35 **PART XVII. PUBLIC EDUCATION**

36
37 **TEACHER SALARY SCHEDULES**

38 **SECTION 85.1.** Effective for the 2003-2004 school year, the Director of the
39 Budget shall transfer from the Reserve for Experience Step Salary Increase for Teachers
40 and Principals in Public Schools for the 2003-2004 fiscal year funds necessary to
41 implement the teacher salary schedule set out in section 84.2, including funds for the
42 employer's retirement and social security contributions and funds for annual longevity
43 payments at one and one-half percent (1.5%) of base salary for 10 to 14 years of State
44 service, two and twenty-five hundredths percent (2.25%) of base salary for 15 to 19

1 years of State service, three and twenty-five hundredths percent (3.25%) of base salary
 2 for 20 to 24 years of State service, and four and one-half percent (4.5%) of base salary
 3 for 25 or more years of State service, commencing July 1, 2003, for all teachers whose
 4 salaries are supported from the State's General Fund. These funds shall be allocated to
 5 individuals according to rules adopted by the State Board of Education. The longevity
 6 payment shall be paid in a lump sum once a year.

7 **SECTION 85.2.** For the 2003-2004 school year, the following monthly
 8 salary schedules shall apply to certified personnel of the public schools who are
 9 classified as teachers. The schedule contains 30 steps with each step corresponding to
 10 one year of teaching experience.

11 2003-2004 MONTHLY SALARY SCHEDULE

12 "A" TEACHERS

13	Years of	"A"	NBPTS
14	Experience	Teachers	Certification
15	0	\$2,525	N/A
16	1	\$2,567	N/A
17	2	\$2,611	N/A
18	3	\$2,764	\$3,096
19	4	\$2,904	\$3,252
20	5	\$3,036	\$3,400
21	6	\$3,164	\$3,544
22	7	\$3,266	\$3,658
23	8	\$3,314	\$3,712
24	9	\$3,362	\$3,765
25	10	\$3,412	\$3,821
26	11	\$3,461	\$3,876
27	12	\$3,511	\$3,932
28	13	\$3,561	\$3,988
29	14	\$3,614	\$4,048
30	15	\$3,667	\$4,107
31	16	\$3,722	\$4,169
32	17	\$3,777	\$4,230
33	18	\$3,834	\$4,294
34	19	\$3,892	\$4,359
35	20	\$3,950	\$4,424
36	21	\$4,011	\$4,492
37	22	\$4,072	\$4,561
38	23	\$4,136	\$4,632
39	24	\$4,200	\$4,704
40	25	\$4,264	\$4,776
41	26	\$4,330	\$4,850
42	27	\$4,398	\$4,926
43	28	\$4,467	\$5,003
44	29	\$4,538	\$5,083

1	30+	\$4,538	\$5,083
2			
3	2003-2004 MONTHLY SALARY SCHEDULE		
4	"M" TEACHERS		
5	Years of	"M"	NBPTS
6	Experience	Teachers	Certification
7	0	\$2,778	N/A
8	1	\$2,824	N/A
9	2	\$2,872	N/A
10	3	\$3,040	\$3,405
11	4	\$3,194	\$3,577
12	5	\$3,340	\$3,741
13	6	\$3,480	\$3,898
14	7	\$3,593	\$4,024
15	8	\$3,645	\$4,082
16	9	\$3,698	\$4,142
17	10	\$3,753	\$4,203
18	11	\$3,807	\$4,264
19	12	\$3,862	\$4,325
20	13	\$3,917	\$4,387
21	14	\$3,975	\$4,452
22	15	\$4,034	\$4,518
23	16	\$4,094	\$4,585
24	17	\$4,155	\$4,654
25	18	\$4,217	\$4,723
26	19	\$4,281	\$4,795
27	20	\$4,345	\$4,866
28	21	\$4,412	\$4,941
29	22	\$4,479	\$5,016
30	23	\$4,550	\$5,096
31	24	\$4,620	\$5,174
32	25	\$4,690	\$5,253
33	26	\$4,763	\$5,335
34	27	\$4,838	\$5,419
35	28	\$4,914	\$5,504
36	29	\$4,992	\$5,591
37	30+	\$4,992	\$5,591

38 **SECTION 85.3.** Certified public school teachers with certification based on
39 academic preparation at the six-year degree level shall receive a salary supplement of
40 one hundred twenty-six dollars (\$126.00) per month in addition to the compensation
41 provided for certified personnel of the public schools who are classified as "M"
42 teachers. Certified public school teachers with certification based on academic
43 preparation at the doctoral degree level shall receive a salary supplement of two
44 hundred fifty-three dollars (\$253.00) per month in addition to the compensation

1 provided for certified personnel of the public schools who are classified as "M"
2 teachers.

3 **SECTION 85.4.** Effective for the 2003-2004 school year, the first step of the
4 salary schedule for school psychologists shall be equivalent to Step 5, corresponding to
5 five years of experience, on the salary schedule established in this section for certified
6 personnel of the public schools who are classified as "M" teachers. Certified
7 psychologists shall be placed on the salary schedule at an appropriate step based on their
8 years of experience. Certified psychologists shall receive longevity payments based on
9 years of State service in the same manner as teachers.

10 Certified psychologists with certification based on academic preparation at
11 the six-year degree level shall receive a salary supplement of one hundred twenty-six
12 dollars (\$126.00) per month in addition to the compensation provided for certified
13 psychologists. Certified psychologists with certification based on academic preparation
14 at the doctoral degree level shall receive a salary supplement of two hundred fifty-three
15 dollars (\$253.00) per month in addition to the compensation provided for certified
16 psychologists.

17 **SECTION 85.5.** Effective for the 2003-2004 school year, speech
18 pathologists who are certified as speech pathologists at the masters degree level and
19 audiologists who are certified as audiologists at the masters degree level and who are
20 employed in the public schools as speech and language specialists and audiologists shall
21 be paid on the school psychologist salary schedule.

22 Speech pathologists and audiologists with certification based on academic
23 preparation at the six-year degree level shall receive a salary supplement of one hundred
24 twenty-six dollars (\$126.00) per month in addition to the compensation provided for
25 speech pathologists and audiologists. Speech pathologists and audiologists with
26 certification based on academic preparation at the doctoral degree level shall receive a
27 salary supplement of two hundred fifty-three dollars (\$253.00) per month in addition to
28 the compensation provided for speech pathologists and audiologists.

29 **SECTION 85.6.** Certified school nurses who are employed in the public
30 schools as nurses shall be paid on the "M" salary schedule.

31 **SECTION 85.7.** As used in this section, the term "teacher" shall also include
32 instructional support personnel.
33

34 **SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE**

35 **SECTION 86.1.** Effective for the 2003-2004 school year, the Director of the
36 Budget shall transfer from Reserve for Experience Step Salary Increase for Teachers
37 and Principals in Public Schools for the 2003-2004 fiscal year funds necessary to
38 implement the salary schedule for school-based administrators as provided in this
39 section. These funds shall be used for State-paid employees only.

40 **SECTION 86.2.** The base salary schedule for school-based administrators
41 shall apply only to principals and assistant principals. The base salary schedule for the
42 2003-2004 fiscal year, commencing July 1, 2003, is as follows:

43 2003-2004

44 **PRINCIPAL AND ASSISTANT PRINCIPAL SALARY SCHEDULES**

CLASSIFICATION						
	Yrs of Exp	Assistant Principal	Prin I (0-10)	Prin II (11-21)	Prin III (22-32)	Prin IV (33-43)
1						
2						
3						
4						
5						
6	0-4	\$3,226	-	-	-	-
7	5	\$3,373	-	-	-	-
8	6	\$3,515	-	-	-	-
9	7	\$3,629	-	-	-	-
10	8	\$3,681	\$3,681	-	-	-
11	9	\$3,735	\$3,735	-	-	-
12	10	\$3,791	\$3,791	\$3,845	-	-
13	11	\$3,845	\$3,845	\$3,901	-	-
14	12	\$3,901	\$3,901	\$3,956	\$4,015	-
15	13	\$3,956	\$3,956	\$4,015	\$4,074	\$4,135
16	14	\$4,015	\$4,015	\$4,074	\$4,135	\$4,197
17	15	\$4,074	\$4,074	\$4,135	\$4,197	\$4,259
18	16	\$4,135	\$4,135	\$4,197	\$4,259	\$4,324
19	17	\$4,197	\$4,197	\$4,259	\$4,324	\$4,388
20	18	\$4,259	\$4,259	\$4,324	\$4,388	\$4,456
21	19	\$4,324	\$4,324	\$4,388	\$4,456	\$4,524
22	20	\$4,388	\$4,388	\$4,456	\$4,524	\$4,596
23	21	\$4,456	\$4,456	\$4,524	\$4,596	\$4,666
24	22	\$4,524	\$4,524	\$4,596	\$4,666	\$4,737
25	23	\$4,596	\$4,596	\$4,666	\$4,737	\$4,811
26	24	\$4,666	\$4,666	\$4,737	\$4,811	\$4,886
27	25	\$4,737	\$4,737	\$4,811	\$4,886	\$4,963
28	26	\$4,811	\$4,811	\$4,886	\$4,963	\$5,042
29	27	\$4,886	\$4,886	\$4,963	\$5,042	\$5,143
30	28	\$4,963	\$4,963	\$5,042	\$5,143	\$5,246
31	29	\$5,042	\$5,042	\$5,143	\$5,246	\$5,351
32	30	\$5,143	\$5,143	\$5,246	\$5,351	\$5,458
33	31	\$5,246	\$5,246	\$5,351	\$5,458	\$5,567
34	32	-	\$5,351	\$5,458	\$5,567	\$5,678
35	33	-	-	\$5,567	\$5,678	\$5,792
36	34	-	-	\$5,678	\$5,792	\$5,908
37	35	-	-	-	\$5,908	\$6,026
38	36	-	-	-	\$6,026	\$6,147
39	37	-	-	-	-	\$6,270

2003-2004

PRINCIPAL AND ASSISTANT PRINCIPAL SALARY SCHEDULES

CLASSIFICATION

Yrs of	Prin V	Prin VI	Prin VII	Prin VIII
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1	Exp	(44-54)	(55-65)	(66-100)	(101+)
2	14	\$4,259	-	-	-
3	15	\$4,324	-	-	-
4	16	\$4,388	\$4,456	-	-
5	17	\$4,456	\$4,524	\$4,666	-
6	18	\$4,524	\$4,596	\$4,737	\$4,811
7	19	\$4,596	\$4,666	\$4,811	\$4,886
8	20	\$4,666	\$4,737	\$4,886	\$4,963
9	21	\$4,737	\$4,811	\$4,963	\$5,042
10	22	\$4,811	\$4,886	\$5,042	\$5,143
11	23	\$4,886	\$4,963	\$5,143	\$5,246
12	24	\$4,963	\$5,042	\$5,246	\$5,351
13	25	\$5,042	\$5,143	\$5,351	\$5,458
14	26	\$5,143	\$5,246	\$5,458	\$5,567
15	27	\$5,246	\$5,351	\$5,567	\$5,678
16	28	\$5,351	\$5,458	\$5,678	\$5,792
17	29	\$5,458	\$5,567	\$5,792	\$5,908
18	30	\$5,567	\$5,678	\$5,908	\$6,026
19	31	\$5,678	\$5,792	\$6,026	\$6,147
20	32	\$5,792	\$5,908	\$6,147	\$6,270
21	33	\$5,908	\$6,026	\$6,270	\$6,395
22	34	\$6,026	\$6,147	\$6,395	\$6,523
23	35	\$6,147	\$6,270	\$6,523	\$6,653
24	36	\$6,270	\$6,395	\$6,653	\$6,786
25	37	\$6,395	\$6,523	\$6,786	\$6,922
26	38	\$6,523	\$6,653	\$6,922	\$7,060
27	39	-	\$6,786	\$7,060	\$7,201
28	40	-	\$6,922	\$7,201	\$7,345
29	41	-	-	\$7,345	\$7,492

SECTION 86.3. The appropriate classification for placement of principals and assistant principals on the salary schedule, except for principals in alternative schools, shall be determined in accordance with the following schedule:

	<u>Classification</u>	<u>Number of Teachers Supervised</u>
34	Assistant Principal	
35	Principal I	Fewer than 11 Teachers
36	Principal II	11-21 Teachers
37	Principal III	22-32 Teachers
38	Principal IV	33-43 Teachers
39	Principal V	44-54 Teachers
40	Principal VI	55-65 Teachers
41	Principal VII	66-100 Teachers
42	Principal VIII	More than 100 Teachers

1 The number of teachers supervised includes teachers and assistant principals
2 paid from State funds only; it does not include teachers or assistant principals paid from
3 non-State funds or the principal or teacher assistants.

4 The beginning classification for principals in alternative schools shall be the
5 Principal III level. Principals in alternative schools who supervise 33 or more teachers
6 shall be classified according to the number of teachers supervised.

7 **SECTION 86.4.** A principal shall be placed on the step on the salary
8 schedule that reflects total number of years of experience as a certificated employee of
9 the public schools and an additional step for every three years of experience as a
10 principal. A principal or assistant principal shall also continue to receive any additional
11 State-funded percentage increases earned for the 1997-1998, 1998-1999, and the
12 1999-2000 school years for improvement in student performance or maintaining a safe
13 and orderly school.

14 **SECTION 86.5.** Principals and assistant principals with certification based
15 on academic preparation at the six-year degree level shall be paid a salary supplement of
16 one hundred twenty-six dollars (\$126.00) per month and at the doctoral degree level
17 shall be paid a salary supplement of two hundred fifty-three dollars (\$253.00) per
18 month.

19 **SECTION 86.6.** There shall be no State requirement that superintendents in
20 each local school unit shall receive in State-paid salary at least one percent (1%) more
21 than the highest paid principal receives in State salary in that school unit: Provided,
22 however, the additional State-paid salary a superintendent who was employed by a local
23 school administrative unit for the 1992-1993 fiscal year received because of that
24 requirement shall not be reduced because of this subsection for subsequent fiscal years
25 that the superintendent is employed by that local school administrative unit so long as
26 the superintendent is entitled to at least that amount of additional State-paid salary under
27 the rules in effect for the 1992-1993 fiscal year.

28 **SECTION 86.7.** Longevity pay for principals and assistant principals shall
29 be as provided for State employees under the State Personnel Act.

30 **SECTION 86.8.**

31 (1) If a principal is reassigned to a higher job classification because the
32 principal is transferred to a school within a local school administrative
33 unit with a larger number of State-allotted teachers, the principal shall
34 be placed on the salary schedule as if the principal had served the
35 principal's entire career as a principal at the higher job classification.

36 (2) If a principal is reassigned to a lower job classification because the
37 principal is transferred to a school within a local school administrative
38 unit with a smaller number of State-allotted teachers, the principal
39 shall be placed on the salary schedule as if the principal had served the
40 principal's entire career as a principal at the lower job classification.

41 This subsection applies to all transfers on or after the effective date of this
42 section, except transfers in school systems that have been created, or will be created, by
43 merging two or more school systems. Transfers in these merged systems are exempt

1 from the provisions of this subsection for one calendar year following the date of the
2 merger.

3 **SECTION 86.9.** Participants in an approved full-time Masters in School
4 Administration program shall receive up to a 10-month stipend at the beginning salary
5 of an assistant principal during the internship period of the masters program.
6 Certification of eligible full-time interns shall be supplied to the Department of Public
7 Instruction by the Principal Fellows Program or a school of education where the intern
8 participates in a full-time Masters in School Administration.

9 **SECTION 86.10.** During the 2003-2004 fiscal year, the placement on the
10 salary schedule of an administrator with a one-year provisional assistant principal's
11 certificate shall be at the entry-level salary for an assistant principal or the appropriate
12 step on the teacher salary schedule, whichever is higher.

13 14 CENTRAL OFFICE SALARIES

15 **SECTION 87.1.** The monthly salary ranges that follow apply to assistant
16 superintendents, associate superintendents, directors/coordinators, supervisors, and
17 finance officers for the 2003-2004 fiscal year, beginning July 1, 2003. The top of these
18 ranges shall be increased by one and sixth-tenths percent (1.6%) annually for full-time
19 employees.

20	School Administrator I	\$2,932	\$5,266
21	School Administrator II	\$3,112	\$5,586
22	School Administrator III	\$3,303	\$5,925
23	School Administrator IV	\$3,436	\$6,162
24	School Administrator V	\$3,574	\$6,410
25	School Administrator VI	\$3,792	\$6,799
26	School Administrator VII	\$3,945	\$7,072

27 The local board of education shall determine the appropriate category and
28 placement for each assistant superintendent, associate superintendent,
29 director/coordinator, supervisor, or finance officer within the salary ranges and within
30 funds appropriated by the General Assembly for central office administrators and
31 superintendents. The category in which an employee is placed shall be included in the
32 contract of any employee hired on or after July 1, 2003.

33 **SECTION 87.2.** The monthly salary ranges that follow apply to public
34 school superintendents for the 2003-2004 fiscal year, beginning July 1, 2003. The top
35 of these ranges shall be increased by one and sixth-tenths percent (1.6%) annually for
36 full-time employees.

37	Superintendent I	\$4,187	\$7,503
38	Superintendent II	\$4,445	\$7,956
39	Superintendent III	\$4,716	\$8,441
40	Superintendent IV	\$5,005	\$8,953
41	Superintendent V	\$5,312	\$9,499

42 The local board of education shall determine the appropriate category and
43 placement for the superintendent based on the average daily membership of the local

1 school administrative unit and within funds appropriated by the General Assembly for
2 central office administrators and superintendents.

3 Notwithstanding the provisions of this subsection, a local board of education
4 may pay an amount in excess of the applicable range to a superintendent who is entitled
5 to receive the higher amount under Section 85.6 of this act.

6 **SECTION 87.3.** Longevity pay for superintendents, assistant
7 superintendents, associate superintendents, directors/coordinators, supervisors, and
8 finance officers shall be as provided for State employees under the State Personnel Act.

9 **SECTION 87.4.** Superintendents, assistant superintendents, associate
10 superintendents, directors/coordinators, supervisors, and finance officers with
11 certification based on academic preparation at the six-year degree level shall receive a
12 salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to
13 the compensation provided pursuant to this section. Superintendents, assistant
14 superintendents, associate superintendents, directors/coordinators, supervisors, and
15 finance officers with certification based on academic preparation at the doctoral degree
16 level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per
17 month in addition to the compensation provided for under this section.

18 **SECTION 87.5.** The State Board of Education shall not permit local school
19 administrative units to transfer State funds from other funding categories for salaries for
20 public school central office administrators.

21 **SECTION 87.6.** The Director of the Budget shall transfer from the Reserve
22 for Compensation Increases created in this act for fiscal year 2003-2004, beginning July
23 1, 2003, funds necessary to provide an average annual salary increase of one and
24 six-tenths percent (1.6%), including funds for the employer's retirement and social
25 security contributions, commencing July 1, 2003, for all permanent full-time personnel
26 paid from the Central Office Allotment. The State Board of Education shall allocate
27 these funds to local school administrative units. The local boards of education shall
28 establish guidelines for providing their salary increases to these personnel.

29 30 **NON-CERTIFIED PERSONNEL**

31 **SECTION 88.1.** The Director of the Budget shall transfer from the Reserve
32 for Compensation Increases created in this act for fiscal year 2003-2004, commencing
33 July 1, 2003, funds necessary to provide a salary increase of one and six-tenths percent
34 (1.6%) including funds for the employer's retirement and social security contribution,
35 commencing July 1, 2003, for all non-certified public school employees whose salaries
36 are supported from the State's General Fund.

37 **SECTION 88.2.** Local boards of education shall increase the rates of pay for
38 all such employees who were employed for all or part of fiscal year 2002-2003 and who
39 continue their employment for fiscal year 2003-2004 by at least one and six-tenths
40 percent (1.6 %), commencing July 1, 2003. For part-time employees, the pay increase
41 shall be pro rata based on the number of hours worked.

42 **SECTION 88.3.** These funds shall not be used for any purpose other than for
43 the salary increases and necessary employer contributions provided by this section.

1 **SECTION 88.4.** The State Board of Education may adopt salary ranges for
2 non-certified personnel to support increases of one and six-tenths percent (1.6%) for the
3 2003-2004 school year.

4
5 **RESERVE FOR EXPERIENCE STEP INCREASE FOR TEACHERS AND**

6
7 **PRINCIPALS IN PUBLIC SCHOOLS**

8 **SECTION 89.1.** Funds in the Reserve for Experience Step Increase for
9 Teachers and Principals in Public Schools shall be used for experience step increases for
10 employees of schools operated by a local board of education, the Department of Health
11 and Human Services, the Department of Correction, or the Department of Juvenile
12 Justice and Delinquency Prevention, who are paid on the teacher salary schedule or the
13 principal and assistant principal salary schedule.

14 **SECTION 89.2.** Effective July 1, 2003, any permanent certified personnel
15 employed on July 1, 2003, and paid on the teacher salary schedule with 29+ years of
16 experience shall receive a one-time bonus equivalent to the average increase of the 26 to
17 29 year steps. Effective July 1, 2003, any permanent personnel employed on July 1,
18 2003, and paid at the top of the principal and assistant principal salary schedule shall
19 receive a one-time bonus equivalent to two percent (2%). For permanent part-time
20 personnel, the one-time bonus shall be adjusted pro rata. Personnel defined under G.S.
21 115C-325(a)(5a) are not eligible to receive the bonus.

22 **SECTION 89.3.** The Director of the Budget shall transfer to the Board of
23 Governors of The University of North Carolina sufficient funds from the Reserve for
24 Experience Step Increase for Teachers and Principals in Public Schools to provide an
25 annual average salary increase of one and eighty-one hundredths percent (1.81%),
26 including funds for the employer's retirement and social security contributions,
27 commencing July 1, 2003, for all teaching employees of the North Carolina School of
28 Science and Mathematics, supported by State funds and whose salaries are Exempt from
29 the State Personnel Act (EPA). These funds shall be allocated to individuals according
30 to the rules adopted by the Board of Trustees of the North Carolina School of Science
31 and Mathematics and may not be used for any purpose other than for salary increases
32 and necessary employer contributions provided by this section.

33
34 **SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES**

35 **SECTION 90.1.** Funds for Supplemental Funding. – The Governor finds
36 that it is appropriate to provide supplemental funds in low-wealth counties to allow
37 those counties to enhance the instructional program and student achievement.
38 Therefore, funds are appropriated to State Aid to Local School Administrative Units for
39 the 2003-2004 fiscal year and the 2004-2005 fiscal year to be used for supplemental
40 funds for the schools.

41 **SECTION 90.2.** Use of Funds for Supplemental Funding. – All funds
42 received pursuant to this section shall be used only: (i) to provide instructional
43 positions, instructional support positions, teacher assistant positions, clerical positions,
44 school computer technicians, instructional supplies and equipment, staff development,

1 and textbooks; (ii) for salary supplements for instructional personnel and instructional
2 support personnel; and (iii) to pay an amount not to exceed ten thousand dollars
3 (\$10,000) of the plant operation contract cost charged by the Department of Public
4 Instruction for services.

5 Local boards of education are encouraged to use at least twenty-five percent
6 (25%) of the funds received pursuant to this section to improve the academic
7 performance of children who are performing at Level I or II on either reading or
8 mathematics end-of-grade tests in grades 3-8 and children who are performing at Level
9 I or II on the writing tests in grades 4 and 7. Local boards of education shall report to
10 the State Board of Education on an annual basis on funds used for this purpose, and the
11 State Board shall report this information to the Joint Legislative Education Oversight
12 Committee. These reports shall specify how these funds were targeted and used to
13 implement specific improvement strategies of each local school administrative unit and
14 its schools, such as teacher recruitment, closing the achievement gap, improving student
15 accountability, addressing the needs of at-risk students, and establishing and
16 maintaining safe schools.

17 **SECTION 90.3.** Definitions. – As used in this section:

- 18 (1) "Anticipated county property tax revenue availability" means the
19 county-adjusted property tax base multiplied by the effective State
20 average tax rate.
- 21 (2) "Anticipated total county revenue availability" means the sum of the:
22 a. Anticipated county property tax revenue availability,
23 b. Local sales and use taxes received by the county that are levied
24 under Chapter 1096 of the 1967 Session Laws or under
25 Subchapter VIII of Chapter 105 of the General Statutes,
26 c. Food stamp exemption reimbursement received by the county
27 under G.S. 105-164.44C,
28 d. Homestead exemption reimbursement received by the county
29 under G.S. 105-277.1A,
30 e. Inventory tax reimbursement received by the county under G.S.
31 105-275.1 and G.S. 105-277.001,
32 f. Intangibles tax distribution and reimbursement received by the
33 county under G.S. 105-275.2, and
34 g. Fines and forfeitures deposited in the county school fund for the
35 most recent year for which data are available.
- 36 (3) "Anticipated total county revenue availability per student" means the
37 anticipated total county revenue availability for the county divided by
38 the average daily membership of the county.
- 39 (4) "Anticipated State average revenue availability per student" means the
40 sum of all anticipated total county revenue availability divided by the
41 average daily membership for the State.
- 42 (5) "Average daily membership" means average daily membership as
43 defined in the North Carolina Public Schools Allotment Policy
44 Manual, adopted by the State Board of Education. If a county contains

1 only part of a local school administrative unit, the average daily
2 membership of that county includes all students who reside within the
3 county and attend that local school administrative unit.

4 (6) "County-adjusted property tax base" shall be computed as follows:

5 a. Subtract the present-use value of agricultural land, horticultural
6 land, and forestland in the county, as defined in G.S. 105-277.2,
7 from the total assessed real property valuation of the county,

8 b. Adjust the resulting amount by multiplying by a weighted
9 average of the three most recent annual sales assessment ratio
10 studies,

11 c. Add to the resulting amount the:

12 1. Present-use value of agricultural land, horticultural land,
13 and forestland, as defined in G.S. 105-277.2,

14 2. Value of property of public service companies,
15 determined in accordance with Article 23 of Chapter 105
16 of the General Statutes, and

17 3. Personal property value for the county.

18 (7) "County-adjusted property tax base per square mile" means the
19 county-adjusted property tax base divided by the number of square
20 miles of land area in the county.

21 (8) "County wealth as a percentage of State average wealth" shall be
22 computed as follows:

23 a. Compute the percentage that the county per capita income is of
24 the State per capita income and weight the resulting percentage
25 by a factor of five-tenths,

26 b. Compute the percentage that the anticipated total county
27 revenue availability per student is of the anticipated State
28 average revenue availability per student and weight the
29 resulting percentage by a factor of four-tenths,

30 c. Compute the percentage that the county-adjusted property tax
31 base per square mile is of the State-adjusted property tax base
32 per square mile and weight the resulting percentage by a factor
33 of one-tenth,

34 d. Add the three weighted percentages to derive the county wealth
35 as a percentage of the State average wealth.

36 (9) "Effective county tax rate" means the actual county tax rate multiplied
37 by a weighted average of the three most recent annual sales assessment
38 ratio studies.

39 (10) "Effective State average tax rate" means the average of effective
40 county tax rates for all counties.

41 (10a) "Local current expense funds" means the most recent county current
42 expense appropriations to public schools, as reported by local boards
43 of education in the audit report filed with the Secretary of the Local
44 Government Commission pursuant to G.S. 115C-447.

- 1 (11) "Per capita income" means the average for the most recent three years
2 for which data are available of the per capita income according to the
3 most recent report of the United States Department of Commerce,
4 Bureau of Economic Analysis, including any reported modifications
5 for prior years as outlined in the most recent report.
- 6 (12) "Sales assessment ratio studies" means sales assessment ratio studies
7 performed by the Department of Revenue under G.S. 105-289(h).
- 8 (13) "State average current expense appropriations per student" means the
9 most recent State total of county current expense appropriations to
10 public schools, as reported by local boards of education in the audit
11 report filed with the Secretary of the Local Government Commission
12 pursuant to G.S. 115C-447.
- 13 (14) "State average adjusted property tax base per square mile" means the
14 sum of the county-adjusted property tax bases for all counties divided
15 by the number of square miles of land area in the State.
- 16 (14a) "Supplant" means to decrease local per student current expense
17 appropriations from one fiscal year to the next fiscal year.
- 18 (15) "Weighted average of the three most recent annual sales assessment
19 ratio studies" means the weighted average of the three most recent
20 annual sales assessment ratio studies in the most recent years for which
21 county current expense appropriations and adjusted property tax
22 valuations are available. If real property in a county has been revalued
23 one year prior to the most recent sales assessment ratio study, a
24 weighted average of the two most recent sales assessment ratios shall
25 be used. If property has been revalued the year of the most recent sales
26 assessment ratio study, the sales assessment ratio for the year of
27 revaluation shall be used.

28 **SECTION 90.4.** Eligibility for Funds. – Except as provided in Section 89.8,
29 the State Board of Education shall allocate these funds to local school administrative
30 units located in whole or in part in counties in which the county wealth as a percentage
31 of the State average wealth is less than one hundred percent (100%).

32 **SECTION 90.5.** Allocation of Funds. – Except as provided in Section 89.7,
33 the amount received per average daily membership for a county shall be the difference
34 between the State average current expense appropriations per student and the current
35 expense appropriations per student that the county could provide given the county's
36 wealth and an average effort to fund public schools. (To derive the current expense
37 appropriations per student that the county could be able to provide given the county's
38 wealth and an average effort to fund public schools, multiply the county wealth as a
39 percentage of State average wealth by the State average current expense appropriations
40 per student.)

41 The funds for the local school administrative units located in whole or in part
42 in the county shall be allocated to each local school administrative unit, located in
43 whole or in part in the county, based on the average daily membership of the county's
44 students in the school units.

1 If the funds appropriated for supplemental funding are not adequate to fund
2 the formula fully, each local school administrative unit shall receive a pro rata share of
3 the funds appropriated for supplemental funding.

4 **SECTION 90.6.** Formula for Distribution of Supplemental Funding
5 Pursuant to This Section Only. – The formula in this section is solely a basis for
6 distribution of supplemental funding for low-wealth counties and is not intended to
7 reflect any measure of the adequacy of the educational program or funding for public
8 schools. The formula is also not intended to reflect any commitment by the General
9 Assembly to appropriate any additional supplemental funds for low-wealth counties.

10 **SECTION 90.7.** Minimum Effort Required. - Counties that had effective tax
11 rates in the 1996-1997 fiscal year that were above the State average effective tax rate
12 but that had effective rates below the State average in the 1997-1998 fiscal year or
13 thereafter shall receive reduced funding under this section. This reduction in funding
14 shall be determined by subtracting the amount that the county would have received
15 pursuant to Section 17.1(g) of Chapter 507 of the 1995 Session Laws from the amount
16 that the county would have received if qualified for full funding and multiplying the
17 difference by ten percent (10%). This method of calculating reduced funding shall
18 apply one time only.

19 This method of calculating reduced funding shall not apply in cases in which
20 the effective tax rate fell below the statewide average effective tax rate as a result of a
21 reduction in the actual property tax rate. In these cases, the minimum effort required
22 shall be calculated in accordance with Section 17.1(g) of Chapter 507 of the 1995
23 Session Laws.

24 If the county documents that it has increased the per student appropriation to
25 the school current expense fund in the current fiscal year, the State Board of Education
26 shall include this additional per pupil appropriation when calculating minimum effort
27 pursuant to Section 17.1(g) of Chapter 507 of the 1995 Session Laws.

28 **SECTION 90.8.** Nonsupplant Requirement. – A county in which a local
29 school administrative unit receives funds under this section shall use the funds to
30 supplement local current expense funds and shall not supplant local current expense
31 funds. For the 2003-2005 fiscal biennium, the State Board of Education shall not
32 allocate funds under this section to a county found to have used these funds to supplant
33 local per student current expense funds. The State Board of Education shall make a
34 finding that a county has used these funds to supplant local current expense funds in the
35 prior year, or the year for which the most recent data are available, if:

- 36 (1) The current expense appropriation per student of the county for the
37 current year is less than ninety-five percent (95%) of the average of the
38 local current expense appropriations per student for the three prior
39 fiscal years; and
40 (2) The county cannot show: (i) that it has remedied the deficiency in
41 funding, or (ii) that extraordinary circumstances caused the county to
42 supplant local current expense funds with funds allocated under this
43 section.

44 The State Board of Education shall adopt rules to implement this section.

1 **SECTION 90.9.** Reports. - The State Board of Education shall report to the
2 Joint Legislative Education Oversight Committee prior to May 1, 2004, if it determines
3 that counties have supplanted funds.

4 **SECTION 90.10.** Department of Revenue Reports. - The Department of
5 Revenue shall provide to the Department of Public Instruction a preliminary report for
6 the current fiscal year of the assessed value of the property tax base for each county
7 prior to March 1 of each year and a final report prior to May 1 of each year. The reports
8 shall include for each county the annual sales assessment ratio and the taxable values of
9 (i) total real property, (ii) the portion of total real property represented by the
10 present-use value of agricultural land, horticultural land, and forestland as defined in
11 G.S. 105-277.2, (iii) property of public service companies determined in accordance
12 with Article 23 of Chapter 105 of the General Statutes, and (iv) personal property.

13 14 **SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING**

15 **SECTION 91.1.** Funds for Small School Systems. – Except as provided in
16 Section 90.2, the State Board of Education shall allocate funds appropriated for small
17 school system supplemental funding (i) to each county school administrative unit with
18 an average daily membership of fewer than 3,175 students and (ii) to each county
19 school administrative unit with an average daily membership of from 3,175 to 4,000
20 students if the county in which the local school administrative unit is located has a
21 county-adjusted property tax base per student that is below the State-adjusted property
22 tax base per student and if the total average daily membership of all local school
23 administrative units located within the county is from 3,175 to 4,000 students. The
24 allocation formula shall:

- 25 (1) Round all fractions of positions to the next whole position.
- 26 (2) Provide five and one-half additional regular classroom teachers in
27 counties in which the average daily membership per square mile is
28 greater than four, and seven additional regular classroom teachers in
29 counties in which the average daily membership per square mile is
30 four or fewer.
- 31 (3) Provide additional program enhancement teachers adequate to offer
32 the standard course of study.
- 33 (4) Change the duty-free period allocation to one teacher assistant per 400
34 average daily membership.
- 35 (5) Provide a base for the consolidated funds allotment of at least five
36 hundred seventy-seven thousand one hundred eleven dollars
37 (\$577,111), excluding textbooks.
- 38 (6) Allot vocational education funds for grade 6 as well as for grades 7-12.

39 If funds appropriated for each fiscal year for small school system
40 supplemental funding are not adequate to fund fully the program, the State Board of
41 Education shall reduce the amount allocated to each county school administrative unit
42 on a pro rata basis. This formula is solely a basis for distribution of supplemental
43 funding for certain county school administrative units and is not intended to reflect any
44 measure of the adequacy of the educational program or funding for public schools. The

1 formula is also not intended to reflect any commitment by the General Assembly to
2 appropriate any additional supplemental funds for such county administrative units.

3 **SECTION 91.2.** Nonsupplant Requirement. - A county in which a local
4 school administrative unit receives funds under this section shall use the funds to
5 supplement local current expense funds and shall not supplant local current expense
6 funds. For the 2003-2005 fiscal biennium, the State Board of Education shall not
7 allocate funds under this section to a county found to have used these funds to supplant
8 local per student current expense funds. The State Board of Education shall make a
9 finding that a county has used these funds to supplant local current expense funds in the
10 prior year, or the year for which the most recent data are available, if:

- 11 (1) The current expense appropriation per student of the county for the
12 current year is less than ninety-five percent (95%) of the average of the
13 local current expense appropriations per student for the three prior
14 fiscal years; and
- 15 (2) The county cannot show: (i) that it has remedied the deficiency in
16 funding, or (ii) that extraordinary circumstances caused the county to
17 supplant local current expense funds with funds allocated under this
18 section.

19 The State Board of Education shall adopt rules to implement this section.

20 **SECTION 91.3.** Phase-Out Provisions. - If a local school administrative unit
21 becomes ineligible for funding under this formula solely because of an increase in the
22 county-adjusted property tax base per student of the county in which the local school
23 administrative unit is located, funding for that unit shall be phased out over a two-year
24 period. For the first year of ineligibility, the unit shall receive the same amount it
25 received for the prior fiscal year. For the second year of ineligibility, it shall receive
26 one-half of that amount.

27 If a local school administrative unit becomes ineligible for funding under this
28 formula solely because of an increase in the population of the county in which the local
29 school administrative unit is located, funding for that unit shall be continued for five
30 years after the unit becomes ineligible.

31 **SECTION 91.4.** Definitions. - As used in this section:

- 32 (1) "Average daily membership" means within two percent (2%) of the
33 average daily membership as defined in the North Carolina Public
34 Schools Allotment Policy Manual, adopted by the State Board of
35 Education.
- 36 (2) "County-adjusted property tax base per student" means the total
37 assessed property valuation for each county, adjusted using a weighted
38 average of the three most recent annual sales assessment ratio studies,
39 divided by the total number of students in average daily membership
40 who reside within the county.
- 41 (2a) "Local current expense funds" means the most recent county current
42 expense appropriations to public schools, as reported by local boards
43 of education in the audit report filed with the Secretary of the Local
44 Government Commission pursuant to G.S. 115C-447.

- 1 (3) "Sales assessment ratio studies" means sales assessment ratio studies
2 performed by the Department of Revenue under G.S. 105-289(h).
- 3 (4) "State-adjusted property tax base per student" means the sum of all
4 county adjusted property tax bases divided by the total number of
5 students in average daily membership who reside within the State.
- 6 (4a) "Supplant" means to decrease local per student current expense
7 appropriations from one fiscal year to the next fiscal year.
- 8 (5) "Weighted average of the three most recent annual sales assessment
9 ratio studies" means the weighted average of the three most recent
10 annual sales assessment ratio studies in the most recent years for which
11 county current expense appropriations and adjusted property tax
12 valuations are available. If real property in a county has been revalued
13 one year prior to the most recent sales assessment ratio study, a
14 weighted average of the two most recent sales assessment ratios shall
15 be used. If property has been revalued during the year of the most
16 recent sales assessment ratio study, the sales assessment ratio for the
17 year of revaluation shall be used.

18 **SECTION 91.5.** Reports. - The State Board of Education shall report to the
19 Joint Legislative Education Oversight Committee prior to May 1, 2004, if it determines
20 that counties have supplanted funds.

21 **SECTION 91.6.** Use of Funds. - Local boards of education are encouraged
22 to use at least twenty percent (20%) of the funds they receive pursuant to this section to
23 improve the academic performance of children who are performing at Level I or II on
24 either reading or mathematics end-of-grade tests in grades 3-8 and children who are
25 performing at Level I or II on the writing tests in grades 4 and 7. Local boards of
26 education shall report to the State Board of Education on an annual basis on funds used
27 for this purpose and the State Board shall report this information to the Joint Legislative
28 Education Oversight Committee. These reports shall specify how these funds were
29 targeted and used to implement specific improvement strategies of each local school
30 administrative unit and its schools such as teacher recruitment, closing the achievement
31 gap, improving student accountability, addressing the needs of at-risk students, and
32 establishing and maintaining safe schools.

33 **APPROPRIATIONS FOR CONTINUALLY LOW-PERFORMING SCHOOLS**

34 **SECTION 92.** Of funds appropriated from the General Fund to State Aid to
35 Local School Administrative Units, the sum of one million nine hundred fifty-six
36 thousand one hundred fifteen dollars (\$1,956,115) for the 2003-2004 and 2004-2005
37 fiscal years shall be used to provide the State's chronically low-performing schools with
38 tools needed to dramatically improve student achievement. These funds shall be used to
39 implement any of the following strategies at the schools that have not previously been
40 implemented with State or other funds:

- 41 (1) The sum of one million six hundred fifty-seven thousand three
42 hundred forty-five dollars (\$1,657,345) for the 2003-2004 and
43 2004-2005 fiscal years shall be used to reduce class size at a
44

- 1 continually low-performing school to ensure that the number of
2 teachers allotted for students in grades four and five is one for every 17
3 students, and that the number of teachers allotted in grades six through
4 eight is one for every 17 students, and that the number of teachers
5 allotted in grades nine through twelve is one for every 20 students; and
6 (2) The sum of two hundred ninety-eight thousand seven hundred seventy
7 dollars (\$298,770) for the 2003-2004 and 2004-2005 fiscal years shall
8 be used to extend teachers' contracts for a total of 10 days, including
9 five days of additional instruction with related costs for other than
10 teachers' salaries for the 2003-2004 and 2004-2005 school years.

11 Notwithstanding any other provision of law, the State Board of Education
12 may implement intervention strategies for the 2003-2004 and 2004-2005 school years
13 that it deems appropriate.

14
15 **IMMEDIATE ASSISTANCE TO THE HIGHEST PRIORITY ELEMENTARY**
16 **SCHOOLS**

17 **SECTION 93.** Of funds appropriated from the General Fund to State Aid to
18 Local School Administrative Units, the sum of ten million one hundred thirty-four
19 thousand six hundred and seven dollars (\$10,134,607) for the 2003-2004 and 2004-2005
20 fiscal years shall be budgeted to provide the State's lowest performing elementary
21 schools with the tools needed to dramatically improve student achievement. These
22 funds shall be used for the 37 elementary schools at which, for the 1999-2000 school
23 year over eighty percent (80%) of the students qualified for free or reduced-price
24 lunches and no more than fifty-five percent (55%) of the students performed at or above
25 grade level. Of these funds:

- 26 (1) The sum of six million ninety-three thousand one hundred eighty-one
27 dollars (\$6,093,181) for the 2003-2004 and 2004-2005 fiscal years
28 shall be used to reduce class size at each of these schools to ensure that
29 no class kindergarten through third grade has more than 15 students;
30 (2) The sum of two million two hundred sixty-six thousand twenty-six
31 dollars (\$2,266,026) for the 2003-2004 and 2004-2005 fiscal years
32 shall be used to extend all teachers' contracts at these schools for a
33 total of 10 days, with five days for staff development, including staff
34 development on methods to individualize instruction in smaller
35 classes, and preparation for the 2003-2004 and 2004-2005 school years
36 and five additional days of instruction with related costs for other than
37 teachers' salaries; and
38 (3) The sum of one million seven hundred seventy-five thousand four
39 hundred dollars (\$1,775,400) for the 2003-2004 and 2004-2005 fiscal
40 years shall be used to provide one additional instructional support
41 position at each priority school.

42 No funds from the teacher assistant allotment category may be allotted to the
43 local school administrative units for students assigned to these schools. Any teacher
44 assistants displaced from jobs in these high-priority elementary schools shall be given

1 preferential consideration for vacant teacher assistant positions at other schools,
2 provided their job performance has been satisfactory. Nothing in this section prevents
3 the local school administrative unit from placing teacher assistants in these schools.
4

5 **EVALUATION OF INITIATIVES TO ASSIST HIGH-PRIORITY SCHOOLS**

6 **SECTION 94.1.** In order for the high-priority schools identified in Section
7 92 of this act to remain eligible for the additional resources provided in this section, the
8 schools must meet the expected growth for each year and must achieve high growth for
9 at least two out of three years based on the State Board of Education's annual
10 performance standards set for each school. No adjustment in the allotment of resources
11 based on performance shall be made until the 2004-2005 school year.

12 **SECTION 94.2.** All teaching positions allotted for students in high-priority
13 schools and continually low-performing schools in those grades targeted for smaller
14 class sizes shall be assigned to and teach in those grades and in those schools. The
15 maximum class size in grades K-3 in high-priority schools and in grades K-5 in
16 continually low-performing schools shall be no more than one student above the
17 allotment ratio in that grade. The Department of Public Instruction shall monitor class
18 sizes at these schools at the end of the first month of school and report to the SBE on the
19 actual class sizes at these schools. If the local school administrative unit notifies the
20 State Board of Education that they do not have sufficient resources to adhere to the class
21 size maximum requirements, the State Board shall verify the accuracy of the request. If
22 the additional resources are determined necessary, the SBE may allocate additional
23 teaching positions to the unit from the Reserve for Average Daily Membership
24 adjustments.

25 **SECTION 94.3.** Of funds appropriated from the General Fund to State Aid
26 to Local School Administrative Units, the sum of five hundred thousand dollars
27 (\$500,000) for fiscal year 2003-2004 and the sum of five hundred thousand dollars
28 (\$500,000) for fiscal year 2004-2005 shall be used by the State Board of Education to
29 contract with an outside organization to evaluate the initiatives set forth in this act. The
30 evaluation shall include:

- 31 (1) An assessment of the overall impact these initiatives have had on
32 student achievement;
- 33 (2) An assessment of the effectiveness of each individual initiative set for
34 this act in improving student achievement;
- 35 (3) An identification of changes in staffing patterns, instructional methods,
36 staff development, and parental involvement as a result of these
37 initiatives;
- 38 (4) An accounting of how funds and personnel resources made available
39 for these schools were utilized and the impact of varying patterns of
40 utilization on changes in student achievement;
- 41 (5) An assessment of the impact of bonuses for mathematics, science, and
42 special education teachers on (i) the retention of these teachers in the
43 targeted schools, (ii) the recruitment of teachers in these specialties
44 into targeted schools, (iii) the recruitment of teachers certified in these

1 disciplines, and (iv) student achievement in schools at which these
2 teachers receive these bonuses; and

- 3 (6) Recommendations for the continuance and improvement of these
4 initiatives.

5 The State Board of Education (SBE) shall make a report to the Joint
6 Legislative Education Oversight Committee regarding the results of this evaluation by
7 December 1 of each year. The SBE shall submit its recommendations for changes to
8 these initiatives to the Committee at any time.

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

11 **SECTION 95.** The State Board of Education may use up to two hundred
12 thousand dollars (\$200,000) of the funds in the Alternative Schools/At-Risk Student
13 allotment each year for the 2003-2004 fiscal year and for the 2004-2005 fiscal year to
14 implement G.S. 115C-12(4).

16 **ADDITIONAL TEACHER POSITIONS FOR SECOND GRADE**

17 **SECTION 96.1.** The maximum class size limits for second grade established
18 by the State Board of Education for the 2003-2004 school year shall be reduced by two
19 from the 2002-2003 limits, based on an allotment ratio of one teacher for every 18
20 students.

21 **SECTION 96.2.** For the 2003-2004 school year, local school administrative
22 units shall use these additional teacher positions to reduce class size in second grade.

24 **CHILDREN WITH DISABILITIES**

25 **SECTION 97.** The State Board of Education shall allocate funds for
26 children with disabilities on the basis of two thousand six hundred seventy dollars and
27 twenty-eight cents (\$2,670.28) per child for a maximum of 165,266 children for the
28 2003-2004 school year. Each local school administrative unit shall receive funds for the
29 lesser of (i) all children who are identified as children with disabilities or (ii) twelve and
30 five-tenths percent (12.5%) of the 2003-2004 allocated average daily membership in the
31 local school administrative unit.

32 The dollar amounts allocated under this section for children with disabilities
33 shall also adjust in accordance with legislative salary increments, retirement rate
34 adjustments, and health benefit adjustments for personnel who serve children with
35 disabilities.

37 **FUNDS FOR ACADEMICALLY GIFTED CHILDREN**

38 **SECTION 98.** The State Board of Education shall allocate funds for
39 academically or intellectually gifted children on the basis of eight hundred eighty-four
40 dollars and fifty-five cents (\$884.55) per child. A local school administrative unit shall
41 receive funds for a maximum of four percent (4%) of its 2003-2004 allocated average
42 daily membership, regardless of the number of children identified as academically or
43 intellectually gifted in the unit. The State Board shall allocate funds for no more than
44 53,712 children for the 2003-2004 school year.

1 The dollar amounts allocated under this section for children with disabilities
2 shall also adjust in accordance with legislative salary increments, retirement rate
3 adjustments, and health benefit adjustments for personnel who serve children with
4 disabilities.

6 **STUDENTS WITH LIMITED ENGLISH PROFICIENCY**

7 **SECTION 99.1.** The State Board of Education shall develop guidelines for
8 identifying and providing services to students with limited proficiency in the English
9 language.

10 The State Board shall allocate these funds to local school administrative units
11 and to charter schools under a formula that takes into account the average percentage of
12 students in the units or the charters over the past three years who have limited English
13 proficiency. The State Board shall allocate funds to a unit or a charter school only if (i)
14 average daily membership of the unit or the charter school includes at least 20 students
15 with limited English proficiency or (ii) students with limited English proficiency
16 comprise at least two and one-half percent (2.5%) of the average daily membership of
17 the unit or charter school. For the portion of the funds that is allocated on the basis of
18 the number of identified students, the maximum number of identified students for whom
19 a unit or charter school receives funds shall not exceed ten and six-tenths percent
20 (10.6%) of its average daily membership.

21 Local school administrative units shall use funds allocated to them to pay for
22 classroom teachers, teacher assistants, tutors, textbooks, classroom
23 materials/instructional supplies/equipment, transportation costs, and staff development
24 of teachers for students with limited English proficiency.

25 A county in which a local school administrative unit receives funds under this
26 section shall use the funds to supplement local current expense funds and shall not
27 supplant local current expense funds.

28 **SECTION 99.2.** The Department of Public Instruction shall prepare a
29 current head count of the number of students classified with limited English proficiency
30 by December 1 of each year.

31 Students in the head count shall be assessed at least once every three years to
32 determine their level of English proficiency. A student who scores "superior" on the
33 standard English language proficiency assessment instrument used in this State shall not
34 be included in the head count of students with limited English proficiency.

36 **FUNDS TO IMPLEMENT THE ABCS OF PUBLIC EDUCATION**

37 **SECTION 100.1.** The State Board of Education shall use funds appropriated
38 for State Aid to Local School Administrative Units for the 2003-2004 fiscal year to
39 provide incentive funding for schools that met or exceeded the projected levels of
40 improvement in student performance during the 2002-2003 school year, in accordance
41 with the ABCs of Public Education Program and the Federal No Child Left Behind
42 (NCLB) program. In accordance with State Board of Education policy:

- 1 (1) Incentive awards in schools that achieve higher than expected
2 improvements and achieve Adequate Yearly Progress in NCLB may
3 be up to:
4 a. One thousand eight hundred dollars (\$1,800) for each teacher
5 and for certified personnel; and
6 b. Six hundred dollars (\$600.00) for each teacher assistant.
- 7 (2) Incentive awards in schools that achieve higher than expected
8 improvements may be up to:
9 a. One thousand two hundred dollars (\$1,200) for each teacher
10 and for certified personnel; and
11 b. Four hundred dollars (\$400.00) for each teacher assistant.
- 12 (3) Incentive awards in schools that meet the expected improvements may
13 be up to:
14 a. Six hundred dollars (\$600.00) for each teacher and for certified
15 personnel; and
16 b. Two hundred dollars (\$200.00) for each teacher assistant.

17 **SECTION 100.2.** The State Board of Education may use funds appropriated
18 to State Aid to Local School Administrative Units for assistance teams to
19 low-performing schools.
20

21 **LEA ASSISTANCE PROGRAM**

22 **SECTION 101.** Of funds appropriated from the General Fund to State Aid to
23 Local School Administrative Units, the sum of five hundred thousand dollars
24 (\$500,000) for fiscal year 2003-2004 shall be used to provide assistance to the State's
25 low-performing Local School Administrative Units (LEAs). The State Board of
26 Education shall report to the Office of State Budget and Management, the Fiscal
27 Research Division, and the Joint Legislative Education Oversight Committee on the
28 expenditure of these funds by May 15, 2004. The report shall contain: 1) the criteria for
29 selecting LEAs to receive assistance, 2) measurable goals and objectives for the
30 assistance program, 3) an explanation of the assistance provided, 4) findings from the
31 assistance program, 5) actual expenditures by category, 6) recommendations for the
32 continuance of this program, and 7) any other information the State Board deems
33 necessary.
34

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

36 **SECTION 102.1.** Funds appropriated for the 2003-2004 and 2004-2005
37 fiscal years for Student Accountability Standards shall be used to assist students to
38 perform at or above grade level in reading and mathematics in grades 3-8 as measured
39 by the State's end-of-grade tests. The SBE shall allocate these funds to LEAs based on
40 the number of students who score at Level I or Level II on either reading or
41 mathematics end-of-grade tests in grades 3-8. Funds in the allocation category shall be
42 used to improve the academic performance of (i) students who are performing at Level I
43 or II on either reading or mathematics end-of-grade tests in grades 3-8 or (ii) students
44 who are performing at Level I or II on the writing tests in grades 4 and 7. These funds

1 may also be used to improve the academic performance of students who are performing
2 at Level I or II on the high school end-of-course tests. These funds shall not be
3 transferred to other allocation categories or otherwise used for other purposes. Except
4 as otherwise provided by law, local boards of education may transfer other funds
5 available to them into this allocation category.

6 The principal of a school receiving these funds, in consultation with the
7 faculty and the site-based management team, shall implement plans for expending these
8 funds to improve the performance of students.

9 Local boards of education are encouraged to use federal funds such as Title I
10 Comprehensive School Reform Development Funds and to examine the use of State
11 funds to ensure that every student is performing at or above grade level in reading and
12 mathematics.

13 These funds shall be allocated to local school administrative units for the
14 2003-2004 fiscal year within 30 days of the date this act becomes law.

15 **SECTION 102.2.** Funds appropriated for Student Accountability Standards
16 shall not revert at the end of each fiscal year but shall remain available for expenditure
17 until August 31 of the subsequent fiscal year.

18 **FUNDS FOR TEACHER RECRUITMENT INITIATIVES**

19 **SECTION 103.** The State Board of Education may use up to two hundred
20 thousand dollars (\$200,000) of the funds appropriated for State Aid to Local School
21 Administrative Units each year for the 2003-2004 fiscal year and for the 2004-2005
22 fiscal year to enable teachers who have received NBPTS certification or who have
23 otherwise received special recognition to advise the State Board of Education on teacher
24 recruitment and other strategic priorities of the State Board.

25 **RECRUITMENT AND RETENTION INCENTIVE TO ADDRESS TEACHER** 26 **SHORTAGE**

27 **SECTION 104.1.** Of the funds appropriated from the General Fund to State
28 Aid to Local School Administrative Units, the sum of two million eight hundred ninety
29 thousand dollars (\$2,890,000) for the 2003-2004 and 2004-2005 fiscal years shall be
30 used to provide annual bonuses of one thousand eight hundred dollars (\$1,800) to
31 teachers certified in and teaching in the fields of mathematics, science, or special
32 education in grades 6 through 12 at middle and high schools with eighty percent (80%)
33 or more of the students eligible for free or reduced lunch or with fifty percent (50%)
34 or more of students performing below grade level in Algebra I and Biology. The bonus
35 shall be paid monthly with matching benefits. Teachers shall remain eligible for the
36 bonuses so long as they continue to teach in one of these disciplines at a school that was
37 eligible for the bonus program when the teacher first received this bonus.

38 **SECTION 104.2.** In accordance with G.S. 115C-325 and by way of
39 clarification, it shall not constitute a demotion as that term is defined in G.S.
40 115C-325(a)(4), if:

- 41 (1) A teacher who receives a bonus pursuant to this section is reassigned
42 to a school at which there is no such bonus;

- 1 (2) A teacher who receives a bonus pursuant to this section is reassigned
2 to teach in a field for which there is no such bonus; or
3 (3) A teacher receives a bonus pursuant to this section and the bonus is
4 subsequently discontinued or reduced.
5

6 **FUNDS FOR THE TESTING AND IMPLEMENTATION OF THE NEW**
7 **STUDENT INFORMATION SYSTEM**

8 **SECTION 105.1.** The State Board of Education may transfer up to one
9 million dollars (\$1,000,000) in funds appropriated for the Uniform Education Reporting
10 System for the 2003-2004 fiscal year and up to one million dollars (\$1,000,000) in
11 funds appropriated for the Uniform Education Reporting System for the 2004-2005
12 fiscal year to the Department of Public Instruction to lease or purchase equipment
13 necessary for the testing and implementation of NC WISE, the new student information
14 system in the public schools.

15 **SECTION 105.2.** Funds appropriated for the Uniform Education Reporting
16 System shall not revert at the end of the 2003-2004 and 2004-2005 fiscal years, but shall
17 remain available until expended.

18 **SECTION 105.3.** This section becomes effective June 30, 2003.
19

20 **LITIGATION RESERVE FUNDS**

21 **SECTION 106.** The State Board of Education may expend up to five
22 hundred thousand dollars (\$500,000) each year for the 2003-2004 and 2004-2005 fiscal
23 years from unexpended funds for certified employees' salaries to pay expenses related to
24 pending litigation.
25

26 **LOCAL EDUCATION AGENCY FLEXIBILITY**

27 **SECTION 107.** Within 14 days of the date this act becomes law, the State
28 Board of Education shall notify each local school administrative unit of the amount the
29 unit must reduce from State General Fund appropriations. The State Board shall
30 determine the amount of the reduction for each unit on the basis of average daily
31 membership.

32 Each unit shall report to the Department of Public Instruction on the
33 discretionary budget reductions it has identified for the unit within 30 days of the date
34 this act becomes law. No later than December 31, 2003, the State Board of Education
35 shall make a summary report to the Office of State Budget and Management and the
36 Fiscal Research Division on all reductions made by the LEAs to achieve this reduction.

37 For fiscal year 2003-2004, the Governor urges local school administrators to
38 make every effort to reduce spending whenever and wherever such budget reductions
39 are appropriate as long as the targeted reductions do not directly impact classroom
40 services or any services for students at risk or children with special needs, including
41 those services or supports that are called for in students' Personal Education Plans (PEP)
42 and/or Individual Education Plans (IEP). If reductions to the allotment categories listed
43 in this paragraph are necessary in order to meet the reduction target, the local board of
44 education shall submit an explanation of the anticipated impact of the reductions to

1 student services along with the budget reductions to the Department of Public
2 Instruction. By February 15, 2004, for fiscal year 2004-2005, the State Board of
3 Education will determine the changes to the allotment categories to make such
4 reductions permanent.

5
6 **BASE BUDGET REDUCTION TO DEPARTMENT OF PUBLIC**
7 **INSTRUCTION**

8 **SECTION 108.** Notwithstanding any other provision of law, the Department
9 of Public Instruction may use salary reserve funds and other funds, and may transfer
10 funds within the Department's continuation budget to implement budget reductions for
11 the 2003-2004 fiscal year.

12
13 **REPLACEMENT SCHOOL BUSES FUNDS**

14 **SECTION 109.1.** Of the funds appropriated to the State Board of Education,
15 the Board may use up to twenty-six million two hundred ninety-eight thousand nine
16 hundred thirty-five dollars (\$26,298,935) for the 2003-2004 fiscal year and up to
17 forty-seven million seven hundred fifty-two thousand eight hundred thirteen dollars
18 (\$47,752,813) for the 2004-2005 fiscal year for allotments to local boards of education
19 for replacement school buses under G.S. 115C-249(c) and (d). In making these
20 allotments, the State Board of Education may impose any of the following conditions:

- 21 (1) The local board of education must use the funds only to make the first
22 or second year's payment on a financing contract entered into pursuant
23 to G.S. 115C-528.
- 24 (2) The term of a financing contract entered into under this section shall
25 not exceed three years.
- 26 (3) The local board of education must purchase the buses only from
27 vendors selected by the State Board of Education and on terms
28 approved by the State Board of Education.
- 29 (4) The State Board of Education shall solicit bids for the direct purchase
30 of buses and for the purchasing of buses through financing. The State
31 Board of Education may solicit separate bids for financing if the Board
32 determines that multiple financing options are more cost-efficient.
- 33 (5) A bus financed pursuant to this section must meet all federal motor
34 vehicle safety regulations for school buses.
- 35 (6) Any other condition the State Board of Education considers
36 appropriate.

37 **SECTION 109.2.** Any term contract for the purchase or lease-purchase of
38 school buses or school activity buses shall not require vendor payment of the electronic
39 procurement transaction fee of the North Carolina E-Procurement Service.

40
41 **EXPENDITURES FOR DRIVING EDUCATION CERTIFICATES**

42 **SECTION 110.** The State Board of Education may use funds appropriated
43 for drivers education for the 2003-2004 fiscal year and for the 2004-2005 fiscal year for
44 driving eligibility certificates.

CORPORATE TAX TRANSFER MORATORIUM

SECTION 111.1. Notwithstanding the provisions of G.S. 115C-489.1(b), the Secretary of Revenue shall not deposit any funds in the Critical School Facility Needs Fund during the 2003-2005 fiscal years but shall deposit in the State Public School Fund the funds that would have otherwise been deposited in the Critical School Facility Needs Fund pursuant to G.S. 115C-489.1(b). The Department of Public Instruction shall transfer three million three hundred seventy thousand eight hundred and eighteen dollars (\$3,370,318) to the Critical School Facility Needs Fund, Budget Code 29112, to fund the last LEA on the priority list established under G.S. 115C-489.2.

SECTION 111.2. Notwithstanding the provisions of G.S. 115C-546.1(b), the Secretary of Revenue shall not remit any funds for credit to the Public School Building Capital Fund during the 2003-2004 and 2004-2005 fiscal years but shall deposit in the State Public School Fund the funds that would have otherwise been deposited in the Public School Building Capital Fund pursuant to G.S. 115C-546.1(b). The six staff members in the Department of Public Instruction may continue to be supported by these funds.

PUBLIC SCHOOL BUILDING CAPITAL FUND

SECTION 112.1. The Public School Building Capital Fund is transferred from the Office of State Budget and Management to the Department of Public Instruction, as if by a Type I transfer as defined in G.S. 143A-6, with all the elements of such a transfer.

SECTION 112.2. G.S. 115C-546.1(c) reads as rewritten:

"(c) The Fund shall be administered by the ~~Office of State Budget and Management~~ Department of Public Instruction."

DISCREPANCIES BETWEEN ANTICIPATED AND ACTUAL ADM

SECTION 113.1. If the State Board of Education does not have sufficient resources in the ADM Contingency Reserve line item to make allotment adjustments in accordance with the Allotment Adjustments for ADM Growth provisions of the North Carolina Public Schools Allotment Policy Manual, the State Board of Education may use funds appropriated to State Aid for Public Schools for this purpose.

SECTION 113.2. If the higher of the first or second month average daily membership in a local school administrative unit is at least two percent (2%) or 100 students lower than the anticipated average daily membership used for allotments for the unit, the State Board of Education shall reduce allotments for the unit. The reduced allotments shall be based on the higher of the first or second month average daily membership plus one-half of the number of students overestimated in the anticipated average daily membership.

The allotments reduced pursuant to this subsection shall include only those allotments that may be increased pursuant to the Allotment Adjustments for ADM Growth provisions of the North Carolina Public Schools Allotment Policy Manual.

1
2 **CHARTER SCHOOL ADVISORY COMMITTEE/CHARTER SCHOOL**
3 **EVALUATION**

4 **SECTION 114.** The State Board of Education may spend up to fifty
5 thousand dollars (\$50,000) a year from the State Aid to Local School Administrative
6 Units for the 2003-2004 and 2004-2005 fiscal years to continue support of a charter
7 school advisory committee and to continue to evaluate charter schools.

8
9 **PART XVIII. COMMUNITY COLLEGES**

10
11 **COMMUNITY COLLEGE FUNDING FLEXIBILITY**

12 **SECTION 115.** A local community college may use all State funds allocated
13 to it, except for Literacy Funds and Funds for New and Expanding Industries, for any
14 authorized purpose that is consistent with the college's Institutional Effectiveness Plan.
15 Each local community college shall include in its Institutional Effectiveness Plan a
16 section on how funding flexibility allows the college to meet the demands of the local
17 community and to maintain a presence in all previously funded categorical programs.

18 No more than two percent (2%) systemwide shall be transferred from faculty
19 salaries without the approval of the State Board of Community Colleges. The State
20 Board shall report on any such transfers above two percent (2%) systemwide to the
21 Office of State Budget and Management and the Joint Legislative Commission on
22 Governmental Operations at its next meeting.

23
24 **PERMIT TRANSFERS OF FUNDS TO NEW AND EXPANDING INDUSTRY**
25 **TRAINING PROGRAM**

26 **SECTION 116.** Notwithstanding G.S. 143-16.3, G.S. 143-23, or any other
27 provision of law, the Director of the Budget may, after consultation with the Joint
28 Legislative Commission on Governmental Operations, transfer funds from any agency
29 or program funded from the General Fund to the New and Expanding Industry Training
30 program to supplement the needs of this program during the 2003-2005 biennium. If
31 the Joint Legislative Commission on Governmental Operations does not meet within 45
32 days of the receipt of a request, the Director of the Budget may approve such transfers
33 and inform the Joint Legislative Commission on Governmental Operations at its next
34 scheduled meeting.

35
36 **BOTANICAL LABORATORY AT FAYETTEVILLE TECHNICAL**
37 **COMMUNITY COLLEGE**

38 **SECTION 117.** For the 2003-2004 and the 2004-2005 fiscal years, the State
39 Board of Community College shall allocate up to two hundred thousand dollars
40 (\$200,000) from excess overrealized receipts for the Botanical Laboratory at
41 Fayetteville Technical Community College.

42
43 **FLEXIBILITY TO IMPLEMENT BUDGET REDUCTIONS**

1 **SECTION 118.** Notwithstanding G.S. 143-23 or any other provision of law,
2 the State Board of Community Colleges may use salary reserve funds and other funds,
3 and may transfer funds within the Community College System Office continuation
4 budget to the extent necessary to implement budget reductions for the 2003-2004 fiscal
5 year.

6
7 **STATE BOARD OF COMMUNITY COLLEGE MANAGEMENT**
8 **FLEXIBILITY**

9 **SECTION 119.** Within 14 days of the date this act becomes law, the State
10 Board of Community Colleges shall notify each college of the amount the college must
11 reduce from State General Fund appropriations. The State Board shall determine the
12 amount of the reduction for each unit on the basis of FTE or another method that
13 accounts for the unique needs of specific colleges.

14 Each college shall report to the State Board of Community Colleges on the
15 discretionary budget reductions it has identified for the college within 30 days of the
16 date this act becomes law. No later than December 31, 2003, the State Board of
17 Community Colleges shall make a summary report to the Office of State Budget and
18 Management and the Fiscal Research Division on all reductions made by the colleges to
19 achieve this reduction.

20 For fiscal year 2003-2004, the General Assembly urges local college
21 administrators to make every effort to reduce spending whenever and wherever such
22 budget reductions are appropriate and as long as the targeted reductions do not directly
23 impact classroom services or those services that are identified in Section 121 as a high-
24 need area for the State. If reductions to the allotment categories listed in this paragraph
25 are necessary in order to meet the reduction target, the local college administration shall
26 submit an explanation of the anticipated impact of the reductions to student services
27 along with the budget reductions to the State Board of Community Colleges.

28 By February 15, 2004, for fiscal year 2004-2005, the State Board of
29 Community Colleges will determine the changes to the allotment categories to make
30 such reductions permanent.

31
32 **REGISTRATION FEES FOR OCCUPATIONAL CONTINUING EDUCATION**
33 **OR FOCUSED INDUSTRIAL TRAINING**

34 **SECTION 120.** Of the funds appropriated to the North Carolina Community
35 College System (NCCCS) for the 2003-2005 biennium, the State Board of Community
36 Colleges may use up to one hundred thousand dollars (\$100,000) each year to pay
37 registration fees and material costs for Occupational Continuing Education or Focused
38 Industrial Training safety courses provided to companies that (i) are eligible to
39 participate in the Focused Industrial Training Program, (ii) have less than 150
40 employees, and (iii) are found by community college representatives and regional
41 customized training directors to face challenges in paying these fees and costs. These
42 funds shall not be expended without the prior approval of the NCCCS office, Division
43 of Economic and Workforce Development.

1 WORKER TRAINING TRUST FUND

2 **SECTION 121.** Notwithstanding the provisions of G.S. 96-5(f), funds
3 appropriated for 2002-2003 from the Worker Training Trust Fund to the Community
4 College System Office for both the Focused Industrial Training Program and the
5 Training Initiatives shall not revert, but shall remain available to the System Office for
6 the support of each program in fiscal year 2003-2004.

7
8 SUMMER SCHOOL FUNDING

9 **SECTION 122.** The funds appropriated to the NCCCS for the summer term
10 shall be used to support summer curriculum FTE in high-needs areas for the State and
11 other strategic initiatives. High-needs areas include but are not limited to Business
12 Technology, Health Science, Child Care Training, and Public Service Technologies
13 such as law enforcement, fire protection, and education. Funding of specific initiatives
14 and high-needs areas are subject to approval by the Office of State Budget and
15 Management.

16
17 CARRY FORWARD FOR EQUIPMENT

18 **SECTION 123.** Subject to cash availability, the NCCCS may carry forward
19 up to fifteen million dollars (\$15,000,000) of the operating funds held in reserve that
20 were not reverted in fiscal year 2002-2003 to be reallocated to the State Board of
21 Community Colleges' Equipment Reserve Fund. These funds should be distributed to
22 colleges consistent with G.S. 115D-31.

23
24 PART XIX. UNIVERSITIES**25**
26 UNC FLEXIBILITY GUIDELINES

27 **SECTION 124.1.** The Chancellor of each constituent institution shall report
28 to the Board of Governors of The University of North Carolina on the reductions made
29 to the General Fund budget codes in order to meet the reduction reserve amounts for
30 that institution. The President of The University of North Carolina shall report to the
31 Board of Governors of The University of North Carolina on the reductions made to the
32 General Fund budget codes controlled by the Board in order to meet the reduction
33 reserve amounts for those entities. The Board of Governors shall make a summary
34 report to the Office of State Budget and Management and the Fiscal Research Division
35 by December 31, 2003, on all reductions made by these entities and constituent
36 institutions in order to reduce the budgets by the targeted amounts.

37 **SECTION 124.2.** There is appropriated from the Escheats Fund income to
38 the Board of Governors of The University of North Carolina the sum of thirteen million
39 five hundred thousand dollars (\$13,500,000) for each year of the 2003-2005 biennium
40 and to the State Board of Community Colleges the sum of seven million sixty-two
41 thousand eight hundred six dollars (\$7,062,806) for each year of the 2003-2005
42 biennium. These funds shall be allocated by the State Educational Assistance Authority
43 for need-based student financial aid in accordance with G.S. 116B-7. There is
44 appropriated from the Escheats Fund income to the Department of Administration,

1 Division of Veteran Affairs, the sum of five million one hundred seven thousand two
2 hundred ninety-three dollars (\$5,107,293). These funds shall be allocated by the
3 Department of Administration, Division of Veteran Affairs, for need-based financial
4 aid.

5 **SECTION 124.3.** The Director of the Budget shall include General Fund
6 appropriations in the amounts provided in Section 123.2 in the proposed 2005-2007
7 continuation budget for the purposes provided in G.S. 116B-7.

8 **SECTION 124.4.** The North Carolina State Education Assistance Authority
9 (SEAA) shall perform all of the administrative functions necessary to implement this
10 program of financial aid. The SEAA shall conduct periodic evaluations of expenditures
11 of the Scholarship Programs to determine if allocations are utilized to ensure access to
12 institutions of higher learning and to meet the goals of the respective programs. The
13 SEAA may make recommendations for redistribution of funds to The University of
14 North Carolina, and/or the President of the Community College System regarding their
15 respective scholarship programs, who then may authorize redistribution of unutilized
16 funds for a particular fiscal year.

17 **SECTION 124.5.** All obligations to students for uses of the funds set out in
18 Section 123.2 that were made prior to the effective date of Section 123.2 shall be
19 fulfilled as to students who remain eligible under the provisions of the respective
20 programs.

21 22 **AID TO STUDENTS ATTENDING PRIVATE COLLEGES PROCEDURE**

23 **SECTION 125.1.** Funds appropriated in this act to the Board of Governors
24 of The University of North Carolina for aid to private colleges shall be disbursed in
25 accordance with the provisions of G.S. 116-19, 116-21, and 116-22. These funds shall
26 provide up to one thousand one hundred dollars (\$1,100) per full-time equivalent North
27 Carolina undergraduate student enrolled at a private institution as of October 1, 2003,
28 for the 2003-2004 fiscal year for need-based financial aid and up to one thousand one
29 hundred dollars (\$1,100) per full-time equivalent North Carolina undergraduate student
30 enrolled at a private institution as of October 1, 2004, for the 2004-2005 fiscal year.

31 **SECTION 125.2.** In addition to any funds appropriated pursuant to G.S.
32 116-19 and in addition to all other financial assistance made available to private
33 educational institutions located within the State, or to students attending these
34 institutions, there is granted to each full-time North Carolina undergraduate student
35 attending an approved institution as defined in G.S. 116-22, a sum, not to exceed one
36 thousand eight hundred dollars (\$1,800) for the 2003-2004 academic year and one
37 thousand eight hundred dollars (\$1,800) for the 2004-2005 academic year, which shall
38 be distributed to the student as hereinafter provided.

39 40 41 **BOARD OF GOVERNORS' MEDICAL SCHOLARSHIPS**

42 **SECTION 128.** The current Board of Governors' Medical Scholarship
43 Program, under the purview of the Board of Governors of The University of North
44 Carolina, shall make any awards to students admitted after July 1, 2003, as scholarship

1 loan awards. The Board of Governors' Medical Scholarship Program is administered by
2 the Board of Governors of The University of North Carolina. The Board of Governors'
3 Medical Scholarship Program shall be used to provide a four-year scholarship loan of
4 relevant tuition and fees, mandatory medical insurance, required laptop computers, and
5 an annual stipend of five thousand dollars (\$5,000) per year to students who have been
6 accepted for admission to either Duke University School of Medicine, Brody School of
7 Medicine at East Carolina University, the University of North Carolina at Chapel Hill
8 School of Medicine, or the Wake Forest University School of Medicine. The Board
9 may adopt standards, including minimum grade point average and scholastic aptitude
10 test scores, for awarding these scholarship loans to ensure that only the most qualified
11 students receive them. The Board shall make an effort to identify and encourage
12 minority and economically disadvantaged youth to enter the program. All scholarship
13 loans shall be evidenced by notes made payable to the Board that shall bear interest at
14 the rate of ten percent (10%) per year beginning September 1 after completion of the
15 program, or immediately after termination of the scholarship loan, whichever is earlier.
16 The scholarship loan may be terminated by the recipient withdrawing from school or by
17 the recipient not meeting the standards set by the Board. The Board shall forgive the
18 loan if, within seven years after graduation, the recipient practices medicine in North
19 Carolina for four years. The Board shall also forgive the loan if it finds that it is
20 impossible for the recipient to practice medicine in North Carolina for four years, within
21 seven years after graduation, because of the death or permanent disability of the
22 recipient. All unused funds appropriated to or otherwise received by the Board for
23 scholarships, all funds received as repayment of scholarship loans, and all interest
24 earned on these funds, shall revert to the General Fund at the end of each fiscal year.
25

26 **BOARD OF GOVERNORS' DENTAL SCHOLARSHIPS**

27 **SECTION 129.** The current Board of Governors' Dental Scholarship
28 Program, under the purview of the Board of Governors of The University of North
29 Carolina, shall make any awards to students admitted after July 1, 2003, as scholarship
30 loan awards. The Board of Governors' Dental Scholarship Program is administered by
31 the Board of Governors of The University of North Carolina. The Board of Governors'
32 Dental Scholarship Program shall be used to provide a four-year scholarship loan of
33 relevant tuition and fees, mandatory medical insurance, required laptop computers for
34 first-year students, required dental equipment and an annual stipend of five thousand
35 dollars (\$5,000) per year to students who have been accepted for admission to the
36 School of Dentistry at the University of North Carolina at Chapel Hill. The Board may
37 adopt standards, including minimum grade point average and scholastic aptitude test
38 scores, for awarding these scholarship loans to ensure that only the most qualified
39 students receive them. The Board shall make an effort to identify and encourage
40 minority and economically disadvantaged youth to enter the program. All scholarship
41 loans shall be evidenced by notes made payable to the Board that shall bear interest at
42 the rate of ten percent (10%) per year beginning September 1 after completion of the
43 program, or immediately after termination of the scholarship loan, whichever is earlier.
44 The scholarship loan may be terminated by the recipient withdrawing from school or by

1 the recipient not meeting the standards set by the Board. The Board shall forgive the
2 loan if, within seven years after graduation, the recipient practices medicine in North
3 Carolina for four years. The Board shall also forgive the loan if it finds that it is
4 impossible for the recipient to practice medicine in North Carolina for four years, within
5 seven years after graduation, because of the death or permanent disability of the
6 recipient. All unused funds appropriated to or otherwise received by the Board for
7 scholarships, all funds received as repayment of scholarship loans, and all interest
8 earned on these funds, shall revert to the General Fund at the end of each fiscal year.

9
10 **PART XX. SALARIES AND BENEFITS**

11
12 **SALARY-RELATED CONTRIBUTIONS/EMPLOYER**

13 **SECTION 130.1.** Required employer salary-related contributions for
14 employees whose salaries are paid from department, office, institution, or agency
15 receipts shall be paid from the same source as the source of the employees' salary. If an
16 employee's salary is paid in part from the General Fund or Highway Fund and in part
17 from department, office, institution, or agency receipts, required employer salary-related
18 contributions may be paid from the General Fund or Highway Fund only to the extent of
19 the proportionate part paid from the General Fund or Highway Fund in support of the
20 salary of the employee, and the remainder of the employer's requirements shall be paid
21 from the source that supplies the remainder of the employee's salary. The requirements
22 of this section as to source of payment are also applicable to payments on behalf of the
23 employee for hospital-medical benefits, longevity pay, unemployment compensation,
24 accumulated leave, workers' compensation, severance pay, separation allowances, and
25 applicable disability income benefits.

26 **SECTION 130.2.** Effective July 1, 2003, the State's employer contribution
27 rates budgeted for retirement and related benefits as percentage of covered salaries for
28 the 2003-2004 fiscal year are (i) three and thirty-one hundredths percent (3.31%) -
29 Teachers and State Employees; (ii) eight and thirty-one hundredths percent (8.31%) -
30 State Law Enforcement Officers; (iii) nine and seventy-one hundredths percent (9.71%)
31 - University Employees' Optional Retirement System; (iv) nine and seventy-one
32 hundredths percent (9.71%) - Community College Optional Retirement Program; (v)
33 fourteen and twenty-seven hundredths percent (14.27%) Consolidated Judicial
34 Retirement System; and (vi) two and thirty-five hundredths percent (2.35%) -
35 Legislative Retirement System. Each of the foregoing contribution rates includes two
36 and thirty-five hundredths percent (2.35%) for hospital and medical benefits. The rate
37 for Teachers and State Employees, State Law Enforcement Officers, Community
38 College Optional Retirement Program, and for the University Employees' Optional
39 Retirement Program includes fifty-two hundredths percent (0.52%) for the Disability
40 Income Plan. The rates for Teachers and State Employees and State Law Enforcement
41 Officers include sixteen hundredths percent (0.16%) for the Death Benefits Plan. The
42 rate for State Law Enforcement Officers includes five percent (5%) for Supplemental
43 Retirement Income.

1 **SECTION 130.3.** Effective October 1, 2003, the State's employer
2 contribution rates budgeted for retirement and related benefits as percentage of covered
3 salaries for the 2003-2004 fiscal year are (i) three and fifty-seven hundredths percent
4 (3.57%) - Teachers and State Employees; (ii) eight and fifty-seven hundredths percent
5 (8.57%) - State Law Enforcement Officers; (iii) nine and ninety-seven hundredths
6 percent (9.97%) - University Employees' Optional Retirement System; (iv) nine and
7 ninety-seven hundredths percent (9.97%) - Community College Optional Retirement
8 Program; (v) fourteen and fifty-three hundredths percent (14.53%) - Consolidated
9 Judicial Retirement System; and (vi) two and sixty-one hundredths percent (2.61%) -
10 Legislative Retirement System. Each of the foregoing contribution rates includes two
11 and sixty-one hundredths percent (2.61%) for hospital and medical benefits. The rate
12 for Teachers and State Employees, State Law Enforcement Officers, Community
13 College Optional Retirement Program, and for the University Employees' Optional
14 Retirement Program includes fifty-two hundredths percent (0.52%) for the Disability
15 Income Plan. The rates for Teachers and State Employees and State Law Enforcement
16 Officers include sixteen hundredths percent (0.16%) for the Death Benefits Plan. The
17 rate for State Law Enforcement Officers includes five percent (5%) for Supplemental
18 Retirement Income.

19 **SECTION 130.4.** Effective July 1, 2004, the State's employer contribution
20 rates budgeted for retirement and related benefits as percentage of covered salaries for
21 the 2004-2005 fiscal year are (i) five and forty hundredths percent (5.40%) - Teachers
22 and State Employees; (ii) ten and forty hundredths percent (10.40%) - State Law
23 Enforcement Officers; (iii) nine and ninety-seven hundredths (9.97%) - University
24 Employees' Optional Retirement System; (iv) nine and ninety-seven hundredths
25 (9.97%) - Community College Optional Retirement Program; (v) fourteen and
26 fifty-three hundredths percent (14.53%) - Consolidated Judicial Retirement System; and
27 (vi) two and sixty-one hundredths percent (2.61%) - Legislative Retirement System.
28 Each of the foregoing contribution rates includes two and sixty-one hundredths percent
29 (2.61%) for hospital and medical benefits. The rate for Teachers and State Employees,
30 State Law Enforcement Officers, Community College Optional Retirement Program,
31 and for the University Employees' Optional Retirement Program includes fifty-two
32 hundredths percent (0.52%) for the Disability Income Plan. The rates for Teachers and
33 State Employees and State Law Enforcement Officers include sixteen hundredths
34 percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement
35 Officers includes five percent (5%) for Supplemental Retirement Income.

36 **SECTION 130.5.** The maximum annual employer contributions, payable
37 monthly, by the State for each covered employee or retiree for the 2003-2004 fiscal year
38 to the Teachers' and State Employees' Comprehensive Major Medical Plan are: (i)
39 Medicare-eligible employees and retirees - two thousand four hundred seventeen
40 dollars (\$2,417), and (ii) non-Medicare-eligible employees and retirees - three thousand
41 one hundred seventy-five dollars (\$3,175).

42 **SECTION 130.6.** The maximum annual employer contributions, payable
43 monthly, by the State for each covered employee or retiree for the 2004-2005 fiscal year
44 to the Teachers' and State Employees' Comprehensive Major Medical Plan are: (i)

1 Medicare-eligible employees and retirees – two thousand four hundred eighty dollars
 2 (\$2,480), and (ii) non-Medicare-eligible employees and retirees – three thousand two
 3 hundred fifty-eight dollars (\$3,258).

4
 5 **GOVERNOR AND COUNCIL OF STATE**

6 **SECTION 131.1.** Effective July 1, 2003, G.S. 147-11(a) reads as rewritten:

7 "(a) The salary of the Governor shall be ~~one hundred eighteen thousand four~~
 8 ~~hundred thirty dollars (\$118,430)~~ one hundred twenty thousand three hundred
 9 twenty-five dollars (\$120,325) annually, payable monthly."

10 **SECTION 131.2.** Effective July 1, 2003, the annual salaries for the members
 11 of the Council of State, payable monthly, for the 2003-2004 and 2004-2005 fiscal years
 12 are:

<u>Council of State</u>	<u>Annual Salary</u>
Lieutenant Governor	\$ 106,195
Attorney General	106,195
Secretary of State	106,195
State Treasurer	106,195
State Auditor	106,195
Superintendent of Public Instruction	106,195
Agriculture Commissioner	106,195
Insurance Commissioner	106,195
Labor Commissioner	106,195

23
 24 **NONELECTED DEPARTMENT HEAD/SALARY INCREASES**

25 **SECTION 132.** In accordance with G.S. 143B-9, the maximum annual
 26 salaries, payable monthly, for the nonelected heads of the principal State departments
 27 for the 2003-2004 and 2004-2005 fiscal years are:

<u>Nonelected Department Heads</u>	<u>Annual Salary</u>
Secretary of Administration	\$ 103,753
Secretary of Correction	103,753
Secretary of Crime Control and Public Safety	103,753
Secretary of Cultural Resources	103,753
Secretary of Commerce	103,753
Secretary of Environment, Health, and Natural Resources	103,753
Secretary of Human Resources	103,753
Secretary of Revenue	103,753
Secretary of Transportation	103,753

38
 39 **CERTAIN EXECUTIVE BRANCH OFFICIALS/SALARY INCREASES**

40 **SECTION 133.** The annual salaries, payable monthly, for the 2003-2004
 41 and 2004-2005 fiscal years for the following executive branch officials are:

<u>Executive Branch Officials</u>	<u>Annual Salary</u>
Chairman, Alcoholic Beverage Control Commission	\$ 94,433
State Controller	132,159

1	Commissioner of Motor Vehicles	94,433
2	Commissioner of Banks	106,195
3	Chairman, Employment Security Commission	131,992
4	State Personnel Director	103,753
5	Chairman, Parole Commission	86,229
6	Members of the Parole Commission	79,610
7	Chairman, Utilities Commission	118,267
8	Members of the Utilities Commission	106,195
9	Executive Director, Agency for Public Telecommunications	79,610
10	General Manager, Ports Railway Commission	71,887
11	Director, Museum of Art	96,764
12	Executive Director, North Carolina Housing Finance Agency	116,872
13	Executive Director, North Carolina Agricultural Finance Authority	91,918
14	State Chief Information Officer	132,080

JUDICIAL BRANCH OFFICIALS/SALARY INCREASE

SECTION 134.1. The annual salaries, payable monthly, for specified judicial branch officials for the 2003-2004 and 2004-2005 fiscal years are:

<u>Judicial Branch Officials</u>	<u>Annual Salary</u>
Chief Justice, Supreme Court	\$ 120,325
Associate Justice, Supreme Court	117,181
Chief Judge, Court of Appeals	114,251
Judge, Court of Appeals	112,298
Judge, Senior Regular Resident Superior Court	109,247
Judge, Superior Court	106,195
Chief Judge, District Court	96,431
Judge, District Court	93,380
Administrative Officer of the Courts	109,247
Assistant Administrative Officer of the Courts	99,787

SECTION 134.2. The district attorney or public defender of a judicial district, with the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant public defenders, respectively, in that district such that the average salaries of assistant district attorneys or assistant public defenders in that district do not exceed sixty-one thousand one hundred fifty-four dollars (\$61,154), and the minimum salary of any assistant district attorney or assistant public defender is at least thirty-one thousand five hundred thirty-two dollars (\$31,532) effective July 1, 2003.

CLERK OF SUPERIOR COURT SALARY INCREASES

SECTION 135. Effective July 1, 2003, G.S. 7A-101(a) reads as rewritten:

"(a) The clerk of superior court is a full-time employee of the State and shall receive an annual salary, payable in equal monthly installments, based on the population

1 of the county as determined in subsection (a1) of this section, according to the following
 2 schedule:

Population	Annual Salary
Less than 100,000	\$69,911 <u>71,030</u>
100,000 to 149,999	78,452 <u>79,707</u>
150,000 to 249,999	86,994 <u>88,386</u>
250,000 and above	95,537 <u>97,066.</u>

9 The salary schedule in this subsection is intended to represent the following
 10 approximate percentage of the salary of a chief district court judge:

Population	Annual Salary
Less than 100,000	73%
100,000 to 149,999	82%
150,000 to 249,999	91%
250,000 and above	100%.

17 When a county changes from one population group to another, the salary of the clerk
 18 shall be changed, on July 1 of the fiscal year for which the change is reported, to the
 19 salary appropriate for the new population group, except that the salary of an incumbent
 20 clerk shall not be decreased by any change in population group during his continuance
 21 in office."

22
 23 **ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY**
 24 **INCREASES/ELIMINATE DEPUTY CLERK HIRING RATE**

25 **SECTION 136.** Effective July 1, 2003, G.S. 7A-102(c1) reads as rewritten:

26 "(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time
 27 deputy clerk serving as head bookkeeper per county, shall be paid an annual salary
 28 subject to the following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	\$26,515 <u>26,939</u>
Maximum	46,464 <u>47,207</u>
Deputy Clerks	Annual Salary
Minimum	\$22,565 <u>22,926</u>
Maximum	35,934 <u>36,508."</u>

37
 38 **MAGISTRATES' SALARY INCREASES**

39 **SECTION 137.1.** Effective July 1, 2003, G.S. 7A-171.1(a) reads as
 40 rewritten:

41 "(a) The Administrative Officer of the Courts, after consultation with the chief
 42 district judge and pursuant to the following provisions, shall set an annual salary for
 43 each magistrate.

(1) A full-time magistrate shall be paid the annual salary indicated in the table set out in this subdivision. A full-time magistrate is a magistrate who is assigned to work an average of not less than 40 hours a week during the term of office. The Administrative Officer of the Courts shall designate whether a magistrate is full-time. Initial appointment shall be at the entry rate. A magistrate's salary shall increase to the next step every two years on the anniversary of the date the magistrate was originally appointed for increases to Steps 1 through 3, and every four years on the anniversary of the date the magistrate was originally appointed for increases to Steps 4 through 6.

Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary
Entry Rate	\$26,889 <u>27,319</u>
Step 1	29,525 <u>29,997</u>
Step 2	32,393 <u>32,911</u>
Step 3	35,523 <u>36,091</u>
Step 4	38,952 <u>39,575</u>
Step 5	42,721 <u>43,405</u>
Step 6	46,864 <u>47,614</u>

(2) A part-time magistrate is a magistrate who is assigned to work an average of less than 40 hours of work a week during the term, except that no magistrate shall be assigned an average of less than 10 hours of work a week during the term. A part-time magistrate is included, in accordance with G.S. 7A-170, under the provisions of G.S. 135-1(10) and G.S. 135-40.2(a). The Administrative Officer of the Courts designates whether a magistrate is a part-time magistrate. A part-time magistrate shall receive an annual salary based on the following formula: The average number of hours a week that a part-time magistrate is assigned work during the term shall be multiplied by the annual salary payable to a full-time magistrate who has the same number of years of service prior to the beginning of that term as does the part-time magistrate and the product of that multiplication shall be divided by the number 40. The quotient shall be the annual salary payable to that part-time magistrate.

(3) Notwithstanding any other provision of this subsection, an individual who, when initially appointed as a full-time magistrate, is licensed to practice law in North Carolina, shall receive the annual salary provided in the Table in subdivision (1) of this subsection for Step 4. This magistrate's salary shall increase to the next step every four years on the anniversary of the date the magistrate was originally appointed. An individual who, when initially appointed as a part-time magistrate, is licensed to practice law in North Carolina, shall be paid an annual salary based on that for Step 4 and determined according to the

1 formula in subdivision (2) of this subsection. This magistrate's salary
 2 shall increase to the next step every four years on the anniversary of
 3 the date the magistrate was originally appointed. The salary of a
 4 full-time magistrate who acquires a license to practice law in North
 5 Carolina while holding the office of magistrate and who at the time of
 6 acquiring the license is receiving a salary at a level lower than Step 4
 7 shall be adjusted to Step 4 and, thereafter, shall advance in accordance
 8 with the Table's schedule. The salary of a part-time magistrate who
 9 acquires a license to practice law in North Carolina while holding the
 10 office of magistrate and who at the time of acquiring the license is
 11 receiving an annual salary as determined by subdivision (2) of this
 12 subsection based on a salary level lower than Step 4 shall be adjusted
 13 to a salary based on Step 4 in the Table and, thereafter, shall advance
 14 in accordance with the provision in subdivision (2) of this subsection."

15 **SECTION 137.2.** Effective July 1, 2003, G.S. 7A-171.1(a1) reads as

16 rewritten:

17 "(a1) Notwithstanding subsection (a) of this section, the following salary provisions
 18 apply to individuals who were serving as magistrates on June 30, 1994:

- 19 (1) The salaries of magistrates who on June 30, 1994, were paid at a salary
 20 level of less than five years of service under the table in effect that date
 21 shall be as follows:

22	Less than 1 year of service	\$21,325 <u>21,666</u>
23	1 or more but less than 3 years of service	22,389 <u>22,747</u>
24	3 or more but less than 5 years of service	24,530 <u>24,922</u>

25 Upon completion of five years of service, those magistrates shall
 26 receive the salary set as the Entry Rate in the table in subsection (a).

- 27 (2) The salaries of magistrates who on June 30, 1994, were paid at a salary
 28 level of five or more years of service shall be based on the rates set out
 29 in subsection (a) as follows:

30	Salary Level	Salary Level
31	on June 30, 1994	on July 1, 1994
32	5 or more but less than 7 years of service	Entry Rate
33	7 or more but less than 9 years of service	Step 1
34	9 or more but less than 11 years of service	Step 2
35	11 or more years of service	Step 3

36 Thereafter, their salaries shall be set in accordance with the
 37 provisions in subsection (a).

- 38 (3) The salaries of magistrates who are licensed to practice law in North
 39 Carolina shall be adjusted to the annual salary provided in the table in
 40 subsection (a) as Step 4, and, thereafter, their salaries shall be set in
 41 accordance with the provisions in subsection (a).

- 42 (4) The salaries of "part-time magistrates" shall be set under the formula
 43 set out in subdivision (2) of subsection (a) but according to the rates
 44 set out in this subsection."

GENERAL ASSEMBLY PRINCIPAL CLERKS

SECTION 138. Effective July 1, 2003, G.S. 120-37(c) reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ~~eighty-eight thousand three hundred and six dollars (\$88,306)~~ eighty-nine thousand seven hundred nineteen dollars (\$89,719) payable monthly. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and Advisory Budget Commission and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this paragraph."

SERGEANT-AT-ARMS AND READING CLERKS

SECTION 139. Effective July 1, 2003, G.S. 120-37(b) reads as rewritten:

"(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~two hundred ninety two dollars (\$292.00)~~ two hundred ninety-seven dollars (\$297.00) per week plus subsistence at the same daily rate provided for members of the General Assembly, plus mileage at the rate provided for members of the General Assembly for one round trip only from their homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General Assembly and at such time prior to the convening of, and subsequent to adjournment or recess of, sessions as may be authorized by the Legislative Services Commission. The reading clerks shall serve during sessions only."

LEGISLATIVE EMPLOYEES

SECTION 140. The Legislative Services Officer shall increase the salaries of nonelected employees of the General Assembly in effect for fiscal year 2002-2003 by one and six-tenths percent (1.6%). Nothing in this act limits any of the provisions of G.S. 120-32.

COMMUNITY COLLEGES PERSONNEL/SALARY INCREASES

SECTION 141. The Director of the Budget shall transfer from the Reserve for Compensation Increases, created in this act for fiscal years 2003-2004 and 2004-2005, funds to the North Carolina Community College System Office necessary to provide an annual salary increase of one and six-tenths percent (1.6%) including funds for the employer's retirement and social security contributions, commencing July 1, 2003, for all permanent full-time community college institutional personnel supported by State funds.

UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES

SECTION 142.1. The Director of the Budget shall transfer to the Board of Governors of The University of North Carolina sufficient funds from the Reserve for Compensation Increases, created in this act for fiscal years 2003-2004 and 2004-2005,

1 to provide an annual salary increase of one and six-tenths percent (1.6%), including
2 funds for the employer's retirement and social security contributions, commencing July
3 1, 2003, for all employees of The University of North Carolina, as well as employees
4 other than teachers of the North Carolina School of Science and Mathematics, supported
5 by State funds and whose salaries are exempt from the State Personnel Act (EPA).

6 **SECTION 142.2.** The Director of the Budget shall transfer to the Board of
7 Governors of The University of North Carolina sufficient funds from the Reserve for
8 Compensation Increases, created in this act for fiscal years 2003-2004 and 2004-2005,
9 to provide an annual salary increase of one and eighty-one hundredths percent (1.81%),
10 including funds for the employer's retirement and social security contributions,
11 commencing July 1, 2003, for all teaching employees of the North Carolina School of
12 Science and Mathematics, supported by State funds and whose salaries are exempt from
13 the State Personnel Act (EPA). These funds shall be allocated to individuals according
14 to the rules adopted by the Board of Trustees of the North Carolina School of Science
15 and Mathematics and may not be used for any purpose other than for salary increases
16 and necessary employer contributions provided by this section.

17 18 **MOST STATE EMPLOYEES**

19 **SECTION 143.1.** The salaries in effect June 30, 2003, of all permanent
20 full-time State employees whose salaries are set in accordance with the State Personnel
21 Act, and who are paid from the General Fund or the Highway Fund shall be increased,
22 on or after July 1, 2003, unless otherwise provided by this act, by one and six-tenths
23 percent (1.6%).

24 **SECTION 143.2.** Except as otherwise provided in this act, the fiscal year
25 2003-2004 salaries for permanent full-time State officials and persons in exempt
26 positions that are recommended by the Governor or the Governor and the Advisory
27 Budget Commission and set by the General Assembly shall be increased by one and
28 six-tenths percent (1.6%), commencing July 1, 2003.

29 **SECTION 143.3.** The salaries in effect for fiscal year 2003-2004 for all
30 permanent part-time State employees shall be increased on and after July 1, 2003, by
31 pro rata amounts of the one and six-tenths percent (1.6%) salary increase provided for
32 permanent full-time employees covered under Section 142.1.

33 **SECTION 143.4.** The Director of the Budget may allocate out of special
34 operating funds or from other sources of the employing agency, except tax revenues,
35 sufficient funds to allow a salary increase, on and after July 1, 2003, in accordance with
36 Sections 142.1, 142.2, and 142.3 including funds for the employer's retirement and
37 social security contributions, for the permanent full-time and part-time employees of the
38 agency, provided the employing agency elects to make available the necessary funds.

39 **SECTION 143.5.** Within regular Executive Budget Act procedures as
40 limited by this act, all State agencies and departments may increase on an equitable
41 basis the rate of pay of temporary and permanent hourly State employees, subject to
42 availability of funds in the particular agency or department, by pro rata amounts of the
43 one and six-tenths percent (1.6%) salary increase provided for permanent full-time
44 employees covered by the provisions of Section 142.1, commencing July 1, 2003.

ALL STATE-SUPPORTED PERSONNEL

SECTION 144.1. Salaries and related benefits for positions that are funded partially from the General Fund or Highway Fund and partially from sources other than the General Fund or Highway Fund shall be increased from the General Fund or Highway Fund appropriation only to the extent of the proportionate part of the salaries paid from the General Fund or Highway Fund.

SECTION 144.2. 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 144.3. The salary increases provided in this act are to be effective July 1, 2003, do not apply to persons separated from State service due to resignation, dismissal, reduction in force, death, or retirement, or whose last workday is prior to July 1, 2003.

Payroll checks issued to employees after July 1, 2003, which represent payment of services provided prior to July 1, 2001, 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 144.4. The Director of the Budget shall transfer from the Reserve for Compensation Increases in this act for fiscal year 2003-2004 all funds necessary for the salary increases provided by this act, including funds for the employer's retirement and social security contributions.

SECTION 144.5. Nothing in this act authorizes the transfer of funds between the General Fund and the Highway Fund for salary increases.

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

SECTION 145.1. For the 2003-2004 and 2004-2005 fiscal years, the Secretary of Revenue shall transfer at the end of each quarter from the State sales and use tax net collections received by the Department of Revenue under Article 5 of Chapter 105 of the General Statutes to the State Treasurer for the Wildlife Resources Fund to fund the cost of any legislative salary increase for employees of the Wildlife Resources Commission.

SECTION 145.2. This section becomes effective July 1, 2003.

**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 146.1. G.S. 135-5(iii) reads as rewritten:

"(iii) From and after July 1, ~~2001, 2003,~~ the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, ~~2000, 2002,~~ shall be increased by ~~two percent (2%)~~ one and one-half percent (1.5%) of the allowance

1 payable on June 1, ~~2001, 2003,~~ in accordance with G.S. 135-5(o). Furthermore, from
2 and after July 1, ~~2001, 2003,~~ the retirement allowance to or on account of beneficiaries
3 whose retirement commenced after July 1, ~~2000, 2002,~~ but before June 30, ~~2001, 2003,~~
4 shall be increased by a prorated amount of ~~two percent (2%)~~ one and one-half percent
5 (1.5%) of the allowance payable as determined by the Board of Trustees based upon the
6 number of months that a retirement allowance was paid between July 1, ~~2000, 2002,~~ and
7 June 30, ~~2001, 2003.~~"

8 **SECTION 146.2.** G.S. 135-65(v) reads as rewritten:

9 "(v) From and after July 1, ~~2001, 2003,~~ the retirement allowance to or on account
10 of beneficiaries whose retirement commenced on or before July 1, ~~2000, 2002,~~ shall be
11 increased by ~~two percent (2%)~~ one and one-half percent (1.5%) of the allowance
12 payable on June 1, ~~2001, 2003.~~ Furthermore, from and after July 1, ~~2001, 2003,~~ the
13 retirement allowance to or on account of beneficiaries whose retirement commenced
14 after July 1, ~~2000, 2002,~~ but before June 30, ~~2001, 2003,~~ shall be increased by a
15 prorated amount of ~~two percent (2%)~~ one and one-half percent (1.5%) of the allowance
16 payable as determined by the Board of Trustees based upon the number of months that a
17 retirement allowance was paid between July 1, ~~2000, 2002,~~ and June 30, ~~2001, 2003.~~"

18 **SECTION 146.3.** G.S. 120-4.22A(p) reads as rewritten:

19 "(p) In accordance with subsection (a) of this section, from and after July 1, ~~2001,~~
20 ~~2003,~~ the retirement allowance to or on account of beneficiaries whose retirement
21 commenced on or before January 1, ~~2001, 2003,~~ shall be increased by ~~two percent (2%)~~
22 one and one-half percent (1.5%) of the allowance payable on June 1, ~~2001, 2003.~~
23 Furthermore, from and after July 1, ~~2001, 2003,~~ the retirement allowance to or on
24 account of beneficiaries whose retirement commenced after January 1, ~~2001, 2003,~~ but
25 before June 30, ~~2001, 2003,~~ shall be increased by a prorated amount of ~~two percent~~
26 ~~(2%)~~ one and one-half percent (1.5%) of the allowance payable as determined by the
27 Board of Trustees based upon the number of months that a retirement allowance was
28 paid between January 1, ~~2001, 2003,~~ and June 30, ~~2001, 2003.~~"

29 **SECTION 146.4.** G.S. 128-27(zz) reads as rewritten:

30 "(zz) From and after July 1, ~~2001, 2003,~~ the retirement allowance to or on account
31 of beneficiaries whose retirement commenced on or before July 1, ~~2000, 2002,~~ shall be
32 increased by ~~two percent (2%)~~ one and one-half percent (1.5%) of the allowance
33 payable on June 1, ~~2001, 2003,~~ in accordance with subsection (k) of this section.
34 Furthermore, from and after July 1, ~~2001, 2003,~~ the retirement allowance to or on
35 account of beneficiaries whose retirement commenced after July 1, ~~2000, 2002,~~ but
36 before June 30, ~~2001, 2003,~~ shall be increased by a prorated amount of ~~two percent~~
37 ~~(2%)~~ one and one-half percent (1.5%) of the allowance payable as determined by the
38 Board of Trustees based upon the number of months that a retirement allowance was
39 paid between July 1, ~~2000, 2002,~~ and June 30, ~~2001, 2003.~~"

40 **SECTION 146.5.** This section becomes effective July 1, 2003.

41
42 **PART XXI. GENERAL CAPITAL APPROPRIATIONS/PROVISIONS**

43
44 **CAPITAL APPROPRIATIONS/GENERAL FUND**

1 **SECTION 147.1.** There is appropriated from the General Fund for the
2 2003-2004 fiscal year the following amount for capital improvements:

	<u>2003-2004</u>
3 Department of Environment and Natural Resources	
4 Water Resource Projects	\$29,407,000
5	
6	
7 TOTAL CAPITAL APPROPRIATION	\$29,407,000
8	

9 **SECTION 147.2.** Where the actual costs are different from the estimated
10 costs under Section 146.1, the Department may adjust the allocations among projects as
11 needed. If any projects funded under Section 146.1 are delayed and the budgeted State
12 funds cannot be used during the 2003-2004 fiscal year, or if the projects funded under
13 Section 146.1 are accomplished at a lower cost, the Department may use the resulting
14 fund availability to fund any of the following:

- 15 (1) Corps of Engineers project feasibility studies.
- 16 (2) Corps of Engineers projects whose schedules have advanced and
17 require State-matching funds in fiscal year 2003-2004.
- 18 (3) State-local water resources development projects. Funds not expended
19 or encumbered for these purposes shall revert to the General Fund at
20 the end of the 2004-2005 fiscal year.

21 **SECTION 147.3.** The Department shall make quarterly reports on the use of
22 these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal
23 Research Division, and the Office of State Budget and Management. Each report shall
24 include all of the following:

- 25 (1) All projects listed in this section.
- 26 (2) The estimated cost of each project.
- 27 (3) The date that work on each project began or is expected to begin.
- 28 (4) The date that work on each project was completed or is expected to be
29 completed.
- 30 (5) The actual cost of each project.

31 The quarterly reports shall also show those projects advanced in schedule,
32 those projects delayed in schedule, and an estimate of the amount of funds expected to
33 revert to the General Fund.

34 **SECTION 147.4.** Notwithstanding G.S. 143-23, if additional federal funds
35 that require a State match are received for water resources projects or for beach
36 renourishment projects for the 2003-2004 fiscal year, the Director of the Budget may,
37 after consultation with the Joint Legislative Commission on Governmental Operations,
38 transfer funds from General Fund appropriations to match the federal funds.

39 **PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS**

40 **SECTION 148.** The appropriations made by the 2003 General Assembly for
41 capital improvements shall be disbursed for the purposes provided by this act.
42 Expenditure of funds shall not be made by any State department, institution, or agency
43 until an allotment has been approved by the Governor as Director of the Budget. The
44

1 allotment shall be approved only after full compliance with the Executive Budget Act,
2 Article 1 of Chapter 143 of the General Statutes. Prior to the award of construction
3 contracts for projects to be financed in whole or in part with self-liquidating
4 appropriations, the Director of the Budget shall approve the elements of the method of
5 financing of those projects including the source of funds, interest rate, and liquidation
6 period. Provided, however, that if the Director of the Budget approves the method of
7 financing a project, the Director shall report that action to the Joint Legislative
8 Commission on Governmental Operations at its next meeting.

9 Where direct capital improvement appropriations include the purpose of
10 furnishing fixed and movable equipment for any project, those funds for equipment
11 shall not be subject to transfer into construction accounts except as authorized by the
12 Director of the Budget. The expenditure of funds for fixed and movable equipment and
13 furnishings shall be reviewed and approved by the Director of the Budget prior to
14 commitment of funds.

15 Capital improvement projects authorized by the 2003 General Assembly shall
16 be completed, including fixed and movable equipment and furnishings, within the limits
17 of the amounts of the direct or self-liquidating appropriations provided, except as
18 otherwise provided in this act. Capital improvement projects authorized by the 2003
19 General Assembly for the design phase only shall be designed within the scope of the
20 project as defined by the approved cost estimate filed with the Director of the Budget,
21 including costs associated with site preparation, demolition, and movable and fixed
22 equipment.

23 **ENCUMBERED APPROPRIATIONS AND PROJECT RESERVE FUNDS**

24 **SECTION 149.** When each capital improvement project appropriated by the
25 2003 General Assembly, other than those projects under the Board of Governors of The
26 University of North Carolina, is placed under a construction contract, direct
27 appropriations shall be encumbered to include all costs for construction, design,
28 investigation, administration, movable equipment, and a reasonable contingency.
29 Unencumbered direct appropriations remaining in the project budget shall be placed in a
30 project reserve fund credited to the Office of State Budget and Management. Funds in
31 the project reserve may be used for emergency repair and renovation projects at State
32 facilities with the approval of the Director of the Budget. The project reserve fund may
33 be used, at the discretion of the Director of the Budget, to allow for award of contracts
34 where bids exceed appropriated funds, if those projects supplemented were designed
35 within the scope intended by the applicable appropriation or any authorized change in it,
36 and if, in the opinion of the Director of the Budget, all means to award contracts within
37 the appropriation were reasonably attempted. At the discretion of the Director of the
38 Budget, any balances in the project reserve fund shall revert to the original source.

39 **EXPENDITURES OF FUNDS FROM THE RESERVE FOR REPAIRS AND**

40 **RENOVATIONS**

1 **SECTION 150.** Of the funds in the Reserve for Repairs and Renovations for
2 the 2003-2004 fiscal year, forty-six percent (46%) shall be allocated to the Board of
3 Governors of The University of North Carolina for repairs and renovations pursuant to
4 G.S. 143-15.3A, in accordance with guidelines developed in The University of North
5 Carolina Funding Allocation Model for Reserve for Repairs and Renovations, as
6 approved by the Board of Governors of The University of North Carolina, and fifty-four
7 percent (54%) shall be allocated to the Office of State Budget and Management for
8 repairs and renovations pursuant to G.S. 143-15.3A.

9 Notwithstanding G.S. 143-15.3A, the Board of Governors may allocate funds
10 for the repair and renovation of facilities not supported from the General Fund if the
11 Board determines that sufficient funds are not available from other sources and that
12 conditions warrant General Fund assistance. Any such finding shall be included in the
13 Board's submission to the Joint Legislative Commission on Governmental Operations
14 on the proposed allocation of funds.

15 The Board of Governors and the Office of State Budget and Management
16 shall submit to the Joint Legislative Commission on Governmental Operations and to
17 the Fiscal Research Division of the Legislative Services Office, for their review, the
18 proposed allocations of these funds. Subsequent changes in the proposed allocations
19 shall be reported prior to expenditure to the Joint Legislative Commission on
20 Governmental Operations and to the Fiscal Research Division of the Legislative
21 Services Office.

22 **CAPITAL IMPROVEMENT PROJECTS/SUPPLEMENTAL FUNDING**

23 **APPROVAL/REPORTING REQUIREMENT**

24 **SECTION 151.** Each department receiving capital improvement
25 appropriations from the Highway Fund under this act shall report quarterly to the
26 Director of the Budget on the status of those capital projects. The reporting procedure
27 to be followed shall be developed by the Director of the Budget.

28 Highway Fund capital improvement projects authorized in this act that have
29 not been placed under contract for construction due to insufficient funds may be
30 supplemented with funds identified by the Director of the Budget, provided:

- 31 (1) That the project was designed and bid within the scope as authorized
32 by the General Assembly;
- 33 (2) That the funds to supplement the project are from the same source as
34 authorized for the original project;
- 35 (3) That the department to which the project was authorized has
36 unsuccessfully pursued all statutory authorizations to award the
37 contract; and
- 38 (4) That the action be reported to the Fiscal Research Division of the
39 Legislative Services Office.
- 40
- 41
- 42

43 **PROJECT COST INCREASE**

1 **SECTION 152.** Upon the request of the administration of a State agency,
2 department, or institution, the Director of the Budget may, when in the Director's
3 opinion it is in the best interest of the State to do so, increase the cost of a capital
4 improvement project. Provided, however, that if the Director of the Budget increases
5 the cost of a project, the Director shall report that action to the Joint Legislative
6 Commission on Governmental Operations at its next meeting. The increase may be
7 funded from gifts, federal or private grants, special fund receipts, excess patient receipts
8 above those budgeted at the University of North Carolina Hospitals at Chapel Hill, or
9 direct capital improvement appropriations to that department or institution.

10 11 **NEW PROJECT AUTHORIZATION**

12 **SECTION 153.** Upon the request of the administration of any State agency,
13 department, or institution, the Director of the Budget may authorize the construction of
14 a capital improvement project not specifically authorized by the General Assembly if
15 such project is to be funded by gifts, federal or private grants, special fund receipts,
16 excess patient receipts above those budgeted at the University of North Carolina
17 Hospitals at Chapel Hill, or self-liquidating indebtedness. Prior to authorizing the
18 construction of a capital improvement project pursuant to this section, the Director shall
19 consult with the Joint Legislative Commission on Governmental Operations.

20 21 **ADVANCE PLANNING OF CAPITAL IMPROVEMENT PROJECTS**

22 **SECTION 154.** Funds that become available by gifts, excess patient receipts
23 above those budgeted at the University of North Carolina Hospitals at Chapel Hill,
24 federal or private grants, receipts becoming a part of special funds by act of the General
25 Assembly, or any other funds available to a State department or institution may be
26 utilized for advance planning through the working drawing phase of capital
27 improvement projects, upon approval of the Director of the Budget. The Director of the
28 Budget may make allocations from the Advance Planning Fund for advance planning
29 through the working drawing phase of capital improvement projects, except that this
30 revolving fund shall not be utilized by the Board of Governors of The University of
31 North Carolina or the State Board of Community Colleges.

32 33 **APPROPRIATIONS LIMITS/REVERSION OR LAPSE**

34 **SECTION 155.** Except as permitted in previous sections of this act, the
35 appropriations for capital improvements made by the 2003 General Assembly may be
36 expended only for specific projects set out by the 2003 General Assembly and for no
37 other purpose. Construction of all capital improvement projects enumerated by the
38 2003 General Assembly shall be commenced, or self-liquidating indebtedness with
39 respect to them shall be incurred, within 12 months following the first day of the fiscal
40 year in which the funds are available. If construction contracts on those projects have
41 not been awarded or self-liquidating indebtedness has not been incurred within that
42 period, the direct appropriation for those projects shall revert to the original source, and
43 the self-liquidating appropriation shall lapse; except that direct appropriations may be
44 placed in a reserve fund as authorized in this act. This deadline with respect to both

1 direct and self-liquidating appropriations may be extended with the approval of the
2 Director of the Budget up to an additional 12 months if circumstances and conditions
3 warrant such extension.

4 5 **PART XXII. MISCELLANEOUS PROVISIONS**

6 7 **EXECUTIVE BUDGET ACT APPLIES**

8 **SECTION 156.** The provisions of the Executive Budget Act, Chapter 143 of
9 Article 1 of the General Statutes, are reenacted and shall remain in full force and effect
10 and are incorporated in this act by reference.

11 12 **MOST TEXT APPLIES ONLY TO THE 2003-2005 FISCAL BIENNIUM**

13 **SECTION 157.** Except for statutory changes or other provisions that clearly
14 indicate an intention to have effects beyond the 2003-2005 fiscal biennium, the textual
15 provisions of this act apply only to funds appropriated for, and activities occurring
16 during, the 2003-2005 fiscal biennium.

17 18 **EFFECT OF HEADINGS**

19 **SECTION 158.** The headings to the parts and sections of this act are a
20 convenience to the reader and are for reference only. The headings do not expand,
21 limit, or define the text of this act, except for effective dates referring to a Part.

22 23 **SEVERABILITY CLAUSE**

24 **SECTION 159.** If any section or provision of this act is declared
25 unconstitutional or invalid by the courts, it does not affect the validity of this act as a
26 whole or any part other than the part so declared to be unconstitutional or invalid.

27 28 **EFFECTIVE DATE**

29 **SECTION 160.** Except as otherwise provided, this act becomes effective
30 July 1, 2003.