

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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SENATE BILL 1741
Second Edition Engrossed 5/23/06
Third Edition Engrossed 5/25/06
House Committee Substitute Favorable 6/13/06
Fifth Edition Engrossed 6/13/06

Short Title: Modify Appropriations Act of 2005.

(Public)

Sponsors:

Referred to:

May 22, 2006

A BILL TO BE ENTITLED

1 AN ACT TO MODIFY THE CURRENT OPERATIONS AND CAPITAL
2 APPROPRIATIONS ACT OF 2005; TO SET THE PUBLIC UTILITIES
3 REGULATORY FEE AND THE INSURANCE REGULATORY CHARGE; TO
4 AUTHORIZE A PRIVATE WELL-WATER TESTING FEE; TO CLARIFY FEES
5 FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND
6 SUBSTANCE ABUSE SERVICE FACILITIES; TO MAKE A TECHNICAL
7 CORRECTION TO THE LICENSURE FEE CAP FOR REVIEW OF HEALTH
8 CARE FACILITY CONSTRUCTION PROJECTS; TO REPEAL THE FEE FOR
9 MINE SAFETY EDUCATION/TRAINING PROGRAMS; TO INCREASE THE
10 PUBLIC WATER SYSTEMS ANNUAL OPERATING PERMIT FEES; TO
11 IMPOSE PUBLIC WATER SYSTEM PLAN REVIEW FEES; TO LOWER THE
12 STATE SALES AND USE TAX BY ONE-QUARTER PERCENTAGE POINT
13 EFFECTIVE JANUARY 1, 2007; TO LOWER THE UPPER INCOME TAX RATE
14 BY ONE-EIGHTH PERCENTAGE POINT EFFECTIVE FOR TAXABLE YEARS
15 BEGINNING ON OR AFTER JANUARY 1, 2007; TO PROVIDE FOR A
16 HEALTH INSURANCE TAX CREDIT CAPPED AT \$200 PER ELIGIBLE
17 EMPLOYEE; TO EXPAND THE DEFINITION OF A DEVELOPMENT ZONE
18 TO INCLUDE AN ECONOMIC DEVELOPMENT AND TRAINING DISTRICT;
19 TO EXTEND THE SUNSET ON AVIATION FUEL SOLD TO MOTORSPORTS
20 RACING TEAMS; TO ENHANCE THE TAX BENEFITS RELATING TO
21 ETHYL ALCOHOL AND BIODIESEL; TO PROVIDE FOR A SALES AND USE
22 TAX BENEFIT FOR RESEARCH AND DEVELOPMENT COMPANIES; AND
23 TO ELIMINATE SALES AND USE TAX REFUNDS FOR PURCHASES OF
24 ALCOHOLIC BEVERAGES.
25

26 The General Assembly of North Carolina enacts:

27
28 **PART I. INTRODUCTION AND TITLE OF ACT**

29
30 **INTRODUCTION**

31 **SECTION 1.1.** The appropriations made in this act are for maximum
32 amounts necessary to provide the services and accomplish the purposes described in the

1 budget. Savings shall be effected where the total amounts appropriated are not required
 2 to perform these services and accomplish these purposes and, except as allowed by the
 3 Executive Budget Act, or this act, the savings shall revert to the appropriate fund at the
 4 end of each fiscal year.

5
 6 **TITLE OF ACT**

7 **SECTION 1.2.** This act shall be known as "The Current Operations and
 8 Capital Improvements Appropriations Act of 2006."

9
 10 **PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND**

11
 12 **CURRENT OPERATIONS AND EXPANSION/GENERAL FUND**

13 **SECTION 2.1.** Appropriations from the General Fund of the State for the
 14 maintenance of the State departments, institutions, and agencies, and for other purposes
 15 as enumerated are adjusted for the fiscal year ending June 30, 2007, according to the
 16 schedule that follows. Amounts set out in brackets are reductions from General Fund
 17 appropriations for the 2006-2007 fiscal year.

18
 19 **Current Operations – General Fund**

FY 2006-2007

20
 21 **EDUCATION**

22	Community Colleges System Office	\$ 42,924,642
23	Department of Public Instruction	150,669,892
24	University of North Carolina System	
25	Appalachian State University	\$ 2,189
26	East Carolina University	
27	Academic Affairs	(1,589,622)
28	Health Affairs	0
29	Elizabeth City State University	(28,887)
30	Fayetteville State University	42,675
31	NC Agricultural and Technical University	(223,690)
32	North Carolina Central University	(312)
33	North Carolina School of the Arts	29,159
34	North Carolina State University	
35	Academic Affairs	(3,908,353)
36	Agricultural Extension	65,287
37	Agricultural Research	0
38	University of North Carolina at Asheville	(569,398)
39	University of North Carolina at Chapel Hill	
40	Academic Affairs	(846,370)
41	Health Affairs	(795,501)
42	Area Health Education Centers	0
43	University of North Carolina at Charlotte	(471,439)
44	University of North Carolina at Greensboro	(1,138)
45	University of North Carolina at Pembroke	(299,992)
46	University of North Carolina at Wilmington	(100,910)
47	Western Carolina University	(7,325,381)
48	Winston-Salem State University	0
49	General Administration	(5,396,824)
50	University Institutional Programs	141,936,597
51	Related Educational Programs	0
52	North Carolina School of Science and Mathematics	52,250

1	UNC Hospitals at Chapel Hill	0
2	Total University of North Carolina Board of Governors	\$ 120,570,340
3		
4	HEALTH AND HUMAN SERVICES	
5		
6	Department of Health and Human Services	
7	Office of the Secretary	\$ (56,346,653)
8	Division of Aging	5,541,765
9	Division of Blind Services/Deaf/HH	0
10	Division of Child Development	25,561,908
11	Division of Education Services	996,783
12	Division of Facility Services	0
13	Division of Medical Assistance	(106,150,000)
14	Division of Mental Health	57,068,476
15	NC Health Choice	0
16	Division of Public Health	26,214,501
17	Division of Social Services	17,319,957
18	Division of Vocation Rehabilitation	0
19	Total Health and Human Services	\$ (29,793,263)
20		
21	NATURAL AND ECONOMIC RESOURCES	
22		
23	Department of Agriculture and Consumer Services	\$ 3,748,123
24		
25	Department of Commerce	
26	Commerce	20,312,483
27	Commerce State-Aid	10,453,138
28	NC Biotechnology Center	4,000,000
29	Rural Economic Development Center	0
30		
31	Department of Environment and Natural Resources	
32	Environment and Natural Resources	13,615,057
33	Clean Water Management Trust Fund	0
34		
35	Department of Labor	613,894
36		
37	JUSTICE AND PUBLIC SAFETY	
38		
39	Department of Correction	\$ 36,877,659
40		
41	Department of Crime Control and Public Safety	6,623,243
42		
43	Judicial Department	26,734,418
44	Judicial Department – Indigent Defense	6,985,055
45		
46	Department of Justice	4,728,270
47		
48	Department of Juvenile Justice and Delinquency Prevention	3,554,520
49		
50	GENERAL GOVERNMENT	
51		
52	Department of Administration	\$ 4,208,759
53		
54	Office of Administrative Hearings	281,367
55		

1	Department of State Auditor	57,564
2		
3	Office of State Controller	0
4		
5	Department of Cultural Resources	
6	Cultural Resources	4,210,053
7	Roanoke Island Commission	0
8		
9	State Board of Elections	634,791
10		
11	General Assembly	168,346
12		
13	Office of the Governor	
14	Office of the Governor	100,000
15	Office of State Budget and Management	409,938
16	OSBM – Reserve for Special Appropriations	1,353,253
17	Housing Finance Agency	17,125,000
18		
19	Department of Insurance	
20	Insurance	388,398
21	Insurance – Volunteer Safety Workers' Compensation	0
22		
23	Office of Lieutenant Governor	88,433
24		
25	Department of Revenue	1,279,782
26		
27	Department of Secretary of State	468,067
28		
29	Department of State Treasurer	
30	State Treasurer	281,784
31	State Treasurer – Retirement for Fire and Rescue Squad Workers	514,000
32		
33	TRANSPORTATION	
34		
35	Department of Transportation	\$ 0
36		
37	RESERVES, ADJUSTMENTS AND DEBT SERVICE	
38		
39	Reserve for Compensation Increases	\$ 693,676,935
40		
41	Reserve for Teachers' and State Employees' Retirement Contributions	29,650,000
42		
43	Retirement System Payback	30,000,000
44		
45	Information Technology Fund	42,087,229
46		
47	Reserve for Heating and Cooling Assistance	10,000,000
48		
49	Trust Fund for MH/DD/SAS	24,205,000
50		
51	State Emergency Response Account	20,000,000
52		
53	Targeted County Medicaid Relief	35,000,000
54		
55	Pending Ethics Legislation (HB 1843 & HB 1844)	422,871

1		
2	Economic Development Initiatives	10,000,000
3		
4	Higher Education and County Programs/Facilities	59,825,000
5		
6	Debt Service	
7	General Debt Service	(50,000,000)
8	Federal Reimbursement	0
9		
10	ADJUSTMENTS TO APPROPRIATIONS – GENERAL FUND	\$ 1,352,754,041
11		
12	GENERAL FUND AVAILABILITY STATEMENT	
13	SECTION 2.2.(a) Section 2.2(a) of S.L. 2005-276 is repealed. The General	
14	Fund availability used in adjusting the 2006-2007 budget is shown below:	
15		
16		FY 2006-2007
17	Unappropriated Balance from FY 2005-06, S.L. 2005-276	117,227,875
18	Net Adjustments - S.L. 2005-345	(4,148,833)
19	Net Adjustments - S.L. 2005-435, S.L. 2005-406,	
20	S.L. 2005-376, S.L. 2005-391	(5,826,000)
21	Adjustment From Estimated to Actual 2005-2006	
22	Beginning Unreserved Balance	6,133,946
23	Revised Unappropriated Balance Remaining 2005-2006	\$ 113,386,988
24		
25	Emergency Appropriation for	
26	Department of Correction, S.L. 2006-2	(15,000,000)
27	Projected Reversions from FY 2005-2006	125,000,000
28	Projected Over Collections from FY 2005-2006	1,072,100,000
29	Year End Unreserved Credit Balance before Earmarkings	\$ 1,295,486,988
30		
31	Credit to Savings Reserve	\$ (323,871,747)
32	Credit to Repairs and Renovation Reserve Account	(210,955,188)
33	Revised Year End Unreserved Credit Balance	\$ 760,660,053
34		
35	Revenues Based on Existing Tax Structure	\$ 16,951,416,000
36		
37	Nontax Revenues	
38	Investment Income	\$ 78,700,000
39	Judicial Fees	168,605,271
40	Disproportionate Share	100,000,000
41	Insurance	51,543,813
42	Other Nontax Revenues	202,719,921
43	Highway Trust Fund Transfer	252,663,009
44	Highway Fund Transfer	0
45	Subtotal Nontax Revenues	\$ 854,232,014
46		
47	Total General Fund Availability	\$ 18,566,308,067
48		
49	Adjustments to Availability: 2006 Session	
50	Baseline Revenue Forecast	\$ 698,864,995
51	Sales Tax Reduction from	
52	4.5% to 4.25% – January 1, 2007	(118,000,000)
53	Upper Income Tax from	
54	8.25% to 8.125% – January 1, 2007	(14,300,000)
55	Small Business Health Insurance Tax Credit	(10,800,000)

1	529 Plan Tax Deduction	(2,000,000)
2	IRC Update Conformance	(5,100,000)
3	Mill Rehabilitation Tax Credit	(2,800,000)
4	Taxation of Logging Machinery	(2,900,000)
5	Bill Lee Adjustments	(800,000)
6	Aviation Fuel Credit Sunset – January 1, 2007	(90,000)
7	Tax Incentive for Ethyl Alcohol Sales	(50,000)
8	Joint Filing Options	(1,000,000)
9	Research & Development Sales Tax Rate Change	(4,100,000)
10	Reduce Transfer to Highway Trust Fund	(195,176,407)
11	Adjust Transfer from Insurance Regulatory Fund	388,398
12	Adjust Transfer from Treasurer's Office	281,784
13	Transfer from Master Settlement Agreement Funds	6,300,000
14	Subtotal Adjustments to Availability: 2006 Session	\$ 348,718,770
15		
16	Revised General Fund Availability for 2006-2007 Fiscal Year	\$ 18,915,026,837
17		
18	Total General Fund Appropriations	
19	for 2006-2007 Fiscal Year	(18,915,026,837)
20		
21	Unappropriated Balance Remaining	\$ 0

22
23 **SECTION 2.2.(b)** Notwithstanding G.S. 143-15.2 and G.S. 143-15.3A, the
24 State Controller shall transfer two hundred ten million nine hundred fifty-five thousand
25 one hundred eighty-eight dollars (\$210,955,188) from the unreserved credit balance to
26 the Repairs and Renovations Reserve Account on June 30, 2006. This subsection
27 becomes effective June 30, 2006.

28 **SECTION 2.2.(c)** Funds transferred under this section to the Repairs and
29 Renovations Reserve Account are appropriated for the 2006-2007 fiscal year to be used
30 in accordance with G.S. 143-15.3A.

31 **SECTION 2.2.(d)** Section 2.2(e) of S.L. 2005-276 is repealed effective June
32 30, 2006. This subsection becomes effective June 30, 2006

33 **SECTION 2.2.(e)** Section 2.2.(f) of S.L. 2005-276 reads as rewritten:

34 **"SECTION 2.2.(f)** Notwithstanding G.S. 105-187.9(b)(1), the sum to be transferred
35 under that subdivision for the 2005-2006 fiscal year is two hundred fifty million dollars
36 (\$250,000,000) and for the 2006-2007 fiscal year is ~~two hundred fifty million dollars~~
37 ~~(\$250,000,000)~~ fifty-five million dollars (\$55,000,000)."

38 **SECTION 2.2.(f)** Pursuant to G.S. 105-187.9(b)(2), the sum to be
39 transferred under that subdivision for the 2006-2007 fiscal year is two million four
40 hundred eighty-six thousand six hundred two dollars (\$2,486,602).

41
42 **PART III. CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND**

43
44 **CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND**

45 **SECTION 3.1.** Appropriations from the Highway Fund of the State for
46 maintenance and operation of the Department of Transportation, and for other purposes
47 as enumerated, are made for the fiscal year ending June 30, 2007, according to the
48 schedule that follows. Amounts set out in brackets are reductions from Highway Fund
49 Appropriations for the 2006-2007 fiscal year.

51	Current Operations – Highway Fund	2006-2007
52	Department of Transportation	
53	Administration	\$ 0
54		
55	Division of Highways	

1	Administration	0
2	Construction	39,439,500
3	Maintenance	188,824,200
4	Planning and Research	0
5	OSHA Program	0
6		
7	Aeronautics	2,000,000
8		
9	Ferry Operations	1,000,000
10		
11	State Aid	
12	Municipalities	1,439,500
13	Public Transportation	(14,000,000)
14	Railroads	3,198,750
15		
16	Governor's Highway Safety	0
17	Division of Motor Vehicles	1,386,701
18	Other State Agencies	1,462,420
19	Reserves and Transfers	30,080,000
20		
21	TOTAL	\$254,831,071

HIGHWAY FUND AVAILABILITY STATEMENT

24 **SECTION 3.2.** The Highway Fund availability used in developing the
25 2005-2007 biennial budget is shown below:

26		
27	Highway Fund Availability Statement	2006-2007
28		
29	Beginning Credit Balance	26,600,000
30	Estimated Revenue	1,767,140,000
31		
32	Total Highway Fund Availability	\$ 1,793,740,000

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS**HIGHWAY TRUST FUND APPROPRIATIONS**

37 **SECTION 4.1.** Appropriations from the Highway Trust Fund of the State for
38 maintenance and operation of the Department of Transportation, and for other purposes
39 as enumerated, are made for the fiscal year ending June 30, 2007, according to the
40 schedule that follows. Amounts set out in brackets are reductions from Highway Trust
41 Fund Appropriations for the 2006-2007 fiscal year.

42		
43	Current Operations – Highway Trust Fund	2006-2007
44		
45	Intrastate System	100,567,595
46	Urban Loops	40,665,346
47	Aid to Municipalities	10,551,886
48	Secondary Roads	9,271,360
49	Program Administration	(1,189,780)
50	Transfer to General Fund	(195,176,407)
51		
52	GRAND TOTAL CURRENT OPERATIONS	
53	AND EXPANSION	(\$35,310,000)

PART V. BLOCK GRANTS

1 **DHHS BLOCK GRANTS**

2 **SECTION 5.1.(a)** Appropriations from federal block grant funds are made
3 for the fiscal year ending June 30, 2007, according to the following schedule:

4
5 **TEMPORARY ASSISTANCE TO NEEDY FAMILIES**
6 **(TANF) BLOCK GRANT**

7
8 **Local Program Expenditures**

9
10 **Division of Social Services**

11	01.	Work First Family Assistance (Cash Assistance)	\$108,000,000
12	02.	Work First County Block Grants	94,653,315
13	03.	Child Protective Services – Child Welfare 14 Workers for Local DSS	12,452,391
15	04.	Work First – Boys and Girls Clubs	1,500,000
16	05.	Work First – After-School Services for 17 At-Risk Children	2,249,642
18	06.	Work First – After-School Programs for 19 At-Risk Youth in Middle Schools	500,000
20	07.	Child Welfare Collaborative	1,000,000
21	08.	Work First – Work Central	550,000
22	09.	Adoption Services – Special Children's 23 Adoption Fund	3,000,000
24	10.	Family Violence Prevention	2,200,000
25	11.	Foster Care	2,000,000
26	12.	Child and Family Mental Health Services	4,000,000
27	13.	Emergency Housing Assistance	4,000,000

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41
42 **Division of Child Development**

43	14.	Subsidized Child Care Program	53,237,268
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45
46 **DHHS Administration**

47	15.	Division of Social Services	586,931
48	16.	Office of the Secretary	65,836
49	17.	Office of the Secretary/DIRM – TANF 50 Automation Projects	592,500

1	18.	Office of the Secretary/DIRM – NC FAST	
2		Implementation	1,800,000
3			
4		Transfers to Other Block Grants	
5			
6		Division of Child Development	
7			
8	19.	Transfer to the Child Care and	
9		Development Fund	81,292,880
10			
11		Division of Social Services	
12			
13	20.	Transfer to Social Services Block Grant for	
14		Department of Juvenile Justice and Delinquency	
15		Prevention – Support Our Students	2,749,642
16			
17	21.	Transfer to Social Services Block Grant for Child	
18		Protective Services – Child Welfare Training in	
19		Counties	2,550,000
20			
21	22.	Transfer to Social Services Block Grant for	
22		Maternity Homes	838,000
23			
24	23.	Transfer to Social Services Block Grant for Teen	
25		Pregnancy Prevention Initiatives	2,500,000
26			
27	24.	Transfer to Social Services Block Grant for County	
28		Departments of Social Services for Children's Services	4,500,000
29			
30	25.	Transfer to Social Services Block Grant for	
31		Foster Care Services	1,181,907
32			
33		TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES	
34		(TANF) BLOCK GRANT	\$388,000,312
35			
36		SOCIAL SERVICES BLOCK GRANT	
37			
38		Local Program Expenditures	
39			
40		Divisions of Social Services and Aging and Adult Services	
41			
42	01.	County Departments of Social Services	\$ 28,868,189
43		(Transfer from TANF – \$4,500,000)	
44			
45	02.	State In-Home Services Fund	2,101,113
46			
47	03.	State Adult Day Care Fund	2,155,301
48			
49	04.	Child Protective Services/CPS Investigative	
50		Services-Child Medical Evaluation Program	238,321
51			
52	05.	Foster Care Services	1,706,063
53		(Transfer from TANF – \$1,181,907)	
54			
55	06.	Child Protective Services-Child Welfare Training	

1	for Counties	2,550,000
2	(Transfer from TANF)	
3		
4	07. Maternity Homes	838,000
5	(Transfer from TANF)	
6		
7	08. Local DSS Services for Hurricane Victims	509,272
8		
9	Division of Aging and Adult Services	
10		
11	09. Home and Community Care Block Grant (HCCBG)	1,834,077
12		
13	Division of Mental Health, Developmental Disabilities, and Substance	
14	Abuse Services	
15		
16	10. Mental Health Services Program	422,003
17		
18	11. Developmental Disabilities Services Program	5,000,000
19		
20	12. Mental Health Services-Adult/Mental Health Services-	
21	Child/Developmental Disabilities Program/	
22	Substance Abuse Services-Adult	3,234,601
23		
24	Division of Child Development	
25		
26	13. Subsidized Child Care Program	3,150,000
27		
28	Division of Vocational Rehabilitation	
29		
30	14. Vocational Rehabilitation Services – Easter Seal	
31	Society/UCP	188,263
32		
33	Office of the Secretary – Office of Economic Opportunity	
34		
35	15. Elderly Supplemental Grant Program	41,302
36		
37	Division of Public Health	
38		
39	16. Teen Pregnancy Prevention Initiatives	2,500,000
40	(Transfer from TANF)	
41		
42	DHHS Program Expenditures	
43		
44	Division of Aging and Adult Services	
45		
46	17. UNC-CARES Training Contract	247,920
47		
48	Division of Services for the Blind	
49		
50	18. Independent Living Program	3,314,114
51		
52	Division of Facility Services	
53		
54	19. Adult Care Licensure Program	411,897
55		

1	20.	Mental Health Licensure and Certification Program	205,668
2			
3		DHHS Administration	
4			
5	21.	Division of Aging and Adult Services	630,636
6			
7	22.	Division of Social Services	869,058
8			
9	23.	Office of the Secretary/Controller's Office	123,059
10			
11	24.	Office of the Secretary/DIRM	82,009
12			
13	25.	Division of Child Development	15,000
14			
15	26.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	18,098
16			
17			
18	27.	Division of Facility Services	62,986
19			
20	28.	Office of the Secretary-NC Inter-Agency Council For Coordinating Homeless Programs	250,000
21			
22			
23	29.	Office of the Secretary-Housing Coalition	100,000
24			
25		Transfers to Other State Agencies	
26			
27		Department of Administration	
28			
29	30.	NC Commission of Indian Affairs In-Home Services for the Elderly	203,198
30			
31			
32		Department of Juvenile Justice and Delinquency Prevention	
33			
34	31.	Support Our Students (Transfer from TANF)	2,749,642
35			
36			
37		Transfers to Other Block Grants	
38			
39		Division of Public Health	
40			
41	32.	Transfer to Preventive Health Services Block Grant for HIV/STD Prevention and Community Planning	145,819
42			
43			
44		TOTAL SOCIAL SERVICES BLOCK GRANT	\$ 64,765,609
45			
46		LOW-INCOME ENERGY BLOCK GRANT	
47			
48		Local Program Expenditures	
49			
50		Division of Social Services	
51			
52	01.	Low Income Energy Assistance Program (LIHEAP)	\$ 28,684,494
53			
54	02.	Crisis Intervention Program (CIP)	20,831,114
55			

1	Office of the Secretary – Office of Economic Opportunity	
2		
3	03. Weatherization Program	9,431,545
4		
5	04. Heating Air Repair & Replacement Program (HARRP)	4,399,042
6		
7	Local Administration	
8		
9	Division of Social Services	
10		
11	05. County DSS Administration	2,057,992
12		
13	Office of the Secretary – Office of Economic Opportunity	
14		
15	06. Local Residential Energy Efficiency Service	
16	Providers – Weatherization	257,185
17		
18	07. Local Residential Energy Efficiency Service	
19	Providers – HARRP	119,955
20		
21	DHHS Administration	
22		
23	08. Division of Social Services	319,774
24		
25	09. Division of Mental Health, Developmental	
26	Disabilities, and Substance Abuse Services	7,146
27		
28	10. Office of the Secretary/DIRM	245,395
29		
30	11. Office of the Secretary/Controller's Office	11,211
31		
32	12. Office of the Secretary/Office of Economic	
33	Opportunity – Weatherization	257,185
34		
35	13. Office of the Secretary/Office of Economic	
36	Opportunity – HARRP	119,955
37		
38	Transfers to Other State Agencies	
39		
40	14. Department of Administration –	
41	N.C. State Commission of Indian Affairs	58,455
42		
43	TOTAL LOW-INCOME ENERGY BLOCK GRANT	\$ 66,800,448
44		
45	CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	
46		
47	Local Program Expenditures	
48		
49	Division of Child Development	
50		
51	01. Subsidized Child Care Services	\$165,102,685
52		
53	02. Subsidized Child Care Services	
54	(TANF to CCDF)	81,292,880
55		

1	DHHS Program Expenditures	
2		
3	Division of Child Development	
4		
5	03. Quality and Availability Initiatives	34,951,707
6		
7	Local Administrations	
8		
9	Division of Child Development	
10		
11	04. Administrative Expenses (Non-Direct Subsidy	
12	Services Support)	1,849,000
13		
14	DHHS Administration	
15		
16	05. DCD Administrative Expenses	6,028,354
17		
18	TOTAL CHILD CARE AND DEVELOPMENT FUND	
19	BLOCK GRANT	\$289,224,626
20		
21	MENTAL HEALTH SERVICES BLOCK GRANT	
22		
23	Local Program Expenditures	
24		
25	01. Mental Health Services – Adult	\$ 7,184,481
26		
27	02. Mental Health Services – Child	3,921,991
28		
29	03. Comprehensive Treatment Service	
30	Program	1,500,000
31		
32	Local Administration	
33		
34	04. Division of Mental Health	100,000
35		
36	TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	\$ 12,706,472
37		
38	SUBSTANCE ABUSE PREVENTION	
39	AND TREATMENT BLOCK GRANT	
40		
41	Local Program Expenditures	
42		
43	01. Substance Abuse Services – Adult	\$ 20,537,390
44		
45	02. Substance Abuse Treatment Alternative for	
46	Women	8,069,524
47		
48	03. Substance Abuse – HIV and IV Drug	4,816,378
49		
50	04. Substance Abuse Prevention – Child	5,835,701
51		
52	05. Substance Abuse Services – Child	4,940,500
53		
54	06. Substance Abuse Strengthening Families –	
55	Prevention	851,156

1		
2	Division of Public Health	
3		
4	07. Risk Reduction Projects	383,980
5		
6	08. Aid-to-Counties	209,576
7		
8	09. Maternal Health	37,779
9		
10	DHHS Administration	
11		
12	10. Division of Mental Health	500,000
13		
14	TOTAL SUBSTANCE ABUSE PREVENTION	
15	AND TREATMENT BLOCK GRANT	\$ 46,181,984
16		
17	MATERNAL AND CHILD HEALTH BLOCK GRANT	
18		
19	Local Program Expenditures	
20		
21	Division of Public Health	
22		
23	01. Healthy Mothers/Healthy Children	9,359,236
24		
25	02. Children's Health Services	4,114,216
26		
27	03. Healthy Beginnings	404,559
28		
29	04. Maternal Health	397,761
30		
31	05. Teen Pregnancy Prevention Initiatives	85,710
32		
33	DHHS Program Expenditures	
34		
35	Division of Public Health	
36		
37	06. Children's Health Services	3,149,826
38		
39	07. Maternal Health	185,488
40		
41	08. State Center for Health Statistics	29,432
42		
43	09. Local Technical Assistance & Training	47,424
44		
45	10. Injury and Violence Prevention	149,438
46		
47	11. Office of Minority Health	98,236
48		
49	12. Special Supplemental Nutrition Program	
50	for Women, Infants, and Children (WIC)	22,856
51		
52	13. Immunization Program – Vaccine Distribution	414,175
53		
54	DHHS Administration	
55		

1	14.	Division of Public Health Administration	550,681
2			
3		TOTAL MATERNAL AND CHILD	
4		HEALTH BLOCK GRANT	\$ 19,009,038
5			
6		PREVENTIVE HEALTH SERVICES BLOCK GRANT	
7			
8		Local Program Expenditures	
9			
10	01.	NC Statewide Health Promotion	\$1,755,653
11			
12	02.	Services to Rape Victims	197,112
13			
14	03.	HIV/STD Prevention and Community Planning	
15		(Transfer from Social Services Block Grant)	145,819
16			
17		DHHS Program Expenditures	
18			
19	04.	NC Statewide Health Promotion	431,444
20			
21	05.	Oral Health	114,251
22			
23	06.	Osteoporosis Program	67,593
24			
25		DHHS Administration	
26			
27	07.	Division of Public Health	109,211
28			
29		TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT	\$2,821,083
30			
31		COMMUNITY SERVICES BLOCK GRANT	
32			
33		Local Program Expenditures	
34			
35		Office of Economic Opportunity – Community Services Block Grant	
36			
37	01.	Community Action Agencies	\$ 15,071,666
38			
39	02.	Limited Purpose Agencies	823,261
40			
41		DHHS Administration	
42			
43	03.	Office of Economic Opportunity	823,261
44			
45		TOTAL COMMUNITY SERVICES BLOCK GRANT	\$ 16,718,188
46			

GENERAL PROVISIONS

SECTION 5.1.(b) Information To Be Included in Block Grant Plans. – The Department of Health and Human Services shall submit a separate plan for each Block Grant received and administered by the Department, and each plan shall include the following:

- (1) A delineation of the proposed allocations by program or activity, including State and federal match requirements.
- (2) A delineation of the proposed State and local administrative expenditures.

- 1 (3) An identification of all new positions to be established through the
- 2 Block Grant, including permanent, temporary, and time-limited
- 3 positions.
- 4 (4) A comparison of the proposed allocations by program or activity with
- 5 two prior years' program and activity budgets and two prior years'
- 6 actual program or activity expenditures.
- 7 (5) A projection of current year expenditures by program or activity.
- 8 (6) A projection of federal Block Grant funds available, including unspent
- 9 federal funds from the current and prior fiscal years.

10 **SECTION 5.1.(c)** Changes in Federal Fund Availability. – If the Congress
11 of the United States increases the federal fund availability for any of the Block Grants
12 administered by the Department of Health and Human Services from the amounts
13 appropriated in this section, the Department shall allocate the increase proportionally
14 across the program and activity appropriations identified for that Block Grant in this
15 section. In allocating an increase in federal fund availability, the Department shall not
16 propose funding for new programs or activities not appropriated in this section or
17 increase State administrative expenditures.

18 If the Congress of the United States decreases the federal fund availability for
19 any of the Block Grants administered by the Department of Health and Human Services
20 from the amounts appropriated in this section, the Department shall reduce State
21 administration by at least the percentage of the reduction in federal funds. After
22 determining the State administration, the remaining reductions shall be allocated
23 proportionately across the program and activity appropriations identified for that Block
24 Grant in this section. In allocating a decrease in federal fund availability, the
25 Department shall not eliminate the funding for a program or activity appropriated in this
26 section unless it is related to the State administration.

27 Prior to allocating the change in federal fund availability, the proposed
28 allocation must be approved by the Office of State Budget and Management. If the
29 Department adjusts the allocation of any Block Grant due to changes in federal fund
30 availability, then a report shall be made to the Joint Legislative Commission on
31 Governmental Operations, the House of Representatives Appropriations Subcommittee
32 on Health and Human Services, the Senate Appropriations Committee on Health and
33 Human Services, and the Fiscal Research Division.

34 **SECTION 5.1.(d)** All changes to the budgeted allocations to the Block
35 Grants administered by the Department of Health and Human Services that are not
36 specifically addressed in this section shall be approved by the Office of State Budget
37 and Management, and a report shall be submitted to the Joint Legislative Commission
38 on Governmental Operations for review prior to implementing the changes. All changes
39 to the budgeted allocations to the Block Grant shall be reported immediately to the
40 House of Representatives Appropriations Subcommittee on Health and Human
41 Services, the Senate Appropriations Committee on Health and Human Services, and the
42 Fiscal Research Division. This subsection does not apply to block grant changes caused
43 by legislative salary increases and benefit adjustments.

44 **SECTION 5.1.(e)** The Department of Health and Human Services shall
45 report to the House of Representatives Appropriations Subcommittee on Health and
46 Human Services, the Senate Appropriations Committee on Health and Human Services,
47 and the Fiscal Research Division on positions funded from federal Block Grants. The
48 report shall include the following for each Block Grant:

- 49 (1) All State positions currently funded through the Block Grant,
- 50 including permanent, temporary, and time-limited positions.
- 51 (2) Budgeted salary and fringe benefits for each position.
- 52 (3) Identify the percentage of Block Grant funds used to fund each
- 53 position.

54 The report shall be submitted no later than December 1, 2006.

55

1 **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT**
2 **(TANF)**

3 **SECTION 5.1.(f)** The sum of five hundred eighty-six thousand nine hundred
4 thirty-one dollars (\$586,931) appropriated in this section in the TANF Block Grant to
5 the Department of Health and Human Services, Division of Social Services, for the
6 2006-2007 fiscal year shall be used to support administration of TANF-funded
7 programs.

8 **SECTION 5.1.(g)** The sum of two million two hundred thousand dollars
9 (\$2,200,000) appropriated under this section in the TANF Block Grant to the
10 Department of Health and Human Services, Division of Social Services, for the
11 2006-2007 fiscal year shall be used to provide domestic violence services to Work First
12 recipients. These funds shall be used to provide domestic violence counseling, support,
13 and other direct services to clients. These funds shall not be used to establish new
14 domestic violence shelters or to facilitate lobbying efforts. The Division of Social
15 Services may use up to seventy-five thousand dollars (\$75,000) in TANF funds to
16 support one administrative position within the Division of Social Services to implement
17 this subsection.

18 Each county department of social services and the local domestic violence
19 shelter program serving the county shall jointly develop a plan for utilizing these funds.
20 The plan shall include the services to be provided and the manner in which the services
21 shall be delivered. The county plan shall be signed by the county social services director
22 or the director's designee and the domestic violence program director or the director's
23 designee and submitted to the Division of Social Services by December 1, 2006. The
24 Division of Social Services, in consultation with the Council for Women, shall review
25 the county plans and shall provide consultation and technical assistance to the
26 departments of social services and local domestic violence shelter programs, if needed.

27 The Division of Social Services shall allocate these funds to county
28 departments of social services according to the following formula: (i) each county shall
29 receive a base allocation of five thousand dollars (\$5,000); and (ii) each county shall
30 receive an allocation of the remaining funds based on the county's proportion of the
31 statewide total of the Work First caseload as of July 1, 2006, and the county's proportion
32 of the statewide total of the individuals receiving domestic violence services from
33 programs funded by the Council for Women as of July 1, 2006. The Division of Social
34 Services may reallocate unspent funds to counties that submit a written request for
35 additional funds.

36 **SECTION 5.1.(h)** The sum of two million two hundred forty-nine thousand
37 six hundred forty-two dollars (\$2,249,642) appropriated in this section in the TANF
38 Block Grant to the Department of Health and Human Services, Division of Social
39 Services, for the 2006-2007 fiscal year shall be used to expand after-school programs
40 and services for at-risk children. The Department shall develop and implement a grant
41 program to award grants to community-based programs that demonstrate the ability to
42 reach children at risk of teen pregnancy, school dropout, and gang participation. The
43 Department shall award grants to community-based organizations that demonstrate the
44 ability to develop and implement linkages with local departments of social services,
45 area mental health programs, schools, and other human services programs in order to
46 provide support services and assistance to the child and family. These funds may be
47 used to fund one position within the Division of Social Services to coordinate at-risk
48 after-school programs and shall not be used for other State administration.

49 **SECTION 5.1.(i)** The sum of twelve million four hundred fifty-two
50 thousand three hundred ninety-one dollars (\$12,452,391) appropriated in this section to
51 the Department of Health and Human Services, Division of Social Services, in the
52 TANF Block Grant for the 2006-2007 fiscal year for child welfare improvements, shall
53 be allocated to the county departments of social services for hiring or contracting staff
54 to investigate and provide services in Child Protective Services cases; to provide foster
55 care and support services; to recruit, train, license, and support prospective foster and

1 adoptive families; and to provide interstate and postadoption services for eligible
2 families.

3 **SECTION 5.1.(j)** The sum of three million dollars (\$3,000,000)
4 appropriated in this section in the TANF Block Grant to the Department of Health and
5 Human Services, Special Children Adoption Fund, for the 2006-2007 fiscal year shall
6 be used in accordance with Section 10.48 of S.L. 2005-276. The Division of Social
7 Services, in consultation with the North Carolina Association of County Directors of
8 Social Services and representatives of licensed private adoption agencies, shall develop
9 guidelines for the awarding of funds to licensed public and private adoption agencies
10 upon the adoption of children described in G.S. 108A-50 and in foster care. Payments
11 received from the Special Children Adoption Fund by participating agencies shall be
12 used exclusively to enhance the adoption services program. No local match shall be
13 required as a condition for receipt of these funds.

14 **SECTION 5.1.(k)** The sum of one million eight hundred thousand dollars
15 (\$1,800,000) in this section appropriated to the Department of Health and Human
16 Services in the TANF Block Grant for the 2006-2007 fiscal year shall be used to
17 implement N.C. FAST (North Carolina Families Accessing Services through
18 Technology). The N.C. FAST Program involves the entire automation initiative through
19 which families access services and local departments of social services deliver benefits,
20 supervised by the Department of Health and Human Services, Divisions of Social
21 Services, Aging and Adult Services, Medical Assistance, and Child Development. The
22 statewide automated initiative shall be implemented in compliance with federal
23 regulations in order to ensure federal financial participation in the project. The
24 Department of Health and Human Services shall report on its compliance with this
25 subsection to the House of Representatives Appropriations Subcommittee on Health and
26 Human Services, the Senate Appropriations Committee on Health and Human Services,
27 and the Fiscal Research Division no later than January 1, 2007.

28 **SECTION 5.1.(l)** The sum of five hundred thousand dollars (\$500,000)
29 appropriated in this section to the Department of Health and Human Services, Division
30 of Social Services, in the TANF Block Grant for the 2006-2007 fiscal year shall be used
31 to expand after-school programs for at-risk children attending middle school. The
32 Department shall develop and implement a grant program to award funds to
33 community-based programs demonstrating the capacity to reach children at risk of teen
34 pregnancy, school dropout, and gang participation. These funds shall not be used for
35 training or administration at the State level. All funds shall be distributed to
36 community-based programs, focusing on those communities where similar programs do
37 not exist in middle schools.

38 **SECTION 5.1.(m)** In implementing the TANF Block Grant, the Department
39 of Health and Human Services shall review policies, programs, and initiatives to ensure
40 that they support men in their role as fathers and strengthen fathers' involvement in their
41 children's lives. The Department shall encourage county departments of social services
42 to ensure their Work First programs emphasize responsible fatherhood and increased
43 participation by noncustodial fathers.

44 **SECTION 5.1.(n)** The sum of five hundred fifty thousand dollars
45 (\$550,000) appropriated in this section to the Department of Health and Human
46 Services in the TANF Block Grant for the 2006-2007 fiscal year shall be transferred to
47 Work Central, Inc. Work Central, Inc., shall report on the number of people served and
48 the services received as a result of the receipt of funds. The report shall contain
49 expenditure data, including the amount of funds used for administration and direct
50 training. The report shall also include the number of people who have been employed as
51 a direct result of services provided by Work Central, Inc., including the length of
52 employment in the new position. The Department of Health and Human Services shall
53 evaluate the program and ensure that services provided are not duplicative of local
54 employment security commissions in the nine counties served by Work Central, Inc.
55 The evaluation report shall be submitted to the House of Representatives Appropriations

1 Subcommittee on Health and Human Services, the Senate Appropriations Committee on
2 Health and Human Services, and the Fiscal Research Division no later than May 1,
3 2007.

4 **SECTION 5.1.(o)** The sum of one million five hundred thousand dollars
5 (\$1,500,000) appropriated in this section to the Department of Health and Human
6 Services in the Social Services Block Grant for Boys and Girls Clubs for the 2006-2007
7 fiscal year shall be used to make grants for approved programs. The Department of
8 Health and Human Services, in accordance with federal regulations for the use of Social
9 Services Block Grant funds, shall administer a grant program to award funds to the
10 Boys and Girls Clubs across the State in order to implement programs that improve the
11 motivation, performance, and self-esteem of youths and to implement other initiatives
12 that would be expected to reduce gang participation, school dropout, and teen pregnancy
13 rates. The Department shall encourage and facilitate collaboration between the Boys and
14 Girls Clubs and Support Our Students, Communities in Schools, and similar programs
15 to submit joint applications for the funds if appropriate.

16 **SECTION 5.1.(p)** The sum of four million dollars (\$4,000,000) appropriated
17 in this section to the Department of Health and Human Services, Division of Social
18 Services, in the TANF Block Grant for the 2006-2007 fiscal year shall be used to
19 increase work participation rates by providing substance abuse and mental health
20 services. The services shall be provided to families and children with child welfare
21 issues and mental health or substance abuse problems that are an impediment to work.
22 The Division of Social Services shall work with the Division of Mental Health,
23 Developmental Disabilities, and Substance Abuse Services in the development and
24 implementation of this program.

25 **SECTION 5.1.(q)** The sum of four million dollars (\$4,000,000) appropriated
26 in this section to the Department of Health and Human Services, Division of Social
27 Services, in the TANF Block Grant for the 2006-2007 fiscal year shall be used to
28 increase work participation rates by providing targeted emergency housing assistance
29 for families and children receiving TANF. The funds shall be used to provide
30 short-term rent assistance or security deposits for families to maintain stable housing,
31 transition from homelessness, or prevent homelessness, including domestic violence
32 situations. The Division of Social Services shall work with the North Carolina Housing
33 Finance Agency in the development and implementation of this program.

34 **SECTION 5.1.(r)** The sum of one million dollars (\$1,000,000) appropriated
35 in this section to the Child Welfare Collaborative in the TANF Block Grant for the
36 2006-2007 fiscal year shall be used to provide service awards for students receiving
37 undergraduate or graduate degrees in social work.

38 **SECTION 5.1.(s)** It is the intent of the General Assembly that effective
39 beginning with the 2007-2008 fiscal year, North Carolina counties will use county
40 funding to replace any lost TANF and Maintenance of Effort (MOE) funds resulting
41 from North Carolina being penalized for not meeting work participation rates in the
42 2006-2007 fiscal year and thereafter. The Department of Health and Human Services,
43 Division of Social Services, shall develop a plan for implementation of county penalty
44 payments. The Department shall report on its development and implementation of the
45 plan to the House of Representatives Appropriations Subcommittee on Health and
46 Human Services, the Senate Appropriations Committee on Health and Human Services,
47 and the Fiscal Research Division no later than April 1, 2007.

48 **SOCIAL SERVICES BLOCK GRANT**

49 **SECTION 5.1.(t)** Social Services Block Grant funds appropriated to the
50 North Carolina Inter-Agency Council for Coordinating Homeless Programs and the
51 North Carolina Housing Coalition are exempt from the provisions of 10A NCAC
52 71R.0201(3).
53

54 **SECTION 5.1.(u)** The sum of two million seven hundred forty-nine
55 thousand six hundred forty-two dollars (\$2,749,642) appropriated in this section in the

1 Social Services Block Grant to the Department of Health and Human Services and
2 transferred to the Department of Juvenile Justice and Delinquency Prevention for the
3 2006-2007 fiscal year shall be used to support the existing Support Our Students
4 Program, including gang prevention, and to expand the Program statewide, focusing on
5 low-income communities in unserved areas. These funds shall not be used for
6 administration of the Program.

7 **SECTION 5.1.(v)** The sum of two million five hundred fifty thousand
8 dollars (\$2,550,000) appropriated in this section in the Social Services Block Grant to
9 the Department of Health and Human Services, Division of Social Services, for the
10 2006-2007 fiscal year shall be used to support various child welfare training projects as
11 follows:

- 12 (1) Provide a regional training center in southeastern North Carolina.
- 13 (2) Support the Masters Degree in Social Work/Baccalaureate Degree in
14 Social Work Collaborative.
- 15 (3) Provide training for residential child care facilities.
- 16 (4) Provide for various other child welfare training initiatives.

17 **SECTION 5.1.(w)** The sum of eight hundred thirty-eight thousand dollars
18 (\$838,000) appropriated in this section in the Social Services Block Grant to the
19 Department of Health and Human Services for the 2006-2007 fiscal year shall be used
20 to purchase services at maternity homes throughout the State.

21 **SECTION 5.1.(x)** The sum of one million seven hundred six thousand
22 sixty-three dollars (\$1,706,063) appropriated in this section in the Social Services Block
23 Grant for child caring agencies for the 2006-2007 fiscal year shall be allocated to the
24 State Private Child Caring Agencies Fund.

25 **SECTION 5.1.(y)** The Department of Health and Human Services is
26 authorized, subject to the approval of the Office of State Budget and Management, to
27 transfer Social Services Block Grant funding allocated for departmental administration
28 between divisions that have received administrative allocations from the Social Services
29 Block Grant.

30 **LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM**

31 **SECTION 5.1.(z)** Additional emergency contingency funds received may be
32 allocated for Energy Assistance Payments or Crisis Intervention Payments without prior
33 consultation with the Joint Legislative Commission on Governmental Operations.
34 Additional funds received shall be reported to the Joint Legislative Commission on
35 Governmental Operations and the Fiscal Research Division upon notification of the
36 award. The Department of Health and Human Services shall not allocate funds for any
37 activities, including increasing administration, other than assistance payments, without
38 prior consultation with the Joint Legislative Commission on Governmental Operations.
39

40 **CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT**

41 **SECTION 5.1.(aa)** The sum of no more than four hundred thousand dollars
42 (\$400,000) appropriated in this section to the Department of Health and Human
43 Services in the Child Care and Development Fund Block Grant for the 2006-2007 fiscal
44 year may be used for the operations of the Medical Child Care Pilot.

45 **SECTION 5.1.(bb)** Payment for subsidized child care services provided
46 with federal TANF funds shall comply with all regulations and policies issued by the
47 Division of Child Development for the subsidized child care program.

48 **SECTION 5.1.(cc)** If funds appropriated through the Child Care and
49 Development Fund Block Grant for any program cannot be obligated or spent in that
50 program within the obligation or liquidation periods allowed by the federal grants, the
51 Department may move funds to child care subsidies, unless otherwise prohibited by
52 federal requirements of the grant, in order to use the federal funds fully.
53

54 **MENTAL HEALTH BLOCK GRANT**

55

1 **SECTION 5.1.(dd)** The sum of one million five hundred thousand dollars
 2 (\$1,500,000) appropriated in this section in the Mental Health Block Grant to the
 3 Department of Health and Human Services, Division of Mental Health, Developmental
 4 Disabilities, and Substance Abuse Services, for the 2006-2007 fiscal year, and the sum
 5 of four hundred twenty-two thousand three dollars (\$422,003) appropriated in this
 6 section in the Social Services Block Grant to the Department of Health and Human
 7 Services, Division of Social Services, for the 2006-2007 fiscal year shall be used to
 8 continue a Comprehensive Treatment Services Program for Children in accordance with
 9 Section 10.25 of S.L. 2005-276.

10 **SECTION 5.1.(ee)** The Department of Health and Human Services shall
 11 contract with the University of North Carolina at Chapel Hill for the purpose of
 12 providing psychology student stipends in the amount of fifty thousand dollars (\$50,000)
 13 for the 2006-2007 fiscal year. Twenty-five thousand dollars (\$25,000) of this contract
 14 shall be paid from the Mental Health Block Grant.

15
 16 **MATERNAL AND CHILD HEALTH BLOCK GRANT**

17 **SECTION 5.1.(ff)** If federal funds are received under the Maternal and
 18 Child Health Block Grant for abstinence education, pursuant to section 912 of Public
 19 Law 104-193 (42 U.S.C. § 710), for the 2006-2007 fiscal year, then those funds shall be
 20 transferred to the State Board of Education to be administered by the Department of
 21 Public Instruction. The Department of Public Instruction shall use the funds to establish
 22 an Abstinence Until Marriage Education Program and shall delegate to one or more
 23 persons the responsibility of implementing the program and G.S. 115C-81(e1)(4). The
 24 Department of Public Instruction shall carefully and strictly follow federal guidelines in
 25 implementing and administering the abstinence education grant funds.

26 **SECTION 5.1.(gg)** The Department of Health and Human Services shall
 27 ensure that there will be follow-up testing in the Newborn Screening Program.

28
 29 **NER BLOCK GRANTS**

30 **SECTION 5.2.(a)** Appropriations from federal block grant funds are made
 31 for fiscal year ending June 30, 2007, according to the following schedule:

32
 33 **COMMUNITY DEVELOPMENT BLOCK GRANT**

34		
35	01. State Administration	\$ 1,000,000
36		
37	02. Urgent Needs and Contingency	1,000,000
38		
39	03. Scattered Site Housing	13,200,000
40		
41	04. Economic Development	8,710,000
42		
43	05. Community Revitalization	13,500,000
44		
45	06. State Technical Assistance	450,000
46		
47	07. Housing Development	2,000,000
48		
49	08. Infrastructure	5,140,000
50		

51 **TOTAL COMMUNITY DEVELOPMENT**
 52 **BLOCK GRANT – 2007 Program Year** \$ 45,000,000

53
 54 **SECTION 5.2.(b)** Decreases in Federal Fund Availability. – If federal funds
 55 are reduced below the amounts specified above after the effective date of this act, then

1 every program in each of these federal block grants shall be reduced by the same
2 percentage as the reduction in federal funds.

3 **SECTION 5.2.(c)** Increases in Federal Fund Availability for Community
4 Development Block Grant. – Any block grant funds appropriated by the Congress of the
5 United States in addition to the funds specified in this section shall be expended as
6 follows: each program category under the Community Development Block Grant shall
7 be increased by the same percentage as the increase in federal funds.

8 **SECTION 5.2.(d)** Limitations on Community Development Block Grant
9 Funds. – Of the funds appropriated in this section for the Community Development
10 Block Grant, the following shall be allocated in each category for each program year: up
11 to one million dollars (\$1,000,000) may be used for State Administration; not less than
12 one million dollars (\$1,000,000) may be used for Urgent Needs and Contingency; up to
13 thirteen million two hundred thousand dollars (\$13,200,000) may be used for Scattered
14 Site Housing; up to eight million seven hundred ten thousand dollars (\$8,710,000) may
15 be used for Economic Development, including Urban Redevelopment Grants and Small
16 Business or Entrepreneurial Assistance; not less than thirteen million five hundred
17 thousand dollars (\$13,500,000) shall be used for Community Revitalization; up to four
18 hundred fifty thousand dollars (\$450,000) may be used for State Technical Assistance;
19 up to two million dollars (\$2,000,000) may be used for Housing Development; up to
20 five million one hundred forty thousand dollars (\$5,140,000) may be used for
21 Infrastructure. If federal block grant funds are reduced or increased by the Congress of
22 the United States after the effective date of this act, then these reductions or increases
23 shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

24 **SECTION 5.2.(e)** Increase Capacity for Nonprofit Organizations. –
25 Assistance to nonprofit organizations to increase their capacity to carry out
26 CDBG-eligible activities in partnership with units of local government is an eligible
27 activity under any program category in accordance with federal regulations. Capacity
28 building grants may be made from funds available within program categories, program
29 income, or unobligated funds.

30 **SECTION 5.2.(f)** The Department of Commerce will create a small
31 business/entrepreneurship program in coordination with micro-lending programs and
32 other small business assistance groups in the State. The Department of Commerce shall
33 award up to one million dollars (\$1,000,000) in grants to local governments to provide
34 assistance to low-to-moderate income individuals for small business and
35 entrepreneurship development.

36 **SECTION 5.2.(g)** The Department of Commerce shall consult with the Joint
37 Legislative Commission on Governmental Operations prior to reallocating Community
38 Development Block Grant Funds. Notwithstanding the provisions of this subsection,
39 whenever the Director of the Budget finds that:

- 40 (1) A reallocation is required because of an emergency that poses an
41 imminent threat to public health or public safety, the Director of the
42 Budget may authorize the reallocation without consulting the
43 Commission. The Department of Commerce shall report to the
44 Commission on the reallocation no later than 30 days after it was
45 authorized and shall identify in the report the emergency, the type of
46 action taken, and how it was related to the emergency.
- 47 (2) The State will lose federal block grant funds or receive less federal
48 block grant funds in the next fiscal year unless a reallocation is made,
49 the Department of Commerce shall provide a written report to the
50 Commission on the proposed reallocation and shall identify the reason
51 that failure to take action will result in the loss of federal funds. If the
52 Commission does not hear the issue within 30 days of receipt of the
53 report, the Department may take the action without consulting the
54 Commission.
55

PART VI. GENERAL PROVISIONS**CONTINGENCY AND EMERGENCY FUND ALLOCATIONS**

SECTION 6.1.(a) Section 6.2 of S.L. 2005-276 is repealed.

SECTION 6.1.(b) Funds in the amount of five million dollars (\$5,000,000) for the 2006-2007 fiscal year are appropriated to the Contingency and Emergency Fund. Except as provided in subsection (c) of this section, these funds shall be expended only as:

- (1) Required by a court, Industrial Commission, or administrative hearing officer's order;
- (2) Required to call out the national guard; or
- (3) Required to respond to an unanticipated disaster such as a fire, hurricane, or tornado, if funds for this purpose are not available in the Reserve for Disaster Expenses as authorized in G.S. 166A.

SECTION 6.1.(c) Up to five hundred thousand dollars (\$500,000) may be spent for purposes other than those set out in subsection (b) of this section. Notwithstanding any other provision of law authorizing expenditures from the Contingency and Emergency Fund, no more than five hundred thousand dollars (\$500,000) of these funds shall be expended for purposes other than those set out in subsection (b) of this section.

STATE EMERGENCY RESPONSE ACCOUNT

SECTION 6.5.(a) G.S. 166A-6.01(b)(2) reads as rewritten:

"(b) Disaster Assistance Programs – Type I Disaster. – In the event that a Type I disaster is proclaimed, the Governor may make State funds available for disaster assistance in the disaster area in the form of individual assistance and public assistance as provided in this subsection.

- ..
- (2) Public assistance. – State disaster assistance in the form of public assistance grants may be made available to eligible entities located within the disaster area on the following terms and conditions:
 - a. Eligible entities shall meet the following qualifications:
 1. The eligible entity suffers a minimum of ten thousand dollars (\$10,000) in uninsurable losses;
 2. The eligible entity suffers uninsurable losses in an amount equal to or exceeding ~~one half percent (0.5%)~~ one percent (1%) of the annual operating budget;
 3. For a state of disaster proclaimed pursuant to G.S. 166A-6(a) after the deadline established by the Federal Emergency Management Agency pursuant to the Disaster Mitigation Act of 2002, P.L. 106-390, the eligible entity shall have a hazard mitigation plan approved pursuant to the Stafford Act; and
 4. For a state of disaster proclaimed pursuant to G.S. 166A-6(a) after August 1, 2002, the eligible entity shall be participating in the National Flood Insurance Program in order to receive public assistance for flooding damage.
 - b. Eligible entities shall be required to provide non-State matching funds equal to twenty-five percent (25%) of the eligible costs of the public assistance grant.
 - c. An eligible entity that receives a public assistance grant pursuant to this subsection may use the grant for the following purposes only:

1. Debris clearance.
2. Emergency protective measures.
3. Roads and bridges.
4. Crisis counseling.
5. Assistance with public transportation needs."

SECTION 6.5.(b) Article 1 of Chapter 166A of the General Statutes is amended by adding a new section to read:

"§ 166A-6.02. State Emergency Response Account.

(a) Account Established. – There is established a State Emergency Response Account as a reserve in the General Fund. Any funds appropriated to the Account shall remain available for expenditure as provided by this section, unless directed otherwise by the General Assembly.

(b) Purpose of Funds. – The Governor may spend funds from the Account for the following purposes:

- (1) To cover the start-up costs of State Emergency Response Team operations for an emergency that poses an imminent threat of a Type I, Type II, or Type III disaster as defined by G.S. 166A-6.
- (2) To cover the cost of first responders to a Type I, Type II, or Type III disaster and any related supplies and equipment needed by first responders that are not provided for under subdivision (1) of this subsection.

All other types of disaster assistance authorized by G.S. 166A-6 shall continue to be financed by the funds made available under G.S. 166A-6.01.

(c) Reporting Requirement. – The Governor shall report to the Joint Legislative Commission on Governmental Operations and to the Chairs of the Appropriations Committees of the Senate and House of Representatives on any expenditures from the State Emergency Response Account no later than 30 days after making the expenditure. The report shall include a description of the emergency and type of action taken."

SECTION 6.5.(c) G.S. 166A-4(1) reads as rewritten:

"(1)(1a) Disaster. – An occurrence or imminent threat of widespread or severe damage, injury, or loss of life or property resulting from any natural or man-made accidental, military or paramilitary cause."

SECTION 6.5.(d) G.S. 166A-4 is amended by adding a new subdivision to read:

"(1) Account. – The State Emergency Response Account established in G.S. 166A-6.02."

INFORMATION TECHNOLOGY FUND AVAILABILITY AND APPROPRIATIONS

SECTION 6.6.(a) Section 6.13(a) of S.L. 2005-276 reads as rewritten:

"SECTION 6.13.(a) The availability used to support appropriations made in this act from the Information Technology Fund established in G.S. 147-33.72H is as follows:

	FY 2005-2006	FY 2006-2007
<u>Estimated Information Technology Fund Balance, June 30, 2006</u>		<u>\$4,212,225</u>
Receipts from Information Technology Enterprise Fee (G.S. 147-33.82)	\$5,000,000	\$5,000,000
Transfer from June 30, 2005, Information Technology Services Internal Service Fund cash balance to support statewide IT initiatives	\$5,000,000	
Appropriation from General Fund	\$24,375,000	\$8,025,000

1	<u>Appropriation from General Fund</u>	<u>\$24,375,000</u>	<u>\$50,112,229</u>
2			
3	Total Funds Available	\$34,375,000	\$13,025,000.
4	Total Funds Available	\$34,375,000	\$59,324,454."

5 **SECTION 6.6.(b)** Appropriations from the Information Technology Fund
6 established in G.S. 147-33.72H are adjusted for the fiscal year ending June 30, 2007, as
7 follows:

9	Appropriations based on S.L. 2005-276, Section 6.14	\$ 13,025,000
10	ITS Operating Expenses	\$ 3,108,326
11	BEACON	\$ 43,191,129
12	Total Appropriation 2006-2007	\$ 59,324,454

13
14 **AMEND CIVIL PENALTY AND FORFEITURE FUND AVAILABILITY**

15 **SECTION 6.9.(a)** Section 6.37(a) of S. L. 2005-276 reads as rewritten:

16 **"SECTION 6.37.(a)** Availability. – The availability used to support appropriations
17 made in this act from the Civil Penalty and Forfeiture Fund is based upon estimated
18 collections of fines and forfeitures from the agencies and in the amounts listed below:

19		FY 2005-2006	FY 2006-2007
20	Department of Revenue	\$ 80,000,000	\$ 85,000,000 <u>63,000,000</u>
21	Department of Transportation	\$ 15,000,000	\$ 15,000,000
22	Employment Security Commission	\$ 3,000,000	\$ 3,000,000
23	Department of Insurance	\$ 3,000,000	\$ 3,000,000 <u>1,000,000</u>
24	University of North Carolina	\$ 5,000,000	\$ 5,000,000 <u>3,500,000</u>
25	Other Agencies	\$ 14,500,000	\$ 14,500,000 <u>10,000,000</u>
26	Total Funds Available	\$ 120,500,000	\$ 125,500,000 <u>95,500,000"</u>

27 **SECTION 6.9.(b)** Section 6.37(b) of S.L. 2005-276 reads as rewritten:

28 **"SECTION 6.37.(b)** Appropriations. – Appropriations are made from the Civil
29 Penalty and Forfeiture Fund for the fiscal biennium ending June 30, 2007, as follows:

30		2005-2006	2006-2007
31	School Technology Fund	\$ 18,000,000	\$ 18,000,000
32	State Public School Fund	\$ 102,500,000	\$ 107,500,000 <u>77,500,000</u>
33	Total Appropriation	\$ 120,500,000	\$ 125,500,000 <u>95,500,000"</u>

34 **SECTION 6.9.(c)** G.S. 115C-457.2 reads as rewritten:

35 **"§ 115C-457.2. Remittance of moneys to the Fund.**

36 The clear proceeds of all civil penalties, civil forfeitures, and civil fines that are
37 collected by a State agency and that the General Assembly is authorized to place in a
38 State fund pursuant to Article IX, Section 7(b) of the Constitution shall be remitted to
39 the Office of State Budget and Management by the officer having custody of the funds
40 within 10 days after the close of the calendar month in which the revenues were
41 received or collected. Notwithstanding any other law, all such funds shall be deposited
42 in the Civil Penalty and Forfeiture Fund. The clear proceeds of these funds include the
43 full amount of all civil penalties, civil forfeitures, and civil fines collected under
44 authority conferred by the State, diminished only by the actual costs of collection, not to
45 exceed twenty percent (20%) of the amount collected. The collection cost percentage to
46 be used by a State agency shall be established and approved by the Office of State
47 Budget and Management on an annual basis based upon the computation of actual
48 collection costs by each agency for the prior fiscal year."

49
50 **TARGETED COUNTY MEDICAID RELIEF**

51 **SECTION 6.12.** Of the funds appropriated in this act to the Office of State
52 Budget and Management for the 2006-2007 fiscal year, the sum of thirty-five million
53 dollars (\$35,000,000) in nonrecurring funds for the 2006-2007 fiscal year shall be
54 reserved and allocated to reduce the county share of the nonfederal share of Medical
55 Assistance Program expenditures, as follows:

- 1 (1) Forty percent (40%) shall be allocated among counties with a
2 Medicaid-eligible population of twenty-five percent (25%) or greater
3 of the total county population. The allocation shall be based on a
4 county's percentage of the total Medicaid budget for all counties with a
5 Medicaid-eligible population of twenty-five percent (25%) or greater.
6 (2) Fifty-five percent (55%) shall be allocated among counties with a
7 Medicaid-eligible population of at least fifteen percent (15%) but less
8 than twenty-five percent (25%) of the total county population. The
9 allocation shall be based on a county's percentage of the total Medicaid
10 budget for all counties with a Medicaid population of at least fifteen
11 percent (15%) but less than twenty-five percent (25%).
12 (3) Five percent (5%) shall be allocated to counties with a Medicaid
13 population of less than fifteen percent (15%) of the total county
14 population. The allocation shall be based on a county's percentage of
15 the total Medicaid budget for all counties with a Medicaid population
16 of less than fifteen percent (15%).
17

18 ELIZABETH CITY AVIATION RESEARCH AND DEVELOPMENT 19 COMMERCE PARK

20 **SECTION 6.13.** Of the funds appropriated in this act to the Office of State
21 Budget and Management, the sum of four million dollars (\$4,000,000) shall be allocated
22 to the Elizabeth City/Pasquotank County Airport Authority for land acquisition and site
23 development to establish the Elizabeth City Aviation Research and Development
24 Commerce Park. The Authority shall transfer a minimum of 20 acres of acquired land
25 to Elizabeth City State University, upon request of the Board of Governors of The
26 University of North Carolina, to establish an aviation educational center and aviation
27 educational programs at the Park.
28

29 COMMUNITY COLLEGE CAPITAL

30 **SECTION 6.14.(a)** Of the funds appropriated in this act to the Office of
31 State Budget and Management, the sum of forty million dollars (\$40,000,000) shall be
32 allocated to the Community Colleges System Office for a Community College Capital
33 Fund to be used for the purpose of awarding grants to community colleges for capital
34 needs. The Community Colleges System Office shall develop a competitive grant
35 application process and guidelines for capital projects and shall award grants on the
36 merit of the applications received. These grants shall be awarded on a matching basis of
37 two State dollars for every one non-State dollar and no individual grant may exceed the
38 sum of two million dollars (\$2,000,000).
39

40 **SECTION 6.14.(b)** Beginning September 1, 2006, the Community Colleges
41 System Office shall submit a quarterly report to the Office of State Budget and
42 Management and the Fiscal Research Division containing the following information
43 about each capital project that was awarded a grant: (i) the name of the community
44 college; (ii) a description of the project; (iii) the project location; (iv) the cost-benefit
45 analysis conducted by the Community Colleges System Office and the rationale for
46 awarding the grant; and (v) the amount of the grant.
47

48 EDUCATION LOTTERY FUND REVENUE AND APPROPRIATIONS

49 **SECTION 6.15.(a)** Pursuant to G.S. 18C-164, the revenue used to support
50 appropriations made in this act is transferred from the State Lottery Fund in the amount
51 of four hundred twenty-five million dollars (\$425,000,000) for the 2006-2007 fiscal
52 year.

53 **SECTION 6.15.(b)** The appropriations made from the Education Lottery
54 Fund pursuant to G.S. 18C-164(d) for the 2006-2007 fiscal year are as follows:

55 Class Size Reduction \$ 127,864,291

1	Prekindergarten Program	84,635,709
2	Public School Building Capital Fund	170,000,000
3	Scholarships for Needy Students	42,500,000
4		
5	Total Appropriation	\$ 425,000,000

ECONOMIC DEVELOPMENT INITIATIVES

SECTION 6.16.(a) There is established in the Department of Commerce a reserve to be known as the North Carolina Economic Development Reserve Fund. Funds from the Reserve Fund shall not be expended or transferred except in accordance with the provisions of this section.

SECTION 6.16.(b) Of the funds appropriated in this act to the Department of Commerce, the sum of ten million dollars (\$10,000,000) shall be allocated to the North Carolina Economic Development Reserve Fund for the purpose of awarding grants for statewide economic development projects. The Department of Commerce shall develop a competitive grant application process and guidelines for statewide economic development projects and shall award grants on the merits of the applications received. No individual grant shall exceed the sum of one million dollars (\$1,000,000).

SECTION 6.16.(c) Beginning September 1, 2006, the Department of Commerce shall submit a quarterly report to the Office of State Budget and Management and the Fiscal Research Division containing the following information about each economic development project that was awarded a grant: (i) the name of the business involved; (ii) a description of the project; (iii) the project location; (iv) the cost-benefit analysis conducted by the Department and the rationale for awarding the grant; and (v) the amount of the grant.

PART VII. PUBLIC SCHOOLS

TEACHER SALARY SCHEDULES

SECTION 7.1.(a) Effective for the 2006-2007 school year, the Director of the Budget shall transfer from the Reserve for Experience Step Salary Increase for Teachers and Principals in Public Schools funds necessary to implement the teacher salary schedules set out in subsection (b) of this section and for longevity in accordance with subsection (c) of this section, including funds for the employer's retirement and social security contributions for all teachers whose salaries are supported from the State's General Fund.

These funds shall be allocated to individuals according to rules adopted by the State Board of Education.

SECTION 7.1.(b) The following monthly salary schedules shall apply for the 2006-2007 fiscal year to certified personnel of the public schools who are classified as teachers. The schedule contains 31 steps with each step corresponding to one year of teaching experience.

2006-2007 Monthly Salary Schedule
"A" Teachers

Years Of Experience	"A" Teachers	NBPTS Certification
0	\$2,851	N/A
1	\$2,893	N/A
2	\$2,937	N/A
3	\$3,093	\$3,464
4	\$3,233	\$3,621
5	\$3,367	\$3,771
6	\$3,496	\$3,916

1	7	\$3,600	\$4,032
2	8	\$3,648	\$4,086
3	9	\$3,697	\$4,141
4	10	\$3,747	\$4,197
5	11	\$3,796	\$4,252
6	12	\$3,847	\$4,309
7	13	\$3,898	\$4,366
8	14	\$3,951	\$4,425
9	15	\$4,005	\$4,486
10	16	\$4,060	\$4,547
11	17	\$4,115	\$4,609
12	18	\$4,174	\$4,675
13	19	\$4,232	\$4,740
14	20	\$4,290	\$4,805
15	21	\$4,352	\$4,874
16	22	\$4,413	\$4,943
17	23	\$4,479	\$5,016
18	24	\$4,543	\$5,088
19	25	\$4,608	\$5,161
20	26	\$4,674	\$5,235
21	27	\$4,742	\$5,311
22	28	\$4,813	\$5,391
23	29	\$4,884	\$5,470
24	30+	\$4,982	\$5,580.

2006-2007 Monthly Salary Schedule
"M" Teachers

Years Of Experience	"M" Teachers	NBPTS Certification
0	\$3,136	N/A
1	\$3,182	N/A
2	\$3,231	N/A
3	\$3,402	\$3,810
4	\$3,556	\$3,983
5	\$3,704	\$4,148
6	\$3,846	\$4,308
7	\$3,960	\$4,435
8	\$4,013	\$4,495
9	\$4,067	\$4,555
10	\$4,122	\$4,617
11	\$4,176	\$4,677
12	\$4,232	\$4,740
13	\$4,288	\$4,803
14	\$4,346	\$4,868
15	\$4,406	\$4,935
16	\$4,466	\$5,002
17	\$4,527	\$5,070
18	\$4,591	\$5,142
19	\$4,655	\$5,214
20	\$4,719	\$5,285
21	\$4,787	\$5,361
22	\$4,854	\$5,436
23	\$4,927	\$5,518

1	24	\$4,997	\$5,597
2	25	\$5,069	\$5,677
3	26	\$5,141	\$5,758
4	27	\$5,216	\$5,842
5	28	\$5,294	\$5,929
6	29	\$5,372	\$6,017
7	30+	\$5,480	\$6,138.

10 **SECTION 7.1.(c)** Annual longevity payments for teachers shall be at the
 11 rate of one and one-half percent (1.5%) of base salary for 10 to 14 years of State
 12 service, two and twenty-five hundredths percent (2.25%) of base salary for 15 to 19
 13 years of State service, three and twenty-five hundredths percent (3.25%) of base salary
 14 for 20 to 24 years of State service, and four and one-half percent (4.5%) of base salary
 15 for 25 or more years of State service. The longevity payment shall be paid in a lump
 16 sum once a year.

17 **SECTION 7.1.(d)** Certified public schoolteachers with certification based
 18 on academic preparation at the six-year degree level shall receive a salary supplement of
 19 one hundred twenty-six dollars (\$126.00) per month in addition to the compensation
 20 provided for certified personnel of the public schools who are classified as "M"
 21 teachers. Certified public schoolteachers with certification based on academic
 22 preparation at the doctoral degree level shall receive a salary supplement of two
 23 hundred fifty-three dollars (\$253.00) per month in addition to the compensation
 24 provided for certified personnel of the public schools who are classified as "M"
 25 teachers.

26 **SECTION 7.1.(e)** The first step of the salary schedule for school
 27 psychologists shall be equivalent to Step 5, corresponding to five years of experience,
 28 on the salary schedule established in this section for certified personnel of the public
 29 schools who are classified as "M" teachers. Certified psychologists shall be placed on
 30 the salary schedule at an appropriate step based on their years of experience. Certified
 31 psychologists shall receive longevity payments based on years of State service in the
 32 same manner as teachers.

33 Certified psychologists with certification based on academic preparation at
 34 the six-year degree level shall receive a salary supplement of one hundred twenty-six
 35 dollars (\$126.00) per month in addition to the compensation provided for certified
 36 psychologists. Certified psychologists with certification based on academic preparation
 37 at the doctoral degree level shall receive a salary supplement of two hundred fifty-three
 38 dollars (\$253.00) per month in addition to the compensation provided for certified
 39 psychologists.

40 **SECTION 7.1.(f)** Speech pathologists who are certified as speech
 41 pathologists at the masters degree level and audiologists who are certified as
 42 audiologists at the masters degree level and who are employed in the public schools as
 43 speech and language specialists and audiologists shall be paid on the school
 44 psychologist salary schedule.

45 Speech pathologists and audiologists with certification based on academic
 46 preparation at the six-year degree level shall receive a salary supplement of one hundred
 47 twenty-six dollars (\$126.00) per month in addition to the compensation provided for
 48 speech pathologists and audiologists. Speech pathologists and audiologists with
 49 certification based on academic preparation at the doctoral degree level shall receive a
 50 salary supplement of two hundred fifty-three dollars (\$253.00) per month in addition to
 51 the compensation provided for speech pathologists and audiologists.

52 **SECTION 7.1.(g)** Certified school nurses who are employed in the public
 53 schools as nurses shall be paid on the "M" salary schedule.

54 **SECTION 7.1.(h)** As used in this section, the term "teacher" shall also
 55 include instructional support personnel.

SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 7.2.(a) Effective for the 2006-2007 school year, the Director of the Budget shall transfer from the Reserve for Compensation Increases funds necessary to implement the salary schedules for school-based administrators as provided in this section. These funds shall be used for State-paid employees only.

SECTION 7.2.(b) The base salary schedule for school-based administrators shall apply only to principals and assistant principals. The base salary schedule for the 2006-2007 fiscal year, commencing July 1, 2006, is as follows:

2006-2007
Principal and Assistant Principal Salary Schedules
Classification

Yrs. of Exp	Assistant Principal	Prin I (0-10)	Prin II (11-21)	Prin III (22-32)	Prin IV (33-43)
0-4	\$3,592				
5	\$3,741				
6	\$3,884				
7	\$4,000				
8	\$4,053	\$4,053			
9	\$4,108	\$4,108			
10	\$4,163	\$4,163	\$4,218		
11	\$4,218	\$4,218	\$4,274		
12	\$4,274	\$4,274	\$4,331	\$4,389	
13	\$4,331	\$4,331	\$4,389	\$4,450	\$4,511
14	\$4,389	\$4,389	\$4,450	\$4,511	\$4,572
15	\$4,450	\$4,450	\$4,511	\$4,572	\$4,637
16	\$4,511	\$4,511	\$4,572	\$4,637	\$4,702
17	\$4,572	\$4,572	\$4,637	\$4,702	\$4,766
18	\$4,637	\$4,637	\$4,702	\$4,766	\$4,835
19	\$4,702	\$4,702	\$4,766	\$4,835	\$4,903
20	\$4,766	\$4,766	\$4,835	\$4,903	\$4,976
21	\$4,835	\$4,835	\$4,903	\$4,976	\$5,047
22	\$4,903	\$4,903	\$4,976	\$5,047	\$5,120
23	\$4,976	\$4,976	\$5,047	\$5,120	\$5,192
24	\$5,047	\$5,047	\$5,120	\$5,192	\$5,268
25	\$5,120	\$5,120	\$5,192	\$5,268	\$5,347
26	\$5,192	\$5,192	\$5,268	\$5,347	\$5,426
27	\$5,268	\$5,268	\$5,347	\$5,426	\$5,535
28	\$5,347	\$5,347	\$5,426	\$5,535	\$5,646
29	\$5,426	\$5,426	\$5,535	\$5,646	\$5,759
30	\$5,535	\$5,535	\$5,646	\$5,759	\$5,874
31	\$5,646	\$5,646	\$5,759	\$5,874	\$5,991
32		\$5,759	\$5,874	\$5,991	\$6,111
33			\$5,991	\$6,111	\$6,233
34			\$6,111	\$6,233	\$6,358
35				\$6,358	\$6,485
36				\$6,485	\$6,615
37					\$6,747

Principal and Assistant Principal Salary Schedules
Classification

Yrs. of Exp	PrinV (44-54)	PrinVI (55-65)	PrinVII (66-100)	PrinVIII (101+)
0-14	\$4,637			
15	\$4,702			
16	\$4,766	\$4,835		
17	\$4,835	\$4,903	\$5,047	
18	\$4,903	\$4,976	\$5,120	\$5,192
19	\$4,976	\$5,047	\$5,192	\$5,268
20	\$5,047	\$5,120	\$5,268	\$5,347
21	\$5,120	\$5,192	\$5,347	\$5,426
22	\$5,192	\$5,268	\$5,426	\$5,535
23	\$5,268	\$5,347	\$5,535	\$5,646
24	\$5,347	\$5,426	\$5,646	\$5,759
25	\$5,426	\$5,535	\$5,759	\$5,874
26	\$5,535	\$5,646	\$5,874	\$5,991
27	\$5,646	\$5,759	\$5,991	\$6,111
28	\$5,759	\$5,874	\$6,111	\$6,233
29	\$5,874	\$5,991	\$6,233	\$6,358
30	\$5,991	\$6,111	\$6,358	\$6,485
31	\$6,111	\$6,233	\$6,485	\$6,615
32	\$6,233	\$6,358	\$6,615	\$6,747
33	\$6,358	\$6,485	\$6,747	\$6,882
34	\$6,485	\$6,615	\$6,882	\$7,020
35	\$6,615	\$6,747	\$7,020	\$7,160
36	\$6,747	\$6,882	\$7,160	\$7,303
37	\$6,882	\$7,020	\$7,303	\$7,449
38	\$7,020	\$7,160	\$7,449	\$7,598
39		\$7,303	\$7,598	\$7,750
40		\$7,449	\$7,750	\$7,905
41			\$7,905	\$8,063

SECTION 7.2.(c) The appropriate classification for placement of principals and assistant principals on the salary schedule, except for principals in alternative schools and in cooperative innovative high schools, shall be determined in accordance with the following schedule:

Classification	Number of Teachers Supervised
Assistant Principal	
Principal I	Fewer than 11 Teachers
Principal II	11-21 Teachers
Principal III	22-32 Teachers
Principal IV	33-43 Teachers
Principal V	44-54 Teachers
Principal VI	55-65 Teachers
Principal VII	66-100 Teachers
Principal VIII	More than 100 Teachers

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

The beginning classification for principals in alternative schools and in cooperative innovative high school programs shall be the Principal III level. Principals

1 in alternative schools who supervise 33 or more teachers shall be classified according to
 2 the number of teachers supervised.

3 **SECTION 7.2.(d)** A principal shall be placed on the step on the salary
 4 schedule that reflects total number of years of experience as a certificated employee of
 5 the public schools and an additional step for every three years of experience as a
 6 principal. A principal or assistant principal shall also continue to receive any additional
 7 State-funded percentage increases earned for the 1997-1998, 1998-1999, and 1999-2000
 8 school years for improvement in student performance or maintaining a safe and orderly
 9 school.

10 **SECTION 7.2.(e)** Principals and assistant principals with certification based
 11 on academic preparation at the six-year degree level shall be paid a salary supplement of
 12 one hundred twenty-six dollars (\$126.00) per month and at the doctoral degree level
 13 shall be paid a salary supplement of two hundred fifty-three dollars (\$253.00) per
 14 month.

15 **SECTION 7.2.(f)** Longevity pay for principals and assistant principals shall
 16 be as provided for State employees under the State Personnel Act.

17 **SECTION 7.2.(g)** If a principal is reassigned to a higher job classification
 18 because the principal is transferred to a school within a local school administrative unit
 19 with a larger number of State-allotted teachers, the principal shall be placed on the
 20 salary schedule as if the principal had served the principal's entire career as a principal
 21 at the higher job classification.

22 If a principal is reassigned to a lower job classification because the principal
 23 is transferred to a school within a local school administrative unit with a smaller number
 24 of State-allotted teachers, the principal shall be placed on the salary schedule as if the
 25 principal had served the principal's entire career as a principal at the lower job
 26 classification.

27 This subsection applies to all transfers on or after the effective date of this
 28 section, except transfers in school systems that have been created, or will be created, by
 29 merging two or more school systems. Transfers in these merged systems are exempt
 30 from the provisions of this subsection for one calendar year following the date of the
 31 merger.

32 **SECTION 7.2.(h)** Participants in an approved full-time masters in school
 33 administration program shall receive up to a 10-month stipend at the beginning salary of
 34 an assistant principal during the internship period of the masters program. For the
 35 2006-2007 fiscal year and subsequent fiscal years, the stipend shall not exceed the
 36 difference between the beginning salary of an assistant principal and any fellowship
 37 funds received by the intern as a full-time student, including awards of the Principal
 38 Fellows Program. The Principal Fellows Program or the school of education where the
 39 intern participates in a full-time masters in school administration program shall supply
 40 the Department of Public Instruction with certification of eligible full-time interns.

41 **SECTION 7.2.(i)** During the 2006-2007 fiscal year, the placement on the
 42 salary schedule of an administrator with a one-year provisional assistant principal's
 43 certificate shall be at the entry-level salary for an assistant principal or the appropriate
 44 step on the teacher salary schedule, whichever is higher.

45
 46 **CENTRAL OFFICE SALARIES**

47 **SECTION 7.3.(a)** The monthly salary ranges that follow apply to assistant
 48 superintendents, associate superintendents, directors/coordinators, supervisors, and
 49 finance officers for the 2006-2007 fiscal year, beginning July 1, 2006.

50	School Administrator I	\$3,079	\$5,781
51	School Administrator II	\$3,268	\$6,132
52	School Administrator III	\$3,468	\$6,505
53	School Administrator IV	\$3,608	\$6,764
54	School Administrator V	\$3,753	\$7,037
55	School Administrator VI	\$3,982	\$7,463

1 School Administrator VII \$4,142 \$7,764

2 The local board of education shall determine the appropriate category and
3 placement for each assistant superintendent, associate superintendent,
4 director/coordinator, supervisor, or finance officer within the salary ranges and within
5 funds appropriated by the General Assembly for central office administrators and
6 superintendents. The category in which an employee is placed shall be included in the
7 contract of any employee hired on or after July 1, 2006.

8 **SECTION 7.3.(b)** The monthly salary ranges that follow apply to public
9 school superintendents for the 2006-2007 fiscal year, beginning July 1, 2006.

10	Superintendent I	\$4,396	\$8,236
11	Superintendent II	\$4,667	\$8,734
12	Superintendent III	\$4,952	\$9,266
13	Superintendent IV	\$5,255	\$9,828
14	Superintendent V	\$5,578	\$10,428

15 The local board of education shall determine the appropriate category and
16 placement for the superintendent based on the average daily membership of the local
17 school administrative unit and within funds appropriated by the General Assembly for
18 central office administrators and superintendents.

19 **SECTION 7.3.(c)** Longevity pay for superintendents, assistant
20 superintendents, associate superintendents, directors/coordinators, supervisors, and
21 finance officers shall be as provided for State employees under the State Personnel Act.

22 **SECTION 7.3.(d)** Superintendents, assistant superintendents, associate
23 superintendents, directors/coordinators, supervisors, and finance officers with
24 certification based on academic preparation at the six-year degree level shall receive a
25 salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to
26 the compensation provided pursuant to this section. Superintendents, assistant
27 superintendents, associate superintendents, directors/coordinators, supervisors, and
28 finance officers with certification based on academic preparation at the doctoral degree
29 level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per
30 month in addition to the compensation provided for under this section.

31 **SECTION 7.3.(e)** The State Board of Education shall not permit local
32 school administrative units to transfer State funds from other funding categories for
33 salaries for public school central office administrators.

34 **SECTION 7.3.(f)** The annual salary increase for all permanent full-time
35 personnel paid from the Central Office Allotment shall be five percent (5%),
36 commencing July 1, 2006. The State Board of Education shall allocate these funds to
37 local school administrative units. The local boards of education shall establish
38 guidelines for providing salary increases to these personnel.

39 **SECTION 7.3.(g)** The Director of the Budget shall transfer from the
40 Reserve for Compensation Increases funds necessary to provide a one-time, lump-sum
41 compensation bonus payable at the end of the employee's first pay period after October
42 1, 2006, in the amount of three hundred dollars (\$300.00) for all central office
43 employees whose salaries are supported from the State's General Fund, who were
44 employed for all or part of fiscal year 2005-2006, and who are employed by the public
45 schools on October 1, 2006. The compensation bonus shall be adjusted pro rata for
46 permanent part-time employees and employees working on a schedule requiring less
47 than 12 months' service per year.

48 Local boards of education shall provide a one-time, lump-sum compensation
49 bonus payable at the end of the employee's first pay period after October 1, 2006, of
50 three hundred dollars (\$300.00) for all such employees whose salaries are not supported
51 from the State's General Fund, who were employed by a local board of education for all
52 or part of fiscal year 2005-2006, and who are employed by that local board of education
53 on October 1, 2006. The compensation bonus shall be adjusted pro rata for permanent
54 part-time employees and employees working on a schedule requiring less than 12
55 months' service per year.

NONCERTIFIED PERSONNEL SALARY AND FAIR MINIMUM PAY

SECTION 7.4.(a) The annual salary increase for permanent, full-time noncertified public school employees whose salaries are supported from the State's General Fund shall be five percent (5%), commencing July 1, 2006.

SECTION 7.4.(b) Local boards of education shall increase the rates of pay for such employees who were employed for all or part of fiscal year 2005-2006 and who continue their employment for fiscal year 2006-2007 by providing an annual salary increase for employees of five percent (5%).

SECTION 7.4.(c) The State Board of Education may adopt salary ranges for noncertified personnel to support increases of five percent (5%) for the 2006-2007 fiscal year.

SECTION 7.4.(d) Effective July 1, 2006, permanent full-time noncertified public school employees whose salaries are supported from the State's General Fund shall be paid a minimum salary of at least twenty thousand one hundred twelve dollars (\$20,112) per year. Permanent, full-time employees working on a schedule requiring less than 12 months' service per year and permanent part-time employees, whose salaries are supported from the State's General Fund, shall be paid the minimum salary pro rata. The fair minimum wage salary adjustment provided by this section shall be calculated and awarded after any across-the-board salary increases authorized by this act.

SECTION 7.4.(e) The Director of the Budget shall transfer from the Reserve for Compensation Increases funds necessary to provide a one-time, lump-sum compensation bonus payable at the end of the employee's first pay period after October 1, 2006, in the amount of three hundred dollars (\$300.00) for all noncertified public school employees whose salaries are supported from the State's General Fund, who were employed for all or part of fiscal year 2005-2006, and who are employed by the public schools on October 1, 2006. The compensation bonus shall be adjusted pro rata for permanent part-time employees and employees working on a schedule requiring less than 12 months' service per year.

Local boards of education shall provide a one-time, lump-sum compensation bonus payable at the end of the employee's first pay period after October 1, 2006, of three hundred dollars (\$300.00) for all such employees whose salaries are not supported from the State's General Fund, who were employed by a local board of education for all or part of fiscal year 2005-2006, and who are employed by that local board of education on October 1, 2006. The compensation bonus shall be adjusted pro rata for permanent part-time employees and employees working on a schedule requiring less than 12 months' service per year.

BONUS FOR CERTIFIED PERSONNEL AT THE TOP OF THEIR SALARY SCHEDULES

SECTION 7.5. Effective July 1, 2006, any permanent personnel employed on July 1, 2006, and paid at the top of the principal and assistant principal salary schedule shall receive a one-time bonus equivalent to two percent (2%). Personnel defined under G.S. 115C-325(a)(5a) are not eligible to receive the bonus.

FUNDS TO IMPLEMENT THE ABCS OF PUBLIC EDUCATION

SECTION 7.6.(a) The State Board of Education shall use funds appropriated in this act for State Aid to Local School Administrative Units to provide incentive funding for schools that met or exceeded the projected levels of improvement in student performance during the 2005-2006 school year, in accordance with the ABCs of Public Education Program. In accordance with State Board of Education policy:

- (1) Incentive awards in schools that achieve higher than expected improvements may be up to:

- 1 a. One thousand five hundred dollars (\$1,500) for each teacher
2 and for certified personnel; and
3 b. Five hundred dollars (\$500.00) for each teacher assistant.
4 (2) Incentive awards in schools that meet the expected improvements may
5 be up to:
6 a. Seven hundred fifty dollars (\$750.00) for each teacher and for
7 certified personnel; and
8 b. Three hundred seventy-five dollars (\$375.00) for each teacher
9 assistant.

10 **SECTION 7.6.(b)** Notwithstanding G.S. 143-23, the State Board of
11 Education may use funds appropriated to the Department of Public Instruction and to
12 the State Public School Fund to establish a consolidated, comprehensive program
13 through which to provide assistance to low-performing schools. For this purpose only,
14 the Board may, with approval from the Office of State Budget and Management,
15 transfer funds between personal service and nonpersonal service line items currently
16 supporting positions, related operating costs, and contracts for school improvement
17 teams and for assistance teams. Funds transferred pursuant to this section shall not be
18 used to raise the salary of existing employees.

19 The Board shall report to the Joint Legislative Education Oversight
20 Committee and the Joint Legislative Commission on Governmental Operations by
21 January 15, 2007, on any restructuring of the assistance program pursuant to this
22 section.

23 **SECTION 7.6.(c)** The Joint Legislative Education Oversight Committee
24 shall review the incentive award structure described in this section and determine
25 whether the relationship between awards for teachers and teacher assistants at each level
26 of achievement is appropriate.

27 **CHILDREN WITH DISABILITIES**

28 **SECTION 7.7.** The State Board of Education shall allocate funds for
29 children with disabilities on the basis of two thousand nine hundred seventy-two dollars
30 and fifty-two cents (\$2,972.52) per child for a maximum of 170,240 children for the
31 2006-2007 school year. Each local school administrative unit shall receive funds for the
32 lesser of (i) all children who are identified as children with disabilities, or (ii) twelve
33 and five-tenths percent (12.5%) of the 2006-2007 allocated average daily membership
34 in the local school administrative unit.

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

39 **FUNDS FOR ACADEMICALLY GIFTED CHILDREN**

40 **SECTION 7.8.** The State Board of Education shall allocate funds for
41 academically or intellectually gifted children on the basis of nine hundred sixty-one
42 dollars and sixty cents (\$961.60) per child. A local school administrative unit shall
43 receive funds for a maximum of four percent (4%) of its 2006-2007 allocated average
44 daily membership, regardless of the number of children identified as academically or
45 intellectually gifted in the unit. The State Board shall allocate funds for no more than
46 57,419 children for the 2006-2007 school year.

47 The dollar amounts allocated under this section for academically or
48 intellectually gifted children shall also adjust in accordance with legislative salary
49 increments, retirement rate adjustments, and health benefit adjustments for personnel
50 who serve academically or intellectually gifted children.

51 **LEARN AND EARN HIGH SCHOOLS**

1 **SECTION 7.11.** Section 7.32 of S.L. 2005-276 is amended by adding the
2 following new subsections:

3 "SECTION 7.32.(e) Enrollment fees and tuition for The University of North
4 Carolina courses in which Learn and Earn students are enrolled are allowable uses of
5 these funds. Tuition costs may include laboratory fees assessed to all students enrolled
6 in the course or a similar course.

7 SECTION 7.32.(f) Textbooks required for college courses in which Learn and Earn
8 students are enrolled may be purchased with these funds.

9 SECTION 7.32.(g) Payment of fees from these funds by local school
10 administrative units to partnering community colleges and universities are restricted to
11 technology or course fees. Funds appropriated in this act shall not be used to support the
12 cost of athletic or other student activity or campus fees not required by enrollment in a
13 specific course.

14 SECTION 7.32.(h) The State Board of Education shall allot funds for university
15 enrollment, tuition and fees, and textbooks on the basis of and after verification of the
16 credit hour enrollment of Learn and Earn students in university courses. The State
17 Board of Education shall allot funds for community college fees and textbooks on the
18 basis of and after verification of the credit hour enrollment of Learn and Earn students
19 in community college courses."

20 21 **NC WISE POSITIONS**

22 **SECTION 7.12.(a)** Notwithstanding G.S. 143-23, the State Board of
23 Education may, in consultation with the Office of Information Technology Services, use
24 funds appropriated in this act for NC WISE to create a maximum of 20 positions and
25 incur expenditures necessary to transfer the maintenance and administration of the NC
26 WISE system from the vendor to the Department of Public Instruction.

27 **SECTION 7.12.(b)** The Department of Public Instruction shall report on a
28 quarterly basis to the Joint Legislative Education Oversight Committee on the
29 implementation of the NC WISE project.

30 31 **21ST CENTURY LITERACY COACHES**

32 **SECTION 7.13.(a)** Local boards of education are strongly encouraged to
33 use restored base budget funds, low-wealth supplemental funding, or other funds
34 available to them, to hire literacy coaches in middle schools or other public schools with
35 an eighth grade. These coaches shall provide middle school teachers with research-
36 based teaching practices and job-embedded professional development to enable them to
37 address the needs of students who lack the literacy skills needed to master 21st century
38 skills.

39 **SECTION 7.13.(b)** Local boards of education are strongly encouraged to
40 contract with the North Carolina Teacher Academy to train middle school teachers in
41 methods for supporting the following student competencies:

- 42 (1) Basic Literacy;
- 43 (2) Technological Literacy;
- 44 (3) Visual Literacy;
- 45 (4) Informational Literacy;
- 46 (5) Higher Order Thinking;
- 47 (6) Cultural Competency; and
- 48 (7) Self-Direction.

49 As part of the training, the North Carolina Teacher Academy is encouraged to
50 provide an online professional development network for additional training
51 opportunities for participants.

52 **SECTION 7.13.(c)** The State Board of Education shall report to the Joint
53 Legislative Education Oversight Committee prior to January 15, 2007, on the use of
54 funds for literacy coaches.

EXPAND LEA ACCESS TO EDUCATION VALUE ADDED ASSESSMENT SYSTEM (EVAAS)

SECTION 7.14.(a) The State Board of Education shall identify local school administrative units to receive funds for purchasing licenses to EVAAS diagnostic software based on criteria that shall include (i) identified need, (ii) readiness, and (iii) county wealth, as defined in the Low-Wealth Supplemental Funding Formula. The Board shall identify as many units as possible within funds available for this purpose.

SECTION 7.14.(b) Funds appropriated for EVAAS in the 2005-2006 fiscal year shall not revert, but shall be carried forward to the 2006-2007 fiscal year for expenditures for training related to expanding local school administrative units' access to the EVAAS tool. Any such funds not spent by June 30, 2007, shall revert to the General Fund.

SECTION 7.14.(c) This section becomes effective June 30, 2006.

NORTH CAROLINA VIRTUAL PUBLIC SCHOOL

SECTION 7.16.(a) The North Carolina Virtual Public School (NCVPS) Program shall report to the State Board of Education and shall maintain an administrative office at the Department of Public Instruction.

SECTION 7.16.(b) The Director of NCVPS will ensure that course quality standards are established and met and that all e-learning opportunities offered by State-funded entities to public school students are consolidated under the NC Virtual Public School Program, eliminating course duplication. The Director shall report on the proposed consolidation and operating plan for 2007-2008 to the Joint Legislative Education Oversight Committee, the Office of State Budget and Management, and the Fiscal Research Division no later than January 15, 2007. Consolidation will be completed by June 30, 2007. Notwithstanding G.S 143-23, the State Board of Education may move funds within the budget to implement the consolidation.

SECTION 7.16.(c) Subsequent to course consolidation, the Director will prioritize e-learning course offerings for students residing in rural and low-wealth county LEAs, in order to expand available instructional opportunities. First-available e-learning instructional opportunities should include courses required as part of the standard course of study for high school graduation and AP offerings not otherwise available.

SECTION 7.16.(d) The State Board of Education shall develop an allotment formula for funding e-learning, effective in the 2007-2008 fiscal year. In developing the formula, the Board shall consider, at a minimum, the following:

- (1) The number of students in average daily membership (ADM) projected to enroll in e-learning,
- (2) The projected cost of fees for e-learning courses,
- (3) The extent to which projected enrollment in e-learning courses affects funding required for other allotments that are based on ADM.

DISTANCE EDUCATION

SECTION 7.17. Notwithstanding G.S. 143-23, the State Board of Education may use monies from the State Public School Fund in the 2006-2007 fiscal year only to pay for the additional costs associated with an increased number of registration fees for students enrolling in Distance Education courses.

ADMINISTRATIVE FUNDING FOR TEACHING FELLOWS PROGRAM

SECTION 7.19.(a) G.S. 115C-363.23A(f) reads as rewritten:

"(f) All funds appropriated to or otherwise received by the Teaching Fellows Program for scholarships, all funds received as repayment of scholarship loans, and all interest earned on these funds, shall be placed in a revolving fund. This revolving fund shall be used for scholarship loans granted under the Teaching Fellows Program. With the prior approval of the General Assembly in the Current Operations Appropriations

1 Act, the revolving fund may also be used for campus and summer program support, and
2 costs related to disbursement of awards and collection of loan repayments.

3 ~~The With the prior approval of the General Assembly in the Current Operations~~
4 ~~Appropriations Act, the revolving fund may also be used by the Public School Forum,~~
5 ~~as administrator for the Teaching Fellows Program, may use up to one hundred fifty~~
6 ~~thousand dollars (\$150,000) annually from the fund balance for costs associated with~~
7 ~~administration of the Teaching Fellows Program."~~

8 **SECTION 7.19.(b)** The Public School Forum, as administrator for the
9 Teaching Fellows Program, may use up to eight hundred ten thousand dollars
10 (\$810,000) for the 2006-2007 fiscal year from the balance in the revolving fund
11 established in G.S. 115C-363.23A(f) for costs associated with administration of the
12 Teaching Fellows Program. The funding provided for administration of the Teaching
13 Fellows Program in this subsection shall be used to meet current administrative
14 expenses of the Program, expand minority recruitment initiatives, and expand the
15 Program to up to four additional campuses using a merit-based selection process
16 developed by the North Carolina Teaching Fellows Commission.

17 The Teaching Fellows Program shall report to the Joint Legislative Education
18 Oversight Committee by March 15, 2007, on:

- 19 (1) Actual expenditures for the 2005-2006 fiscal year and budgeted
20 expenditures for the 2006-2007 fiscal year for administration of the
21 Program;
- 22 (2) Initiatives to recruit minorities to the Program; and
- 23 (3) The additional campuses selected to participate in the Program and the
24 selection process.

25 26 **REFUND OF LOCAL SALES AND USE TAXES TO A LOCAL SCHOOL** 27 **ADMINISTRATIVE UNIT**

28 **SECTION 7.20.(a)** G.S. 105-467(b) reads as rewritten:

29 "(b) Exemptions and Refunds. – The State exemptions and exclusions contained
30 in G.S. 105-164.13, the State sales and use tax holiday contained in G.S. 105-164.13C,
31 and the State refund provisions contained in G.S. 105-164.14 apply to the local sales
32 and use tax authorized to be levied and imposed under this Article. Except as provided
33 in this subsection, a taxing county may not allow an exemption, exclusion, or refund
34 that is not allowed under the State sales and use tax. A local school administrative unit
35 and a joint agency created by interlocal agreement among local school administrative
36 units pursuant to G.S. 160A-462 to jointly purchase food service-related materials,
37 supplies, and equipment on their behalf is allowed an annual refund of sales and use
38 taxes paid by it under this Article on direct purchases of tangible personal property and
39 services, other than electricity and telecommunications service. Sales and use tax
40 liability indirectly incurred by the entity on building materials, supplies, fixtures, and
41 equipment that become a part of or annexed to any building or structure that is owned or
42 leased by the entity and is being erected, altered, or repaired for use by the entity is
43 considered a sales or use tax liability incurred on direct purchases by the entity for the
44 purpose of this subsection. A request for a refund shall be in writing and shall include
45 any information and documentation required by the Secretary. A request for a refund is
46 due within six months after the end of the entity's fiscal year. Refunds applied for more
47 than three years after the due date are barred."

48 **SECTION 7.20.(b)** Section 7.51(c) of S.L. 2005-276, as amended by
49 Section 7 of S.L. 2005-345, reads as rewritten:

50 **"SECTION 7.51.(c)** Subsection (b) of this section becomes effective July 1, 2006.
51 Notwithstanding the provisions of G.S. 105-164.44H, for the 2006-2007 fiscal year, the
52 amount transferred to the State Public School Fund each quarter shall equal one-fourth
53 of the amount refunded under G.S. 105-164.14(c)(2b) and (2c) during the 2005-2006
54 fiscal year for State sales and use taxes only plus or minus the percentage of that amount
55 by which the total collection of State sales and use tax increased or decreased during the

preceding fiscal year. The remainder of this section becomes effective July 1, 2005, and applies to sales made on or after that date."

SECTION 7.20.(c) This section becomes effective July 1, 2005, and applies to sales made on or after that date.

STUDY THE COMPENSATION OF SCHOOL PSYCHOLOGISTS WITH NATIONAL CERTIFICATION

SECTION 7.22. The State Board of Education shall study the adequacy of the compensation of school psychologists who are designated as Nationally Certified School Psychologists by the National School Psychology Certification Board. In the course of the study, the State Board of Education shall consider (i) whether these school psychologists should be compensated at the same level as teachers who are certified by the National Board for Professional Teaching Standards (NBPTS) and (ii) the cost of compensating them at that level.

The State Board of Education shall report the results of its study to the Joint Legislative Education Oversight Committee prior to January 15, 2007.

PART VIII. COMMUNITY COLLEGES

SALARIES OF COMMUNITY COLLEGE FACULTY AND PROFESSIONAL STAFF

SECTION 8.1.(a) Section 8.3 of S.L. 2005-276 is amended by adding a new subsection to read:

"SECTION 8.3.(b1) For the 2006-2007 school year, the minimum salaries for nine-month, full-time, curriculum community college faculty shall be as follows:

<u>Education Level</u>	<u>Minimum Salary</u> <u>2006-2007</u>
<u>Vocational Diploma/Certificate or Less</u>	<u>\$31,728</u>
<u>Associate Degree or Equivalent</u>	<u>\$32,195</u>
<u>Bachelors Degree</u>	<u>\$34,220</u>
<u>Masters Degree or Education Specialist</u>	<u>\$36,016</u>
<u>Doctoral Degree</u>	<u>\$38,607</u>

No full-time faculty member shall earn less than the minimum salary for his or her education level.

The pro rata hourly rate of the minimum salary for each education level shall be used to determine the minimum salary for part-time faculty members."

SECTION 8.1.(b) Section 8.3(g) of S.L. 2005-276 reads as rewritten:

"SECTION 8.3.(g) Funds For the 2005-2006 fiscal year, funds appropriated in this act for salary increases shall be used to increase faculty and professional staff salaries by an average of two percent (2%). These increases are in addition to other salary increases provided for in this act and shall be calculated on the average salaries prior to the issuance of the compensation increase. For the 2006-2007 fiscal year, funds appropriated in this act for salary increases shall be used to increase faculty and professional staff salaries by six percent (6%). Colleges may provide additional increases from funds available.

The State Board of Community Colleges shall adopt rules to ensure that these funds are used only to move faculty and professional staff to the respective national averages. These funds shall not be transferred by the State Board or used for any other budget purpose by the community colleges."

USE OF FUNDS FOR THE COLLEGE INFORMATION SYSTEM PROJECT

SECTION 8.3.(a) Funds appropriated to the Community Colleges System Office for the College Information System Project shall not revert at the end of the 2005-2006 fiscal year but shall remain available until expended.

1 **SECTION 8.3.(b)** Notwithstanding G.S. 143-23, the Community Colleges
2 System Office may, subject to the approval of the Office of State Budget and
3 Management, in consultation with the Office of Information Technology Services, and
4 after consultation with the Joint Legislative Commission on Governmental Operations,
5 use funds appropriated in this act for the College Information System Project to create a
6 maximum of 20 positions or incur expenditures necessary to transfer the maintenance
7 and administration of the College Information System Project from the vendor to the
8 System Office.

9 **SECTION 8.3.(c)** The Community Colleges System Office shall report on a
10 quarterly basis to the Joint Legislative Education Oversight Committee on the
11 implementation of the College Information System Project.

12 **SECTION 8.3.(d)** Subsection (a) of this section becomes effective June 30,
13 2006.

14 15 **CARRYFORWARD FOR EQUIPMENT**

16 **SECTION 8.4.(a)** Subject to the approval of the Office of State Budget and
17 Management and cash availability, the North Carolina Community Colleges System
18 Office may carry forward an amount not to exceed ten million dollars (\$10,000,000) of
19 the operating funds that were not reverted in fiscal year 2005-2006 to be reallocated to
20 the State Board of Community Colleges' Equipment Reserve Fund. These funds shall
21 be distributed to colleges consistent with G.S. 115D-31.

22 **SECTION 8.4.(b)** This section becomes effective June 30, 2006.

23 24 **NC COMMUNITY COLLEGE SYSTEM MAY USE STATE FUNDS IN LIEU** 25 **OF FEDERAL FUNDS DUE TO FEDERAL MANDATES**

26 **SECTION 8.5.** Notwithstanding G.S. 143-23, the Community Colleges
27 System Office may use State literacy funds to fund the State administration of the GED
28 office. Federal funds previously used to support the State administration functions shall
29 be reallocated to the colleges.

30 31 **REPORT ON THE NCCCS BIONETWORK**

32 **SECTION 8.6.** The Community Colleges System Office shall report by
33 November 1, 2006, to the Joint Legislative Education Oversight Committee, the Office
34 of State Budget and Management, and the Fiscal Research Division on the
35 implementation of the NCCCS BioNetwork. This report shall include an explanation of
36 the BioNetwork's activities, accomplishments, and expenditures.

37 38 **STUDY OF NEW AND EXPANDING INDUSTRY TRAINING**

39 **SECTION 8.7.** The Office of State Budget and Management shall conduct a
40 study to analyze and evaluate the New and Expanding Industry Training program of the
41 North Carolina Community College System. This study shall examine the companies
42 served, the number of times each company has been served, the number of jobs created,
43 the length of time the company has remained in North Carolina after receiving New and
44 Expanding Industry Training funds, and whether the company has maintained
45 employment levels at the same level promised when training was received. The
46 findings of the study shall be reported to the Joint Legislative Education Oversight
47 Committee no later than April 1, 2007.

48 49 **MATCHING REQUIREMENT FOR BOND FUNDS**

50 **SECTION 8.8.** Section 3(d) of S.L. 2000-3 reads as rewritten:

51 **"Section 3.(d)** If the State Board of Community Colleges determines that a
52 community college has not met its matching requirements by July 1, ~~2006,2007~~, with
53 respect to a capital improvement project for which bond proceeds are allocated in this
54 act, the Board shall certify that fact to the State Treasurer by October 1, ~~2006,2007~~. All
55 of these bond proceeds with respect to which the Board certifies that the matching

1 requirement has not been met by July 1, ~~2006,2007~~, shall be placed by the State
2 Treasurer in a special account within the Community Colleges Bond Fund and shall be
3 used for making grants to community colleges. Bond proceeds in the special account
4 shall be allocated among the community colleges in accordance with the following
5 conditions:

- 6 (1) The State Board of Community Colleges shall generate, by October 1,
7 ~~2006,2007~~, a priority ranking of legitimate community college capital
8 improvement needs using a formula based on objective meaningful
9 factors relevant to capital needs, including actual and projected
10 enrollment, space requirements, current capacity, construction costs,
11 and any other factors the State Board considers relevant.
- 12 (2) The State Board of Community Colleges shall provide the State
13 Treasurer a projected allocation of the proceeds in the special account
14 in accordance with this priority ranking, except that:
- 15 a. No projected allocation shall be made for a community college
16 that the Board certified in accordance with this subsection had
17 failed to meet a matching requirement.
- 18 b. No more than four million dollars (\$4,000,000) shall be
19 allocated to a single community college.
- 20 c. Funds shall not be allocated for more than one project per
21 community college.
- 22 (3) The proceeds of grants made from bond proceeds in the special
23 account shall be allocated and expended for paying the cost of
24 community college capital improvements in accordance with this
25 allocation by the State Board of Community Colleges, to the extent
26 and as provided in this act. The Director of the Budget is empowered,
27 when the Director of the Budget determines it is in the best interest of
28 the State and the North Carolina Community College System to do so,
29 and if the cost of a particular project is less than the projected
30 allocation, to use the excess funds to increase the size of that project or
31 increase the size of any other project itemized in this section, or to
32 increase the amount allocated to a particular community college within
33 the aggregate amount of funds available under this section. The
34 Director of the Budget shall consult with the Advisory Budget
35 Commission and the Joint Legislative Commission on Governmental
36 Operations before making these changes."
37

38 PART IX. UNIVERSITIES

39 UNC-NCCCS 2+2 E-LEARNING INITIATIVE

40 **SECTION 9.1.** The University of North Carolina and Community Colleges
41 System Office shall report by September 1, 2006, to the Joint Legislative Education
42 Oversight Committee, the Office of State Budget and Management, and the Fiscal
43 Research Division of the General Assembly on the implementation of the UNC-NCCCS
44 2+2 E-Learning Initiative. This report shall include:

- 45 (1) The courses and programs within the 2+2 E-Learning Initiative;
46 (2) The total number of prospective teachers that have taken or are taking
47 part in this initiative to date broken down by the current academic
48 period and each of the previous academic periods since the program's
49 inception;
50 (3) The total number of teachers currently in the State's classroom, by
51 local school administrative unit, who have taken part in this initiative;
52 (4) The change in the number of teachers available to schools since the
53 program's inception;
54

- 1 (5) The qualitative data from students, teachers, local school
2 administrative unit personnel, university personnel, and community
3 college personnel as to the impact of this initiative on our State's
4 teaching pool; and
5 (6) An explanation of the expenditures and collaborative programs
6 between the North Carolina Community College System and The
7 University of North Carolina, including recommendations for
8 improvement.
9

10 **TEACHER EDUCATION PROGRAM ENROLLMENT PLANS**

11 **SECTION 9.2.** The University of North Carolina Board of Governors' Task
12 Force on Meeting Teacher Supply and Demand called for the President to develop a
13 plan for enrollment growth in the University System's teacher education programs to
14 respond to the State's shortage of teachers. In a presentation to the Joint Legislative
15 Education Oversight Committee and to the Board of Governors, a commitment was
16 made to increase the number of teacher education graduates. The University of North
17 Carolina General Administration shall obtain plans from each constituent institution as
18 to how they will maintain their current enrollment in the teacher education programs
19 and achieve their growth targets to ensure such increases in those programs occur. Plans
20 may include using enrollment growth funds for targeted admissions, enhanced student
21 support, and advising, recruiting, increases in faculty in necessary instructional areas
22 that lead to certification, and other methods General Administration believes will
23 achieve those results. The University of North Carolina General Administration shall
24 report back to the Office of State Budget and Management and the Joint Legislative
25 Education Oversight Committee no later than December 30, 2006, on each constituent
26 institution's plan. No later than March 31, 2007, The University of North Carolina
27 General Administration shall submit a report on progress towards meeting this priority
28 for the 2007-2008 academic year, based on each constituent institution's current
29 students in the education programs, and the students who have been accepted for the
30 2007-2008 fiscal year who are enrolling in the education programs. The report shall also
31 explain the distribution of enrollment growth funds by specific initiative.
32

33 **NORTH CAROLINA IN THE WORLD PROJECT**

34 **SECTION 9.3.** In collaboration with the State Board of Education and the
35 NC Department of Commerce, the NC Center for International Understanding shall
36 develop a plan to ensure that public K-12 international education efforts such as teacher
37 and student exchanges, curriculum development, and other initiatives for students,
38 teachers, and administrators are focused on key countries and regions of strategic
39 economic interest to North Carolina. The NC Center for International Understanding
40 shall report to the Office of State Budget and Management and the Joint Legislative
41 Education Oversight Committee on the activities and accomplishments of the two
42 hundred thousand dollar (\$200,000) nonrecurring appropriation for North Carolina in
43 the World Project no later than March 31, 2007.
44

45 **A+ SCHOOLS – BUDGET TECHNICAL CORRECTION**

46 **SECTION 9.3A.** Recurring funds in the amount of one hundred thousand
47 dollars (\$100,000) appropriated to the Department of Public Instruction for the
48 2006-2007 fiscal year in S.L. 2005-276 as pass-through funds for A+ Schools shall be
49 transferred to the Board of Governors of The University of North Carolina to provide
50 pass-through funds for A+ Schools for the same purpose of providing support for the
51 program that assists schools in implementing comprehensive school reform by
52 integrating arts into the curriculum.
53

54 **CLARIFY REQUIREMENTS FOR STUDENTS RECEIVING PHYSICAL** 55 **EDUCATION – COACHING SCHOLARSHIP LOANS**

1 **SECTION 9.3B.(a)** G.S. 116-209.36(a) reads as rewritten:

2 "(a) There is established the Physical Education – Coaching Scholarship Loan
3 Fund. The purpose of the Fund is to provide scholarship loans to students who are
4 pursuing college degrees to become public schoolteachers and coaches or assistant
5 coaches. Coaching Fellows shall be offered a curriculum and extracurricular activities
6 that ~~advances~~ advance skills in physical education and coaching and that ~~instills~~ instill a
7 strong motivation not only to remain in the coaching profession but to provide
8 leadership in the schools where they coach. The State Education Assistance Authority
9 shall administer the Fund. The Fund shall provide 25 scholarship loans per year."

10 **SECTION 9.3B.(b)** The Board of Governors of The University of North
11 Carolina, in consultation with the North Carolina Independent Colleges and
12 Universities, Inc., the North Carolina High School Athletic Association, Inc., and the
13 North Carolina Coaches Association, shall study the curriculum and extracurricular
14 activities appropriate for recipients of scholarship loans. The extracurricular activities
15 may include programs and seminars with teachers currently coaching in North Carolina
16 public schools.

17 The Board of Governors shall report the results of the study, including the
18 costs of implementing its proposals, to the Joint Legislative Education Oversight
19 Committee prior to January 15, 2007.

20 21 **GRADUATE NURSE SCHOLARSHIP PROGRAM FOR FACULTY** 22 **PRODUCTION**

23 **SECTION 9.6.(a)** Of the funds appropriated by this act to the Board of
24 Governors of The University of North Carolina for the 2006-2007 fiscal year, the sum
25 of one million two hundred thousand dollars (\$1,200,000) shall be used to establish the
26 Graduate Nurse Scholarship Program for Faculty Production.

27 **SECTION 9.6.(b)** The allocation of funds under subsection (a) of this
28 section is contingent upon the enactment of House Bill 2003 of the 2005 Regular
29 Session of the General Assembly or substantially similar legislation that establishes the
30 Graduate Nurse Scholarship Program for Faculty Production. If House Bill 2003 of the
31 2005 Regular Session of the General Assembly or substantially similar legislation that
32 establishes the Graduate Nurse Scholarship Program for Faculty Production is not
33 enacted, then the funds allocated under subsection (a) of this act shall revert to the
34 General Fund.

35 36 **MANAGEMENT FLEXIBILITY TO REORGANIZE BUDGET CODE 16012** 37 **UNC BOARD OF GOVERNORS RELATED EDUCATIONAL PROGRAMS**

38 **SECTION 9.7.** Notwithstanding G.S. 143-23, for the 2006-2007 fiscal year,
39 the General Administration of The University of North Carolina and the State
40 Educational Assistance Authority shall, with the approval of the Office of State Budget
41 and Management, reorganize budget code 16012, UNC Board of Governors Related
42 Educational Programs, so that the budget reflects and segregates each specific program
43 individually. The Office of State Budget and Management shall work with The
44 University of North Carolina General Administration and the State Educational
45 Assistance Authority to ensure that each program represented in code 16012 is
46 identified and budgeted separately.

47 48 **TUITION AND CONTRACTUAL GRANTS FOR TEACHING/NURSING**

49 **SECTION 9.13.(a)** Of the funds appropriated by this act to the Board of
50 Governors of The University of North Carolina for the 2006-2007 fiscal year, the sum
51 of one million five hundred thousand dollars (\$1,500,000) shall be used to implement
52 the provisions of House Bill 1928 of the 2005 Regular Session of the General
53 Assembly, Senate Bill 1476 of the 2005 Regular Session of the General Assembly, or
54 substantially similar legislation to provide State Contractual Scholarship Fund grants

1 and legislative tuition grants for students who have bachelors degrees but are pursuing
2 licensure as nurses or teachers.

3 **SECTION 9.13.(b)** The allocation of funds under subsection (a) of this
4 section is contingent upon the enactment of House Bill 1928 of the 2005 Regular
5 Session of the General Assembly, Senate Bill 1476 of the 2005 Regular Session of the
6 General Assembly, or substantially similar legislation that provides State Contractual
7 Scholarship Fund grants and legislative tuition grants for students who have bachelors
8 degrees but are pursuing licensure as nurses or teachers. If House Bill 1928 of the 2005
9 Regular Session of the General Assembly, Senate Bill 1476 of the 2005 Regular Session
10 of the General Assembly, or substantially similar legislation that provides State
11 Contractual Scholarship Fund grants and legislative tuition grants for students who have
12 bachelors degrees but are pursuing licensure as nurses or teachers is not enacted, then
13 the funds allocated under subsection (a) of this act shall revert to the General Fund.
14

15 **NORTH CAROLINA RESEARCH CAMPUS AT KANNAPOLIS**

16 **SECTION 9.14.(a)** The Director of the Office of State Budget and
17 Management shall not release funds appropriated in this act to the Board of Governors
18 of The University of North Carolina for the North Carolina Research Campus (NCRC)
19 at Kannapolis until the President of The University of North Carolina certifies to the
20 Director that The University System and the developers of NCRC have entered into a
21 Memorandum of Understanding concerning the participation in and use of space at the
22 North Carolina Research Campus that is approved by the President.

23 **SECTION 9.14.(b)** The Director of the Office of State Budget and
24 Management shall not release funds appropriated in this act to the North Carolina
25 Community Colleges System Office for the North Carolina Research Campus (NCRC)
26 at Kannapolis until the President of the North Carolina Community College System
27 certifies to the Director that the Community College System and the developers of
28 NCRC have entered into a Memorandum of Understanding concerning the participation
29 in and use of space at the North Carolina Research Campus that is approved by the
30 President.
31

32 **PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

33 **RATE SETTING FOR CHILD CARING INSTITUTIONS**

34 **SECTION 10.2.(a)** Section 10.47(b) of S.L. 2005-276 is repealed.

35 **SECTION 10.2.(b)** G.S. 110-93.1 is repealed.

36 **SECTION 10.2.(c)** G.S. 143B-153(2)d. reads as rewritten:

37 **"§ 143B-153. Social Services Commission – creation, powers and duties.**

38 There is hereby created the Social Services Commission of the Department of Health
39 and Human Services with the power and duty to adopt rules and regulations to be
40 followed in the conduct of the State's social service programs with the power and duty
41 to adopt, amend, and rescind rules and regulations under and not inconsistent with the
42 laws of the State necessary to carry out the provisions and purposes of this Article.
43 Provided, however, the Department of Health and Human Services shall have the power
44 and duty to adopt rules and regulations to be followed in the conduct of the State's
45 medical assistance program.
46

47
48 (2) The Social Services Commission shall have the power and duty to
49 establish standards and adopt rules and regulations:

50
51 d. For the payment of State funds to private child-placing agencies
52 as defined in G.S. 131D-10.2(4) and residential child care
53 facilities as defined in G.S. 131D-10.2(13) for care and services
54 provided to children who are in the custody or placement
55 responsibility of a county department of social services;

and services. The Commission shall establish standardized rates for child caring institutions in this State, which rates shall be updated annually on July 1. Rate-setting recommendations provided by the Office of the State Auditor shall be incorporated into the Department of Health and Human Services' rate-setting methodology; and

...

SECTION 10.2.(d) The effective date for establishing standardized rates for child caring institutions in this State, as enacted in subsection (c) of this section, shall be July 1, 2007.

MEDICAID

SECTION 10.3.(a) Section 10.11 of S.L. 2005-276 is repealed.

SECTION 10.3.(b) Use of Funds, Allocation of Costs, Other Authorizations.

- (1) Use of Funds. – Funds appropriated in this act for services provided in accordance with Title XIX of the Social Security Act (Medicaid) are for both the categorically needy and the medically needy.
- (2) Allocation of Nonfederal Cost of Medicaid. – The allocation of the nonfederal cost of Medicaid shall be as provided in this act.
- (3) Funds for Development and Acquisition of Equipment and Software. – If first approved by the Office of State Budget and Management, the Division of Medical Assistance, Department of Health and Human Services, may use funds that are identified to support the cost of development and acquisition of equipment and software through contractual means to improve and enhance information systems that provide management information and claims processing. The Department of Health and Human Services shall identify adequate funds to support the implementation and first year's operational costs that exceed the currently allocated funds for the new contract for the fiscal agent for the Medicaid Management Information System.
- (4) Reports. – Unless otherwise provided, whenever the Department of Health and Human Services is required by this section to report to the General Assembly, the report shall be submitted to the House of Representatives Appropriations Subcommittee for Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division of the Legislative Services Office. Reports shall be submitted on the date provided in the reporting requirement.

SECTION 10.3.(c) Policy. –

- (1) Volume purchase plans and single source procurement. – The Department of Health and Human Services, Division of Medical Assistance, may, subject to the approval of a change in the State Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of volume purchase plans, single source procurement, or other contracting processes in order to improve cost containment.
- (2) Cost-containment programs. – The Department of Health and Human Services, Division of Medical Assistance, may undertake cost-containment programs, including contracting for services, preadmissions to hospitals, and prior approval for certain outpatient surgeries before they may be performed in an inpatient setting.
- (3) Fraud and abuse. –

- a. The Division of Medical Assistance, Department of Health and Human Services, may provide incentives to counties that successfully recover fraudulently spent Medicaid funds by sharing State savings with counties responsible for the recovery of the fraudulently spent funds.
- b. For the purposes of investigating and reducing client fraud and abuse, the Department of Health and Human Services, Division of Medical Assistance, shall, unless prohibited by federal law, include in the Medicaid enrollment process the requirement that the applicant for Medicaid consent to or authorize in writing the release of the applicant's medical records for the three years immediately preceding the application for Medicaid benefits. The Department shall obtain and use information from the applicant's medical records in a manner and form that complies with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), P.L. 104-191, as amended, and that protects the privacy of the information as required by other applicable federal or State law. In addition to fraud and abuse detection, the Department may require the applicant's consent for other purposes permitted by HIPAA and required or authorized by other applicable federal or State law.

(4) Medical policy. –

Unless required for compliance with federal law, the Department shall not change medical policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide services until the Division of Medical Assistance has prepared a five-year fiscal analysis documenting the increased cost of the proposed change in medical policy and submitted it for Departmental review. If the fiscal impact indicated by the fiscal analysis for any proposed medical policy change exceeds three million dollars (\$3,000,000) in total requirements for a given fiscal year, then the Department shall submit the proposed policy change with the fiscal analysis to the Office of State Budget and Management and the Fiscal Research Division. The Department shall not implement any proposed medical policy change exceeding three million dollars (\$3,000,000) in total requirements for a given fiscal year unless the source of State funding is identified and approved by the Office of State Budget and Management. The Department shall provide the Office of State Budget and Management and the Fiscal Research Division a quarterly report itemizing all medical policy changes with total requirements of less than three million dollars (\$3,000,000).

SECTION 10.3.(d) Eligibility. – Eligibility for Medicaid shall be determined in accordance with the following:

- (1) Medicaid and Work First Family Assistance, Income Eligibility Standards. – The maximum net family annual income eligibility standards for Medicaid and Work First Family Assistance and the Standard of Need for Work First Family Assistance shall be as follows:

Categorically Needy-WFFA*	Medically Needy
Family Standard	Families and Children
Size Of Need	Income
	Level AA,AB,AD*
1	\$2,172
2	2,832
	\$2,900
	3,900

1	3	6,528	3,264	4,400
2	4	7,128	3,564	4,800
3	5	7,776	3,888	5,200
4	6	8,376	4,188	5,600
5	7	8,952	4,476	6,000
6	8	9,256	4,680	6,300

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

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

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

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

(3) The Department of Health and Human Services shall provide Medicaid to 19 and 20-year-olds in accordance with federal rules and regulations.

(4) Pregnant women and children. – The Department of Health and Human Services shall provide coverage to pregnant women and to children according to the following schedule:

a. Pregnant women with incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

b. Effective January 1, 2006, infants under the age of one with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

c. Effective January 1, 2006, children aged one through five with family incomes equal to or less than two hundred percent (200%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

d. Children aged six through 18 with family incomes equal to or less than the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

e. The Department of Health and Human Services shall provide Medicaid coverage for adoptive children with special or rehabilitative needs regardless of the adoptive family's income.

Services to pregnant women eligible under this subsection continue throughout the pregnancy but include only those related to pregnancy and to those other conditions determined by the Department as conditions that may complicate pregnancy. In order to reduce county administrative costs and to expedite the provision of medical services to pregnant women, to infants, and to children described in subparagraphs c. and d. of this subdivision, no resources test shall be applied.

(5) The Department of Health and Human Services shall provide Medicaid coverage for family planning services to men and women of childbearing age with family incomes equal to or less than one hundred eight-five percent (185%) of the federal poverty level.

(6) ICF and ICF/MR Work Incentive Allowances. – The Department of Health and Human Services may provide an incentive allowance to Medicaid-eligible recipients of ICF and ICF/MR services, who are regularly engaged in work activities as part of their developmental plan, and for whom retention of additional income contributes to their achievement of independence. The State funds required to match the federal funds that are required by these allowances shall be provided from savings within the Medicaid budget or from other unbudgeted funds available to the Department. The incentive allowances may be as follows:

Monthly Net Wages	Monthly Incentive Allowance
\$1.00 to \$100.99	Up to \$50.00
\$101.00 to \$200.99	\$80.00
\$201.00 to \$300.99	\$130.00
\$301.00 and greater	\$212.00

(7) Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.

(8) For all Medicaid eligibility classifications for which the federal poverty level is used as an income limit for eligibility determination, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines.

(9) When implementing the Supplemental Security Income (SSI) method for considering equity value of income producing property, the Department shall, to the maximum extent possible, employ procedures to mitigate the hardship to Medicaid enrollees occurring from application of the SSI method.

SECTION 10.3.(e) Services and Payment Bases. – Funds appropriated for Medicaid services shall be expended in accordance with the following schedule of services and payment bases. All services and payments are subject to the language at the end of this subsection. Unless otherwise provided, services and payment bases will be as prescribed in the State Plan as established by the Department of Health and Human Services and may be changed with the approval of the Director of the Budget.

(1) Hospital inpatient.

(2) Hospital outpatient. – Eighty percent (80%) of allowable costs or a prospective reimbursement plan as established by the Department of Health and Human Services.

(3) Nursing facilities. – Nursing facilities providing services to Medicaid recipients who also qualify for Medicare must be enrolled in the Medicare program as a condition of participation in the Medicaid program. State facilities are not subject to the requirement to enroll in the Medicare program. Residents of nursing facilities who are eligible for Medicare coverage of nursing facility services must be placed in a Medicare-certified bed. Medicaid shall cover facility services only after the appropriate services have been billed to Medicare. The Division of Medical Assistance shall allow nursing facility providers sufficient time from the effective date of this act to certify additional Medicare beds if necessary. In determining the date that the requirements of this subdivision become effective, the Division of Medical Assistance shall consider the regulations governing certification of Medicare beds and the length of time required for this process to be completed.

(4) Physicians, certified nurse midwife services, nurse practitioners. – Fee schedules as development by the Department of Health and Human Services.

- 1 (5) Community Alternative Program, EPSDT Screens. – Payments in
2 accordance with rate schedule developed by the Department of Health
3 and Human Services.
- 4 (6) Home health and related services, durable medical equipment. –
5 Payments according to reimbursement plans developed by the
6 Department of Health and Human Services.
- 7 (7) Hearing aids. – Wholesale cost plus dispensing fee to provider.
- 8 (8) Rural health clinical services. – Provider-based, reasonable cost;
9 non-provider-based, single-cost reimbursement rate per clinic visit.
- 10 (9) Family planning. – Negotiated rate for local health departments. For
11 other providers see specific services, e.g. hospitals, physicians.
- 12 (10) Independent laboratory and X-ray services. – Uniform fee schedules as
13 developed by the Department of Health and Human Services.
- 14 (11) Ambulatory surgical centers.
- 15 (12) Private duty nursing, clinic services, prepaid health plans.
- 16 (13) Intermediate care facilities for the mentally retarded.
- 17 (14) Chiropractors, podiatrists, optometrists, dentists.
- 18 (15) Limitations on Dental Coverage. – Dental services shall be provided
19 on a restricted basis in accordance with criteria adopted by the
20 Department to implement this subsection.
- 21 (16) Medicare Buy-In. – Social Security Administration premium.
- 22 (17) Ambulance services. – Uniform fee schedules as developed by the
23 Department of Health and Human Services. Public ambulance
24 providers will be reimbursed at cost.
- 25 (18) Optical supplies. – Payment for materials is made to a contractor in
26 accordance with 42 C.F.R. § 431.54(d). Fees paid to dispensing
27 providers are negotiated fees established by the State agency based on
28 industry charges.
- 29 (19) Medicare crossover claims. – The Department shall apply Medicaid
30 medical policy to Medicare claims for dually eligible recipients. The
31 Department shall pay an amount up to the actual coinsurance or
32 deductible or both, in accordance with the State Plan, as approved by
33 the Department of Health and Human Services.
- 34 (20) Physical therapy and speech therapy. – Services limited to
35 EPSDT-eligible children. Payments are to be made only to qualified
36 providers at rates negotiated by the Department of Health and Human
37 Services. Physical therapy (including occupational therapy) and speech
38 therapy services are subject to prior approval and utilization review.
- 39 (21) Personal care services.
- 40 (22) Case management services. – Reimbursement in accordance with the
41 availability of funds to be transferred within the Department of Health
42 and Human Services.
- 43 (23) Hospice.
- 44 (24) Medically necessary prosthetics or orthotics. – In order to be eligible
45 for reimbursement, providers must be Board certified. Medically
46 necessary prosthetics and orthotics are subject to prior approval and
47 utilization review.
- 48 (25) Health insurance premiums.
- 49 (26) Medical care/other remedial care. – Services not covered elsewhere in
50 this section include related services in schools; health professional
51 services provided outside the clinic setting to meet maternal and infant
52 health goals; and services to meet federal EPSDT mandates.
- 53 (27) Pregnancy-related services. – Covered services for pregnant women
54 shall include nutritional counseling, psychosocial counseling, and

1 predelivery and postpartum home visits by maternity care coordinators
2 and public health nurses.

- 3 (28) Drugs. – Reimbursements. Reimbursements shall be available for
4 prescription drugs as allowed by federal regulations plus a professional
5 services fee per month, excluding refills for the same drug or generic
6 equivalent during the same month. Payments for drugs are subject to
7 the provisions of this subdivision or in accordance with the State Plan
8 adopted by the Department of Health and Human Services, consistent
9 with federal reimbursement regulations. Payment of the professional
10 services fee shall be made in accordance with the State Plan adopted
11 by the Department of Health and Human Services, consistent with
12 federal reimbursement regulations. The professional services fee shall
13 be five dollars and sixty cents (\$5.60) per prescription for generic
14 drugs and four dollars (\$4.00) per prescription for brand-name drugs.
15 Adjustments to the professional services fee shall be established by the
16 General Assembly. In addition to the professional services fee, the
17 Department may pay an enhanced fee for pharmacy services.

18 Limitations on quantity. – The Department of Health and Human
19 Services may establish authorizations, limitations, and reviews for
20 specific drugs, drug classes, brands, or quantities in order to manage
21 effectively the Medicaid pharmacy program, except that the
22 Department shall not impose limitations on brand-name medications
23 for which there is a generic equivalent in cases where the prescriber
24 has determined, at the time the drug is prescribed, that the brand-name
25 drug is medically necessary and has written on the prescription order
26 the phrase "medically necessary". In addition to the entities listed in
27 subsection (a) of this section, the Department shall report to the Joint
28 Legislative Commission on Governmental Operations on
29 authorizations, limitations, and reviews established under this
30 subparagraph, including limitations on monthly brand-name and
31 generic prescriptions as well as restrictions on the total number of
32 medications. The Department shall submit the report not later than
33 May 1, 2006.

34 Dispensing of generic drugs. – Notwithstanding G.S. 90-85.27
35 through G.S. 90-85.31, or any other law to the contrary, under the
36 Medical Assistance Program (Title XIX of the Social Security Act),
37 and except as otherwise provided in this subsection for atypical
38 antipsychotic drugs and drugs listed in the narrow therapeutic index, a
39 prescription order for a drug designated by a trade or brand name shall
40 be considered to be an order for the drug by its established or generic
41 name, except when the prescriber has determined, at the time the drug
42 is prescribed, that the brand-name drug is medically necessary and has
43 written on the prescription order the phrase "medically necessary". An
44 initial prescription order for an atypical antipsychotic drug or a drug
45 listed in the narrow therapeutic drug index that does not contain the
46 phrase "medically necessary" shall be considered an order for the drug
47 by its established or generic name, except that a pharmacy shall not
48 substitute a generic or established name prescription drug for
49 subsequent brand or trade name prescription orders of the same
50 prescription drug without explicit oral or written approval of the
51 prescriber given at the time the order is filled. Generic drugs shall be
52 dispensed at a lower cost to the Medical Assistance Program rather
53 than trade or brand-name drugs. As used in this subsection, "brand
54 name" means the proprietary name the manufacturer places upon a
55 drug product or on its container, label, or wrapping at the time of

1 packaging; and "established name" has the same meaning as in section
2 502(e)(3) of the Federal Food, Drug, and Cosmetic Act as amended,
3 21 U.S.C. § 352(e)(3).

4 Prior authorization. – The Department of Health and Human
5 Services shall not impose prior authorization requirements or other
6 restrictions under the State Medical Assistance Program on
7 medications prescribed for Medicaid recipients for the treatment of: (i)
8 mental illness, including, but not limited to, medications for
9 schizophrenia, bipolar disorder, and major depressive disorder, or (ii)
10 HIV/AIDS.

11 (29) Other mental health services. – Unless otherwise covered by this
12 section, coverage is limited to:

13 a. Services as defined by the Division of Mental Health,
14 Developmental Disabilities, and Substance Abuse Services and
15 approved by the Centers for Medicare and Medicaid Services
16 (CMS) when provided in agencies meeting the requirements of
17 the rules established by the Commission for Mental Health,
18 Developmental Disabilities, and Substance Abuse Services and
19 reimbursement is made in accordance with a State Plan
20 developed by the Department of Health and Human Services
21 not to exceed the upper limits established in federal regulations,
22 and

23 b. For children eligible for EPSDT services provided by:

24 1. Licensed or certified psychologists, licensed clinical
25 social workers, certified clinical nurse specialists in
26 psychiatric mental health advanced practice, nurse
27 practitioners certified as clinical nurse specialists in
28 psychiatric mental health advanced practice, licensed
29 psychological associates, licensed professional
30 counselors, licensed marriage and family therapists,
31 certified clinical addictions specialists, and certified
32 clinical supervisors, when Medicaid-eligible children are
33 referred by the Community Care of North Carolina
34 primary care physician, a Medicaid-enrolled psychiatrist,
35 or the area mental health program or local management
36 entity, 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.

44 c. For Medicaid-eligible adults, services provided by licensed or
45 certified psychologists, licensed clinical social workers,
46 certified clinical nurse specialists in psychiatric mental health
47 advanced practice, and nurse practitioners certified as clinical
48 nurse specialists in psychiatric mental health advanced practice,
49 licensed psychological associates, licensed professional
50 counselors, licensed marriage and family therapists, licensed
51 clinical addictions specialists, and licensed clinical supervisors,
52 Medicaid-eligible adults may be self-referred.

53 d. Payments made for services rendered in accordance with this
54 subdivision shall be to qualified providers in accordance with
55 approved policies and the State Plan. Nothing in

1 sub-subdivision b. or c. of this subdivision shall be interpreted
2 to modify the scope of practice of any service provider,
3 practitioner, or licensee, nor to modify or attenuate any
4 collaboration or supervision requirement related to the
5 professional activities of any service provider, practitioner, or
6 licensee. Nothing in sub-subdivision b. or c. of this subdivision
7 shall be interpreted to require any private health insurer or
8 health plan to make direct third-party reimbursements or
9 payments to any service provider, practitioner, or licensee.

10 e. The Department of Health and Human Services shall not enroll
11 licensed psychological associates, licensed professional
12 counselors, licensed marriage and family therapists, licensed
13 clinical addiction specialists, and licensed clinical supervisors
14 until all of the following conditions have been met:

- 15 1. The fiscal impact of payments to these qualified
16 providers has been projected;
- 17 2. Funding for any projected requirements in excess of
18 budgeted Division of Medical Assistance funding has
19 been identified from within State funds appropriated to
20 the Department of Health and Human Services, Division
21 of Mental Health, Developmental Disabilities, and
22 Substance Abuse Services to support area mental health
23 programs or county programs, or identified from other
24 sources; and
- 25 3. Approval has been obtained from the Office of State
26 Budget and Management to transfer these State or other
27 source funds from the Division of Mental Health,
28 Developmental Disabilities, and Substance Abuse
29 Services to the Division of Medical Assistance. Upon
30 approval and implementation, the Department of Health
31 and Human Services shall, on a quarterly basis, provide a
32 status report to the Office of State Budget and
33 Management and the Fiscal Research Division.

34 Notwithstanding G.S. 150B-21.1(a), the Department of Health and
35 Human Services may adopt temporary rules in accordance with
36 Chapter 150B of the General Statutes further defining the
37 qualifications of providers and referral procedures in order to
38 implement this subdivision. Coverage policy for services defined by
39 the Division of Mental Health, Developmental Disabilities, and
40 Substance Abuse Services under sub-subdivisions a. and b.2 of this
41 subdivision shall be established by the Division of Medical Assistance.

42 **SECTION 10.3.(f)** Limitations on payments. –

- 43 (1) Payment is limited to Medicaid-enrolled providers that purchase a
44 performance bond in an amount not to exceed one hundred thousand
45 dollars (\$100,000) naming as beneficiary the Department of Health
46 and Human Services, Division of Medical Assistance, or provide to the
47 Department a validly executed letter of credit or other financial
48 instrument issued by a financial institution or agency honoring a
49 demand for payment in an equivalent amount. The Department may
50 waive or limit the requirements of this paragraph for one or more
51 classes of Medicaid-enrolled providers based on the provider's dollar
52 amount of monthly billings to Medicaid or the length of time the
53 provider has been licensed in this State to provide services. In waiving
54 or limiting requirements of this paragraph, the Department shall take
55 into consideration the potential fiscal impact of the waiver or

1 limitation on the State Medicaid Program. The Department may adopt
2 temporary rules in accordance with G.S. 150B-21.1 as necessary to
3 implement this provision.

- 4 (2) Reimbursement is available for up to 24 visits per recipient per year to
5 any one or combination of the following: physicians, clinics, hospital
6 outpatient, optometrists, chiropractors, and podiatrists. Prenatal
7 services, all EPSDT children, emergency rooms, and mental health
8 services subject to independent utilization review are exempt from the
9 visit limitations contained in this paragraph. Exceptions may be
10 authorized by the Department of Health and Human Services where
11 the life of the patient would be threatened without such additional care.

12 **SECTION 10.3.(g)** Exceptions and limitations on services; authorization of
13 co-payments and other services.

- 14 (1) Exceptions to Service Limitations, Eligibility Requirements, and
15 Payments. – Service limitations, eligibility requirements, and
16 payments bases in this section may be waived by the Department of
17 Health and Human Services, with the approval of the Director of the
18 Budget, to allow the Department to carry out pilot programs for
19 prepaid health plans, contracting for services, managed care plans, or
20 community-based services programs in accordance with plans
21 approved by the United States Department of Health and Human
22 Services or when the Department determines that such a waiver will
23 result in a reduction in the total Medicaid costs for the recipient. The
24 Department of Health and Human Services may proceed with planning
25 and development work on the Program of All-Inclusive Care for the
26 Elderly.
- 27 (2) Co-Payment for Medicaid Services. – The Department of Health and
28 Human Services may establish co-payments up to the maximum
29 permitted by federal law and regulation and required by this subsection
30 in order to achieve reductions in the budget in fiscal years 2005-2006
31 and 2006-2007.
- 32 (3) The Department of Health and Human Services shall provide Medicaid
33 coverage for family planning services to men and women of
34 childbearing age with family incomes equal to or less than one
35 hundred eighty-five percent (185%) of the federal poverty level. Of the
36 funds appropriated in this act to the Division of Medical Assistance,
37 the sum of seven hundred fifty thousand dollars (\$750,000) for the
38 2005-2006 fiscal year shall be used to provide the State-match for the
39 family planning demonstration waiver approved by the federal
40 government.

41 **SECTION 10.3.(h)** Rules, Reports, and Other Matters. –

- 42 (1) Rules. – The Department of Health and Human Services may adopt
43 temporary or emergency rules according to the procedures established
44 in G.S. 150B-21.1 and G.S. 150B-21.1A when it finds that these rules
45 are necessary to maximize receipt of federal funds within existing
46 State appropriations, to reduce Medicaid expenditures, and to reduce
47 fraud and abuse. Prior to the filing of these temporary or emergency
48 rules with the Rules Review Commission and the Office of
49 Administrative Hearings, the Department shall consult with the Office
50 of State Budget and Management on the possible fiscal impact of the
51 temporary or emergency rule and its effect on State appropriations and
52 local governments.
- 53 (2) Changes to Medicaid program; reports. – The Department shall report
54 on any change it anticipates making in the Medicaid program that
55 impacts the type or level of service, reimbursement methods, or

1 waivers, any of which require a change in the State Plan or other
2 approval by the Centers for Medicare and Medicaid Services (CMS).
3 The reports shall be provided at the same time they are submitted to
4 CMS for approval. In addition to the entities listed in subsection (a)(4)
5 of this section, the report shall be submitted to the Joint Legislative
6 Health Care Oversight Committee.
7

8 **PROCEDURES FOR CHANGES TO DHHS MEDICAL POLICY**

9 **SECTION 10.4.** Article 2 of Chapter 108A of the General Statutes is
10 amended by adding the following new section to read:

11 "§ 108A-54.2. Procedures for changing medical policy.

12 The Department shall develop, amend, and adopt medical coverage policy in
13 accordance with the following:

- 14 (1) During the development of new medical coverage policy or
15 amendment to existing medical coverage policy, consult with and seek
16 the advice of the Physician Advisory Group of the North Carolina
17 Medical Society and other organizations the Secretary deems
18 appropriate. The Secretary shall also consult with and seek the advice
19 of officials of the professional societies or associations representing
20 providers who are affected by the new medical coverage policy or
21 amendments to existing medical coverage policy.
- 22 (2) At least 45 days prior to the adoption of new or amended medical
23 coverage policy, the Department shall:
- 24 a. Publish the proposed new or amended medical coverage policy
25 on the Department's Web site;
- 26 b. Notify all Medicaid providers of the proposed, new, or amended
27 policy; and
- 28 c. Upon request, provide persons copies of the proposed medical
29 coverage policy.
- 30 (3) During the 45-day period immediately following publication of the
31 proposed new or amended medical coverage policy, accept oral and
32 written comments on the proposed new or amended policy.
- 33 (4) If, following the comment period, the proposed new or amended
34 medical coverage policy is modified, then the Department shall, at
35 least 15 days prior to its adoption:
- 36 a. Notify all Medicaid providers of the proposed policy;
- 37 b. Upon request, provide persons notice of amendments to the
38 proposed policy; and
- 39 c. Accept additional oral or written comments during this 15-day
40 period."

41 **MEDICAID RESERVE FUND TRANSFER**

42 **SECTION 10.7.(a)** Of the funds transferred to the Department of Health and
43 Human Services for Medicaid programs pursuant to G.S. 143-23.2, the sum of
44 fifty-three million dollars (\$53,000,000) for the 2006-2007 fiscal year shall be allocated
45 as prescribed by G.S. 143-23.2(b) for Medicaid programs. Notwithstanding the
46 prescription in G.S. 143-23.2(b) that these funds not reduce State general revenue
47 funding, these funds shall replace the reduction in general revenue funding effected in
48 this act.
49

50 **SECTION 10.7.(b)** Of the funds transferred to the Department of Health and
51 Human Services for Medicaid programs pursuant to G.S. 143-23.2, the sum of five
52 million four thousand five hundred four dollars (\$5,004,504) for the 2006-2007 fiscal
53 year shall be allocated as prescribed by G.S. 143-23.2(b) for the implementation of the
54 Medicaid Management Information System (MMIS).
55

1 **PILOT PROJECTS TO CONTROL COST AND IMPROVE QUALITY OF**
2 **CARE FOR AGED, BLIND, AND DISABLED MEDICAID RECIPIENTS**

3 **SECTION 10.7A.(a)** Section 10.17.(a) of S.L. 2005-276 reads as rewritten:

4 **"SECTION 10.17.(a)** The Department of Health and Human Services shall expand
5 the scope of Community Care of NC care management model to recipients of Medicaid
6 and dually eligible individuals with a chronic condition and long-term care needs. In
7 expanding the scope, the Department shall focus on the Aged, Blind, and Disabled, and
8 CAP-DA populations for improvement in management, cost-effectiveness, and local
9 coordination of services through Community Care of NC and in collaboration with local
10 providers of care. The Department shall target personal care services, private duty
11 nursing, home health, durable medical equipment, ancillary professional services,
12 specialty care, residential services, including skilled nursing facilities, home infusion
13 therapy, pharmacy, and other services determined target-worthy by the Department.
14 The Department shall pilot communitywide initiatives and shall expand statewide
15 successful models. The initiatives may include one or more pilot projects to control
16 costs and improve quality of care for the aged, blind, and disabled recipients of
17 Medicaid."

18 **SECTION 10.7A.(b)** Section 10.14 of S.L. 2005-276 reads as rewritten:

19 **"SECTION 10.14.** The Department of Health and Human Services may use not
20 more than three million dollars (\$3,000,000) in the 2005-2006 fiscal year and not more
21 than three million dollars (\$3,000,000) in the 2006-2007 fiscal year in Medicaid funds
22 budgeted for program services to support the cost of administrative activities when
23 cost-effectiveness and savings are demonstrated. The funds shall be used to support
24 activities that will contain the cost of the Medicaid Program, including contracting for
25 services or hiring additional staff services, hiring additional staff, or providing grants
26 through the Office of Rural Health and Community Care to plan, develop, and
27 implement cost-containment programs.

28 Medicaid cost-containment activities may include prospective reimbursement
29 methods, incentive-based reimbursement methods, service limits, prior authorization of
30 services, periodic medical necessity reviews, revised medical necessity criteria, service
31 provision in the least costly settings, plastic magnetic stripped Medicaid identification
32 cards for issuance to Medicaid enrollees, fraud detection software or other fraud
33 detection activities, technology that improves clinical decision making, credit balance
34 recovery and data mining services, and other cost-containment activities. Funds may be
35 expended under this section only after the Office of State Budget and Management has
36 approved a proposal for the expenditure submitted by the Department. Proposals for
37 expenditure of funds under this section shall include the cost of implementing the
38 cost-containment activity and documentation of the amount of savings expected to be
39 realized from the cost-containment activity. The Department shall provide a copy of
40 proposals for expenditures under this section to the Fiscal Research Division."
41

42 **TICKET TO WORK EFFECTIVE DATE CHANGE**

43 **SECTION 10.9.(a)** Section 10.18(c) of S.L. 2005-276 reads as rewritten:

44 **"SECTION 10.18.(c)** Subsection (b) of this section becomes effective July 1, 2006.
45 Subsection (a) of this section becomes effective ~~January 1, 2007, or within 30 days after~~
46 ~~the date on which the MMIS becomes operational, as determined by the Department of~~
47 ~~Health and Human Services, whichever occurs later. July 1, 2007.~~

48 Client enrollment shall begin not later than six months from the date subsection (a)
49 becomes effective. The remainder of this section is effective when it becomes law."

50 **SECTION 10.9.(b)** The Department of Health and Human Services shall
51 study and develop a plan for the implementation of the Ticket to Work Program. The
52 Department shall report to the Senate Appropriations Committee on Health and Human
53 Services, the House of Representatives Appropriations Subcommittee on Health and
54 Human Services, and the Fiscal Research Division not later than March 1, 2007, on the
55 results of its study. The report shall include what system changes need to be made to

1 implement the Ticket to Work Program, how soon the changes can be made, and an
2 analysis of the five-year fiscal impact of the Program.
3

MEDICAID/HEALTH CHOICE DENTAL ADMINISTRATIVE SERVICES STUDY

4 **SECTION 10.9A.** The Department of Health and Human Services, Division
5 of Medical Assistance, shall study the costs and benefits of implementing a carve-out of
6 dental administrative services provided by third-party administrators for Medicaid and
7 NC Health Choice recipients. In conducting the study, the Division shall review the
8 experiences of other states using carve-out for administrative services and the likelihood
9 that a carve-out will increase the number of dentists willing to serve Medicaid and NC
10 Health Choice recipients. The Department of Health and Human Services shall report its
11 findings and recommendations and shall include in the report a comparison of what
12 Medicaid and SCHIP dental programs in other states have done or are doing to increase
13 the number of Medicaid and SCHIP recipients accessing dental care. The Department
14 of Health and Human Services shall submit the report to the House of Representatives
15 Appropriations Committee on Health and Human Services, the Senate Appropriations
16 Committee on Health and Human Services, and the Fiscal Research Division of the
17 Legislative Services Office not later than March 1, 2007.
18

EXTEND EFFECTIVE DATE ON CHANGES TO LIENS ON REAL PROPERTY FOR PURPOSES OF ESTATE RECOVERY UNDER MEDICAID

19 **SECTION 10.9B.** Section 10.21C(c) of S.L. 2005-276, as amended by
20 Section 16 of S.L. 2005-345, reads as rewritten:
21

22 "**SECTION 10.21C.(c)** This section becomes effective July 1, ~~2006~~,2007, and
23 applies to recipients of medical assistance on or after that date."
24
25
26

PILOT PROGRAM TO EVALUATE USE OF TELEMONITORING EQUIPMENT IN HOME CARE SERVICES

27 **SECTION 10.9C.** The Department of Health and Human Services, Division
28 of Medical Assistance, may implement a pilot program to evaluate the use of
29 telemonitoring equipment in home care services and community-based long-term care
30 services. The pilot program may be implemented by October 1, 2006, and shall
31 evaluate the use of telemonitoring equipment as a tool to improve the health of home
32 care clients and community-based long-term care clients through increased monitoring
33 and responsiveness, and resulting in increased stabilization rates. The evaluation shall
34 include a representative number of older adults. Not later than July 1, 2007, the
35 Department shall report to the House of Representatives Appropriations Subcommittee
36 on Health and Human Services, the Senate Appropriations Committee on Health and
37 Human Services, the Fiscal Research Division, and the North Carolina Study
38 Commission on Aging on the implementation of the pilot program and its findings and
39 recommendations on the cost-effectiveness of telemonitoring and the benefits to
40 individuals and health care providers.
41

DHHS TO DEVELOP STRATEGIES TO OFFSET THE COST TO PHARMACISTS OF PROVIDING SERVICES TO MEDICAID RECIPIENTS ENROLLED IN MEDICARE PART D.

42 **SECTION 10.9D.** The General Assembly recognizes the critical need for
43 pharmacy management services to Medicaid recipients enrolled in Medicare Part D. In
44 light of the additional costs to pharmacists that provide pharmacy services to Medicaid
45 recipients enrolled in Medicare Part D, and in light of the fact that federal law does not
46 provide federal matching funds under the Medicaid program for these services, the
47 Department of Health and Human Services shall develop strategies for reimbursing or
48 otherwise assisting pharmacists in providing these services to Medicaid recipients
49
50
51

1 enrolled in Medicare Part D. In developing the strategies, the Department shall
2 specifically address the special circumstances of pharmacists that provide pharmacy
3 services to long-term care facilities. Among the strategies to be considered is a
4 State-funded subsidy program to ensure that pharmacies adversely affected by the
5 additional costs may remain in business and thus continue to provide pharmacy services
6 throughout the State. As part of this effort, the Department shall also determine the
7 impact of the Deficit Reduction Act of 2005 on the payment for generic drugs under the
8 Medicaid Program. The Department shall report its findings and recommended
9 strategies to the House of Representatives Appropriations Subcommittee on Health and
10 Human Services, the Senate Appropriations Committee on Health and Human Services,
11 and the Fiscal Research Division not later than April 1, 2007.
12

CAP MEDICAID COUNTY SHARE

13 **SECTION 10.9E.(a)** Notwithstanding any other provision of law to the
14 contrary, each county's portion of the nonfederal share of Medical Assistance Program
15 costs, excluding administrative costs, for the 2006-2007 fiscal year and thereafter, shall
16 not exceed the amount paid by the county for the nonfederal share of Medical
17 Assistance Program costs, excluding administrative costs, for the 2005-2006 fiscal year.
18 The limitation on the county share shall be in effect regardless of growth in Medical
19 Assistance Program expenditures for the 2007-2008 fiscal year and thereafter.

20 **SECTION 10.9E.(b)** Of the funds appropriated in this act to the Department
21 of Health and Human Services, Division of Medical Assistance, the sum of eighteen
22 million dollars (\$18,000,000) in recurring funds for the 2006-2007 fiscal year shall be
23 used to cover the increased cost to the State resulting from the cap on county share
24 required by this section.
25

STATE-COUNTY SPECIAL ASSISTANCE

26 **SECTION 10.9F.** Effective October 1, 2006, the maximum monthly rate for
27 residents in adult care home facilities shall be one thousand one hundred forty-eight
28 dollars (\$1,148) per month per resident.
29

HEALTH INFORMATION SYSTEMS (HIS) FUNDS

30 **SECTION 10.13.(a)** The sum of nine million eight hundred thirty-five
31 thousand seven hundred ninety-five dollars (\$9,835,795) is appropriated from Budget
32 Code 24430, Fund Code 2117, to the Department of Health and Human Services,
33 Division of Public Health, for the 2006-2007 fiscal year. These funds shall be used for
34 the development and implementation of the Health Information Systems (HIS), an
35 initiative that will provide an automated means of capturing, monitoring, reporting, and
36 billing services provided in local health departments, CDSAs, and the State Public
37 Health Lab. The HIS will allow for interfaces to local health departments' own vendor
38 systems and is intended to replace the outdated Health Services Information System.
39 Allocation of these funds is contingent upon full compliance with the reporting
40 requirements of Section 10.59A.(b) of S.L. 2005-276 and the identification of total
41 estimated costs and future funding sources.
42

43 **SECTION 10.13.(b)** The Department of Health and Human Services,
44 Division of Public Health, shall report on the use of these funds to the House of
45 Representatives Appropriations Subcommittee on Health and Human Services, the
46 Senate Appropriations Committee on Health and Human Services, and the Fiscal
47 Research Division not later than March 1, 2007.
48

EARLY INTERVENTION SERVICES REPORT

49 **SECTION 10.15.** The Department of Health and Human Services, Division
50 of Public Health, shall report on Early Intervention services. The report shall include
51 the following information for all children, ages birth to three years, entering the Early
52 Intervention system as of July 1, 2006, through December 31, 2006:
53

- 1 (1) Children served: the number of children referred and the source of
2 referral, the number of children receiving initial evaluations, the
3 number of children determined eligible, the number of children
4 enrolled, and the number of IFS Plans developed.
- 5 (2) Services provided: the number and types of evaluation services,
6 treatment services, and other services provided and whether the service
7 was provided by an employee of a Children's Developmental Services
8 Agency or a private provider.
- 9 (3) Sliding scale participation: the percentage of enrolled children whose
10 family income falls into each of the following categories: at or below
11 200% of the federal poverty level, between 250% and 300% of the
12 federal poverty level, between 350% and 400% of the federal poverty
13 level, and over 400% of the federal poverty level. These percentages
14 shall be reported based on gross income and net income after
15 allowable deductions.

16 The Division of Public Health shall report its findings and recommendations
17 to the Senate Appropriations Committee on Health and Human Services, the House of
18 Representative Appropriations Subcommittee on Health and Human Services, and the
19 Fiscal Research Division not later than February 1, 2007.

20 21 **GOLDEN LEAF FOUNDATION GRANT-IN-AID TO SUPPORT EARLY** 22 **INTERVENTION PROGRAMS**

23 **SECTION 10.15A.(a)** Pursuant to Section 2(b) of S.L. 1999-2, of the fifty
24 percent (50%) of the annual installment payment to the North Carolina State Specific
25 Account otherwise transferred and assigned to The Golden L.E.A.F. (Long-Term
26 Economic Advancement Foundation), Inc., during the 2006-2007 fiscal year, the sum of
27 six million three hundred thousand dollars (\$6,300,000) for the 2006-2007 fiscal year is
28 transferred to the State Controller to be deposited in Nontax Budget Code 19978 (Intra
29 State Transfers) to supplement General Fund appropriations for early intervention
30 programs. These funds shall be used to support early intervention programs and services
31 in tobacco dependent regions of the State or those communities receiving impact
32 assistance under the Tobacco Litigation Master Settlement Agreement. The Attorney
33 General shall take all necessary actions to notify the court in the action entitled State of
34 North Carolina v. Philip Morris Incorporated, et al., 98 CVS 14377, in the General
35 Court of Justice, Superior Court Division, Wake County, North Carolina, and the
36 administrators of the State Specific Account established under the Master Settlement
37 Agreement of this action by the General Assembly redirecting this payment.

38 **SECTION 10.15A.(b)** Of the funds transferred to the State Controller for
39 deposit in Nontax Budget Code 19978 as provided in subsection (a) of this section, the
40 sum of six million three hundred thousand dollars (\$6,300,000) for the 2006-2007 fiscal
41 year is appropriated to the Department of Health and Human Services, Division of
42 Public Health, to support early intervention programs and services.

43 **COMMUNITY HEALTH CENTER CHANGES**

44 **SECTION 10.16.** Section 10.9(a) of S.L. 2005-276 reads as rewritten:

45 **"SECTION 10.9.(a)** Of the funds appropriated in this act for Community Health
46 Grants, the sum of ~~two five million dollars (\$5,000,000) (\$2,000,000) in recurring funds~~
47 ~~for the 2005-2006 fiscal year, and the sum of two million dollars (\$2,000,000) in~~
48 ~~recurring funds for the 2006-2007 fiscal year shall be used for federally qualified health~~
49 ~~centers, for those health centers that meet the criteria for federally qualified health~~
50 ~~centers, and for State-designated rural health centers and public health departments and~~
51 ~~other clinics to:~~ allocated to federally qualified health centers and those health centers
52 that meet the criteria for federally qualified health centers, State-designated rural health
53 centers, free clinics, public health departments, and other nonprofit organizations that

1 provide primary and preventive medical services to uninsured or medically indigent
 2 patients to:

- 3 (1) Increase access to preventative and primary care services by uninsured
 4 or medically indigent patients in existing or new health center
 5 locations;
- 6 (2) Establish community health center services in counties where no such
 7 services exist;
- 8 (3) Create new services or augment existing services provided to
 9 uninsured or medically indigent patients, including primary care and
 10 preventative medical services, dental services, pharmacy, and
 11 behavioral health; and
- 12 (4) Increase capacity necessary to serve the uninsured by enhancing or
 13 replacing facilities, equipment, or technologies.

14 Grant funds may not be used to enhance or increase compensation or other benefits
 15 of personnel, administrators, directors, consultants, or any other parties. Grant funds
 16 may not be used to supplant federal funds traditionally received by federally qualified
 17 community health centers and may not be used to finance or satisfy any existing debt.
 18 ~~The Department of Health and Human Services shall distribute funds on the basis of the~~
 19 ~~availability of other funds for the agency, and also on the basis of incidence of poverty~~
 20 ~~or percentage of indigent clients served.~~In distributing funds, the Department of Health
 21 and Human Services shall consider the availability of other funds for the agency, the
 22 incidence of poverty or indigent clients served, arrangements for after-hours care, and
 23 collaboration with the applicant's community hospital and other safety net
 24 organizations."
 25

26 **COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES** 27 **INITIATIVE**

28 **SECTION 10.18.** Of funds appropriated in this act to the Department of
 29 Health and Human Services for the 2006-2007 fiscal year, the sum of two million
 30 dollars (\$2,000,000) shall be allocated for the Community-Focused Eliminating Health
 31 Disparities Initiative (CFEHDI) to provide grants-in-aid to local public health
 32 departments, American Indian tribes, and faith-based and community-based
 33 organizations to close the gap in the health status of African-Americans,
 34 Hispanics/Latinos, and American Indians as compared to white persons. These grants
 35 shall focus on the use of preventive measures to support healthy lifestyles. The areas of
 36 focus on health status shall be infant mortality, HIV-AIDS and sexually transmitted
 37 infections, cancer, diabetes, and homicides and motor vehicle deaths.

38 **CLARIFICATION OF CERTAIN AUDIT REQUIREMENTS**

39 **SECTION 10.19.** G.S. 143B-139.4.(b) reads as rewritten:

40 "(b) A private, nonprofit organization that receives employee assistance or other
 41 appropriate services in accordance with subsection (a) of this section, shall document all
 42 contributions received, including employee time, supplies, materials, equipment, and
 43 physical space. The documentation shall also provide an estimated value of all
 44 contributions received as well as any compensation paid to or bonuses received by State
 45 employees. This documentation shall be submitted annually to the Secretary of the
 46 Department of Health and Human Services in a format approved by the Secretary.
 47 Nonprofit organizations with less than five hundred thousand dollars (\$500,000) in
 48 annual income shall submit an affidavit or annual audit from the chief officer of the
 49 organization providing and attesting to the financial condition of the organization and
 50 the expenditure of funds or use of State employee services or other State services,
 51 within six months from the nonprofit's fiscal year end. The board of directors of each
 52 private, nonprofit organization with an annual income of five hundred thousand dollars
 53 (\$500,000) or more shall secure and pay for the services of the State Auditor's Office or
 employ a certified public accountant to conduct an annual audit of the financial

1 accounts of the organization. The board of directors shall transmit to the Secretary of
2 the Department a copy of the annual financial audit report of the private nonprofit
3 organization. Nothing in this subsection shall be construed to relieve the private,
4 nonprofit organization from other applicable reporting requirements established by
5 law."
6

FUNDS TO ASSIST RURAL HOSPITALS

7 **SECTION 10.19A.** Of the funds appropriated in this act to the Department
8 of Health and Human Services, Office of Rural Health and Community Care, the sum of
9 three million dollars (\$3,000,000) for the 2006-2007 fiscal year shall be allocated to
10 small rural hospitals in need of assistance with the operations and infrastructure
11 maintenance of the hospital. These funds may be used for:

- 12 (1) Capital and operational needs of small rural hospitals. The Office of
13 Rural Health and Community Care shall convene an advisory group to
14 establish criteria for distribution of these funds. The criteria shall
15 include the number of indigent patients served, the number of
16 Medicaid recipients served, the per capita income of the area served by
17 the hospital, and the financial needs of the hospital; and
- 18 (2) Pilot demonstration programs that address issues critical to the
19 long-term survivability of rural hospitals such as: development of
20 regional care networks for mental health services; restructuring of
21 emergency department and outpatient services; and disease-focused
22 regional referral and care networks. The Office of Rural Health and
23 Community Care shall convene an advisory group to establish criteria
24 for the pilot demonstration projects, distribution of funds, and
25 monitoring and evaluation of the pilot projects.

26 The Office of Rural Health and Community Care shall report on the
27 allocation of funds appropriated under this section to the Senate Appropriations
28 Committee on Health and Human Services, the House of Representatives
29 Appropriations Subcommittee on Health and Human Services, and the Fiscal Research
30 Division not later than April 1, 2007.
31

AIDS DRUG ASSISTANCE PROGRAM

32 **SECTION 10.21.** Section 10.59(a) of S.L. 2005-276 reads as rewritten:

33 ~~"SECTION 10.59.(a) For the 2005 2006 fiscal year and for the 2006 2007 fiscal~~
34 ~~year, HIV positive individuals with incomes at or below one hundred twenty five~~
35 ~~percent (125%) of the federal poverty level are eligible for participation in ADAP.~~
36 ~~Eligibility for participation in ADAP during the 2005 2007 fiscal biennium shall not be~~
37 ~~extended to individuals with incomes above one hundred twenty five percent (125%) of~~
38 ~~the federal poverty level.~~For the 2006-2007 fiscal year, the Department may adjust the
39 financial eligibility criterion of the ADAP Program up to an amount not exceeding two
40 hundred fifty percent (250%) of the federal poverty level in order to serve as many
41 eligible North Carolinians living with HIV disease as possible within existing resources
42 plus any new federal resources. If the Department raises the eligibility limit above one
43 hundred twenty-five percent (125%) of the federal poverty level and a waiting list
44 develops as a result, the Department shall give priority on the waiting list to those
45 individuals at or below one hundred twenty-five percent (125%) of the federal poverty
46 level. The Commission for Health Services shall adopt temporary rules in accordance
47 with G.S. 150B-21.1 to implement adjustments in financial eligibility, including wait-
48 list priorities, as soon as possible in order to access additional federal funds made
49 available for ADAP program services."
50

LONG TERM CARE OMBUDSMAN AND NC SOCIAL SERVICES CONSORTIUM COOPERATE ON QUALITY IMPROVEMENT PROGRAM IMPLEMENTATION

1 **SECTION 10.21A.** Of the positions funded in this act for the Long Term
2 Care Ombudsman Program, a sufficient number shall be allocated to test the Quality
3 Improvement Program in two pilot counties prior to the Quality Improvement Program's
4 implementation statewide. The Long Term Care Ombudsman Program shall work with
5 the NC Social Services Consortium to implement the requirements of this section.
6

AREA AUTHORITY AND COUNTY PROGRAM CRISIS REGIONS

7 **SECTION 10.26.(a)** Of the funds appropriated in this act to the Department
8 of Health and Human Services, the sum of five million two hundred fifty thousand
9 dollars (\$5,250,000) for the 2006-2007 fiscal year shall be allocated on a per capita
10 basis and shall be used by area authorities and county programs for operational start-up,
11 capital, or subsidies related to the development and implementation of a plan for a
12 continuum of regional crisis facilities and local crisis services ("crisis plan"). Funds not
13 expended during the 2006-2007 fiscal year shall not revert to the General Fund but shall
14 remain available for the purposes outlined in this subsection. As used in this subsection,
15 the term "crisis" includes services for individuals with mental illnesses, developmental
16 disabilities, and substance abuse addictions.

17 **SECTION 10.26.(b)** Of the funds appropriated in this act to the Department
18 of Health and Human Services, the sum of two hundred twenty-five thousand dollars
19 (\$225,000) for the 2006-2007 fiscal year shall be used by the Department to hire a
20 consultant to provide technical assistance to Local Management Entities (LMEs) to
21 develop and implement the crisis plans required under subsection (a) of this section. As
22 used in this subsection, the term "consultant" may refer to an individual or a business
23 entity such as a corporation, a partnership, or a limited liability company. The roles and
24 responsibilities of the Department, the consultant, and the LMEs are more fully
25 explained in subsection (c) of this section. Funds not expended during the 2006-2007
26 fiscal year shall not revert to the General Fund but shall remain available for the
27 purposes outlined in this subsection.

28 **SECTION 10.26.(c)** The Department of Health and Human Services shall
29 hire a consultant to assist LMEs to carry out the requirements of this section. In addition
30 to any other factors the Department determines are relevant when selecting the
31 consultant, the Department shall take into consideration whether an applicant has prior
32 experience evaluating crisis services at a local, regional, and statewide level, prior
33 experience assisting State and local public agencies develop and implement crisis
34 services, and the ability to implement its responsibilities within the time frames
35 established under this section.

36 The consultant shall do all of the following:

- 37 (1) Develop a model for a continuum of crisis services for an urban area
38 and for a rural area. The model shall outline how an LME, or a group
39 of LMEs, can develop over a period of time the following components:
40 24-hour crisis telephone lines, walk-in crisis services, mobile crisis
41 outreach, crisis respite/residential services, crisis stabilization units,
42 23-hour beds, regional crisis facilities, inpatient crisis and
43 transportation. Options for voluntary admissions to a secured facility
44 shall include at least one service appropriate to address the mental
45 health, developmental disability, and substance abuse needs of adults,
46 and the mental health, developmental disability, and substance abuse
47 needs of children. Options for involuntary commitment to a secured
48 facility shall include at least one option in addition to admission to a
49 State facility. These models shall be the first deliverable under the
50 consultant's contract.
- 51 (2) Review the findings and recommendations regarding crisis services
52 developed by the Department as part of the long-range plan required
53 under Section 10.24 of S.L. 2005-276. The consultant shall use this
54 information and any other information it determines to: identify local

1 and regional gaps in crisis services; identify options for providing
2 those services; assist LMEs with developing and implementing a plan
3 to provide a continuum of crisis services; and maintain transparency
4 and accountability for the use of funds appropriated under this section.

- 5 (3) Designate appropriate groupings of LMEs for the development of
6 regional crisis facilities. As used in this section, the term "regional
7 crisis facility" means a facility-based crisis unit that serves an area that
8 may be larger than the catchment area of a single LME. The consultant
9 shall consult with LMEs in determining the grouping of LMEs for
10 regional crisis facilities. The consultant shall also take into
11 consideration geographical factors, prior LME groupings and
12 partnerships, and existing community facilities. Each LME shall
13 participate in the regional grouping established by the consultant in
14 order to be eligible to receive funding under this section.

15 The consultant shall work with each regional group to determine
16 whether a facility-based crisis center is needed in that region and
17 whether one would be financially sustainable on a long-term basis. If
18 the regional group and the consultant determine that a regional crisis
19 facility is needed and sustainable, the regional group shall attempt to
20 secure those services through a community hospital or other
21 community facility first.

- 22 (4) Assist LMEs to develop a plan to implement a continuum of local
23 crisis services. The plan shall be consistent with the models developed
24 by the consultant under subdivision (1) of this subsection and shall
25 address any gaps in crisis services identified by the study required
26 under Section 10.24 of S.L. 2005-276. The plan for a continuum of
27 local crisis services may be combined with a plan for the
28 implementation of a regional crisis facility.

29 **SECTION 10.26.(d)** The Department may allocate up to three percent (3%)
30 of the funds appropriated under subsection (a) of this section to LMEs to assist them
31 with the cost of developing their crisis services plans. Each LME shall submit its crisis
32 services plan to the consultant and to the Department for review no later than March 1,
33 2007. The plan shall take into consideration all other sources of funds in addition to the
34 funds appropriated under this section. The consultant and the Department shall review
35 the plans to determine whether they meet all the requirements of this section. If the plan
36 meets all the requirements of this section, the LME shall receive funding to implement
37 the plan.

38 **SECTION 10.26.(e)** LMEs shall report monthly to the consultant and to the
39 Department regarding the use of the funds, whether there has been a reduction in the use
40 of State psychiatric hospitals for acute admissions, and any remaining gaps in local and
41 regional crisis services. The consultant and the Department shall report quarterly to the
42 Senate Appropriations Committee on Health and Human Services, the House of
43 Representatives Appropriations Subcommittee on Health and Human Services, the
44 Fiscal Research Division, and the Joint Legislative Oversight Committee on Mental
45 Health, Developmental Disabilities, and Substance Abuse Services regarding each
46 LME's proposed and actual use of the funds appropriated under this section. The
47 reporting requirement under this subsection shall expire July 1, 2008.

48 **MH/DD/SA SERVICES CONSULTANT TASKS**

49 **SECTION 10.28.** Independent consultants hired by the Department of
50 Health and Human Services from funds appropriated in this act for consultation
51 purposes shall undertake the following tasks:

- 52 (1) Assist the Department with the strategic planning necessary to develop
53 the revised State Plan as required under G.S. 122C-102. The State Plan

- 1 shall be coordinated with local and regional crisis service plans by area
2 authorities and county programs.
- 3 (2) Study and make recommendations to increase the capacity of the
4 Department to implement system reform successfully and in a manner
5 that maintains strong management functions by area authorities and
6 county programs at the local level.
- 7 (3) Assist the Division of Mental Health, Developmental Disabilities, and
8 Substance Abuse Services to work with area authorities and county
9 programs to:
- 10 a. Develop and implement five to ten critical performance
11 indicators to be used to hold area authorities and county
12 programs accountable for managing the mental health,
13 developmental disabilities, and substance abuse services
14 system. The performance system indicators shall be
15 implemented no later than six months after the consultant's
16 contract is awarded and in no event later than July 1, 2007.
- 17 b. Standardize the utilization management functions for Medicaid
18 and non-Medicaid services and for the review and approval of
19 person-centered plans.
- 20 c. Develop area authorities' and county programs' expertise to
21 assume utilization management for Medicaid services. The goal
22 shall be to have a portion of the area authorities and county
23 programs assume that function beginning July 1, 2007, and the
24 remainder to assume the function no later than July 1, 2009.
- 25 d. Implement other uniform procedures for the management
26 functions of area authorities and county programs.
- 27 (4) Provide technical assistance and oversight to private service providers,
28 area authorities, and county programs to ensure that best practices and
29 new services are being delivered with fidelity to the service definition
30 model.

31 **INDEPENDENT- AND SUPPORTIVE-LIVING APARTMENTS INITIATIVE**

32 **SECTION 10.30.** The independent and supportive living apartments for
33 persons with disabilities constructed from funds appropriated in this act for that purpose
34 shall be affordable to persons with incomes at the Supplemental Security Income (SSI)
35 level. If the North Carolina Housing Finance Agency is able to finance the apartments
36 for less than the amount appropriated under this section, any remaining funds, as well as
37 any interest earned on the amount appropriated, may be used to finance additional
38 apartments, group homes, and transitional housing for individuals with disabilities.
39
40

41 **LOCAL MANAGEMENT ENTITY ADMINISTRATIVE FUNCTIONS**

42 **SECTION 10.32.** The Department of Health and Human Services shall
43 recalculate local management entity (LME) systems management allocations for fiscal
44 year 2006-2007 to include funds for each LME to implement the following:

- 45 (1) 24-hour, seven days a week screening, triage, and referral;
46 (2) Provider endorsement, monitoring, technical assistance, capacity
47 development, and quality control;
48 (3) Authorization of all State-funded services;
49 (4) Care coordination, including the direct monitoring of the effectiveness
50 of person-center plans;
51 (5) Community collaboration and consumer affairs; and
52 (6) Financial management and accountability and information
53 management.

DISTRIBUTION OF MENTAL HEALTH, SUBSTANCE ABUSE AND CRISIS SERVICES FUNDS

1 **SECTION 10.33A.(a)** Funds appropriated in this act for mental health
2 services, substance abuse services, and crisis services shall be allocated to local
3 management entities such that each local management entity receives a percentage of
4 the total allocation that is equal to that local management entity's percentage of the
5 State's total population that is below the federal poverty level.

6 **SECTION 10.33A.(b)** Funds allocated pursuant to subsection (a) of this
7 section for substance abuse services may be used to replace lost federal funding for
8 substance abuse services in drug treatment courts, provided that such funds shall be
9 allocated only in the amount of lost funding and shall not exceed one million seven
10 hundred thousand dollars (\$1,700,000). Before allocating these funds, the Department
11 of Health and Human Services shall verify the loss of federal funding for substance
12 abuse services in drug treatment courts and the amount of federal funds lost.

13 **SECTION 10.33A.(c)** The local management entity shall consult with the
14 local drug treatment court team and shall select a treatment provider that meets all
15 provider qualification requirements and the drug treatment court's needs. A single
16 treatment provider may be chosen for non-Medicaid-eligible participants only. A single
17 provider may be chosen who can work with all of the non-Medicaid-eligible drug
18 treatment court participants in a single group.

19 **SECTION 10.33A.(d)** The Department of Health and Human Services,
20 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services,
21 shall study whether the target population for substance abuse services needs to be
22 expanded to include more participants of the drug treatment courts, and shall report its
23 findings to the House of Representatives Appropriations Subcommittee on Health and
24 Human Services, the Senate Appropriations Committee on Health and Human Services,
25 and the Fiscal Research Division not later than April 1, 2007.

ACCESS TO PSYCHIATRIC SERVICES

26
27 **SECTION 10.33G.** Funds appropriated in this act to increase access to
28 psychiatric services for the 2006-2007 fiscal year may be used for the following
29 purposes:
30

- 31 (1) To cover non-fee-for-service billable functions that psychiatrists
32 perform, including incentives to increase the participation of
33 psychiatrists in new best-practice models of service such as
34 Community Treatment Teams;
- 35 (2) Designing graduate medical education incentives to influence the
36 training of psychiatrists to produce more psychiatrists interested in
37 working with public sector communities;
- 38 (3) Designing programs for loan forgiveness and recruitment incentives
39 for new psychiatrists serving Medicaid and other State-funded
40 consumers.

PSYCHIATRIC HOSPITAL DEBT SERVICE

41
42 **SECTION 10.33H.(a) G.S. 143-15.3D(c) reads as rewritten:**

43 "(c) Notwithstanding G.S. 143-18, any nonrecurring savings in State
44 appropriations realized from the closure of any State psychiatric hospitals that are in
45 excess of the cost of operating and maintaining a new State psychiatric hospital shall not
46 revert to the General Fund but shall be placed in the Trust Fund and shall be used for the
47 purposes authorized in this section. Notwithstanding G.S. 143-18, recurring savings
48 realized from the closure of any State psychiatric hospitals shall not revert to the
49 General Fund but shall be used for the payment of debt service on financing contract
50 indebtedness authorized pursuant to Article 9 of Chapter 142 of the General Statutes for
51 the construction of a new State psychiatric hospital. Any remainder not needed for this
52

1 ~~debt service shall be~~ credited to the Department of Health and Human Services to be
2 used only for the purposes of subsections (b)(2) and (b)(3) of this section."

3 **SECTION 10.33H.(b)** This section becomes effective July 1, 2007. Debt
4 service authorized pursuant to Article 9 of Chapter 142 of the General Statutes for the
5 construction of a new State psychiatric hospital shall be paid with funds from the
6 General Fund. Any funds budgeted for debt service on the new psychiatric hospital
7 before July 1, 2007, shall be redirected for purposes authorized under G.S.
8 143-15.3D(b)(2) and (b)(3).
9

10 **USE OF FUNDS IN MENTAL HEALTH TRUST FUND**

11 **SECTION 10.33I.** Of the funds appropriated in this act for mental health,
12 developmental disabilities, and substance abuse services, the sum of twenty-four million
13 two hundred five thousand dollars (\$24,205,000) in nonrecurring funds for the fiscal
14 year 2006-2007 shall be deposited to the Trust Fund for Mental Health, Developmental
15 Disabilities, and Substance Abuse Services and Bridge Funding Needs. Of these funds,
16 the sum of nine million two hundred five thousand dollars (\$9,205,000) for the
2006-2007 fiscal year shall be used as follows:

- 17 (1) \$1,500,000 for mental health services to be distributed to local
18 management entities.
- 19 (2) \$1,500,000 for substance abuse services to be distributed to local
20 management entities.
- 21 (3) \$3,000,000 for mental health, developmental disabilities, and
22 substance abuse crisis services.
- 23 (4) \$2,000,000 to increase access to psychiatric services.
- 24 (5) \$1,205,000 to provide one-time operating support for
25 independent-living apartments. It is the intent of the General Assembly
26 to provide funds in future years for operating support for the 400
27 independent-living and supportive-living apartments as they are
28 constructed and ready for occupation.
29

30 **SUBSTANCE ABUSE SERVICES FUNDS FOR TASC**

31 **SECTION 10.33J.** Of the funds appropriated in this act to the Department of
32 Health and Human Services, Division of Mental Health, Developmental Disabilities,
33 and Substance Abuse Services, for substance abuse services, the sum of up to three
34 hundred thousand dollars (\$300,000) shall be allocated to Treatment Accountability for
35 Safer Communities (TASC).
36

37 **CHILD CARE ALLOCATION FORMULA**

38 **SECTION 10.34.** Section 10.61(c) of S.L. 2005-276 reads as rewritten:

39 **"SECTION 10.61.(c)** Notwithstanding subsection (a) of this section, the
40 Department of Health and Human Services shall allocate up to twenty-two million
41 dollars (\$22,000,000) in federal block grant funds and State funds appropriated for
42 fiscal years ~~2004-2005~~2005-2006 and ~~2005-2006~~2006-2007 for child care services.
43 These funds shall be allocated to prevent termination of child care services."
44

45 **CHILD CARE FUNDS MATCHING REQUIREMENT**

46 **SECTION 10.36.** Section 10.60 of S.L. 2005-276 reads as rewritten:

47 **"SECTION 10.60.** No local matching funds may be required by the Department of
48 Health and Human Services as a condition of any locality's receiving ~~any State's initial~~
49 allocation of child care funds appropriated by this act unless federal law requires a
50 match. ~~This shall not prohibit any locality from spending local funds for child care~~
51 services. If the Department reallocates additional funds above twenty-five thousand
52 dollars (\$25,000) to local purchasing agencies beyond their initial allocation, local
purchasing agencies must provide a twenty-five percent (25%) local match to receive

1 the reallocated funds. Matching requirements shall not apply when funds are allocated
2 because of a disaster as defined in G.S. 166A-4(1)."
3

4 **REQUIRE MINIMUM OF SMART START FUNDS FOR CHILD CARE** 5 **SUBSIDY**

6 **SECTION 10.37.** Notwithstanding G.S. 143B-168.15(g), of the ten million
7 dollars (\$10,000,000) appropriated in this act to the North Carolina Partnership for
8 Children, Inc., for the 2006-2007 fiscal year for local partnership initiatives, a minimum
9 of thirty percent (30%) of the allocation to each local partnership shall be used for child
10 care subsidy. This percentage shall be in addition to the direct services allocation for
11 the 2006-2007 fiscal year.

12 **PART X-A. DEPARTMENT OF AGRICULTURE AND CONSUMER** 13 **SERVICES**

14 **TIMBER SALES RECEIPTS FOR CAPITAL IMPROVEMENTS**

15 **SECTION 10A.1.(a)** Section 11.2 of S.L. 2005-276 reads as rewritten:

16 **"SECTION 11.2.** The sum of ~~one million thirty three thousand one hundred dollars~~
17 ~~(\$1,033,100)~~ three hundred sixty-nine thousand six hundred dollars (\$369,600) shall be
18 transferred from the Department of Agriculture and Consumer Services' timber sales
19 capital improvement account in the Department of Agriculture and Consumer Services
20 as such funds become available ~~during the 2005-2006 fiscal year,~~ during the 2006-2007
21 fiscal year and used by the Department for ~~the following capital improvements projects~~
22 ~~at agricultural research stations and research farms:~~

- 23 (1) ~~\$378,000 for improvements at the swine facility at the Cherry~~
24 ~~Research Farm.~~
25 (2) ~~\$285,500 for renovation of dairy facilities at the Cherry Research~~
26 ~~Farm.~~
27 (3) ~~\$369,600 for land acquisition and development at the Tidewater~~
28 ~~Research Station."~~

29 **SECTION 10A.1.(b)** Section 11.3 of S.L. 2005-276 reads as rewritten:

30 **"SECTION 11.3.** From funds ~~received from the sale of timber~~ that are deposited
31 with the State Treasurer pursuant to G.S. 146-30 to the credit of the Department of
32 Agriculture and Consumer Services in a capital improvement account, the sum of
33 ~~twenty thousand dollars (\$20,000)~~ thirty thousand dollars (\$30,000) for the 2006-2007
34 fiscal year shall be transferred to the Department of Agriculture and Consumer Services
35 ~~to be used~~ used, notwithstanding G.S. 146-30, by the Department for its plant
36 conservation program under Article 19B of Chapter 106 of the General Statutes for
37 costs incidental to the acquisition of land, such as land appraisals, land surveys, title
38 searches, and environmental ~~studies.~~ studies and for the management of plant
39 conservation program preserves owned by the Department."

40 **SECTION 10A.1.(c)** Funds shall be transferred from the Department of
41 Agriculture and Consumer Services' timber sales capital improvement account in the
42 Department of Agriculture and Consumer Services as such funds become available and
43 shall be used by the Department for capital improvements to the grounds and facilities
44 at the Eastern North Carolina Agricultural Center at Williamston.

45 **PART XI. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES**

46 **CONSERVATION RESERVE ENHANCEMENT PROGRAM**

47 **SECTION 11.1.** Funds appropriated to the Department of Environment and
48 Natural Resources for the 2006-2007 fiscal year for the Division of Soil and Water
49 Conservation for the Conservation Reserve Enhancement Program for acquiring
50 conservation easements and leases or for contracts under the Program shall not revert,
51 but shall remain available for these purposes.
52
53

GRASSROOTS SCIENCE PROGRAM

SECTION 11.3.(a) Section 12.5 of S.L. 2005-276, as amended by Section 23 of S.L. 2005-345, reads as rewritten:

"SECTION 12.5.(a) Of the funds appropriated in this act to the Department of Environment and Natural Resources for the Grassroots Science Program, the sum of three million one hundred ninety-seven thousand seven hundred sixty-two dollars (\$3,197,762) for the 2005-2006 fiscal year and the sum of three million one hundred ninety-seven thousand seven hundred sixty dollars (\$3,197,760) for the 2006-2007 fiscal year is allocated as grants-in-aid ~~for each fiscal year~~ as follows:

	2005-2006	<u>2006-2007</u>
Aurora Fossil Museum	\$59,057	<u>\$59,444</u>
Cape Fear Museum	\$161,007	<u>\$159,444</u>
Carolina Raptor Center	\$112,174	<u>\$107,658</u>
Catawba Science Center	\$133,429	<u>\$148,588</u>
Colburn Gem and Mineral Museum, Inc. <u>Earth Science Museum, Inc.</u>	\$74,545	<u>\$74,642</u>
Discovery Place	\$662,865	<u>\$646,907</u>
Eastern NC Regional Science Center	\$50,000	<u>\$50,820</u>
Port Discover: Northeastern North Carolina's Center for Hands-On Science, Inc.	\$50,000	
Fascinate-U	\$80,742	<u>\$81,792</u>
Granville County Museum Commission, Inc.-Harris Gallery	\$56,422	<u>\$56,059</u>
Greensboro Children's Museum	\$135,076	<u>\$119,418</u>
The Health Adventure Museum of Pack Place Education, Arts and Science Center, Inc.	\$134,499	<u>\$158,058</u>
Highlands Nature Center	\$79,268	<u>\$75,370</u>
Imagination Station	\$86,034	<u>\$84,129</u>
<u>The Iredell Museums, Inc.</u>		<u>\$61,568</u>
Kidsenses	\$50,000	<u>\$82,007</u>
Museum of Coastal Carolina	\$74,192	<u>\$72,655</u>
The Natural Science Center of Greensboro <u>Greensboro, Inc.</u>	\$186,354	<u>\$176,051</u>
North Carolina Museum of Life and Science	\$379,826	<u>\$337,062</u>
<u>Port Discover: Northeastern North Carolina's Center for Hands-On Science, Inc.</u>	\$50,000	<u>\$50,087</u>
Rocky Mount Children's Museum	\$72,254	<u>\$68,696</u>
Schiele Museum of Natural History and Planetarium, Inc.	\$229,547	<u>\$210,764</u>
Sci Works Science Center and Environmental Park of Forsyth County	\$146,499	<u>\$145,914</u>
Western North Carolina Nature Center	\$112,879	<u>\$104,809</u>
Wilmington Children's Museum	\$71,093	<u>\$65,820</u>
Total	\$3,197,762	<u>\$3,197,760</u>

SECTION 12.5.(b) No later than March 1, 2006, the Department of Environment and Natural Resources shall report to the Fiscal Research Division all of the following information for each museum that receives funds under this section:

- (1) The operating budget for the 2004-2005 fiscal year.
- (2) The operating budget for the 2005-2006 fiscal year.
- (3) The total attendance at the museum during the 2005 calendar year.

1 **SECTION 12.5.(c)** No later than March 1, 2007, the Department of Environment
2 and Natural Resources shall report to the Fiscal Research Division all of the following
3 information for each museum that receives funds under this section:

4 (1) The operating budget for the 2005-2006 fiscal year.

5 (2) The operating budget for the 2006-2007 fiscal year.

6 (3) The total attendance at the museum during the 2006 calendar year."

7 **SECTION 11.3.(b)** The Department of Environment and Natural Resources,
8 in consultation with the Fiscal Research Division, shall study the current formula used
9 to calculate the allocations for members of the Grassroots collaborative and shall report
10 no later than January 15, 2007, its findings and any recommendations for revising this
11 formula to be used for the 2007-2009 fiscal biennium to the Appropriations
12 Subcommittees on Natural and Economic Resources in both the Senate and the House
13 of Representatives.
14

15 **COASTAL RECREATIONAL FISHING LICENSES RECEIPTS**

16 **SECTION 11.5.** As reimbursement for the funds appropriated under this act
17 to the Division of Marine Fisheries of the Department of Environment and Natural
18 Resources for the 2006-2007 fiscal year to establish and support two positions in the
19 Division of Marine Fisheries to implement the coastal recreational fishing license
20 provisions of S.L. 2005-455, which become effective January 1, 2007, the Marine
21 Fisheries Commission and the Wildlife Resources Commission shall disburse from the
22 Marine Resources Fund to the General Fund the sum of three hundred seventy-five
23 thousand dollars (\$375,000) from receipts from license fees collected during the
24 2006-2007 fiscal year.
25

26 **EMERGENCY DRINKING WATER FUND ESTABLISHED**

27 **SECTION 11.6.** Article 21 of Chapter 143 of the General Statutes is
28 amended by adding a new Part to read:

29 "Part 11. Private Drinking Water Wells.

30 **"§ 143-215.74M. Emergency Drinking Water Fund.**

31 The Emergency Drinking Water Fund is established within the Department. The
32 Fund shall be a nonreverting, interest-bearing fund consisting of monies appropriated to
33 the Fund by the General Assembly and investment interest credited to the Fund. The
34 Fund may be used to pay for notification, to the extent practicable, of persons who
35 reside in the same dwelling unit or who work at the same business at which drinking
36 water is supplied from a private drinking water well that is located within 1,500 feet of
37 known groundwater contamination, to cover the costs of testing private drinking water
38 wells for contamination, and for the provision of alternative drinking water supplies to
39 persons whose drinking water well is contaminated. The Department shall disburse
40 monies from the Fund based on financial need and on the risk to public health posed by
41 groundwater contamination and shall give priority to the provision of services under this
42 section to instances when an alternative source of funds is not available. The funds shall
43 not be used for remediation of groundwater contamination. Nothing in this section
44 expands, contracts, or modifies the obligation of responsible parties under Article 9 or
45 10 of Chapter 130A of the General Statutes, this Article, or Article 21A of this Chapter
46 to assess contamination, identify receptors, or remediate groundwater or soil
47 contamination. The Department shall establish criteria by which the Department is to
48 evaluate applications and disburse funds from this Fund and may adopt any rules
49 necessary to implement this section."
50

51 **PART XII. DEPARTMENT OF COMMERCE**

52 **EMPLOYMENT SECURITY FUNDS**

53 **SECTION 12.1.** Section 13.4 of S.L. 2005-276 reads as rewritten:
54

1 **"SECTION 13.4.(a)** Funds from the Employment Security Commission Reserve
2 Fund shall be available to the Employment Security Commission to use as collateral to
3 secure federal funds and to pay the administrative costs associated with the collection of
4 the Employment Security Commission Reserve Fund surcharge. The total
5 administrative costs paid with funds from the Reserve shall not exceed the total
6 administrative costs paid in fiscal year ~~2004-2005~~2005-2006.

7 **SECTION 13.4.(b)** There is appropriated from the Employment Security
8 Commission Reserve Fund to the Employment Security Commission of North Carolina
9 the sum of six million three hundred thousand dollars (\$6,300,000) for the
10 ~~2005-2006~~2006-2007 fiscal year to be used for the following purposes:

- 11 (1) Six million dollars (\$6,000,000) for the operation and support of local
12 offices.
- 13 (2) Two hundred thousand dollars (\$200,000) for the State Occupational
14 Information Coordinating Committee to develop and operate an
15 interagency system to track former participants in State education and
16 training programs.
- 17 (3) One hundred thousand dollars (\$100,000) to maintain compliance with
18 Chapter 96 of the General Statutes, which directs the Commission to
19 employ the Common Follow-Up Management Information System to
20 evaluate the effectiveness of the State's job training, education, and
21 placement programs."
22

23 **ONE NORTH CAROLINA FUND**

24 **SECTION 12.2.** Section 13.6 of S.L. 2005-276 reads as rewritten:

25 **"SECTION 13.6.(a)** Of the funds appropriated in this act to the One North Carolina
26 Fund, the Department of Commerce may use up to three hundred thousand dollars
27 (\$300,000) to cover its expenses in administering the One North Carolina Fund and
28 other economic development incentive grant programs in the ~~2005-2006~~2006-2007
29 fiscal year.

30 **SECTION 13.6.(b)** Notwithstanding the provisions of G.S. 143B-437.71, of the
31 funds appropriated in this act to the One North Carolina Fund, the Department of
32 Commerce shall allocate one million dollars (\$1,000,000) for the ~~2005-2006~~2006-2007
33 fiscal year to Johnson and Wales University in Charlotte for the purpose of providing
34 financial assistance to the University."
35

36 **EXTEND E-NC AUTHORITY SUNSET**

37 **SECTION 12.3.** Section 4 of S.L. 2003-425 reads as rewritten:

38 **"SECTION 4.** Sections 1 and 2 of this act become effective December 31, 2003,
39 with the e-NC Authority hereby designated as the successor entity of the Rural Internet
40 Access Authority that will dissolve on that date, as provided by Section 5 of S.L.
41 2000-149. The remainder of this act is effective when it becomes law. The e-NC
42 Authority created in this act is dissolved effective ~~December 31, 2006~~December 31,
43 2011. This act is repealed effective ~~December 31, 2006~~December 31, 2011. Part 2F of
44 Article 10 of Chapter 143B of the General Statutes and G.S. 120-123(77), as enacted by
45 this act, are repealed effective ~~December 31, 2006~~December 31, 2011."
46

47 **COUNCIL OF GOVERNMENT FUNDS/ELECTRONIC TRANSFER**

48 **SECTION 12.4.** Section 13.2(c) of S.L. 2005-276 reads as rewritten:

49 **"SECTION 13.2.(c)** Funds appropriated by this section shall be paid by electronic
50 transfer in two equal installments, the first no later than ~~September 1, 2005~~September
51 1, 2006, and the second subsequent to acceptable submission of the annual report due to
52 the Joint Legislative Commission on Governmental Operations and the Fiscal Research
53 Division by ~~January 15, 2006~~January 15, 2007, as specified in subdivision (e)(2) of this
54 section."
55

ADVANCED VEHICLE RESEARCH CENTER /FUNDS SHALL NOT REVERT

SECTION 12.5. Section 13.8A of S.L. 2005-276 reads as rewritten:

"SECTION 13.8A.(a) There is established in the Office of the State Budget and Management a reserve to be known as the Advanced Vehicle Research Center Reserve. Funds from the Reserve shall not be expended or transferred except in accordance with the provisions of this section.

SECTION 13.8A.(b) Of the funds appropriated by this act to the Advanced Vehicle Research Center Reserve, Reserve, and the funds available in the Reserve on June 30, 2006, as provided in subsections (g) and (h) of this section, the Office of State Budget and Management may transfer in up to four installments the sum of ~~seven million five hundred thousand dollars (\$7,500,000)~~ fifteen million dollars (\$15,000,000) for the ~~2005-2006~~ 2006-2007 fiscal year to the Department of Commerce to be allocated to the Advanced Vehicle Research Center of North Carolina, Inc., (Center) when the Office of State Budget and Management, in consultation with the Department of Commerce, determines the Center has completed goals and projects consistent with the Center's business plan. The goals and projects shall include the following:

- (1) The Center has obtained legal title to the property on which the Advanced Vehicle Research Center will be built.
- (2) The Center has determined and provided for the critical infrastructure needed to support the Advanced Vehicle Research Center.
- (3) The Center has entered into a contract for the use and operation of a testing facility that will create new private sector jobs in Tier 1 or Tier 2 counties.

SECTION 13.8A.(c) The Center shall file with the Office of State Budget and Management and the Department of Commerce a copy of the Center's policy addressing conflicts of interest that may arise involving the Center's management employees and the members of its board of directors or other governing body before funds may be allocated to the Center. The policy shall address situations in which any of these individuals may directly or indirectly benefit, except as the Center's employees or members of the board or other governing body, from the Center'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.

SECTION 13.8A.(d) By ~~December 31, 2005,~~ December 31, 2006, and ~~April 30, 2006,~~ April 30, 2007, the Center shall report to the Governor, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division the following information: (i) fiscal year ~~2005-2006~~ 2006-2007 projects, objectives, and accomplishments; and (ii) fiscal year 2005-2006 itemized expenditures and fund sources. The ~~April 30, 2006,~~ April 30, 2007, report shall also contain the following: (i) fiscal year ~~2006-2007~~ 2007-2008 planned projects, objectives, and accomplishments; and (ii) fiscal year 2006-2007 estimated expenditures and fund sources.

SECTION 13.8A.(e) The Center shall provide to the Governor, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division: (i) a copy of the Center's annual audited financial statement within 30 days of issuance of the statement; and (ii) a copy of the Center's IRS Form 990.

SECTION 13.8A.(f) The Center shall provide a report containing detailed budget information to the Office of State Budget and Management in the same manner as State departments and agencies in preparation for biennium budget requests. Specific salary information will be provided upon written request by the Chairmen of the Joint Legislative Commission on Governmental Operations or the Chairmen of the House Appropriations Committee on Environment, Health, and Natural Resources and the Chairman of the Senate Appropriations Committee on Natural and Economic Resources.

SECTION 13.8A.(g) Funds appropriated to the Advanced Vehicle Research Center Reserve for the 2005-2006 fiscal year for the Advanced Vehicle Research Center of North Carolina, Inc., that are unexpended and unencumbered as of June 30, 2006, shall

1 not revert to the General Fund on June 30, 2006, but shall remain available in the
2 Reserve.

3 **SECTION 13.8A.(h)** Subsection (g) of this section becomes effective June 30,
4 2006."

6 **WANCHESE SEAFOOD INDUSTRIAL PARK/OREGON INLET FUNDS**

7 **SECTION 12.6.** Section 13.1 of S.L. 2005-276 reads as rewritten:

8 "**SECTION 13.1.(a)** Funds appropriated to the Department of Commerce for the
9 ~~2004-2005~~2005-2006 fiscal year for the Wanchese Seafood Industrial Park that are
10 unexpended and unencumbered as of ~~June 30, 2005,~~June 30, 2006, shall not revert to
11 the General Fund on ~~June 30, 2005,~~June 30, 2006, but shall remain available to the
12 Department to be expended by the Wanchese Seafood Industrial Park for operations,
13 maintenance, repair, and capital improvements in accordance with Article 23C of
14 Chapter 113 of the General Statutes.

15 **SECTION 13.1.(b)** Funds appropriated to the Department of Commerce for the
16 ~~2004-2005~~2005-2006 fiscal year for the Oregon Inlet Project that are unexpended and
17 unencumbered as of ~~June 30, 2005,~~June 30, 2006, shall not revert to the General Fund
18 on ~~June 30, 2005,~~June 30, 2006.

19 **SECTION 13.1.(c)** This section becomes effective ~~June 30, 2005,~~June 30, 2006."

21 **DEPARTMENT OF COMMERCE/REPORT ON AGRIBUSINESS FUNDS**

22 **SECTION 12.7.(a)** The Department of Commerce (Department) shall report
23 on all funds available for companies or organizations designed to promote agribusiness
24 in North Carolina. The report shall include the following: (i) information on all
25 Department economic incentive funds, including Commerce State Aid funds; and (ii)
26 information on the number of agribusinesses and organizations that applied for State
27 funds through the Department or other organizations, including the number of requests
28 for funds, the amount of funds requested, and whether the requests were awarded or
29 denied.

30 **SECTION 12.7.(b)** In the report, the Department shall make
31 recommendations for the development of economic incentive programs designed
32 specifically for agribusinesses. The report shall include a plan to implement the
33 programs recommended and the estimated cost of the programs. In determining the
34 estimated cost of the programs, the Department shall consider and include all sources of
35 funding, including federal, State, local, and grant funds.

36 **SECTION 12.7.(c)** The Department shall collaborate with the Department of
37 Agriculture and Consumer Services, the Rural Economic Development Center, Inc., and
38 the University System, in preparing the report.

39 **SECTION 12.7.(d)** The Department shall submit the report to the House
40 Appropriations Committee on Environment, Health, and Natural Resources, the Senate
41 Appropriations Committee on Natural and Economic Resources, and the Fiscal
42 Research Division no later than May 1, 2007.

44 **PART XIII. RESERVED**

46 **PART XIV. JUDICIAL DEPARTMENT**

48 **COLLECTION OF WORTHLESS CHECK FUNDS**

49 **SECTION 14.1.** Notwithstanding the provisions of G.S. 7A-308(c), the
50 Judicial Department may use any balance remaining in the Collection of Worthless
51 Checks Fund on June 30, 2006, for the purchase or repair of office or information
52 technology equipment during the 2006-2007 fiscal year. Prior to using any funds under
53 this section, the Judicial Department shall report to the Joint Legislative Commission on
54 Governmental Operations and the Chairs of the Senate and House of Representatives

1 Appropriations Subcommittees on Justice and Public Safety on the equipment to be
 2 purchased or repaired and the reasons for the purchases.
 3

4 **GRANT FUNDS**

5 **SECTION 14.2.** The Judicial Department may use up to the sum of one
 6 million two hundred fifty thousand dollars (\$1,250,000) from funds available to the
 7 Department to provide the State match needed in order to receive grant funds. Prior to
 8 using funds for this purpose, the Department shall report to the Chairs of the Senate and
 9 House of Representatives Appropriations Subcommittees on Justice and Public Safety
 10 and the Joint Legislative Commission on Governmental Operations on the grants to be
 11 matched using these funds.
 12

13 **PROVIDE ADDITIONAL ASSISTANT DISTRICT ATTORNEYS**

14 **SECTION 14.3.(a)** Effective October 1, 2006, G.S. 7A-60(a1) reads as
 15 rewritten:

16 "(a1) The counties of the State are organized into prosecutorial districts, and each
 17 district has the counties and the number of full-time assistant district attorneys set forth
 18 in the following table:
 19

Prosecutorial District	Counties	No. of Full-Time Asst. District Attorneys
1	Camden, Chowan, Currituck, Dare, Gates, Pasquotank, Perquimans	10 <u>11</u>
2	Beaufort, Hyde, Martin, Tyrrell, Washington	6 <u>7</u>
3A	Pitt	9 <u>11</u>
3B	Carteret, Craven, Pamlico	10 <u>11</u>
4	Duplin, Jones, Onslow, Sampson	14 <u>16</u>
5	New Hanover, Pender	14 <u>16</u>
6A	Halifax	4 <u>5</u>
6B	Bertie, Hertford, Northampton	4 <u>5</u>
7	Edgecombe, Nash, Wilson	16 <u>18</u>
8	Greene, Lenoir, Wayne	11 <u>13</u>
9	Franklin, Granville, Vance, Warren	11 <u>12</u>
9A	Person, Caswell	4 <u>5</u>
10	Wake	31 <u>38</u>
11	Harnett, Johnston, Lee	14 <u>16</u>
12	Cumberland	18 <u>21</u>
13	Bladen, Brunswick, Columbus	11 <u>12</u>
14	Durham	13 <u>15</u>
15A	Alamance	8 <u>10</u>
15B	Orange, Chatham	7 <u>9</u>
16A	Scotland, Hoke	5 <u>6</u>
16B	Robeson	10 <u>13</u>
17A	Rockingham	5 <u>6</u>
17B	Stokes, Surry	5 <u>7</u>
18	Guilford	27 <u>30</u>
19A	Cabarrus	6 <u>8</u>
19B	Montgomery, Moore, Randolph	11 <u>12</u>
19C	Rowan	5 <u>7</u>
20	Anson, Richmond,	15 <u>18</u>

1		Stanly, Union	
2	21	Forsyth	17 <u>20</u>
3	22	Alexander, Davidson, Davie,	16 <u>20</u>
4		Iredell	
5	23	Alleghany, Ashe, Wilkes,	5 <u>7</u>
6		Yadkin	
7	24	Avery, Madison, Mitchell,	4 <u>6</u>
8		Watauga, Yancey	
9	25	Burke, Caldwell, Catawba	15 <u>18</u>
10	26	Mecklenburg	36 <u>49</u>
11	27A	Gaston	12 <u>14</u>
12	27B	Cleveland,	9 <u>10</u>
13		Lincoln	
14	28	Buncombe	11 <u>13</u>
15	29	Henderson, McDowell, Polk,	11 <u>13</u>
16		Rutherford, Transylvania	
17	30	Cherokee, Clay, Graham,	9 <u>11</u>
18		Haywood, Jackson, Macon,	
19		Swain."	

20 **SECTION 14.3.(b)** Effective January 1, 2007, G.S. 7A-60(a1), as amended
 21 by subsection (a) of this section and by Section 14.2(1) of S.L. 2005-276, reads as
 22 rewritten:

23 "(a1) The counties of the State are organized into prosecutorial districts, and each
 24 district has the counties and the number of full-time assistant district attorneys set forth
 25 in the following table:

26	27	28	29
	Prosecutorial	Counties	No. of Full-Time
	District		Asst. District
			Attorneys
29	1	Camden, Chowan, Currituck,	11
30		Dare, Gates, Pasquotank,	
31		Perquimans	
32	2	Beaufort, Hyde, Martin,	7
33		Tyrrell, Washington	
34	3A	Pitt	11
35	3B	Carteret, Craven, Pamlico	11
36	4	Duplin, Jones, Onslow,	16
37		Sampson	
38	5	New Hanover, Pender	16
39	6A	Halifax	5
40	6B	Bertie, Hertford,	5
41		Northampton	
42	7	Edgecombe, Nash, Wilson	18
43	8	Greene, Lenoir, Wayne	13
44	9	Franklin, Granville,	12
45		Vance, Warren	
46	9A	Person, Caswell	5
47	10	Wake	38
48	11	Harnett, Johnston, Lee	16
49	12	Cumberland	21
50	13	Bladen, Brunswick, Columbus	12
51	14	Durham	15
52	15A	Alamance	10
53	15B	Orange, Chatham	9
54	16A	Scotland, Hoke	6
55	16B	Robeson	13

1	17A	Rockingham	6
2	17B	Stokes, Surry	7
3	18	Guilford	30
4	19A	Cabarrus	8
5	19B	Montgomery, Moore, Randolph	12
6	19C	Rowan	7
7	20A	Anson, Richmond,	8 10
8		Stanly	
9	20B	Union	7 8
10	21	Forsyth	20
11	22	Alexander, Davidson, Davie,	20
12		Iredell	
13	23	Alleghany, Ashe, Wilkes,	7
14		Yadkin	
15	24	Avery, Madison, Mitchell,	6
16		Watauga, Yancey	
17	25	Burke, Caldwell, Catawba	18
18	26	Mecklenburg	49
19	27A	Gaston	14
20	27B	Cleveland,	10
21		Lincoln	
22	28	Buncombe	13
23	29A	McDowell, Rutherford	5 6
24	29B	Henderson, Polk, Transylvania	6 7
25	30	Cherokee, Clay, Graham,	11
26		Haywood, Jackson, Macon,	
27		Swain."	

ADDITIONAL DISTRICT COURT JUDGESHIPS

SECTION 14.4.(a) G.S. 7A-133(a) reads as rewritten:

"(a) Each district court district shall have the numbers of judges as set forth in the following table:

District	Judges	County
1	5	Camden
		Chowan
		Currituck
		Dare
		Gates
		Pasquotank
		Perquimans
2	4	Martin
		Beaufort
		Tyrrell
		Hyde
		Washington
3A	5	Pitt
3B	5 6	Craven
		Pamlico
		Carteret
4	8	Sampson
		Duplin
		Jones
		Onslow
5	8	New Hanover
		Pender

1	6A	2	Halifax
2	6B	3	Northampton
3			Bertie
4			Hertford
5	7	7	Nash
6			Edgecombe
7			Wilson
8	8	6	Wayne
9			Greene
10			Lenoir
11	9	4	Granville
12			(part of Vance
13			see subsection (b))
14			Franklin
15	9A	2	Person
16			Caswell
17	9B	2	Warren
18			(part of Vance
19			see subsection (b))
20	10	15 <u>16</u>	Wake
21	11	8 <u>9</u>	Harnett
22			Johnston
23			Lee
24	12	9	Cumberland
25	13	6	Bladen
26			Brunswick
27			Columbus
28	14	6 <u>7</u>	Durham
29	15A	4	Alamance
30	15B	4 <u>5</u>	Orange
31			Chatham
32	16A	3	Scotland
33			Hoke
34	16B	5	Robeson
35	17A	2 <u>3</u>	Rockingham
36	17B	4	Stokes
37			Surry
38	18	12	Guilford
39	19A	4	Cabarrus
40	19B	6 <u>7</u>	Montgomery
41			Moore
42			Randolph
43	19C	4 <u>5</u>	Rowan
44	20A	4	Stanly
45			Anson
46			Richmond
47	20B	3 <u>4</u>	Union
48	21	9	Forsyth
49	22	9	Alexander
50			Davidson
51			Davie
52			Iredell
53	23	4	Alleghany
54			Ashe
55			Wilkes

1			Yadkin
2	24	4	Avery
3			Madison
4			Mitchell
5			Watauga
6			Yancey
7	25	8 <u>9</u>	Burke
8			Caldwell
9			Catawba
10	26	17 <u>18</u>	Mecklenburg
11	27A	7	Gaston
12	27B	4 <u>5</u>	Cleveland
13			Lincoln
14	28	7	Buncombe
15	29A	3	McDowell
16			Rutherford
17	29B	4	Henderson
18			Polk
19			Transylvania
20	30	5 <u>6</u>	Cherokee
21			Clay
22			Graham
23			Haywood
24			Jackson
25			Macon
26			Swain."

SECTION 14.4.(b) The Governor shall appoint the additional district court judges for Districts 3B, 10, 11, 14, 15B, 17A, 19B, 19C, 20B, 25, 26, 27B, and 30 authorized by this act, and those judges' successors shall be elected in the 2008 election for four-year terms commencing on January 1, 2009.

SECTION 14.4.(c) This section becomes effective January 15, 2007, except that as to any district court district subject to section 5 of the Voting Rights Act of 1965, it becomes effective January 15, 2007, or the date upon which subsection (a) of this section is approved under section 5 of the Voting Rights Act of 1965, whichever is later.

PROVIDE ADDITIONAL MAGISTRATES/ELIMINATE MAXIMUM ALLOCATION OF MAGISTRATES

SECTION 14.5. G.S. 7A-133(c) reads as rewritten:

"(c) Each county shall have the numbers of magistrates and additional seats of district court, as set forth in the following table:

County	Magistrates		Additional
	Min.	Max.	Seats of Court
Camden	1	3	
Chowan	2	3	
Currituck	1	4	
Dare	3	8	
Gates	2	3	
Pasquotank	3	5	
Perquimans	2	4	
Martin	4	8	
Beaufort	4	8	
Tyrrell	1	3	
Hyde	2	4	
Washington	3	4	

1	Pitt	10	12	Farmville
2				Ayden
3	Craven	7	10	Havelock
4	Pamlico	2	4	
5	Carteret	5 6	8	
6	Sampson	6	8	
7	Duplin	8	11	
8	Jones	2	3	
9	Onslow	8	14	
10	New Hanover	6	11	
11	Pender	4	6	
12	Halifax	9	14	Roanoke
13				Rapids,
14				Scotland Neck
15	Northampton	5	7	
16	Bertie	4	6	
17	Hertford	5	7	
18	Nash	7	10	Rocky Mount
19	Edgecombe	4	7	Rocky Mount
20	Wilson	4	7	
21	Wayne	5	12	Mount Olive
22	Greene	2 3	4	
23	Lenoir	4	10	La Grange
24	Granville	3	7	
25	Vance	3	6	
26	Warren	3	5	
27	Franklin	3	7	
28	Person	3	4	
29	Caswell	2	5	
30	Wake	12	21	Apex,
31				Wendell,
32				Fuquay-
33				Varina,
34				Wake Forest
35	Harnett	7	11	Dunn
36	Johnston	10	12	Benson,
37				Clayton,
38				Selma
39	Lee	4	6	
40	Cumberland	10	19	
41	Bladen	4	6	
42	Brunswick	4	9	
43	Columbus	6	10	Tabor City
44	Durham	8	13	
45	Alamance	7 8	11	Burlington
46	Orange	4	11	Chapel Hill
47	Chatham	3	9	Siler City
48	Scotland	3	5	
49	Hoke	4	5	
50	Robeson	8 9	16	Fairmont,
51				Maxton,
52				Pembroke,
53				Red Springs,
54				Rowland,
55				St. Pauls

1	Rockingham	4	9	Reidsville, Eden, Madison
2				
3				
4	Stokes	2	5	
5	Surry	5	9	Mt. Airy
6	Guilford	20	27	High Point
7	Cabarrus	5	9	Kannapolis
8	Montgomery	2 3	4	
9	Randolph	5	10	Liberty
10	Rowan	5	10	
11	Stanly	5	6	
12	Union	4	7	
13	Anson	4	6	
14	Richmond	5	6	Hamlet
15	Moore	5	8	Southern Pines
16				
17	Forsyth	3	15	Kernersville
18	Alexander	2	4	
19	Davidson	7	10	Thomasville
20	Davie	2	4	
21	Iredell	4	9	Mooresville
22	Alleghany	1	2	
23	Ashe	3	4	
24	Wilkes	4	6	
25	Yadkin	3	5	
26	Avery	3	5	
27	Madison	4	5	
28	Mitchell	3	4	
29	Watauga	4	6	
30	Yancey	2	4	
31	Burke	4	7	
32	Caldwell	4	7	
33	Catawba	6	10	Hickory
34	Mecklenburg	15	28	
35	Gaston	11 12	22	
36	Cleveland	5	8	
37	Lincoln	4	7	
38	Buncombe	6	15	
39	Henderson	4	7	
40	McDowell	3	6	
41	Polk	3	4	
42	Rutherford	6	8	
43	Transylvania	2	4	
44	Cherokee	3	4	
45	Clay	1	2	
46	Graham	2	3	
47	Haywood	5	7	Canton
48	Jackson	3	5	
49	Macon	3	5	
50	Swain	2	4."	

COURT INTERPRETERS

SECTION 14.11. The Director of the Administrative Office of the Courts shall develop (i) proposed policies and procedures for the appointment and payment of foreign language interpreters to be applied uniformly throughout the General Court of

1 Justice and (ii) recommendations regarding the conversion of contractual foreign
2 language interpreter positions to permanent State positions, including whether
3 permanent interpreter positions are more efficient and cost-effective than contractual
4 positions. On or before February 1, 2007, the Director shall report to the Chairs of the
5 House of Representatives and Senate Appropriations Subcommittees on Justice and
6 Public Safety on the proposed policies and recommendations required by this section.

7 8 **MONITORING OF COMMUNITY MEDIATION CENTERS**

9 **SECTION 14.12.** G.S. 7A-38.6(a) reads as rewritten:

10 "(a) All community mediation centers currently receiving State funds shall report
11 annually to the Mediation Network of North Carolina on the program's funding and
12 activities, including:

- 13 (1) Types of dispute settlement services provided;
- 14 (2) Clients receiving each type of dispute settlement service;
- 15 (3) Number and type of referrals received, cases actually mediated
16 (identified by docket number), cases resolved in mediation, and total
17 clients served in the cases mediated;
- 18 (4) Total program funding and funding sources;
- 19 (5) Itemization of the use of funds, including operating expenses and
20 personnel;
- 21 (6) Itemization of the use of State funds appropriated to the center;
- 22 (7) Level of volunteer activity; and
- 23 (8) Identification of future service demands and budget requirements.

24 The Mediation Network of North Carolina shall compile and summarize the
25 information provided pursuant to this subsection and shall provide the information to
26 the Chairs of the House of Representatives and Senate Appropriations Committees and
27 the Chairs of the House of Representatives and Senate Appropriations Subcommittees
28 on Justice and Public Safety by February 1 of each year.

29 The Mediation Network of North Carolina shall also submit a copy of its report to
30 the Administrative Office of the Courts. The receipt and review of this report by the
31 Administrative Office of the Courts shall satisfy any program monitoring, evaluation,
32 and contracting requirements imposed on the Administrative Office of the Courts by
33 G.S. 143-6.2 and any rules adopted under that section."

34 35 **INDIGENT DEFENSE SERVICES/STATE MATCH FOR GRANTS**

36 **SECTION 14.14.** The Office of Indigent Defense Services may use a sum
37 up to fifty thousand dollars (\$50,000) from funds available to provide the State
38 matching funds needed to receive grant funds. Prior to using funds for this purpose, the
39 Office shall report to the Chairs of the Senate and House of Representatives
40 Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative
41 Commission on Governmental Operations on the grants to be matched using these
42 funds.

43 44 **OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION FUNDS**

45 **SECTION 14.15.** Section 14.11 of S.L. 2005-276, as amended by Section 28
46 of S.L. 2005-345, reads as rewritten:

47 **"SECTION 14.11.** The Judicial Department, Office of Indigent Defense Services,
48 may use ~~up to the sum of one million sixty nine thousand six hundred forty five dollars~~
49 ~~(\$1,069,645) in appropriated funds during the 2005-2006 fiscal year and up to the sum~~
50 ~~of one million twenty three thousand one hundred thirty five dollars (\$1,023,135) two~~
51 million one hundred eighteen thousand five hundred eighty dollars (\$2,118,580) in
52 appropriated funds during the 2006-2007 fiscal year (i) for the expansion of existing
53 offices currently providing legal services to the indigent population under the oversight
54 of the Office of Indigent Defense Services by creating up to 40-20 new attorney
55 positions and five-10 new support staff positions; and (ii) to create up to two new

1 assistant public defender positions and one new support staff position in the First
 2 Defender District and up to one new assistant public defender position in Defender
 3 District 3A, for the purpose of representing indigent persons eligible for the
 4 appointment of counsel in Superior Court District 2 and District Court District 2. These
 5 funds may be used for salaries, benefits, equipment, and related expenses. Prior to using
 6 funds for this purpose, the Office of Indigent Defense Services shall report to the Chairs
 7 of the House and the Senate Appropriations Subcommittees on Justice and Public Safety
 8 on the proposed expansion."
 9

10 **REVIEW OF OFFICE OF INDIGENT DEFENSE SERVICES**

11 **SECTION 14.16.** The State Auditor shall conduct an analysis of the fee
 12 payment practices of the Office of Indigent Defense Services and make
 13 recommendations for process improvements in payment of fee applications, including
 14 recommendations regarding automation. The State Auditor shall report the results of
 15 this analysis and the recommendations resulting from it to the Chairs of the House and
 16 Senate Appropriations Subcommittees on Justice and Public Safety by March 1, 2007.
 17

18 **INCREASE THE UNIFORM FEES PAID TO JURORS**

19 **SECTION 14.17.** G.S. 7A-312 reads as rewritten:

20 "**§ 7A-312. Uniform fees for jurors; meals.**

21 A juror in the General Court of Justice including a petit juror, or a coroner's juror,
 22 but excluding a grand juror, shall receive twelve dollars (\$12.00) ~~per day, for the first~~
 23 day of service and twenty dollars (\$20.00) per day afterwards, except that if any person
 24 serves as a juror for more than five days in any 24-month period, the juror shall receive
 25 ~~thirty dollars (\$30.00)~~ forty dollars (\$40.00) per day for each day of service in excess of
 26 five days. A grand juror shall receive ~~twelve dollars (\$12.00)~~ twenty dollars (\$20.00)
 27 per day. A juror required to remain overnight at the site of the trial shall be furnished
 28 adequate accommodations and subsistence. If required by the presiding judge to remain
 29 in a body during the trial of a case, meals shall be furnished the jurors during the period
 30 of sequestration. Jurors from out of the county summoned to sit on a special venire shall
 31 receive mileage at the same rate as State employees."
 32

33 **FUNDING TO INCREASE MILEAGE REIMBURSEMENT**

34 **SECTION 14.18.** In view of the increase in fuel prices and the limits on
 35 travel funds in the Judicial Department, the Administrative Office of the Courts may use
 36 up to five hundred thousand dollars (\$500,000) in funds available during the 2006-2007
 37 fiscal year to allow for an increase in the mileage reimbursement rate paid to Judicial
 38 Department employees from the current rate of thirty-seven cents (37¢) per mile to the
 39 maximum allowable under G.S. 138-6(a)(1).
 40

41 **DIVIDE PROSECUTORIAL DISTRICT 19B INTO DISTRICTS 19B AND 19D**

42 **SECTION 14.19.(a)** Effective January 15, 2007, G.S. 7A-60(a1), as
 43 amended by Section 14.3 of this act, reads as rewritten:

44 "(a1) The counties of the State are organized into prosecutorial districts, and each
 45 district has the counties and the number of full-time assistant district attorneys set forth
 46 in the following table:

Prosecutorial District	Counties	No. of Full-Time Asst. District Attorneys
1	Camden, Chowan, Currituck, Dare, Gates, Pasquotank, Perquimans	11
2	Beaufort, Hyde, Martin, Tyrrell, Washington	7
3A	Pitt	11

1	3B	Carteret, Craven, Pamlico	11
2	4	Duplin, Jones, Onslow,	16
3		Sampson	
4	5	New Hanover, Pender	16
5	6A	Halifax	5
6	6B	Bertie, Hertford,	5
7		Northampton	
8	7	Edgecombe, Nash, Wilson	18
9	8	Greene, Lenoir, Wayne	13
10	9	Franklin, Granville,	12
11		Vance, Warren	
12	9A	Person, Caswell	5
13	10	Wake	38
14	11	Harnett, Johnston, Lee	16
15	12	Cumberland	21
16	13	Bladen, Brunswick, Columbus	12
17	14	Durham	15
18	15A	Alamance	10
19	15B	Orange, Chatham	9
20	16A	Scotland, Hoke	6
21	16B	Robeson	13
22	17A	Rockingham	6
23	17B	Stokes, Surry	7
24	18	Guilford	30
25	19A	Cabarrus	8
26	19B	Montgomery, Moore , Randolph	12 8
27	19C	Rowan	7
28	<u>19D</u>	<u>Moore</u>	4
29	20A	Anson, Richmond,	10
30		Stanly	
31	20B	Union	8
32	21	Forsyth	20
33	22	Alexander, Davidson, Davie,	20
34		Iredell	
35	23	Alleghany, Ashe, Wilkes,	7
36		Yadkin	
37	24	Avery, Madison, Mitchell,	6
38		Watauga, Yancey	
39	25	Burke, Caldwell, Catawba	18
40	26	Mecklenburg	49
41	27A	Gaston	14
42	27B	Cleveland,	10
43		Lincoln	
44	28	Buncombe	13
45	29A	McDowell, Rutherford	6
46	29B	Henderson, Polk, Transylvania	7
47	30	Cherokee, Clay, Graham,	11
48		Haywood, Jackson, Macon,	
49		Swain."	

50 **SECTION 14.19.(b)** The district attorney position established for District
51 19B by subsection (a) of this section shall be filled by the district attorney currently
52 serving District 19B who resides in Randolph County. The district attorney position
53 established for District 19D by subsection (a) of this section shall be filled by
54 appointment of the Governor for the remainder of the term expiring January 1, 2009. A

1 district attorney for District 19D shall be elected in 2008 for a four-year term
2 commencing January 1, 2009.

3 **SECTION 14.19.(c)** The eight assistant district attorney positions for
4 District 19B under subsection (a) of this section shall be filled by eight assistant district
5 attorneys currently serving Montgomery and Randolph Counties in District 19B. The
6 four assistant district attorney positions for District 19D under subsection (a) of this
7 section shall be filled by four assistant district attorneys currently serving Moore County
8 in District 19B.

9 **SECTION 14.19.(d)** This section becomes effective January 15, 2007.

10 11 **PART XV. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY** 12 **PREVENTION**

13 14 **REPORTS ON CERTAIN PROGRAMS**

15 **SECTION 15.1.** Section 16.3 of S.L. 2005-276 reads as rewritten:

16 **"SECTION 16.3.(a)** Project Challenge North Carolina, Inc., shall report to the
17 Chairs of the Senate and House of Representatives Appropriations Subcommittees on
18 Justice and Public Safety and the Joint Legislative Corrections, Crime Control, and
19 Juvenile Justice Oversight Committee by April 1 each year on the operation and the
20 effectiveness of its program in providing alternative dispositions and services to
21 juveniles who have been adjudicated delinquent or undisciplined. The report shall
22 include information on:

- 23 (1) The source of referrals for juveniles.
- 24 (2) The types of offenses committed by juveniles participating in the
25 program.
- 26 (3) The amount of time those juveniles spend in the program.
- 27 (4) The number of juveniles who successfully complete the program.
- 28 (5) The number of juveniles who commit additional offenses after
29 completing the program.
- 30 (6) The program's budget and expenditures, including all funding sources.

31 **SECTION 16.3.(b)** The Juvenile Assessment Center shall report to the Chairs of
32 the Senate and House of Representatives Appropriations Subcommittees on Justice and
33 Public Safety and the Joint Legislative Corrections, Crime Control, and Juvenile Justice
34 Oversight Committee on the effectiveness of the Center by April 1 each year. The report
35 shall include information on the number of juveniles served and an evaluation of the
36 effectiveness of juvenile assessment plans and services provided as a result of these
37 plans. In addition, the report shall include information on the Center's budget and
38 expenditures, including all funding sources.

39 **SECTION 16.3.(c)** Communities in Schools shall report to the Chairs of the Senate
40 and House of Representatives Appropriations Subcommittees on Justice and Public
41 Safety, ~~the Joint Legislative Commission on Governmental Operations,~~ the Joint
42 Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, and
43 the Joint Legislative Education Oversight Committee by April 1 each year on the
44 operation and effectiveness of its program. The report shall include information on:

- 45 (1) The number of children served.
- 46 (2) The number of volunteers used.
- 47 (3) The impact on children who have received services from Communities
48 in Schools.
- 49 (4) The program's budget and expenditures, including all funding
50 sources."

51 52 **STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS**

53 **SECTION 15.2.** Section 16.5 of S.L. 2005-276 reads as rewritten:

54 **"SECTION 16.5.** Funds appropriated in this act to the Department of Juvenile
55 Justice and Delinquency Prevention for the ~~2005-2006~~ 2006-2007 fiscal year may be

1 used as matching funds for the Juvenile Accountability Incentive Block Grants. If North
2 Carolina receives Juvenile Accountability Incentive Block Grants, or a notice of funds
3 to be awarded, the Office of State Budget and Management and the Governor's Crime
4 Commission shall consult with the Department of Juvenile Justice and Delinquency
5 Prevention regarding the criteria for awarding federal funds. The Office of State Budget
6 and Management, the Governor's Crime Commission, and the Department of Juvenile
7 Justice and Delinquency Prevention shall report to the Appropriations Committees of
8 the Senate and House of Representatives and the Joint Legislative Commission on
9 Governmental Operations prior to allocation of the federal funds. The report shall
10 identify the amount of funds to be received for the ~~2005-2006~~ 2006-2007 fiscal year,
11 the amount of funds anticipated for the ~~2006-2007~~ 2007-2008 fiscal year, and the
12 allocation of funds by program and purpose."
13

14 ANNUAL EVALUATION OF COMMUNITY PROGRAMS

15 **SECTION 15.4.** Section 16.4 of S.L. 2005-276 reads as rewritten:

16 **"SECTION 16.4.** The Department of Juvenile Justice and Delinquency Prevention
17 shall conduct an evaluation of the Eckerd and Camp Woodson wilderness camp
18 programs, the teen court programs, the program that grants funds to the local
19 organizations of the Boys and Girls Clubs established pursuant to Section 21.10 of S.L.
20 1999-237, the Save Our Students program, the Governor's One-on-One Programs, and
21 multipurpose group homes. The teen court report shall include statistical information on
22 the number of juveniles served, the number and type of offenses considered by teen
23 courts, referral sources for teen courts, and the number of juveniles that become
24 court-involved after participation in teen courts. The report on the Boys and Girls Clubs
25 program shall include information on:

- 26 (1) The expenditure of State appropriations on the program;
- 27 (2) The operations and the effectiveness of the program; and
- 28 (3) The number of juveniles served under the program.

29 In conducting the evaluation of each of these programs, the Department shall
30 consider whether participation in each program results in a reduction of court
31 involvement among juveniles. The Department shall also identify whether the programs
32 are achieving the goals and objectives of the Juvenile Justice Act, S.L. 1998-202. The
33 Department shall report the results of the evaluation to the Joint Corrections, Crime
34 Control, and Juvenile Justice Oversight Committee, the Chairs of the House of
35 Representatives and Senate Appropriations Committees-Committees, and the Chairs of
36 the Subcommittees on Justice and Public Safety of the House of Representatives and
37 Senate Appropriations Committees by March 1 of each year."
38

39 ALTERNATIVES TO JUVENILE COMMITMENT/JUVENILE CRIME 40 PREVENTION COUNCILS

41 **SECTION 15.5.** Section 16.11 of S.L. 2005-276 reads as rewritten:

42 **"SECTION 16.11.(a)** Of the funds appropriated in this act to the Department of
43 Juvenile Justice and Delinquency Prevention, the sum of two hundred fifty thousand
44 dollars (\$250,000) shall be used to expand Juvenile Crime Prevention Councils
45 demonstration projects designed to reduce commitments to youth development centers.
46 Specifically, the funds shall be awarded to Juvenile Crime Prevention Councils to
47 provide residential and/or community-based intensive services to juveniles who have
48 been adjudicated delinquent with a level 2 or 3 disposition or who are reentering the
49 community after serving time in a youth development center. The Department shall
50 develop a competitive grant award process to allocate the funds to county Juvenile
51 Crime Prevention Councils. The programs must initiate services to the targeted
52 population no later than March 1, 2006. On June 30, 2006, any funds not awarded for
53 demonstration projects pursuant to this section by the Department shall revert to the
54 General Fund. The Department may award up to four grants to Juvenile Crime

1 Prevention Councils, and no individual grant may exceed one hundred thousand dollars
2 (\$100,000).

3 **SECTION 16.11.(b)** The Department of Juvenile Justice and Delinquency
4 Prevention shall report to the Joint Legislative Corrections, Crime Control, and Juvenile
5 Justice Oversight Committee no later than March 1, 2006, on the implementation and
6 award process. The report shall provide a detailed description of the services to be
7 provided by each program, the number and types of juveniles to be served, and the
8 amount awarded to each program.

9 **SECTION 16.11.(c)** The Department of Juvenile Justice and Delinquency
10 Prevention shall report to the Senate and House of Representatives Appropriations
11 Subcommittees on Justice and Public Safety no later than March 1, 2006, and annually
12 thereafter, on the results of the alternatives to commitment demonstration programs
13 funded by Section 16.7 of S.L. 2004-124. The 2007 report and all annual reports
14 thereafter shall also include projects funded by this section for the 2005-2006 fiscal
15 year. Specifically, the report shall provide a detailed description of each of the
16 demonstration programs, including the numbers of juveniles served, their adjudication
17 status at the time of service, the services/treatments provided, the length of service, the
18 total cost per juvenile, and the six- and 12-month recidivism rates for the juveniles after
19 the termination of program services.

20 **SECTION 16.11.(d)** The requirements of this section apply to all future allocations
21 by the Department of Juvenile Justice and Delinquency Prevention of the funds
22 appropriated to the Department by Section 16.11 of S.L. 2005-276 and Section 16.7 of
23 S.L. 2004-124."

24

25 **REPORTS ON YOUTH DEVELOPMENT CENTERS**

26 **SECTION 15.6.(a)** Section 16.6 of S.L. 2005-276 reads as rewritten:

27 **"SECTION 16.6.(a)** The Department of Juvenile Justice and Delinquency
28 Prevention shall report December 31, 2005, and quarterly thereafter during the
29 2005-2007 biennium to the Chairs of the Senate and House of Representatives
30 Appropriations Subcommittees on Justice and Public Safety and to the Joint
31 Corrections, Crime Control, and Juvenile Justice Oversight Committee on the treatment
32 staffing model being piloted at Samarkand and Stonewall Jackson Youth Development
33 Centers. The report shall include a list of total positions at each facility by job class,
34 whether the position is vacant or filled, whether positions were filled from internal
35 employees or new employees, and the training and certification status of each position.
36 The report shall also describe the nature of the treatment program, the criteria for
37 evaluating the program, and how the program is performing in comparison to these
38 criteria. The report shall also describe the training approach to be used to train staff in
39 using treatment methods in youth development centers and provide information on
40 current staff training and staff training planned for the next quarter. The Department
41 shall also develop indicators for evaluating staff performance once the model has been
42 implemented.

43 **SECTION 16.6.(b)** The Department of Juvenile Justice and Delinquency
44 Prevention shall report December 31, 2005, and quarterly thereafter during the
45 2005-2007 biennium to the Chairs of the Senate and House of Representatives
46 Appropriations Subcommittees on Justice and Public Safety and the Joint Corrections,
47 Crime Control, and Juvenile Justice Oversight Committee on the implementation of the
48 treatment staffing model at Dobbs, Dillon, and Juvenile Evaluation Center Youth
49 Development Centers. The Department shall identify the number of positions
50 reallocated to the new treatment job classes and the source of funding for those
51 positions.

52 **SECTION 16.6.(c)** The Department of Juvenile Justice and Delinquency
53 Prevention shall report to the Chairs of the Senate and House of Representatives
54 Appropriations Subcommittees on Justice and Public Safety and the Joint Corrections,
55 Crime Control, and Juvenile Justice Oversight Committee by November 10, 2006, on

1 the final recommended staffing plan for youth development centers for the 2007-2008
2 fiscal year. The report shall include:

- 3 (1) The latest results of the evaluation of the pilot treatment staffing
4 models at the Samarkand and Stonewall Jackson Youth Development
5 Centers and the progress in implementing the model at other youth
6 development centers.
7 (2) The total recommended staffing by position classification for each
8 youth development center. Staffing by shift shall be provided for each
9 housing unit as well as justification for the level and type of staff on
10 each shift.
11 (3) The total cost and cost per bed for each youth development center to
12 implement the staffing model.
13 (4) The primary basis for the number of staff at each youth development
14 center by classification.
15 (5) An identification of other states that have implemented a treatment
16 based staffing model, how the staffing patterns compare to the
17 Department of Juvenile Justice and Delinquency Prevention proposal,
18 and any research on the benefits and outcomes of using the treatment
19 based approach in these states."

20 **SECTION 15.6.(b)** It is the intent of the General Assembly to consider
21 appropriating funds for new treatment positions at youth development centers only
22 when the report required by subsection (a) of this section is received by the Chairs of
23 the Senate and House of Representatives Appropriations Subcommittees on Justice and
24 Public Safety.

25 26 **PART XVI. DEPARTMENT OF CORRECTION**

27 28 **INMATE COSTS/MEDICAL BUDGET FOR PRESCRIPTION DRUGS AND** 29 **INMATE LAUNDRY SERVICES**

30 **SECTION 16.1.** Section 17.6 of S.L. 2005-276 reads as rewritten:

31 **"SECTION 17.6.(a)** If the cost of providing food and health care to inmates housed
32 in the Division of Prisons is anticipated to exceed the continuation budget amounts
33 provided for that purpose in this act, the Department of Correction shall report the
34 reasons for the anticipated cost increase and the source of funds the Department intends
35 to use to cover those additional needs to the Joint Legislative Commission on
36 Governmental Operations, the Chairs of the Senate and House of Representatives
37 Appropriations Committees, and the Chairs of the Senate and House of Representatives
38 Appropriations Subcommittees on Justice and Public Safety.

39 **SECTION 17.6.(b)** Notwithstanding the provisions of G.S. 143-23(a2), the
40 Department of Correction may use funds available during the ~~2005-2006 fiscal year~~
41 2005-2007 biennium for the purchase of prescription drugs for inmates if expenditures
42 are projected to exceed the Department's inmate medical continuation budget for
43 prescription drugs. The Department shall consult with the Joint Legislative Commission
44 on Governmental Operations prior to exceeding the continuation budget amount.

45 **SECTION 17.6.(c)** Notwithstanding the provisions of G.S. 143-23(a2), the
46 Department of Correction may use funds available during the ~~2005-2006 fiscal year~~
47 2005-2007 biennium for the purchase of ~~clothing and~~ laundry services for inmates if
48 expenditures are projected to exceed the Department's budget for clothing and laundry
49 services. The Department shall consult with the Joint Legislative Commission on
50 Governmental Operations prior to exceeding the continuation budget amount."

51 52 **CONVERSION OF CONTRACTED MEDICAL POSITIONS**

53 **SECTION 16.2.** Section 17.7 of S.L. 2005-276 reads as rewritten:

54 **"SECTION 17.7.(a)** The Department of Correction may convert contract medical
55 positions to permanent State medical positions if the Department can document in each

1 request submitted to the Office of State Budget and Management that the total savings
2 generated will exceed the total cost of the new positions for each facility. positions.
3 ~~Where practical, the Department shall convert contract positions to permanent positions~~
4 ~~by using existing vacancies in medical positions.~~

5 **SECTION 17.7.(b)** The Department of Correction shall report by ~~April 1, 2006,~~
6 April of each year to the Joint Legislative Commission on Governmental Operations
7 and the Chairs of the Senate and House of Representatives Appropriations
8 Subcommittees on Justice and Public Safety on all conversions made pursuant to this
9 section, by type of position and location, and on the savings ~~generated at each~~
10 ~~correctional facility. generated."~~

11 12 **COMPUTER/DATA PROCESSING SERVICES FUNDS**

13 **SECTION 16.3.** Section 17.10. of S.L. 2005-276 reads as rewritten:

14 **"SECTION 17.10.** Notwithstanding the provisions of G.S. 143-23(a2), the
15 Department of Correction may use funds available during the ~~2005-2006 fiscal year~~
16 2005-2007 biennium for expenses for computer/data processing services if expenditures
17 exceed the Department's continuation budget amount for those services. The
18 Department shall report to the Joint Legislative Commission on Governmental
19 Operations prior to exceeding the continuation budget amount."
20

21 **REPORTS ON NONPROFIT PROGRAMS**

22 **SECTION 16.4.** Section 17.22 of Session Laws 2005-276 reads as rewritten:

23 **"SECTION 17.22.(a)** Funds appropriated in this act to the Department of
24 Correction to support the programs of Harriet's House may be used for program
25 operating costs, the purchase of equipment, and the rental of real property to serve
26 women released from prison with children in their custody. Harriet's House shall report
27 by February 1 of each year to the ~~Joint Legislative Commission on Governmental~~
28 ~~Operations~~ Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight
29 Committee and the Chairs of the House of Representatives and Senate Appropriations
30 Subcommittees on Justice and Public Safety on the expenditure of State appropriations
31 and on the effectiveness of the program, including information on the number of clients
32 served, the number of clients who successfully complete the Harriet's House program,
33 and the number of clients who have been rearrested within three years of successfully
34 completing the program. The report shall provide financial and program data for the
35 complete fiscal year prior to the year in which the report is submitted. The financial
36 report shall identify all funding sources and amounts.

37 **SECTION 17.22.(b)** Summit House shall report by February 1 of each year to the
38 ~~Joint Legislative Commission on Governmental Operations~~ Joint Legislative
39 Corrections, Crime Control, and Juvenile Justice Oversight Committee and the Chairs
40 of the House of Representatives and Senate Appropriations Subcommittees on Justice
41 and Public Safety on the expenditure of State appropriations and on the effectiveness of
42 the program, including information on the number of clients served, the number of
43 clients who have had their probation revoked, the number of clients who successfully
44 complete the program while housed at Summit House, Inc., and the number of clients
45 who have been rearrested within three years of successfully completing the program.
46 The report shall provide financial and program data for the complete fiscal year prior to
47 the year in which the report is submitted. The financial report shall identify all funding
48 sources and amounts.

49 **SECTION 17.22.(c)** Women at Risk shall report by February 1 of each year to the
50 ~~Joint Legislative Commission on Governmental Operations~~ Joint Legislative
51 Corrections, Crime Control, and Juvenile Justice Oversight Committee and the Chairs
52 of the House of Representatives and Senate Appropriations Subcommittees on Justice
53 and Public Safety on the expenditure of State funds and on the effectiveness of the
54 program, including information on the number of clients served, the number of clients
55 who have had their probation revoked, the number of clients who have successfully

1 completed the program, and the number of clients who have been rearrested within three
2 years of successfully completing the program. The report shall provide financial and
3 program data for the complete fiscal year prior to the year in which the report is
4 submitted. The financial report shall identify all funding sources and amounts.

5 SECTION 17.22.(d) Our Children's Place shall report by February 1, 2007, to the
6 Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee
7 and the Chairs of the House of Representatives and Senate Appropriations
8 Subcommittees on Justice and Public Safety on the status of the planning, design, and
9 construction of Our Children's Place, the proposed program components and evaluation
10 measures, and on the projected number of inmates and their children to be served. The
11 report shall also provide financial data, including the expenditure of State funds and all
12 funding sources and amounts."

13 14 **PAROLE ELIGIBILITY REPORT**

15 **SECTION 16.5.** Section 17.28 of S.L. 2005-276 reads as rewritten:

16 **"SECTION 17.28.(a)** The Post-Release Supervision and Parole Commission shall,
17 with the assistance of the North Carolina Sentencing and Policy Advisory Commission
18 and the Department of Correction, analyze the amount of time each ~~parole-eligible~~
19 inmate who is eligible for parole on or before July 1, 2007, has served compared to the
20 time served by offenders under Structured Sentencing for comparable crimes. The
21 Commission shall determine if the person has served more time in custody than the
22 person would have served if sentenced to the maximum sentence under the provisions
23 of Article 81B of Chapter 15A of the General Statutes. The "maximum sentence", for
24 the purposes of this section, shall be calculated as set forth in subsection (b) of this
25 section.

26 **SECTION 17.28.(b)** For the purposes of this section, the following rules apply for
27 the calculation of the maximum sentence:

- 28 (1) The offense upon which the person was convicted shall be classified as
29 the same felony class as the offense would have been classified if
30 committed after the effective date of Article 81B of Chapter 15A of
31 the General Statutes.
- 32 (2) The minimum sentence shall be the maximum number of months in
33 the presumptive range of minimum durations in Prior Record Level VI
34 of G.S. 15A-1340.17(c) for the felony class determined under
35 subdivision (1) of this subsection. The maximum sentence shall be
36 calculated using G.S. 15A-1340.17(d), (e), or (e1).
- 37 (3) If a person is serving sentences for two or more offenses that are
38 concurrent in any respect, then the offense with the greater
39 classification shall be used to determine a single maximum sentence
40 for the concurrent offenses. The fact that the person has been
41 convicted of multiple offenses may be considered by the Commission
42 in making its determinations under subsection (a) of this section.

43 **SECTION 17.28.(c)** The Commission shall report to the Joint Legislative
44 Corrections, Crime Control, and Juvenile Justice Oversight Committee ~~on the results of~~
45 ~~its analysis by October 1, 2005.~~ and to the Chairs of the Senate and House of
46 Representatives Appropriations Committees, and the Chairs of the Senate and House of
47 Representatives Appropriations Subcommittees on Justice and Public Safety by April 1,
48 2007. The report shall include the following: the class of the offense for which each
49 parole-eligible inmate was convicted and whether an inmate had multiple criminal
50 convictions. The Commission shall reinstate the parole review process for each
51 offender who has served more time than that person would have under Structured
52 Sentencing as provided by subsections (a) and (b) of this section.

53 The Commission shall also report by February 1, 2006, regarding on the number of
54 parole-eligible inmates reconsidered in compliance with this section and the number
55 who were actually paroled."

1
2 **PROPOSAL FOR JOINT USE OF SWANNANOVA PROPERTY/ADULT**
3 **FEMALE CORRECTIONAL FACILITY AND JUVENILE YOUTH**
4 **DEVELOPMENT CENTER**

5 **SECTION 16.8.** The Department of Correction and the Department of
6 Juvenile Justice and Delinquency Prevention shall prepare a joint report regarding the
7 proposed joint use by both departments of the Swannanoa property currently used to
8 operate the Swannanoa Valley Youth Development Center. The report shall evaluate
9 the feasibility of using that property for both of the following: (i) to establish an adult
10 female correctional center and (ii) to continue to operate a juvenile youth development
11 center.

12 The report shall be submitted to the Joint Legislative Corrections, Crime
13 Control, and Juvenile Justice Oversight Committee by November 10, 2006. The report
14 shall include all of the following: the total costs for the project over a five-year period,
15 including operating costs, repair and renovation costs, and the anticipated source of
16 funding for those costs; the number and type of positions to be transferred from the
17 Department of Juvenile Justice and Delinquency Prevention to the Department of
18 Correction for the project; and the plan to employ existing Swannanoa Valley Youth
19 Development Center employees by the Department of Correction. The Department of
20 Correction shall also report on the plan for transferring employees from the Black
21 Mountain Correctional Center to the proposed new correctional center at Swannanoa.

22 There shall be no transfer of any property or positions between agencies until
23 the report is submitted in accordance with this section.
24

25 **FEDERAL GRANT MATCHING FUNDS**

26 **SECTION 16.9.** Section 17.9 of S.L. 2005-276 reads as rewritten:

27 "**SECTION 17.9.** Notwithstanding the provisions of G.S. 148-2, the Department of
28 Correction may use up to the sum of ~~seven hundred fifty thousand dollars (\$750,000)~~
29 one million dollars (\$1,000,000) during the 2006-2007 fiscal year from funds available
30 to the Department to provide the State match needed in order to receive federal grant
31 funds. Prior to using funds for this purpose, the Department shall report to the Chairs of
32 the Senate and House of Representatives Appropriations Subcommittees on Justice and
33 Public Safety and the Joint Legislative Commission on Governmental Operations on the
34 grants to be matched using these funds."
35

36 **GANG PREVENTION INITIATIVE**

37 **SECTION 16.10.** The Department of Correction shall report to the Chairs of
38 the Senate and House of Representatives Appropriations Subcommittees on Justice and
39 Public Safety regarding the Security Threat Group Unit Program at Foothills
40 Correctional Center. The report shall include information on the number of inmates in
41 the program during fiscal years 2005-2006 and 2006-2007 compared to program
42 capacity, describe the major program components, provide information on the measures
43 being used to evaluate the program, and analyze program performance in relation to
44 these measures. The Department of Correction shall submit the report as required by
45 this section no later than March 15, 2007.
46

47 **PART XVI-A. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY**

48 **GRANTS TO PREVENT GANG VIOLENCE**

49 **SECTION 16A.1.(a)** Of the funds appropriated in this act to the Governor's
50 Crime Commission within the Department of Crime Control and Public Safety, the sum
51 of one million five hundred thousand dollars (\$1,500,000) for the 2006-2007 fiscal year
52 shall be used to provide two-year grants for community street gang violence prevention
53 and intervention programs. The Governor's Crime Commission shall allocate the funds
54 using a competitive grant award process that includes a matching requirement of
55

1 twenty-five percent (25%), one-half of which may be in in-kind contributions, and the
2 presentation of a written plan for the services to be provided by the funds.

3 No individual grant awarded under this section may exceed one hundred
4 thousand dollars (\$100,000).

5 **SECTION 16A.1.(b)** The Governor's Crime Commission shall report to the
6 Chairs of the House of Representatives and Senate Appropriations Committees and the
7 Chairs of the Appropriations Subcommittees on Justice and Public Safety of the House
8 of Representatives and the Senate on the total number of grants awarded, a description
9 of each grantee's program, and the amount awarded to each grantee. The Commission
10 shall submit its report by April 1, 2007.

11 12 **PART XVII. DEPARTMENT OF ADMINISTRATION**

13 14 **EXAMINE FEASIBILITY OF COMBINING FUNDING SOURCES/NC** 15 **COUNCIL FOR WOMEN AND DOMESTIC VIOLENCE COMMISSION**

16 **SECTION 17.1.** The North Carolina Council for Women and the Domestic
17 Violence Commission, within the Department of Administration, shall examine the
18 feasibility of combining the funding sources to distribute domestic violence grants and
19 sexual assault grants. The North Carolina Council for Women and the Domestic
20 Violence Commission shall report their findings to the Chairs of the House and Senate
21 Appropriations Subcommittees on General Government by February 1, 2007.

22 23 **ENERGY DIVISION NEEDS ASSESSMENT**

24 **SECTION 17.2.** The Energy Division in the Department of Administration
25 will deplete all its funding sources on June 30, 2007. It has received federal funds which
26 will no longer be available, and it has no other funding source. The Energy Division and
27 the Office of State Budget and Management shall jointly conduct a needs assessment to
28 determine what functions currently being performed by the Energy Division need to be
29 performed in the 2007-2008 fiscal year. As part of this assessment, the mission
30 statement of the division shall be examined to clarify what existing needs the division
31 should continue in the future. In conducting the needs assessment, the two agencies
32 shall note any differences in the findings and recommendations that each may have
33 related to the needs assessment.

34 The needs assessment shall be completed and presented to the Chairs of the
35 House and Senate Appropriations Subcommittees on General Government no later than
36 February 1, 2007.

37 38 **HUB CONTRACTOR ACADEMY PROGRAM SPACE**

39 **SECTION 17.3.** For the 2006-2007 fiscal year the Department of
40 Administration shall work in conjunction with The University of North Carolina System
41 for the continued provision of space for the HUB Contractor Academy Program to
42 conduct training sessions. The Department of Administration shall determine whether
43 the HUB academies should continue to hold training sessions in facilities provided by
44 The University of North Carolina System or seek other sites for this purpose for the
45 2007-2008 fiscal year and future years.

46 47 **OLD REVENUE BUILDING**

48 **SECTION 17.4.** The Department of Administration shall examine the
49 feasibility of redesigning the Old Revenue Building to address security concerns and the
50 unused and underutilized space issues identified in the Space Utilization Study, which
51 was complete on June 5, 2006. The Department shall report its findings and
52 recommendations to the Joint Legislative Commission on Governmental Operations by
53 November 1, 2006.

54 55 **COMMISSION ON STATE PROPERTY FUNDS**

1 **SECTION 17.5.** Of the funds appropriated to the Department of
2 Administration for the 2006-2007 fiscal year, the Director of the Budget shall transfer
3 two hundred fifty thousand dollars (\$250,000) to the Commission on State Property
4 established in Article 78 of Chapter 143 of the General Statutes.
5

6 **PART XVIII. OFFICE OF ADMINISTRATIVE HEARINGS**

7 **CODIFIER'S AUTHORITY OVER THE REGISTER**

8 **SECTION 18.1.** G.S. 150B-21.17 reads as rewritten:
9

10 **"§ 150B-21.17. North Carolina Register.**

11 (a) Content. – The Codifier of Rules must publish the North Carolina Register.
12 The North Carolina Register must be published at least two times a month and must
13 contain the following:

- 14 (1) Temporary rules entered in the North Carolina Administrative Code.
- 15 (1a) The text of proposed rules and the text of permanent rules approved by
16 the Commission.
- 17 (1b) Emergency rules entered into the North Carolina Administrative Code.
- 18 (2) Notices of receipt of a petition for municipal incorporation, as required
19 by G.S. 120-165.
- 20 (3) Executive orders of the Governor.
- 21 (4) Final decision letters from the United States Attorney General
22 concerning changes in laws that affect voting in a jurisdiction subject
23 to section 5 of the Voting Rights Act of 1965, as required by
24 G.S. 120-30.9H.
- 25 (5) Orders of the Tax Review Board issued under G.S. 105-241.2.
- 26 (6) Other information the Codifier determines to be helpful to the public.

27 (b) Form. – When an agency publishes notice in the North Carolina Register of
28 the proposed text of a new rule, the Codifier of Rules must publish the complete text of
29 the proposed new rule. In publishing the text of a proposed new rule, the Codifier must
30 indicate the rule is new by underlining the proposed text of the rule.

31 When an agency publishes notice in the North Carolina Register of the proposed text
32 of an amendment to an existing rule, the Codifier must publish the complete text of the
33 rule that is being amended unless the Codifier determines that publication of the
34 complete text of the rule being amended is not necessary to enable the reader to
35 understand the proposed amendment. In publishing the text of a proposed amendment to
36 a rule, the Codifier must indicate deleted text with overstrikes and added text with
37 underlines.

38 When an agency publishes notice in the North Carolina Register of the proposed
39 repeal of an existing rule, the Codifier must publish the complete text of the rule the
40 agency proposes to repeal unless the Codifier determines that publication of the
41 complete text is impractical. In publishing the text of a rule the agency proposes to
42 repeal, the Codifier must indicate the rule is to be repealed.

43 (c) The Codifier may authorize and license nonprofit, private indexing,
44 marketing, sales, reproduction, and distribution of the Register."
45

46 **PART XIX. DEPARTMENT OF REVENUE**

47 **REVISED MAXIMUMS FOR COLLECTION ASSISTANCE FEES**

48 **SECTION 19.2.** G.S. 105-243.1(e) reads as rewritten:
49

50 "(e) Use. – The fee is a receipt of the Department and must be applied to the costs
51 of collecting overdue tax debts. The proceeds of the fee must be credited to a special
52 account within the Department and may be expended only as provided in this
53 subsection. The proceeds of the fee may not be used for any purpose that is not directly
54 and primarily related to collecting overdue tax debts. The Department may apply the
55 proceeds of the fee for the purposes listed in this subsection. The remaining proceeds of

1 the fee may be spent only pursuant to appropriation by the General Assembly. The fee
 2 proceeds do not revert but remain in the special account until spent for the costs of
 3 collecting overdue tax debts. The Department and the Office of State Budget and
 4 Management must account for all expenditures using accounting procedures that clearly
 5 distinguish costs allocable to collecting overdue tax debts from costs allocable to other
 6 purposes and must demonstrate that none of the fee proceeds are used for any purpose
 7 other than collecting overdue tax debts.

8 The Department may apply the fee proceeds for the following purposes:

- 9 (1) To pay contractors for collecting overdue tax debts under subsection
 10 (b) of this section.
- 11 (2) To pay the fee the United States Department of the Treasury charges
 12 for setoff to recover tax owed to North Carolina.
- 13 (3) To pay for taxpayer locator services, not to exceed ~~one hundred~~
 14 ~~thousand dollars (\$100,000)~~ one hundred fifty thousand dollars
 15 (\$150,000) a year.
- 16 (4) To pay for postage or other delivery charges for correspondence
 17 directly and primarily relating to collecting overdue tax ~~debts.~~
 18 debts, not to exceed three hundred fifty-three thousand dollars (\$353,000) a
 19 year.
- 20 (5) To pay for operating expenses for Project Collection Tax and the
 21 Taxpayer Assistance Call Center.
- 22 (6) To pay for expenses of the Examination and Collection Division
 23 directly and primarily relating to collecting overdue tax debts."
 24

25 CONSOLIDATE TAX PROJECTS REPORTS

26 **SECTION 19.3.(a)** G.S. 105-243.1(f) reads as rewritten:

27 "(f) Reports. – The report of Department activities required by G.S. 105-256
 28 contains information on the Department's efforts to collect tax debts and its use of the
 29 proceeds of the collection assistance fee.~~Department must report semiannually to the~~
 30 ~~Joint Legislative Commission on Governmental Operations and to the Revenue Laws~~
 31 ~~Study Committee on its efforts to collect tax debts. Each report must include a~~
 32 ~~breakdown of the amount and age of tax debts collected by collection agencies on~~
 33 ~~contract, the amount and age of tax debts collected by the Department through warning~~
 34 ~~letters, and the amount and age of tax debts otherwise collected by Department~~
 35 ~~personnel. The report must itemize collections by type of tax. Each report must also~~
 36 ~~include a long term collection plan, a timeline for implementing each step of the plan, a~~
 37 ~~summary of steps taken since the last report and their results, and any other data~~
 38 ~~requested by the Commission or the Committee.~~

39 ~~The Department must report by April 1, 2006, and annually thereafter, to the~~
 40 ~~Revenue Laws Study Committee and the Fiscal Research Division of the General~~
 41 ~~Assembly on the use of the fee proceeds for collecting overdue tax debts."~~

42 **SECTION 19.3.(b)** G.S. 105-256(a) reads as rewritten:

43 "(a) Reports. – The Secretary shall prepare and publish the following:

- 44 ...
- 45 (6) On an annual basis, a report on the quality of services provided to
 46 ~~taxpayers, including telephone and~~ taxpayers through the Taxpayer
 47 Assistance Call Center, walk-in assistance ~~assistance, and taxpayer~~
 48 ~~education. The report must be submitted to the Joint Legislative~~
 49 ~~Commission on Governmental Operations.~~

- 50 ...
- 51 (8) By January 1 and July 1 of each year, a semiannual report on the
 52 Department's activities listed in this subdivision. The report must be
 53 submitted to the Joint Legislative Commission on Governmental
 54 Operations and to the Revenue Laws Study Committee.

- 1 a. Its efforts to increase compliance with the tax laws. The report
 2 must describe the Department's existing initiatives in this area
 3 as of July 1, 2006, and must estimate, by tax type and amount,
 4 the revenue expected in the fiscal year by the initiative. The
 5 report must describe any new initiative implemented since July
 6 1, 2006, and estimate, by tax type and amount, the revenue
 7 expected in the fiscal year by the initiative.
- 8 b. Its efforts to identify and address fraud and other abuses of the
 9 voluntary tax compliance system that result in unreported and
 10 underreported tax. The report must describe the Department's
 11 long-term plan for achieving greater voluntary compliance and
 12 must summarize the steps taken since the last report and their
 13 results.
- 14 c. Its efforts to collect tax debts. The report must include a
 15 breakdown of the amount and age of tax debts collected through
 16 warning letters and by other means, must itemize collections by
 17 type of tax, must describe the Department's long-term collection
 18 plan, and must summarize the steps taken since the last report
 19 and their results.
- 20 d. Its use of the proceeds of the collection assistance fee imposed
 21 by G.S. 105-243.1.

22 **SECTION 19.3.(c)** The first report required under G.S. 105-256(a)(8), as
 23 enacted by this section, is due by January 1, 2007.

24
 25 **PAYMENT OF USUB PENALTIES TO CIVIL PENALTY AND FORFEITURE**
 26 **FUND**

27 **SECTION 19.4.** Notwithstanding G.S. 143-18, the Department of Revenue
 28 shall be allowed to expend up to two million four hundred thirty-four thousand two
 29 hundred seventy dollars and seventy-one cents (\$2,434,270.71) of unencumbered
 30 maintenance appropriations as of June 30, 2006, for the purpose of paying the Civil
 31 Penalty and Forfeiture Fund. The amount to be expended represents Unauthorized
 32 Substance Tax penalty collections that were paid to local law enforcement agencies for
 33 the period of July 1, 2005, through December 31, 2005. The source of the
 34 unencumbered funds shall come entirely from the Department of Revenue. If
 35 unencumbered funds are not sufficient at June 30, 2006, the Department shall use
 36 anticipated unencumbered funds as of July 1, 2006.

37
 38 **PART XX. RESERVED**

39
 40 **PART XX – A. RESERVED**

41
 42 **PART XXI. DEPARTMENT OF TRANSPORTATION**

43
 44 **ONLINE DEALER REGISTRATION FUNDS**

45 **SECTION 21.2.(a)** Notwithstanding the provisions of Section 28.22(b) of
 46 S.L. 2005-276, for fiscal year 2006-2007, the Division of Motor Vehicles is prohibited
 47 from spending any funds appropriated to it for Online Dealer Registration
 48 enhancements.

49 **SECTION 21.2.(b)** This section becomes effective June 30, 2006.

50
 51 **CASH FLOW HIGHWAY FUNDS AND HIGHWAY TRUST FUND**
 52 **APPROPRIATIONS**

53 **SECTION 21.4.(a)** The General Assembly authorizes and certifies
 54 anticipated revenues of the Highway Fund as follows:

55 For Fiscal Year 2007-2008 \$1,798.0 million

1 For Fiscal Year 2008-2009 \$1,836.2 million
2 For Fiscal Year 2009-2010 \$1,859.2 million
3 For Fiscal Year 2010-2011 \$1,872.6 million

4 **SECTION 21.4.(b)** The General Assembly authorizes and certifies
5 anticipated revenues of the Highway Trust Fund as follows:

6 For Fiscal Year 2007-2008 \$1,128.9 million
7 For Fiscal Year 2008-2009 \$1,167.8 million
8 For Fiscal Year 2009-2010 \$1,203.0 million
9 For Fiscal Year 2010-2011 \$1,235.0 million

10
11 **FUNDS FOR ECONOMIC DEVELOPMENT, SPOT SAFETY, AND**
12 **TRANSPORTATION IMPROVEMENT PROGRAM PROJECTS**

13 **SECTION 21.6.** Of the funds appropriated by this act to the Department of
14 Transportation in fiscal year 2006-2007, twenty-eight million dollars (\$28,000,000)
15 shall be allocated equally among the 14 Highway Divisions for economic development
16 transportation projects recommended by the member of the Board of Transportation
17 representing the Division in which the project is to be constructed in consultation with
18 the Division Engineer and approved by the Board of Transportation. Funds in each
19 Division not needed for economic development projects shall be used on spot safety
20 needs to enhance safety, reduce congestion, improve traffic flow, reduce accidents, and
21 for system preservation. Any remaining funds in each Division shall be used on
22 Transportation Improvement Program projects. The Secretary of Transportation shall
23 not prevent or delay the implementation of any projects approved by the Board of
24 Transportation pursuant to this section.

25
26 **CHANGE SUNSET OF OPEN CONTAINER LAW**

27 **SECTION 21.7.** Section 21 of S.L. 2000-155, as amended by Section 1 of
28 S.L. 2002-25, reads as rewritten:

29 "**SECTION 21.** Section 4 of this act is effective September 1, 2000, and expires
30 ~~September 30, 2006.~~ 2000. Sections 19 and 20 of this act are effective when those
31 sections become law. The remainder of this act becomes effective September 1, 2000,
32 and applies to offenses committed on or after that date."
33

34 **VIPER RADIO PROGRAM**

35 **SECTION 21.9.** The State Highway Patrol shall issue a request for a
36 proposal for the maintenance of the Voice Interoperability Plan for Emergency
37 Responders (VIPER). The bid shall be for the current system in place and shall not
38 include installation of the system.

39 The Criminal Justice Information Network (CJIN) shall prepare a cost
40 allocation plan for the continued construction and operation or the leasing of the VIPER
41 system that shall include proposed shared costs for installation and use by all
42 government users, including, but not limited to, the Department of Health and Human
43 Services, the State Emergency Management Division, the Wildlife Resources
44 Commission, the State Bureau of Investigation, the State Highway Patrol, and Alcohol
45 Law Enforcement, and local agencies. This plan shall include the assessment of service
46 contracts to ensure functionality and technological updates of the Viper System.

47 The CJIN shall report to the Legislative Transportation Oversight Committee,
48 the Chairs of both the Appropriations Subcommittees for Transportation and Justice and
49 Public Safety, and the Fiscal Research Division by October 1, 2006.
50

51 **CONFORM SEAT BELT LAW TO FEDERAL LAW TO PREVENT A LOSS OF**
52 **FEDERAL HIGHWAY FUNDS**

53 **SECTION 21.11.** G.S. 20-135.2A.(c) reads as rewritten:

54 "(c) This section shall not apply to any of the following:

- (1) A driver or occupant of a noncommercial motor vehicle with a medical or physical condition that prevents appropriate restraint by a safety belt or with a professionally certified mental phobia against the wearing of vehicle restraints;
- (2) A motor vehicle operated by a rural letter carrier of the United States Postal Service while performing duties as a rural letter carrier and a motor vehicle operated by a newspaper delivery person while actually engaged in delivery of newspapers along the person's specified route;
- (3) A driver or passenger frequently stopping and leaving the vehicle or delivering property from the vehicle if the speed of the vehicle between stops does not exceed 20 miles per hour;
- (4) Any vehicle registered and licensed as a property-carrying vehicle in accordance with G.S. 20-88, while being used for agricultural ~~or commercial purposes;~~ purposes in intrastate commerce; or
- (5) A motor vehicle not required to be equipped with seat safety belts under federal law."

UTILIZATION OF SMALL BUSINESS ENTERPRISES IN DEPARTMENT PROJECTS OR THE USE OF FULLY OPERATED RENTAL EQUIPMENT

SECTION 21.12. From funds available to the Department of Transportation, a goal of fifty million dollars (\$50,000,000) per year is established for the utilization of small business enterprises through contracts or the use of fully operated rental equipment.

PART XXII. SALARIES AND EMPLOYEE BENEFITS

GOVERNOR AND COUNCIL OF STATE/SALARY INCREASES

SECTION 22.1.(a) Effective July 1, 2006, G.S. 147-11(a) reads as rewritten:

"(a) The salary of the Governor shall be ~~one hundred twenty three thousand eight hundred nineteen dollars (\$123,819)~~ one hundred thirty thousand ten dollars (\$130,010) annually, payable monthly."

SECTION 22.1.(b) Section 29.1(b) of S.L. 2005-276 reads as rewritten:

"SECTION 29.1.(b) Effective ~~July 1, 2005,~~ July 1, 2006, the annual salaries for the members of the Council of State, payable monthly, for the ~~2005-2006 and 2006-2007~~ 2006-2007 fiscal ~~years-year~~ year are:

<u>Council of State</u>	<u>Annual Salary</u>
Lieutenant Governor	\$109,279,114,743
Attorney General	109,279,114,743
Secretary of State	109,279,114,743
State Treasurer	109,279,114,743
State Auditor	109,279,114,743
Superintendent of Public Instruction	109,279,114,743
Agriculture Commissioner	109,279,114,743
Insurance Commissioner	109,279,114,743
Labor Commissioner	109,279,114,743"

NONELECTED DEPARTMENT HEADS/SALARY INCREASES

SECTION 22.2. Section 29.2 of S.L. 2005-276 reads as rewritten:

"SECTION 29.2. In accordance with G.S. 143B-9, the maximum annual salaries, payable monthly, for the nonelected heads of the principal State departments for the ~~2005-2006 and 2006-2007~~ 2006-2007 fiscal ~~years-year~~ year are:

<u>Nonelected Department Heads</u>	<u>Annual Salary</u>
------------------------------------	----------------------

1	Secretary of Administration	\$106,765	112,103
2	Secretary of Correction	106,765	112,103
3	Secretary of Crime Control and Public Safety	106,765	112,103
4	Secretary of Cultural Resources	106,765	112,103
5	Secretary of Commerce	106,765	112,103
6	Secretary of Environment and Natural Resources	106,765	112,103
7	Secretary of Health and Human Services	106,765	112,103
8	Secretary of Juvenile Justice and Delinquency	106,765	112,103
9	Secretary of Revenue	106,765	112,103
10	Secretary of Transportation	106,765	112,103"

CERTAIN EXECUTIVE BRANCH OFFICIALS/SALARY INCREASES

SECTION 22.3. Section 29.3 of Section of S.L. 2005-276 reads as rewritten:

"**SECTION 29.3.** The annual salaries, payable monthly, for the ~~2005-2006~~ and 2006-2007 fiscal ~~years-year~~ for the following executive branch officials are:

	<u>Executive Branch Officials</u>	<u>Annual Salary</u>
17	Chairman, Alcoholic Beverage Control Commission	\$97,175 102,034
18	State Controller	135,997 142,797
19	Commissioner of Motor Vehicles	97,175 102,034
20	Commissioner of Banks	109,279 114,743
21	Chairman, Employment Security Commission	133,161
22	State Personnel Director	106,765 112,103
23	Chairman, Parole Commission	88,733 93,170
24	Members of the Parole Commission	40,960 43,008
25	Chairman, Utilities Commission	121,701 127,786
26	Members of the Utilities Commission	109,279 114,743
27	Executive Director, Agency for	
28	Public Telecommunications	81,921 86,017
29	Director, Museum of Art	99,573 104,552
30	Executive Director, North Carolina Agricultural	
31	Finance Authority	94,587 99,316
32	State Chief Information Officer	135,915 142,711"

JUDICIAL BRANCH OFFICIALS/SALARY INCREASES

SECTION 22.4. Section 29.4 of S.L. 2005-276 reads as rewritten:

"**SECTION 29.4.(a)** The annual salaries, payable monthly, for specified Judicial Branch officials for the ~~2005-2006~~ and 2006-2007 fiscal ~~years-year~~ are:

	<u>Judicial Branch Officials</u>	<u>Annual Salary</u>
40	Chief Justice, Supreme Court	\$123,819 130,010
41	Associate Justice, Supreme Court	120,583 126,612
42	Chief Judge, Court of Appeals	117,568 123,446
43	Judge, Court of Appeals	115,559 121,337
44	Judge, Senior Regular Resident Superior Court	112,419 118,040
45	Judge, Superior Court	109,279 114,743
46	Chief Judge, District Court	99,231 104,193
47	Judge, District Court	96,091 100,896
48	Administrative Officer of the Courts	112,419 118,040
49	Assistant Administrative Officer of the Courts	102,684 107,818"

SECTION 29.4.(b) The district attorney or public defender of a judicial district, with the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant public defenders, respectively, in that district such that the average salaries of assistant district attorneys or assistant public defenders in

1 that district do not exceed ~~sixty-two thousand nine hundred thirty dollars (\$62,930),~~
 2 sixty-six thousand seventy-seven dollars (\$66,077), and the minimum salary of any
 3 assistant district attorney or assistant public defender is at least ~~thirty-two thousand~~
 4 eight hundred eighty-five dollars (\$32,885), ~~thirty-four thousand five hundred~~
 5 twenty-nine dollars (\$34,529) effective ~~July 1, 2005.~~ July 1, 2006.

6 **SECTION 29.4.(c)** Effective July 1, 2005, the annual salaries of permanent,
 7 full-time employees of the Judicial Department whose salaries are not itemized in this
 8 act shall be increased by the greater of eight hundred fifty dollars (\$850.00) or two
 9 percent (2%). Effective July 1, 2006, the annual salaries of permanent full-time
 10 employees of the Judicial Department whose salaries are not itemized in this act shall be
 11 increased by five percent (5%).

12 **SECTION 29.4.(d)** Effective July 1, 2005, the annual salaries of permanent,
 13 part-time employees of the Judicial Department whose salaries are not itemized in this
 14 act shall be increased by pro rata amounts of eight hundred fifty dollars (\$850.00) or
 15 two percent (2%), whichever is greater. Effective July 1, 2006 the annual salaries of
 16 permanent, part-time employees of the Judicial Department whose salaries are not
 17 itemized in this act shall be increased by five percent (5%)."

18
 19 **CLERK OF SUPERIOR COURT/SALARY INCREASES**

20 **SECTION 22.5.** Effective July 1, 2006, G.S. 7A-101(a) reads as rewritten:

21 "(a) The clerk of superior court is a full-time employee of the State and shall
 22 receive an annual salary, payable in equal monthly installments, based on the population
 23 of the county as determined in subsection (a1) of this section, according to the following
 24 schedule:

Population	Annual Salary
Less than 100,000	\$73,092 <u>\$76,747</u>
100,000 to 149,999	82,021 <u>86,122</u>
150,000 to 249,999	90,952 <u>95,500</u>
250,000 and above	99,884. <u>104,878.</u>

30 The salary schedule in this subsection is intended to represent the following
 31 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%.

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

42
 43 **ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY INCREASES**

44 **SECTION 22.6.** Effective July 1, 2006, G.S. 7A-102(c1) reads as rewritten:

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

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	\$28,365 <u>\$29,783</u>
Maximum	48,579 <u>51,008</u>
Deputy Clerks	Annual Salary
Minimum	\$24,415 <u>\$25,636</u>
Maximum	37,784. <u>39,673."</u>

MAGISTRATES' SALARY INCREASES

SECTION 22.7.(a) Effective July 1, 2006, G.S. 7A-171.1(a) reads as rewritten:

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

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

Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary
Entry Rate	\$28,739 <u>\$30,176</u>
Step 1	31,375 <u>32,944</u>
Step 2	34,243 <u>35,955</u>
Step 3	37,373 <u>39,242</u>
Step 4	40,802 <u>42,842</u>
Step 5	44,665 <u>46,898</u>
Step 6	48,997 <u>51,447</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, a magistrate who is licensed to practice law in North Carolina or any other state shall receive the annual salary provided in the Table in subdivision (1) of this subsection for Step 4."

SECTION 22.7.(b) Effective July 1, 2006, G.S. 7A-171.1(a1) reads as rewritten:

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

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

Less than 1 year of service	\$23,175 <u>\$24,334</u>
1 or more but less than 3 years of service	24,239 <u>25,451</u>

3 or more but less than 5 years of service ~~26,380-27,699.~~

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

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

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

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

- (3) The salaries of magistrates who are licensed to practice law in North Carolina shall be adjusted to the annual salary provided in the table in subsection (a) as Step 4, and, thereafter, their salaries shall be set in accordance with the provisions in subsection (a).
- (4) The salaries of "part-time magistrates" shall be set under the formula set out in subdivision (2) of subsection (a) but according to the rates set out in this subsection."

GENERAL ASSEMBLY PRINCIPAL CLERKS/SALARY INCREASES

SECTION 22.8. Effective July 1, 2006, 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 ~~ninety-two thousand three hundred twenty-four dollars (\$92,324)~~ ninety-six thousand nine hundred forty dollars (\$96,940) payable monthly. Each principal clerk shall also receive such additional compensation as approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and 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."

SERGEANTS-AT-ARMS AND READING CLERKS

SECTION 22.9. Effective July 1, 2006, G.S. 120-37(b) reads as rewritten:

"(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~three hundred twenty-seven dollars (\$327.00)~~ three hundred forty-three dollars (\$343.00) 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 22.10. Effective July 1, 2006, the Legislative Services Officer shall increase the salaries of nonelected employees of the General Assembly in effect for fiscal year 2005-2006 by five percent (5%). Nothing in this act limits any of the provisions of G.S. 120-32.

COMMUNITY COLLEGE PERSONNEL/SALARY INCREASES

SECTION 22.11. Section 29.11 of S.L. 2005-276 reads as rewritten:

"SECTION 29.11. The Director of the Budget shall transfer from the Reserve for Compensation Increases, created in this act for fiscal years 2005-2006 and 2006-2007, funds to the North Carolina Community Colleges System Office necessary to provide an annual salary increase of the greater of eight hundred fifty dollars (\$850.00) or two percent (2%), including funds for the employer's retirement and social security contributions, commencing July 1, 2005, for all community college employees supported by State funds. The Director of the Budget shall transfer from the Reserve for Compensation Increases, created in this act for fiscal year 2006-2007, funds to the North Carolina Community Colleges System Office necessary to provide:

- (1) An annual salary increase for faculty and professional staff of six percent (6%), plus a one-time, lump-sum compensation bonus in the amount of six hundred dollars (\$600.00), including funds for the employer's retirement and social security contributions, commencing July 1, 2006, for all community college employees supported by State funds. The one-time, lump-sum compensation bonus authorized by this section shall be made in accordance with rules adopted by the State Board of Community Colleges.
- (2) An annual increase of five percent (5%), including funds for employer's retirement and social security contributions, commencing July 1, 2006, for all other community college employees supported by State funds."

UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA COMPENSATION

SECTION 22.12. Section 29.12 of S.L. 2005-276 reads as rewritten:

"SECTION 29.12.(a) ~~The~~ For the 2005-2006 fiscal year, 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 2005-2006 and 2006-2007, to provide an annual salary increase of the greater of eight hundred fifty dollars (\$850.00) or two percent (2%), including funds for the employer's retirement and social security contributions, commencing July 1, 2005, for all employees of The University of North Carolina, as well as employees other than teachers of the North Carolina School of Science and Mathematics, supported by State funds and whose salaries are exempt from the State Personnel Act (EPA). The flat dollar increase of eight hundred fifty dollars (\$850.00) shall be made to all employees whose annual salary is less than or equal to forty-two thousand five hundred dollars (\$42,500). The percentage annual salary increase of two percent (2%) authorized by this section shall be made on an aggregated average basis, and these funds shall be allocated to individuals whose annual salary is greater than forty-two thousand five hundred dollars (\$42,500), according to the rules adopted by the Board of Governors of The University of North Carolina or the Board of Trustees of the North Carolina School of Science and Mathematics, as appropriate, and may not be used for any purpose other than for salary increases and necessary employer contributions provided by this section.

SECTION 29.12.(a1) For the 2006-2007 fiscal year, 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 year 2006-2007, to provide an annual salary increase of six percent (6%), including funds for the employer's retirement and social security contributions, commencing July 1, 2006, for all employees of The University of North Carolina, as well as employees other than teachers of the North Carolina School of Science and Mathematics, supported by State funds and whose salaries are exempt from the State Personnel Act (EPA). The percentage annual salary increase of six percent (6%) authorized by this section shall be made on an aggregated average basis, according to the rules adopted by the Board of Governors of The University of North Carolina or the Board of Trustees of the North

1 Carolina School of Science and Mathematics, as appropriate, and may not be used for
2 any purpose other than for salary increases and necessary employer contributions
3 provided by this section.

4 **SECTION 29.12.(b)** The Director of the Budget shall transfer to the Board of
5 Governors of The University of North Carolina sufficient funds from the Reserve for
6 Compensation Increases, created in this act for fiscal years 2005-2006 and 2006-2007,
7 to provide an average annual salary increase of two and twenty-four hundredths percent
8 (2.24%), including funds for the employer's retirement and social security contributions,
9 commencing July 1, 2005, for all teaching employees of the North Carolina School of
10 Science and Mathematics, supported by State funds and whose salaries are exempt from
11 the State Personnel Act (EPA). These funds shall be allocated to individuals according
12 to the rules adopted by the Board of Trustees of the North Carolina School of Science
13 and Mathematics and may not be used for any purpose other than for salary increases
14 and necessary employer contributions provided by this section.

15 **SECTION 29.12.(b1)** The Director of the Budget shall transfer to the Board of
16 Governors of The University of North Carolina sufficient funds from the Reserve for
17 Compensation Increases, created in this act for fiscal year 2006-2007, to provide an
18 average annual salary increase of eight percent (8%), but at least an annual increase of
19 two thousand two hundred fifty dollars (\$2,250) including funds for the employer's
20 retirement and social security contributions, commencing July 1, 2006, for all teaching
21 employees of the North Carolina School of Science and Mathematics, supported by
22 State funds and whose salaries are exempt from the State Personnel Act (EPA). These
23 funds shall be allocated to individuals according to the rules adopted by the Board of
24 Trustees of the North Carolina School of Science and Mathematics and may not be used
25 for any purpose other than for salary increases and necessary employer contributions
26 provided by this section."

27 28 MOST STATE EMPLOYEES/SALARY INCREASES

29 **SECTION 22.13.** Section 29.13 of S.L. 2005-276 reads as rewritten:

30 **"SECTION 29.13.(a)** The salaries in effect June 30, 2005, of all permanent
31 full-time State employees whose salaries are set in accordance with the State Personnel
32 Act and who are paid from the General Fund or the Highway Fund shall be increased,
33 effective July 1, 2005, by the greater of eight hundred fifty dollars (\$850.00) or two
34 percent (2%), unless otherwise provided by this act. Effective July 1, 2006, the salaries
35 in effect June 30, 2006, of all permanent full-time State employees whose salaries are
36 set in accordance with the State Personnel Act, and who are paid from the General Fund
37 or Highway Funds shall be increased by five percent (5%).

38 **SECTION 29.13.(b)** Except as otherwise provided in this act, the fiscal year
39 2005-2006 salaries for permanent full-time State officials and persons in exempt
40 positions that are recommended by the Governor or the Governor and the Advisory
41 Budget Commission and set by the General Assembly shall be increased by the greater
42 of eight hundred fifty dollars (\$850.00) or two percent (2%), effective July 1, 2005,
43 unless otherwise provided by this act. Effective July 1, 2006, the compensation of
44 permanent full-time State officials and persons in exempt positions that are
45 recommended by the Governor or the Governor and the Advisory Budget Commission
46 and set by the General Assembly shall be increased by five percent (5%).

47 **SECTION 29.13.(c)** The salaries in effect for fiscal year 2005-2006 for all
48 permanent part-time State employees shall be increased, effective July 1, 2005, by pro
49 rata amounts of eight hundred fifty dollars (\$850.00) or two percent (2%), whichever is
50 greater. Effective July 1, 2006, the salaries of all permanent part-time State employees
51 shall be increased by five percent (5%).

52 **SECTION 29.13.(d)** The Director of the Budget may allocate out of special
53 operating funds or from other sources of the employing agency, except tax revenues,
54 sufficient funds to allow ~~a salary increase, effective July 1, 2005, salary increases,~~ in
55 accordance with subsection (a), (b), or (c) of this section, including funds for the

1 employer's retirement and social security contributions, for the permanent full-time and
2 part-time employees of the agency, provided the employing agency elects to make
3 available the necessary funds.

4 **SECTION 29.13.(e)** ~~Within~~ For the 2005-2006 fiscal year, within regular
5 Executive Budget Act procedures as limited by this act, all State agencies and
6 departments may increase on an equitable basis the rate of pay of temporary and
7 permanent hourly State employees, subject to availability of funds in the particular
8 agency or department, by pro rata amounts of the greater of the eight hundred fifty
9 dollar (\$850.00) or two percent (2%) increase provided for permanent full-time
10 employees covered by the provisions of subsection (a) of this section, commencing July
11 1, 2005. For the 2006-2007 fiscal year, within regular Executive Budget Act procedures
12 as limited by this act, all State agencies and departments may increase on an equitable
13 basis the rate of pay of temporary and permanent hourly State employees, subject to
14 availability of funds in the particular agency or department, by the five percent (5%)
15 increase provided for permanent full-time employees covered by the provisions of
16 subsection (a) of this section, commencing July 1, 2006."
17

18 ALL STATE-SUPPORTED PERSONNEL/SALARY INCREASES

19 **SECTION 22.14.** Section 29.14 of S.L. 2005-276 reads as rewritten:

20 **"SECTION 29.14.(a)** Salaries and related benefits for positions that are funded
21 partially from the General Fund or Highway Fund and partially from sources other than
22 the General Fund or Highway Fund shall be increased from the General Fund or
23 Highway Fund appropriation only to the extent of the proportionate part of the salaries
24 paid from the General Fund or Highway Fund.

25 **SECTION 29.14.(b)** The granting of the salary increases under this act does not
26 affect the status of eligibility for salary increments for which employees may be eligible
27 unless otherwise required by this act.

28 **SECTION 29.14.(c)** The fiscal year 2005-2006 salary increases provided in this act
29 are to be effective July 1, 2005, and do not apply to persons separated from State service
30 due to resignation, dismissal, reduction in force, death, or retirement, or whose last
31 workday is prior to July 1, 2005. The fiscal year 2006-2007 salary increases provided in
32 this act are to be effective July 1, 2006, and do not apply to persons separated from
33 State service due to resignation, dismissal, reduction in force, death, or retirement, or
34 whose last workday is prior to July 1, 2006.

35 Payroll checks issued to employees after July 1, 2005, which represent payment of
36 services provided prior to July 1, 2005, these increases shall not be eligible for salary
37 increases provided for in this act. This subsection shall apply to all employees, subject
38 to or exempt from the State Personnel Act, paid from State funds, including public
39 schools, community colleges, and The University of North Carolina.

40 **SECTION 29.14.(d)** The Director of the Budget shall transfer from the Reserve for
41 Compensation Increases in this act for fiscal year 2005-2006 and fiscal year 2006-2007
42 all funds necessary for the salary increases provided by this act, including funds for the
43 employer's retirement and social security contributions.

44 **SECTION 29.14.(e)** Nothing in this act authorizes the transfer of funds between the
45 General Fund and the Highway Fund for salary increases.

46 **SECTION 29.14.(f)** ~~Permanent~~ For the 2005-2006 fiscal year, permanent full-time
47 employees who work a nine-, ten-, or eleven-month work year schedule shall receive
48 the eight hundred fifty dollars (\$850.00) or two percent (2%) annual increase provided
49 by this act, whichever is greater. For the 2006-2007 fiscal year, permanent full-time
50 employees who work a nine-, ten-, or eleven-month work year schedule shall receive
51 the five percent (5%) annual increase provided by this act."
52

53 COMPENSATION BONUS FOR FISCAL YEAR 2006-2007

54 **SECTION 22.14A.(a)** Except as provided by subsection (b) of this section,
55 any person (i) whose salary is set pursuant to the State Personnel Act or under this act

1 and (ii) who is employed in a State-funded position on June 30, 2006, and who is in
2 service on August 1, 2006, shall be awarded a one-time, lump-sum compensation bonus
3 for the 2006-2007 fiscal year in the amount of three hundred dollars (\$300.00), payable
4 in August 2006. The compensation bonus shall be adjusted pro rata for permanent
5 part-time employees and employees working on a schedule requiring less than 12
6 months' service per year.

7 **SECTION 22.14A.(b)** The following persons shall not be eligible for the
8 three hundred dollar (\$300.00) compensation bonus authorized by subsection (a) of this
9 section:

- 10 (1) Any person whose salary is set under Sections 29.11(1) or 29.12 of
11 S.L. 2005-276, as amended by Sections 22.11 and 22.12 of this act.
- 12 (2) Any public school employee or State employee paid on the Teacher
13 Salary Schedule or the School Based Administrator Salary Schedule.

14 **SECTION 22.14A.(c)** The Director of the Budget shall transfer sufficient
15 funds from the Reserve for Compensation Increases provided in this act to implement
16 this section. The compensation bonus awarded by this section shall not be administered
17 under G.S. 126-7. The compensation bonus shall be awarded to eligible employees
18 without regard to an employee's placement within the salary range, including employees
19 at the top of the salary range.

20 21 SALARY ADJUSTMENT FUND

22 **SECTION 22.15.** Section 29.15 of S.L. 2005-276 reads as rewritten:

23 "**SECTION 29.15.(a)** Any remaining appropriations in the General Fund Reserve
24 for Compensation Increases authorized for employee salary increases not required for
25 that purpose may be used to supplement the General Fund Salary Adjustment Fund.
26 Fund to support salary adjustments for positions supported by the General Fund. Any
27 remaining appropriations in the Highway Fund Reserves and Transfers authorized for
28 employee salary increases not required for that purpose may be used to supplement the
29 Highway Fund Salary Adjustment Fund to support salary adjustments for positions
30 supported by the Highway Fund.

31 **SECTION 29.15.(b)** Funds appropriated or otherwise transferred to the General
32 Fund Salary Adjustment Fund or to the Highway Fund Salary Adjustment Fund by this
33 act or any other provision of law shall be used to fund agency requests for the following
34 purposes:

- 35 (1) Salary range ~~revisions~~ revisions, including special minimum rate
36 adjustments, to provide competitive salary rates for affected job
37 classifications in response to changes in labor market salary rates as
38 documented through data collection and analysis according to accepted
39 human resource professional practices and standards.
- 40 (2) Reallocation of positions to higher-level job classifications to
41 compensate employees for more difficult duties at competitive salary
42 rates as documented through data collection and analysis according to
43 accepted human resource professional practices and standards.

44 The terms 'salary range revision' and 'reallocation' as used in this section shall
45 conform to the definitions of those terms as previously contained in the State Personnel
46 Manual and adopted by the State Personnel Commission effective immediately prior to
47 November 1, 2005. Priority funding Funding shall be given only to those salary range
48 revisions previously approved by the State Personnel Commission and reallocations
49 previously approved by the Office of State Personnel or designee, designee on or before
50 May 1, 2006, and shall not be used for other purposes including, but not limited to,
51 in-range adjustments, career banding adjustments (whether by grade to band transfer
52 adjustments, career progression adjustments, or other similar methods), geographic
53 differentials, or other adjustments as these terms may be defined by State Personnel
54 Policy.

1 **SECTION 29.15.(c)** The Director of the Budget shall consult with the Joint
2 Legislative Commission on Governmental Operations prior to transferring any salary
3 adjustment funds for any State agency.

4 **SECTION 29.15.(d)** The Director of the Budget ~~may transfer~~ may:

5 (1) Transfer to General Fund budget codes from the General Fund Salary
6 Adjustment Fund and may transfer to Highway Fund budget codes
7 from the Highway Fund Salary Adjustment Fund amounts required to
8 support salary adjustments authorized by this section. section, not to
9 exceed the sum of eighteen million nine hundred thousand dollars
10 (\$18,900,000), with the oldest of the pending adjustments to be funded
11 first.

12 (2) Transfer to Highway Fund budget codes from the Highway Fund
13 Salary Adjustment Fund amounts required to support salary
14 adjustments authorized by this section.

15 **SECTION 29.15.(e)** The Judicial Department is eligible for the funding authorized
16 in subsection (a) of this section."
17

18 **SUSPEND CAREER BANDING INITIATIVE**

19 **SECTION 22.15A.** Notwithstanding any other provision of law, the State
20 Personnel Commission, the Office of State Personnel, and each State department,
21 agency, and institution shall suspend further implementation of career banding pending
22 subsequent action by the General Assembly after its review of the State Personnel Act,
23 including the traditional graded classification system and career banding.
24

25 **SALARY-RELATED CONTRIBUTIONS/EMPLOYER**

26 **SECTION 22.17.** Section 29.24(c) of S.L. 2005-276 reads as rewritten:

27 "**SECTION 29.24.(c)** Effective July 1, 2006, the State's employer contribution rates
28 budgeted for retirement and related benefits as percentage of covered salaries for the
29 2006-2007 fiscal year are: (i) ~~six and eighty two hundredths percent (6.82%)~~ seven and
30 seventeen hundredths percent (7.17%) – Teachers and State Employees; (ii) ~~eleven and~~
31 ~~eighty two hundredths percent (11.82%)~~ twelve and seventeen hundredths percent
32 (12.17%) – State Law Enforcement Officers; (iii) eleven and sixteen hundredths percent
33 (11.16%) – University Employees' Optional Retirement System; (iv) eleven and sixteen
34 hundredths percent (11.16%) – Community College Optional Retirement Program; (v)
35 sixteen and thirty-nine hundredths percent (16.39%) – Consolidated Judicial Retirement
36 System; and (vi) three and eight-tenths percent (3.8%) – Legislative Retirement System.
37 Each of the foregoing contribution rates includes three and eight-tenths percent (3.8%)
38 for hospital and medical benefits. The rate for Teachers and State Employees, State Law
39 Enforcement Officers, Community College Optional Retirement Program, and for the
40 University Employees' Optional Retirement Program includes fifty-two hundredths
41 percent (0.52%) for the Disability Income Plan. The rates for Teachers and State
42 Employees and State Law Enforcement Officers include sixteen hundredths percent
43 (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers
44 includes five percent (5%) for Supplemental Retirement Income."
45

46 **PROVIDE COST-OF-LIVING INCREASES FOR RETIREES OF THE** 47 **TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE** 48 **JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE** 49 **RETIREMENT SYSTEM**

50 **SECTION 22.18.(a)** G.S. 135-5 is amended by adding a new subsection to
51 read:

52 "(ooo) From and after July 1, 2006, the retirement allowance to or on account of
53 beneficiaries whose retirement commenced on or before July 1, 2005, shall be increased
54 by three and one-tenth percent (3.1%) of the allowance payable on June 1, 2006, in
55 accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2006, the retirement

1 allowance to or on account of beneficiaries whose retirement commenced after July 1,
2 2005, but before June 30, 2006, shall be increased by a prorated amount of three and
3 one-tenth percent (3.1%) of the allowance payable as determined by the Board of
4 Trustees based upon the number of months that a retirement allowance was paid
5 between July 1, 2005, and June 30, 2006."

6 **SECTION 22.18.(b)** G.S. 120-4.22A is amended by adding a new
7 subsection to read:

8 "(u) In accordance with subsection (a) of this section, from and after July 1, 2006,
9 the retirement allowance to or on account of beneficiaries whose retirement commenced
10 on or before January 1, 2006, shall be increased by three and one-tenth percent (3.1%)
11 of the allowance payable on June 1, 2006. Furthermore, from and after July 1, 2006, the
12 retirement allowance to or on account of beneficiaries whose retirement commenced
13 after January 1, 2006, but before June 30, 2006, shall be increased by a prorated amount
14 of three and one-tenth percent (3.1%) of the allowance payable as determined by the
15 Board of Trustees based upon the number of months that a retirement allowance was
16 paid between January 1, 2006, and June 30, 2006."

17 **SECTION 22.18.(c)** G.S. 135-65 is amended by adding a new subsection to
18 read:

19 "(aa) From and after July 1, 2006, the retirement allowance to or on account of
20 beneficiaries whose retirement commenced on or before July 1, 2005, shall be increased
21 by three and one-tenth percent (3.1%) of the allowance payable on June 1, 2006.
22 Furthermore, from and after July 1, 2006, the retirement allowance to or on account of
23 beneficiaries whose retirement commenced after July 1, 2005, but before June 30, 2006,
24 shall be increased by a prorated amount of three and one-tenth percent (3.1%) of the
25 allowance payable as determined by the Board of Trustees based upon the number of
26 months that a retirement allowance was paid between July 1, 2005, and June 30, 2006."

27 28 **INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S** 29 **AND RESCUE SQUAD WORKERS' PENSION FUND**

30 **SECTION 22.19.** G.S. 58-86-55 reads as rewritten:

31 **"§ 58-86-55. Monthly pensions upon retirement.**

32 Any member who has served 20 years as an "eligible fireman" or "eligible rescue
33 squad worker" in the State of North Carolina, as provided in G.S. 58-86-25 and
34 G.S. 58-86-30, and who has attained the age of 55 years is entitled to be paid a monthly
35 pension from this fund. The monthly pension shall be in the amount of ~~one hundred~~
36 ~~sixty three dollars (\$163.00)~~ one hundred sixty-five dollars (\$165.00) per month. Any
37 retired fireman receiving a pension shall, effective ~~July 1, 2005,~~ July 1, 2006, receive a
38 pension of ~~one hundred sixty three dollars (\$163.00)~~ one hundred sixty-five dollars
39 (\$165.00) per month.

40 Members shall pay ten dollars (\$10.00) per month as required by G.S. 58-86-35 and
41 G.S. 58-86-40 for a period of no longer than 20 years. No "eligible rescue squad
42 member" shall receive a pension prior to July 1, 1983. No member shall be entitled to a
43 pension hereunder until the member's official duties as a fireman or rescue squad
44 worker for which the member is paid compensation shall have been terminated and the
45 member shall have retired as such according to standards or rules fixed by the board of
46 trustees.

47 A member who is totally and permanently disabled while in the discharge of the
48 member's official duties as a result of bodily injuries sustained or as a result of extreme
49 exercise or extreme activity experienced in the course and scope of those official duties
50 and who leaves the fire or rescue squad service because of this disability shall be
51 entitled to be paid from the fund a monthly benefit in an amount of ~~one hundred~~
52 ~~sixty three dollars (\$163.00)~~ one hundred sixty-five dollars (\$165.00) per month
53 beginning the first month after the member's fifty-fifth birthday. All applications for
54 disability are subject to the approval of the board who may appoint physicians to
55 examine and evaluate the disabled member prior to approval of the application, and

1 annually thereafter. Any disabled member shall not be required to make the monthly
 2 payment of ten dollars (\$10.00) as required by G.S. 58-86-35 and G.S. 58-86-40.

3 A member who is totally and permanently disabled for any cause, other than line of
 4 duty, who leaves the fire or rescue squad service because of this disability and who has
 5 at least 10 years of service with the pension fund, may be permitted to continue making
 6 a monthly contribution of ten dollars (\$10.00) to the fund until the member has made
 7 contributions for a total of 240 months. The member shall upon attaining the age of 55
 8 years be entitled to receive a pension as provided by this section. All applications for
 9 disability are subject to the approval of the board who may appoint physicians to
 10 examine and evaluate the disabled member prior to approval of the application and
 11 annually thereafter.

12 A member who, because his residence is annexed by a city under Part 2 or Part 3 of
 13 Article 4 of Chapter 160A of the General Statutes, or whose department is closed
 14 because of an annexation by a city under Part 2 or Part 3 of Article 4 of Chapter 160A
 15 of the General Statutes, or whose volunteer department is taken over by a city or county,
 16 and because of such annexation or takeover is unable to perform as a fireman or rescue
 17 squad worker of any status, and if the member has at least 10 years of service with the
 18 pension fund, may be permitted to continue making a monthly contribution of ten
 19 dollars (\$10.00) to the fund until the member has made contributions for a total of 240
 20 months. The member upon attaining the age of 55 years and completion of such
 21 contributions shall be entitled to receive a pension as provided by this section. Any
 22 application to make monthly contributions under this section shall be subject to a
 23 finding of eligibility by the Board of Trustees upon application of the member.

24 The pensions provided shall be in addition to all other pensions or benefits under any
 25 other statutes of the State of North Carolina or the United States, notwithstanding any
 26 exclusionary provisions of other pensions or retirement systems provided by law."
 27

28 **INCREASE THE MAXIMUM MONTHLY PENSION BENEFITS FOR**
 29 **RETIRED MEMBERS OF THE NORTH CAROLINA NATIONAL GUARD**

30 **SECTION 22.20.** G.S. 127A-40(a) reads as rewritten:

31 "(a) Every member and former member of the North Carolina national guard who
 32 meets the requirements hereinafter set forth shall receive, commencing at age 60, a
 33 pension of ~~seventy five dollars (\$75.00)~~ eighty dollars (\$80.00) per month for 20 years'
 34 creditable military service with an additional ~~seven dollars and fifty cents (\$7.50)~~ eight
 35 dollars (\$8.00) per month for each additional year of such service; provided, however,
 36 that the total pension shall not exceed ~~one hundred fifty dollars (\$150.00)~~ one hundred
 37 sixty dollars (\$160.00) per month. The requirements for such pension are that each
 38 member shall:

- 39 (1) Have served and qualified for at least 20 years' creditable military
 40 service, including national guard, reserve and active duty, under the
 41 same requirement specified for entitlement to retired pay for
 42 nonregular service under Chapter 67, Title 10, United States Code.
- 43 (2) Have at least 15 years of the aforementioned service as a member of
 44 the North Carolina national guard.
- 45 (3) Have received an honorable discharge from the North Carolina
 46 national guard."
 47

48 **PART XXIII. CAPITAL APPROPRIATIONS**

49 **CAPITAL APPROPRIATIONS/GENERAL FUND**

50 **SECTION 23.1.** There is appropriated from the General Fund for the
 51 2006-2007 fiscal year the following amounts for capital improvements:
 52

53 **Capital Improvements – General Fund**

2006-2007

1	Department of Administration	
2	Veterans Affairs Nursing Home	\$8,773,300
3		
4	Department of Agriculture and Consumer Services	
5	Veterinary Laboratory System Study and Planning Funds	1,250,000
6	Rollins Laboratory – Bio Security Level 2 Lab Conversion	250,000
7	Oxford Complex Planning and Design Funds	1,000,000
8		
9	Department of Commerce	
10	NC Ports Authority Container Cranes	7,500,000
11		
12	Department of Correction	
13	Regional Medical Center and Mental Health Center	20,000,000
14		
15	Department of Crime Control and Public Safety	
16	Emergency Management Operations Center	8,500,000
17	Marion Transportation Center Motor Fleet Lot	222,700
18		
19	Department of Cultural Resources	
20	North Carolina History Education Center Planning Funds	3,000,000
21	Palmer Memorial Institute State Historic Site Renovations	2,800,000
22		
23	Department of Environment and Natural Resources	
24	Water Resources Development Projects	20,000,000
25	NC Zoo Storage Shed	452,800
26	Forest Resources District 9 Headquarters	2,164,500
27		
28	Office of State Budget and Management	
29	State Facilities Master Plan	1,000,000
30		
31	University of North Carolina System	
32	University of North Carolina at Wilmington –	
33	School of Nursing	27,000,000
34		
35	Appalachian State University College of Education	
36	Building Planning Funds	1,820,000
37		
38	Elizabeth City State University Parking Lots and	
39	Street Repair	1,900,000
40		
41	Fayetteville State University Science and Technology	
42	Complex Planning Funds	1,144,000
43		
44	North Carolina Agricultural and Technical State	
45	University General Classroom Facility Planning Funds	1,040,000
46		
47	North Carolina Central University	
48	Biomanufacturing Research Institute and Technology	
49	Enterprise (BRITE)	2,300,000
50	Repairs to Steam Lines	6,400,000
51		
52	North Carolina School of the Arts Library Planning Funds	1,258,400
53		
54	North Carolina State University	
55	Engineering Complex III Planning and Design Funds	5,280,303

1	Veterinary Hospital Planning Funds	7,000,000
2		
3	University of North Carolina at Asheville Rhodes Hall	
4	Renovation Planning Funds	416,000
5		
6	University of North Carolina at Chapel Hill Genomics	
7	Science Building Planning and Design Funds	10,313,988
8		
9	University of North Carolina at Charlotte Center City	
10	Classroom Building Planning and Design Funds	3,392,100
11		
12	University of North Carolina at Greensboro Academic	
13	Classroom and Office Building Planning Funds	2,279,028
14		
15	University of North Carolina at Pembroke Residence	
16	Hall Planning Funds	1,040,000
17		
18	Western Carolina University School of Health and	
19	Gerontological Building Planning Funds	2,402,661
20		
21	Winston Salem State University Student Activities Center	
22	Planning Funds	768,225
23		
24	Dental Schools Study, Planning, and Design Funds	7,000,000
25		
26	TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	\$159,668,005

WATER RESOURCES DEVELOPMENT PROJECT FUNDS

SECTION 23.2.(a) The Department of Environment and Natural Resources shall allocate the funds appropriated in this act for water resources development projects to the following projects whose costs are as indicated:

	Name of Project	2006-2007
32		
33	(1) Wilmington Harbor Deepening	\$ 5,275,000
34	(2) Morehead City Harbor Sand Management	1,200,000
35	(3) Manteo (Shallowbag) Bay Channel Maintenance	-
36	(4) Wilmington Harbor Maintenance Dredging	-
37	(5) Morehead City Harbor Maintenance Dredging	0
38	(6) Carolina Beach Renourishment	1,125,000
39	(7) Carolina Beach Renourishment (Kure Beach)	681,000
40	(8) Brunswick County Beaches Study	0
41	(9) Ocean Isle Beach Renourishment (Brunswick County)	435,000
42	(10) Beaufort Harbor Maintenance Dredging	300,000
43	(11) B. Everett Jordan Reservoir Water Supply Storage	100,000
44	(12) Aquatic Weed Control – Lake Gaston and Statewide	400,000
45	(13) Waterway Connecting Pamlico Sound to Beaufort Harbor (Carteret)	400,000
46	(14) John H. Kerr Reservoir Operations Evaluation	188,000
47	(15) Currituck Sound Water Management Study	386,000
48	(16) Surf City / North Topsail Beach Protection Study	-
49	(17) West Onslow Beach (Topsail) Study (Pender County)	85,000
50	(18) Hurricane Stream Restoration – Western NC (Phase II)	2,000,000
51	(19) Hurricane Isabel Emergency Management	
52	Stream Cleanup (Phase III)	850,000
53	(20) Bogue Banks Shore Protection Study (Carteret County)	-
54	(21) Neuse River Basin Study	280,000
55	(22) Beach and Inlet Management Study	500,000

1	(23) Dredging Contingency Fund	2,295,000
2	(24) Topsail Beach Renourishment	500,000
3	(25) State – Local Projects	3,000,000
4	TOTALS	\$ 20,000,000

5 **SECTION 23.2.(b)** Where the actual costs are different from the estimated
6 costs under subsection (a) of this section, the Department may adjust the allocations
7 among projects as needed. If any projects funded under subsection (a) of this section are
8 delayed and the budgeted State funds cannot be used during the 2006-2007 fiscal year,
9 or if the projects funded under subsection (a) of this section are accomplished at a lower
10 cost, the Department may use the resulting fund availability to fund any of the
11 following:

- 12 (1) U.S. Army Corps of Engineers project feasibility studies.
- 13 (2) U.S. Army Corps of Engineers projects whose schedules have
14 advanced and require State-matching funds in fiscal year 2006-2007.
- 15 (3) State-local water resources development projects.

16 Funds not expended or encumbered for these purposes shall revert to the
17 General Fund at the end of the 2007-2008 fiscal year.

18 **SECTION 23.2.(c)** The Department shall make semiannual reports on the
19 use of these funds to the Joint Legislative Commission on Governmental Operations,
20 the Fiscal Research Division, and the Office of State Budget and Management. Each
21 report shall include all of the following:

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

28 The semiannual reports shall also show those projects advanced in schedule,
29 those projects delayed in schedule, and an estimate of the amount of funds expected to
30 revert to the General Fund.

31 **REPAIRS AND RENOVATIONS RESERVE ALLOCATION**

32 **SECTION 23.3.** Of the funds in the Reserve for Repairs and Renovations
33 for the 2006-2007 fiscal year, forty-six percent (46%) shall be allocated to the Board of
34 Governors of The University of North Carolina for repairs and renovations pursuant to
35 G.S. 143-15.3A, in accordance with guidelines developed in The University of North
36 Carolina Funding Allocation Model for Reserve for Repairs and Renovations, as
37 approved by the Board of Governors of The University of North Carolina, and fifty-four
38 percent (54%) shall be allocated to the Office of State Budget and Management for
39 repairs and renovations pursuant to G.S. 143-15.3A.

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

46 The Board of Governors and the Office of State Budget and Management
47 shall consult with the Joint Legislative Commission on Governmental Operations prior
48 to the allocation or reallocation of these funds.

49 **STATE FACILITIES MASTER PLAN**

50 **SECTION 23.10.(a)** Of the funds appropriated to the Office of State Budget
51 and Management, up to one million dollars (\$1,000,000) shall be used to contract with a
52 consultant for the development of a new master plan for State facilities. In developing
53
54

1 this master plan, the consultant shall address the following as it relates to State
2 operations in Wake County:

- 3 (1) Inventory existing State real property, including land, buildings, and
4 land allocations to State agencies.
- 5 (2) Inventory lease space occupied by State agencies.
- 6 (3) Survey State agencies capital improvement needs, including the State's
7 Six-Year Capital Improvement Plan.
- 8 (4) Project the growth in personnel needed to support State operations.
- 9 (5) Analyze State agencies' existing facilities and requested capital
10 improvements against program missions, goals, and operations.
- 11 (6) Recommend a facilities master plan for State operations that meets the
12 facilities needs of State agencies and makes efficient use of State land
13 and buildings.
- 14 (7) Recommend State agency operations that should be relocated from the
15 City of Raleigh to achieve subsection (a)(6) of this section.
- 16 (8) Recommend a transit plan for State operations that may include the use
17 of parking structures, public transit, and park and ride facilities.
- 18 (9) Recommend an implementation plan for the facilities master plan. The
19 implementation plan shall include the sequencing of proposed capital
20 improvement projects and a proposal for financing the facilities master
21 plan. The implementation plan shall be consistent with capital
22 planning efforts in the Office of State Budget and Management.

23 **SECTION 23.10.(b)** If funds authorized in subsection (a) of this section are
24 sufficient, the Office of State Budget and Management shall expand the scope of the
25 facilities master plan to include State operations outside of Wake County.

26 **SECTION 23.10.(c)** The Office of State Budget and Management shall
27 deliver the facilities master plan to the Joint Legislative Oversight Committee on
28 Capital Improvements by October 1, 2007.

29 **UNC-CH/ECU DENTAL SCHOOLS**

30 **SECTION 23.11.(a)** Of the funds appropriated by this act to the Board of
31 Governors of The University of North Carolina for the 2006-2007 fiscal year the sum of
32 seven million dollars (\$7,000,000) shall be used as follows: (i) to complete the plan and
33 design for expanding the School of Dentistry at the University of North Carolina at
34 Chapel Hill, (ii) to conduct a study regarding the feasibility of establishing a School of
35 Dentistry at East Carolina University and the impact that the School would have on the
36 other dental programs provided by The University of North Carolina, and (iii) if the
37 Board of Governors determines that it is appropriate to establish a School of Dentistry at
38 East Carolina University based on the findings and recommendations of the feasibility
39 study, to provide advance planning funds to East Carolina University for the capital
40 improvements needed to establish a new dental school. The funds allocated by this
41 section to East Carolina University shall be held in reserve by the Board of Governors
42 and shall be allocated to East Carolina University only if the Board of Governors
43 decides that it is appropriate to establish a School of Dentistry at that University.

44 **SECTION 23.11.(b)** The Board of Governors may contract with a private
45 consultant to conduct the feasibility study required by subsection (a) of this section.

46 **PART XXIV. TAX REDUCTIONS**

47 **REDUCE SALES TAX RATE EARLY**

48 **SECTION 24.1.(a)** Section 34.13(c) of S.L. 2001-424, as amended by
49 Section 38.1 of S.L. 2003-284, Section 9.1 of S.L. 2005-144, and Section 33.1 of S.L.
50 2005-276, reads as rewritten:

51 **"SECTION 34.13.(c)** This section becomes effective October 16, 2001, and applies
52 to sales made on or after that date. ~~This section is repealed effective for sales made on~~
53
54
55

1 ~~or after July 1, 2007.~~ This section does not affect the rights or liabilities of the State, a
2 taxpayer, or another person arising under a statute amended or repealed by this section
3 before the effective date of its amendment or repeal; nor does it affect the right to any
4 refund or credit of a tax that accrued under the amended or repealed statute before the
5 effective date of its amendment or repeal."

6 **SECTION 24.1.(b)** G.S. 105-164.4(a), as amended by subsection (a) of this
7 section, reads as rewritten:

8 "(a) A privilege tax is imposed on a retailer at the following percentage rates of
9 the retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is
10 four and ~~one-half percent (4 1/2%)~~. one-quarter percent (4.25%).

11 ..."

12 **SECTION 24.1.(c)** G.S. 105-164.4(a), as amended by subsections (a) and
13 (b) of this section, reads as rewritten:

14 "(a) A privilege tax is imposed on a retailer at the following percentage rates of
15 the retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is
16 four ~~and one-quarter percent (4.25%)~~. percent (4%).

17 ..."

18 **SECTION 24.1.(d)** G.S. 105-164.44F (a) reads as rewritten:

19 "(a) Amount. – The Secretary must distribute to the cities part of the taxes
20 imposed by G.S. 105-164.4(a)(4c) on telecommunications service. The Secretary must
21 make the distribution within 75 days after the end of each calendar quarter. The amount
22 the Secretary must distribute is ~~eighteen and three one-hundredths percent (18.03%)~~
23 eighteen and seventy one-hundredths percent (18.70%) of the net proceeds of the taxes
24 collected during the quarter, minus two million six hundred twenty thousand nine
25 hundred forty-eight dollars (\$2,620,948). This deduction is one-fourth of the annual
26 amount by which the distribution to cities of the gross receipts franchise tax on
27 telephone companies, imposed by former G.S. 105-120, was required to be reduced
28 beginning in fiscal year 1995-96 as a result of the "freeze deduction." The Secretary
29 must distribute the specified percentage of the proceeds, less the "freeze deduction"
30 among the cities in accordance with this section."

31 **SECTION 24.1.(e)** G.S. 105-164.44F(a), as amended by subsection (d) of
32 this section, reads as rewritten:

33 "(a) Amount. – The Secretary must distribute to the cities part of the taxes
34 imposed by G.S. 105-164.4(a)(4c) on telecommunications service. The Secretary must
35 make the distribution within 75 days after the end of each calendar quarter. The amount
36 the Secretary must distribute is ~~eighteen and seventy one-hundredths percent~~
37 ~~(18.70%)~~ nineteen and forty-two one-hundredths percent (19.42%) of the net proceeds of
38 the taxes collected during the quarter, minus two million six hundred twenty thousand
39 nine hundred forty-eight dollars (\$2,620,948). This deduction is one-fourth of the
40 annual amount by which the distribution to cities of the gross receipts franchise tax on
41 telephone companies, imposed by former G.S. 105-120, was required to be reduced
42 beginning in fiscal year 1995-96 as a result of the "freeze deduction." The Secretary
43 must distribute the specified percentage of the proceeds, less the "freeze deduction"
44 among the cities in accordance with this section."

45 **SECTION 24.1.(f)** Subsection (b) of this section becomes effective January
46 1, 2007, and applies to sales made on or after that date. Subsection (d) of this section
47 becomes effective January 1, 2007, and applies to taxes collected on or after that date.
48 Subsection (c) of this section becomes effective July 1, 2007, and applies to sales made
49 on or after that date. Subsection (e) of this section becomes effective July 1, 2007, and
50 applies to taxes collected on or after that date. The remainder of this section is effective
51 when it becomes law.

52 **REDUCE INDIVIDUAL UPPER INCOME TAX RATE EARLY**

53 **SECTION 24.2.(a)** Section 39.1 of S.L. 2003-284, as amended by Section
54 36.1(a) of S.L. 2005-276, is repealed.
55

1 **SECTION 24.2.(b)** G.S. 105-134.2(a), as amended by subsection (a) of this
 2 section, reads as rewritten:

3 "(a) A tax is imposed upon the North Carolina taxable income of every individual.
 4 The tax shall be levied, collected, and paid annually and shall be computed at the
 5 following percentages of the taxpayer's North Carolina taxable income.

6 (1) For married individuals who file a joint return under G.S. 105-152 and
 7 for surviving spouses, as defined in section 2(a) of the Code:

Over	Up To	Rate
0	\$21,250	6%
\$21,250	\$100,000	7%
\$100,000	\$200,000	7.75%
\$200,000	NA	8.25% <u>8.125%</u>

15 (2) For heads of households, as defined in section 2(b) of the Code:

Over	Up To	Rate
0	\$17,000	6%
\$17,000	\$80,000	7%
\$80,000	\$160,000	7.75%
\$160,000	NA	8.25% <u>8.125%</u>

23 (3) For unmarried individuals other than surviving spouses and heads of
 24 households:

Over	Up To	Rate
0	\$12,750	6%
\$12,750	\$60,000	7%
\$60,000	\$120,000	7.75%
\$120,000	NA	8.25% <u>8.125%</u>

32 (4) For married individuals who do not file a joint return under
 33 G.S. 105-152:

Over	Up To	Rate
0	\$10,625	6%
\$10,625	\$50,000	7%
\$50,000	\$100,000	7.75%
\$100,000	NA	8.25% <u>8.125%</u>

40 **SECTION 24.2.(c)** G.S. 105-134.2(a), as amended by subsections (a) and
 41 (b) of this section, reads as rewritten:

42 "(a) A tax is imposed upon the North Carolina taxable income of every individual.
 43 The tax shall be levied, collected, and paid annually and shall be computed at the
 44 following percentages of the taxpayer's North Carolina taxable income.

45 (1) For married individuals who file a joint return under G.S. 105-152 and
 46 for surviving spouses, as defined in section 2(a) of the Code:

Over	Up To	Rate
0	\$21,250	6%
\$21,250	\$100,000	7%
\$100,000	\$200,000 NA	7.75%
\$200,000	NA	8.125%

54 (2) For heads of households, as defined in section 2(b) of the Code:

	Over	Up To	Rate
1	0	\$17,000	6%
2	\$17,000	\$80,000	7%
3	\$80,000	\$160,000	7.75%
4	\$160,000	NA	8.125%

(3) For unmarried individuals other than surviving spouses and heads of households:

	Over	Up To	Rate
10	0	\$12,750	6%
11	\$12,750	\$60,000	7%
12	\$60,000	\$120,000	7.75%
13	\$120,000	NA	8.125%

(4) For married individuals who do not file a joint return under G.S. 105-152:

	Over	Up To	Rate
19	0	\$10,625	6%
20	\$10,625	\$50,000	7%
21	\$50,000	\$100,000	7.75%
22	\$100,000	NA	8.125%."

SECTION 24.2.(d) Subsection (b) of this section is effective for taxable years beginning on or after January 1, 2007. Subsection (c) of this section is effective for taxable years beginning on or after January 1, 2008. The remainder of this section is effective when it becomes law.

SECTION 24.3. Reserved.

SMALL BUSINESS HEALTH INSURANCE TAX CREDIT

SECTION 24.4.(a) Article 3B of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-129.16E. Credit for small business employee health benefits.

(a) Credit. – A small business that provides health benefits for all of its eligible employees during the taxable year is allowed a credit to offset its costs in providing health benefits for its eligible employees. For the purposes of this subsection, a taxpayer provides health benefits if it pays at least fifty percent (50%) of the premiums for health care coverage that equals or exceeds the minimum provisions of the basic health care plan of coverage recommended by the Small Employer Carrier Committee pursuant to G.S. 58-50-125.

The credit is equal to a dollar amount per eligible employee, not to exceed the taxpayer's costs of providing health benefits for its eligible employees during the taxable year. For each eligible employee for whom the taxpayer provides health benefits, the amount is two hundred dollars (\$200.00).

(b) Allocation. – If the taxpayer is an individual who is a nonresident or a part-year resident, the taxpayer must reduce the amount of the credit by multiplying it by the fraction calculated under G.S. 105-134.5(b) or (c), as appropriate. If the taxpayer is not an individual and is required to apportion its multistate business income to this State, the taxpayer must reduce the amount of the credit by multiplying it by the apportionment fraction used to apportion its business income to this State.

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

(1) Eligible employee. – Defined in G.S. 58-50-110.

(2) Small business. – A taxpayer that employs no more than 25 eligible employees throughout the taxable year.

(d) No Double Benefit. – A taxpayer may not claim a credit under this section for costs for which it claimed a deduction under the Code. A taxpayer that claims a credit

1 provided under this section must adjust taxable income as provided in
2 G.S. 105-130.5(a)(19) or G.S. 105-134.6(c)(11), as applicable.

3 (e) Sunset. – This section expires for taxable years beginning on or after January
4 1, 2010."

5 **SECTION 24.4.(b)** G.S. 105-130.5(a) is amended by adding a new
6 subdivision to read:

7 "(a) The following additions to federal taxable income shall be made in
8 determining State net income:

9 ..
10 (19) To the extent not included in federal taxable income, the costs of
11 providing employee health benefits for which the taxpayer claims a
12 credit under G.S. 105-129.16E."

13 **SECTION 24.4.(c)** G.S. 105-134.6(c) is amended by adding a new
14 subdivision to read:

15 "(c) Additions. – The following additions to taxable income shall be made in
16 calculating North Carolina taxable income, to the extent each item is not included in
17 taxable income:

18 ..
19 (11) The costs of providing employee health benefits for which the
20 taxpayer claims a credit under G.S. 105-129.16E."

21 **SECTION 24.4.(d)** This section is effective for taxable years beginning on
22 or after January 1, 2007.

23 **EXPAND DEFINITION OF DEVELOPMENT ZONE**

24 **SECTION 24.5.(a)** G.S. 105-129.3A(a) reads as rewritten:

25 "(a) Development Zone Defined. – A development zone is an area comprised of
26 either an economic development and training district as defined by G.S. 153A-317.12 or
27 one or more contiguous census tracts, census block groups, or both in the most recent
28 federal decennial census that meets all of the following conditions:

- 29
- 30 (1) Every census tract and census block group in the zone is located in
31 whole or in part within the primary corporate limits of a city with a
32 population of more than 5,000 according to the most recent annual
33 population estimates certified by the State Budget Officer.
 - 34 (2) It has a population of 1,000 or more according to the most recent
35 annual population estimates certified by the State Budget Officer.
 - 36 (3) More than twenty percent (20%) of its population is below the poverty
37 level according to the most recent federal decennial census.
 - 38 (4) Every census tract and census block group in the zone meets at least
39 one of the following conditions:
 - 40 a. More than ten percent (10%) of its population is below the
41 poverty level according to the most recent federal decennial
42 census.
 - 43 b. It is immediately adjacent to another census tract or census
44 block group that is in the same zone and has more than twenty
45 percent (20%) of its population below the poverty level
46 according to the most recent federal decennial census.
 - 47 (5) None of the census tracts or census block groups in the zone is located
48 in another development zone designated by the Secretary of
49 Commerce."

50 **SECTION 24.5.(b)** This section is effective for taxable years beginning on
51 or after January 1, 2004.

52 **EXTEND SUNSET ON SALES AND USE TAX REFUND FOR AVIATION** 53 **FUEL FOR MOTORSPORTS RACING TEAMS**

54 **SECTION 24.6.(a)** G.S. 105-164.14(l) reads as rewritten:
55

"(l) Aviation Fuel for Motorsports Events. – A motorsports racing team or a motorsports sanctioning body is allowed a refund of the sales and use tax paid by it in this State on aviation fuel that is used to travel to or from a motorsports event in this State, to travel to a motorsports event in another state from a location in this State, or to travel to this State from a motorsports event in another state. For the purposes of this subsection, a "motorsports event" includes a motorsports race, a motorsports sponsor event, and motor sports testing. A request for a refund must be in writing and must include any information and documentation the Secretary requires. A request for a refund is due within six months after the end of the State's fiscal year. Refunds applied for after the due date are barred. This subsection is repealed for purchases made on or after January 1, 2009."

SECTION 24.6.(b) Section 62 of S.L. 2005-435 reads as rewritten:

"SECTION 62. This part becomes effective January 1, 2005, and applies to purchases made on or after that date. ~~This part~~ Section 61 is repealed effective for purchases made on or after January 1, 2007. This part does not affect the rights or liabilities of the State, a taxpayer, or another person arising under a statute amended or repealed by this part before the effective date of its amendment or repeal; nor does it affect the right to any refund or credit of a tax that accrued under the amended or repealed statute before the effective date of its amendment or repeal."

SECTION 24.6.(c) This section is effective when it becomes law.

ETHYL ALCOHOL TAX CREDIT AND SALES TAX REFUND

SECTION 24.7.(a) G.S. 105-129.16D is recodified as G.S. 105-129.71.

SECTION 24.7.(b) Chapter 105 of the General Statutes is amended by adding a new Article to read:

"Article 3H.

"Tax Incentives for Renewable Fuel.

"§ 105-129.70. Definitions.

The following definitions apply in this Article:

(1) Cost. – In the case of property owned by the taxpayer, cost is determined pursuant to regulations adopted under section 1012 of the Code, subject to the limitation on cost provided in section 179 of the Code. In the case of property the taxpayer leases from another, cost is value as determined pursuant to G.S. 105-130.4(j)(2).

(2) Renewable fuel. – Either of the following:

a. Biodiesel, as defined in G.S. 105-449.60.

b. Ethanol either unmixed or in mixtures with gasoline that are seventy percent (70%) or more ethanol by volume.

"§ 105-129.71. Credit for constructing renewable fuel facilities.

(a) Dispensing Credit. – A taxpayer that constructs and installs and places in service in this State a qualified commercial facility for dispensing renewable fuel is allowed a credit equal to fifteen percent (15%) of the cost to the taxpayer of constructing and installing the part of the dispensing facility, including pumps, storage tanks, and related equipment, that is directly and exclusively used for dispensing or storing renewable fuel. A facility is qualified if the equipment used to store or dispense renewable fuel is labeled for this purpose and clearly identified as associated with renewable fuel.

The entire credit may not be taken for the taxable year in which the facility is placed in service but must be taken in three equal annual installments beginning with the taxable year in which the facility is placed in service. If, in one of the years in which the installment of a credit accrues, the portion of the facility directly and exclusively used for dispensing or storing renewable fuel is disposed of or taken out of service, the credit expires and the taxpayer may not take any remaining installment of the credit. The taxpayer may, however, take the portion of an installment that accrued in a previous

1 year and was carried forward to the extent permitted under ~~G.S. 105-129.17~~G.S. 105-
2 129.72.

3 (b) Twenty-five Percent Production Credit. – A taxpayer that constructs and
4 places in service in this State a commercial facility for processing renewable fuel and
5 that invests at least one hundred fifty million dollars (\$150,000,000) in the facility is
6 allowed a credit equal to twenty-five percent (25%) of the cost to the taxpayer of
7 constructing and equipping the facility. The taxpayer must obtain a written
8 determination from the Secretary of Commerce that the taxpayer is expected to invest
9 within a three-year period at least one hundred fifty million (\$150,000,000) in the
10 facility. The entire credit may not be taken for the taxable year in which the facility is
11 placed in service but must be taken in seven equal annual installments beginning with
12 the taxable year in which the facility is placed in service. If, in one of the years in which
13 the installment of a credit accrues, the facility with respect to which the credit was
14 claimed is disposed of or taken out of service, the credit expires and the taxpayer may
15 not take any remaining installment of the credit. The taxpayer may, however, take the
16 portion of an installment that accrued in a previous year and was carried forward to the
17 extent permitted under ~~G.S. 105-129.17~~G.S. 105-129.72.

18 (b1) Thirty-five Percent Production Credit. – A taxpayer that constructs and places
19 in service in this State three or more commercial facilities for processing renewable fuel
20 and that invests a total amount of at least four hundred million dollars (\$400,000,000) in
21 the facilities is allowed a credit equal to thirty-five percent (35%) of the cost to the
22 taxpayer of constructing and equipping the facilities. The taxpayer must obtain a
23 written determination from the Secretary of Commerce that the taxpayer is expected to
24 invest within a five-year period a total amount of at least four hundred million
25 (\$400,000,000) in three or more facilities. The credit must be taken in seven equal
26 annual installments beginning with the taxable year in which the first facility is placed
27 in service. If, in one of the years in which the installment of credit accrues, a facility
28 with respect to which the credit was claimed is disposed of or taken out of service, the
29 credit expires and the taxpayer may not take any remaining installment of credit. The
30 taxpayer may, however, take the portion of an installment that accrued in a previous
31 year and was carried forward to the extent permitted under G.S. 105-129.72.

32 (c) No Double Credit. – A taxpayer may take the thirty-five percent (35%) credit
33 allowed under this section or the twenty-five percent (25%) credit allowed under this
34 section during a taxable year with respect to a facility, but may not take both credits
35 with respect to the same facility. A taxpayer that claims any other credit allowed under
36 this Chapter with respect to the costs of constructing and installing a facility may not
37 take ~~the a~~ credit allowed in this section with respect to the same costs.

38 (d) ~~Sunset.~~ ~~This section is repealed effective for facilities placed in service on~~
39 ~~or after January 1, 2008.~~

40 **"§ 105-129.72. Allocation; cap; carryforward.**

41 (a) Allocation. – The credit allowed by this Article may be taken against the
42 franchise tax levied under Article 3 of this Chapter and the income taxes levied under
43 Article 4 of this Chapter. When the taxpayer claims an installment of a credit under this
44 Article, the taxpayer must elect the percentage of the installment to be applied against
45 the tax levied under Article 3 of this Chapter with any remaining percentage to be
46 applied against the tax levied under Article 4 of this Chapter. This election is not
47 binding for the year in which it is made or for any carryforwards of that installment. A
48 taxpayer may elect a different allocation for each year in which the taxpayer claims an
49 installment of a credit.

50 (b) Cap. – The amount of credit claimed in a taxable year under this Article may
51 not exceed the total amount of tax imposed under Articles 3 and 4 of this Chapter
52 combined.

53 (c) Carryforward. – Any unused portion of a credit allowed under this Article
54 may be carried forward for the next succeeding 25 years. A successor in business may

1 take the credits of a predecessor as if they were carryforwards of a credit allowed to the
2 successor in business.

3 **"§ 105-129.73. Forfeiture.**

4 A taxpayer forfeits the twenty-five percent (25%) production credit under G.S. 105-
5 129.71(b), if the taxpayer fails to meet the level of investment required under that
6 subsection within the required period. A taxpayer that claimed a thirty-five percent
7 (35%) production credit under G.S. 105-129.71(b1) and fails to make the level of
8 investment required under that subsection within the required period, but does make the
9 level of investment required under subsection (b) of that section within the required
10 period with respect to one or more facilities forfeits the amount of credit claimed under
11 G.S.105-129.71(b1) in excess of the amount that would have been allowed under G.S.
12 105-129.71(b). A taxpayer that claimed a thirty-five percent (35%) production credit un
13 G.S. 105-129.71(b1) and fails to make the level of investment required under that
14 subsection and fails to make the level of investment required under G.S. 105-129.71(b)
15 with respect to any facility forfeits the entire credit. A taxpayer that forfeits a credit
16 under this Article is liable for all past taxes avoided as a result of the credit plus interest
17 at the rate established under G.S. 105-241.1(i), computed from the date the taxes would
18 have been due if the credit had not been allowed. The past taxes and interest are due 30
19 days after the date the credit is forfeited. A taxpayer that fails to pay the past taxes and
20 interest by the due date is subject to penalties provided in G.S. 105-236.

21 **"§ 105-129.74. Substantiation.**

22 To claim a credit allowed by this Article, the taxpayer shall provide any information
23 required by the Secretary of Revenue. Every taxpayer claiming a credit under this
24 Article shall maintain and make available for inspection by the Secretary of Revenue
25 any records the Secretary considers necessary to determine and verify the amount of the
26 credit to which the taxpayer is entitled. The burden of proving eligibility for a credit and
27 the amount of the credit rests upon the taxpayer, and no credit may be allowed to a
28 taxpayer that fails to maintain adequate records or to make them available for
29 inspection.

30 **"§ 105-129.75. Reports.**

31 The Department of Revenue must publish by May 1 of each year the following
32 information, itemized by taxpayer, for the 12-month period ending the preceding
33 December 31:

- 34 (1) The number of taxpayers that took the credits allowed in this Article.
- 35 (2) The cost of renewable fuel facilities with respect to which credits were
36 taken.
- 37 (3) The total cost to the General Fund of the credits taken.

38 **"§ 105-129.76. Sunset.**

39 This article is repealed effective for facilities placed in service on or after January 1,
40 2011."

41 **SECTION 24.7.(c)** G.S. 105-164.14(j)(3) reads as rewritten:

42 "(j) Certain Industrial Facilities. – The owner of an eligible facility is allowed an
43 annual refund of sales and use taxes as provided in this subsection.

44
45 (3) Industries. – This subsection applies to the following industries:

46
47 h. Nonpotable ethyl alcohol manufacturing.

48 "

49 **SECTION 24.7.(d)** Subsections (a) and (b) of this section are effective for
50 taxable years beginning on or after January 1, 2006. Subsection (c) of this section
51 becomes effective January 1, 2006, and applies to purchases made on or after that date.
52 The remainder of this section is effective when it becomes law.

53
54 **TAX CREDIT FOR BIODIESEL PROVIDERS**

1 **SECTION 24.8.(a)** Part 4 of Article 36C of Chapter 105 of the General
2 Statutes is amended by adding a new section to read:

3 **"§ 105-449.103. Credit for biodiesel providers.**

4 (a) Credit. – A biodiesel provider or refiner who imports or produces biodiesel is
5 allowed a credit against the tax imposed by this Article on that portion of the biodiesel
6 that is derived in whole from agricultural products or animal fats or wastes from these
7 products or fats. The credit is equal to the amount of taxes paid under this Article on
8 the applicable portion. In order to be eligible for the credit allowed by this section, the
9 taxpayer shall be licensed as required by G.S. 105-446.65 and shall file a return
10 reporting fuel movement information as required by G.S. 105-449.96.

11 (b) Transfer from General Fund. – The Secretary shall withhold from the net
12 collections under Article 5 of this Chapter on a monthly basis an amount equal to the
13 total amount of credits claimed under this section. The Secretary shall allocate the
14 funds withheld under this subsection in the same manner as under G.S. 105-449.125.

15 (c) Sunset. – The section is repealed January 1, 2011."

16 **SECTION 24.8(b)** This section becomes effective January 1, 2008.

17
18 **SALES AND USE TAX RATE REDUCTION ON RESEARCH AND**
19 **DEVELOPMENT EQUIPMENT**

20 **SECTION 24.9.(a)** G.S. 105-187.51B reads as rewritten:

21 **"§ 105-187.51B. Tax imposed on ~~recycling equipment, certain recyclers and~~**
22 **research and development companies.**

23 (a) Tax. – A privilege tax is imposed on ~~a~~ the following:

24 (1) A major recycling facility that purchases any of the following tangible
25 personal property for use in connection with the facility:

26 ~~(1)~~a. Cranes, structural steel crane support systems, and foundations
27 related to the cranes and support systems.

28 ~~(2)~~b. Port and dock facilities.

29 ~~(3)~~c. Rail equipment.

30 ~~(4)~~d. Material handling equipment.

31 (2) An eligible research and development company that purchases
32 equipment or an attachment or repair part for equipment that meets all
33 of the following requirements:

34 a. Is capitalized by the company for tax purposes under the Code.

35 b. Is used by the company in the research and development of
36 tangible personal property.

37 c. Would be considered mill machinery under G.S. 105-187.51 if
38 it were purchased by a manufacturing industry or plant and used
39 in the research and development of tangible personal property
40 manufactured by the industry or plant.

41 (b) Rate. – The tax is one percent (1%) of the sales price of the equipment or
42 other tangible personal property. The maximum tax is eighty dollars (\$80.00) per
43 article."

44 **SECTION 24.9.(b)** G.S 105-187.50 reads as rewritten:

45 **"§ 105-187.50. Definitions.**

46 The definitions in G.S 105-164.3 apply in this Article. In addition, the following
47 definitions apply in this Article:

48 (1) NAICS. – Defined in G.S. 105-129.2.

49 (2) Eligible research and development company. – A company that
50 performs research and development and is in one of the following
51 NAICS industry classifications:

52 a. Internet service providers, Web search portals, and data
53 processing subsector 518 as defined by NAICS.

54 b. Software publishers industry group 5112 as defined by NAICS.

1 c. Computer systems design and related services industry group
2 5415 as defined by NAICS.

3 d. Research and development in the physical, engineering, and life
4 sciences industry 54171 as defined by NAICS."

5 **SECTION 24.9.(c)** This section becomes effective January 1, 2007, and
6 applies to purchases made on or after that date.

7
8 **PART XXIV-A. SALES TAX CHANGE**

9
10 **NO SALES TAX REFUND FOR ALCOHOL PURCHASES**

11 **SECTION 24A.1.(a)** G.S. 105-164.14 is amended by adding a new
12 subsection to read:

13 "(d1) Alcoholic Beverages. – The refunds authorized by this section do not apply to
14 purchases of alcoholic beverages, as defined in G.S. 18B-101."

15 **SECTION 24A.1.(b)** This section becomes effective July 1, 2006, and
16 applies to purchases made on or after that date.

17
18 **PART XXV. RESERVED**

19
20 **PART XXVI. SET REGULATORY FEES**

21
22 **SET UTILITIES REGULATORY FEE**

23 **SECTION 26.1.(a)** The percentage rate to be used in calculating the public
24 utility fee under G.S. 62-302(b)(2) is twelve-hundredths of one percent (0.12%) for each
25 public utility's North Carolina jurisdictional revenues earned during each quarter that
26 begins on or after July 1, 2006.

27 **SECTION 26.1.(b).** The electric membership corporation regulatory fee
28 imposed under G.S. 62-302(b1) for the 2006-2007 fiscal year is two hundred thousand
29 dollars (\$200,000).

30
31 **SET INSURANCE REGULATORY FEE**

32 **SECTION 26.2.** The percentage rate to be used in calculating the insurance
33 regulatory charge under G.S. 58-6-25 is five and one-half percent (5.5%) for the 2006
34 calendar year.

35
36 **PART XXVII. RESERVED**

37
38 **PART XXVII-A. HEALTH AND HUMAN SERVICES FEES**

39
40 **PRIVATE WELL-WATER TESTING FEE**

41 **SECTION 27A.1.(a)** G.S. 130A-5 is amended by adding the following new
42 subdivision to read:

43 **"§ 130A-5. Duties of the Secretary.**

44 The Secretary shall have the authority:

45 ...
46 (16) To charge a fee of up to fifty-five dollars (\$55.00) for analyzing
47 private well-water samples sent to the State Laboratory of Public
48 Health by local health departments. The fee shall be imposed only for
49 analyzing samples from newly constructed wells. The fee shall be
50 computed annually by the Director of the State Laboratory of Public
51 Health by analyzing the previous year's testing at the State Laboratory
52 of Public Health, and applying the amount of the total cost of the
53 private well-water testing , minus State appropriations that support this
54 effort. The fee includes the charge for the private well-water panel test
55 kit."

1 **SECTION 27A.1.(b)** The Department of Health and Human Services,
 2 Division of Public Health, shall use funds available for the 2006-2007 fiscal year to pay
 3 for positions for the private well water safety program authorized in the Current
 4 Operations and Capital Improvements Appropriations Act of 2006. Funds realized from
 5 fees collected during the 2006-2007 fiscal year shall be used to replace available funds
 6 authorized under this subsection and allocated for positions authorized for the private
 7 well water safety program for the 2006-2007 fiscal year.

8 **SECTION 27A.1.(c)** This section becomes effective July 1, 2006.

9
 10 **CLARIFICATION OF FEES FOR MENTAL HEALTH, DEVELOPMENTAL**
 11 **DISABILITIES, AND SUBSTANCE ABUSE SERVICE FACILITIES**

12 **SECTION 27A.2.(a)** G.S. 122C-23(h) reads as rewritten:

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

Type of Facility	Number of Beds	Base Fee	Per-Bed Fee
<u>Facilities (non ICF/MR):</u>	<u>0 beds</u>	<u>\$175.00</u>	<u>\$0</u>
Facilities (non ICF/MR):	6 or fewer		
	<u>1 to 6 beds</u>	\$250.00	\$0
	More than 6 beds	\$350.00	\$12.50
ICF/MR Only:	6 or fewer		
	<u>1 to 6 beds</u>	\$650.00	\$0
	More than 6 beds	\$650.00	\$12.50"

25 **SECTION 27A.2.(b)** This section becomes effective July 1, 2006.

26
 27 **TECHNICAL CORRECTION TO LICENSURE FEE LIMITS**

28 **SECTION 27A.3.(a)** G.S. 131E-267 reads as rewritten:

29 **"§ 131E-267. Fees for departmental review of health care facility construction**
 30 **projects.**

31 The Department of Health and Human Services shall charge a fee for the review of
 32 each health care facility construction project to ensure that project plans and
 33 construction are in compliance with State law. The fee shall be charged on a one-time,
 34 per-project basis, as follows, and shall not exceed ~~twelve thousand five hundred dollars~~
 35 ~~(\$12,500)~~ twenty-five thousand dollars (\$25,000) for any single project:

Institutional Project	Project Fee
Hospitals	\$ 300.00 plus \$0.20/square foot of project space
Nursing Homes	\$ 250.00 plus \$0.16/square foot of project space
Ambulatory Surgical Facility	\$ 200.00 plus \$0.16/square foot of project space
Psychiatric Hospital	\$ 200.00 plus \$0.16/square foot of project space
Adult Care Home	
7 or more beds	\$ 175.00 plus \$0.10/square foot of project space

Residential Project	Project Fee
Family Care Homes	\$ 175.00 flat fee
ICF/MR Group Homes	\$ 275.00 flat fee
Group Homes: 1-3 beds	\$ 100.00 flat fee
Group Homes: 4-6 beds	\$ 175.00 flat fee
Group Homes: 7-9 beds	\$ 225.00 flat fee
Other residential:	
More than 9 beds	\$ 225.00 plus \$0.075/square foot of project space."

53 **SECTION 27A.3.(b)** This section becomes effective July 1, 2006.

54
 55 **PART XXVII-B. NATURAL AND ECONOMIC RESOURCES FEES**

REPEAL FEE FOR MINE SAFETY EDUCATION/TRAINING PROGRAMS

SECTION 27B.1.(a) G.S. 74-24.16(d) is repealed.

SECTION 27B.1.(b) This section becomes effective July 1, 2006.

INCREASE CERTAIN PUBLIC WATER SYSTEMS ANNUAL OPERATING PERMIT FEES/IMPOSE FEES FOR REVIEW OF ENGINEERING PLANS AND SPECIFICATIONS FOR THE CONSTRUCTION OR ALTERATION OF PUBLIC WATER SYSTEMS

SECTION 27B.2.(a) G.S. 130A-328 reads as rewritten:

"§ 130A-328. ~~Community~~ Public water system operating permit and permit fee.

(a) No person shall operate a community or non transient non-community water system who has not been issued an operating permit by the Department. A community or non transient non-community water system operating permit shall be valid from January 1 through December 31 of each year unless suspended or revoked by the Department for cause. The Commission shall adopt rules concerning permit issuance and renewal and permit suspension and revocation. The annual fees in subsection (b) shall be prorated on a monthly basis for permits obtained after January 1 of each year.

(b) The following fees are imposed for the issuance or renewal of a permit to operate a community or non transient non-community water system; the fees are based on the number of persons served by the system:

<u>Number of Persons Served</u>	<u>Fee</u>
100 or fewer	\$150
More than 100 but no more than 500	\$175
More than 500 but no more than 3300	\$300
More than 3300 but no more than 5000	\$450
More than 5000 but no more than 10,000	\$550
More than 10,000 but no more than 50,000	\$650
More than 50,000	\$850
<u>Non Community Water Systems:</u>	
<u>Base Fee:</u>	
<u>Non transient non-community</u>	<u>\$150</u>
<u>Community Water Systems:</u>	
<u>Number of Persons Served</u>	
<u>50 or fewer</u>	<u>\$255</u>
<u>More than 50 but no more than 100</u>	<u>\$270</u>
<u>More than 100 but no more than 200</u>	<u>\$330</u>
<u>More than 200 but no more than 300</u>	<u>\$350</u>
<u>More than 300 but no more than 400</u>	<u>\$385</u>
<u>More than 400 but no more than 500</u>	<u>\$420</u>
<u>More than 500 but no more than 750</u>	<u>\$780</u>
<u>More than 750 but no more than 1000</u>	<u>\$810</u>
<u>More than 1000 but no more than 2000</u>	<u>\$840</u>
<u>More than 2000 but no more than 3000</u>	<u>\$870</u>
<u>More than 3000 but no more than 4000</u>	<u>\$1350</u>
<u>More than 4000 but no more than 5000</u>	<u>\$1460</u>
<u>More than 5000 but no more than 7500</u>	<u>\$1925</u>
<u>More than 7500 but no more than 10,000</u>	<u>\$2065</u>
<u>More than 10,000 but no more than 25,000</u>	<u>\$2600</u>
<u>More than 25,000 but no more than 50,000</u>	<u>\$2925</u>
<u>More than 50,000 but no more than 75,000</u>	<u>\$4250</u>
<u>More than 75,000 but no more than 100,000</u>	<u>\$4675</u>
<u>More than 100,000 but no more than 250,000</u>	<u>\$5100</u>
<u>More than 250,000 but no more than 500,000</u>	<u>\$5525</u>

1 More than 500,000 \$5950
 2 (c) The following fees are imposed for the review of plans, specifications, and
 3 other information submitted to the Department for approval of construction or alteration
 4 of a public water system. The fees are based on the type of constructions or alteration
 5 proposed:

<u>Distribution system:</u>	<u>Fee</u>
<u>Construction of water lines, less than 5000 linear feet</u>	<u>\$150</u>
<u>Construction of water lines, 5000 linear feet or more</u>	<u>\$200</u>
<u>Other construction or alteration to a distribution system</u>	<u>\$75</u>

<u>Ground water system:</u>	<u>Fee</u>
<u>Construction of a new ground water system or adding a new well</u>	<u>\$200</u>
<u>Alteration to an existing ground water system</u>	<u>\$100</u>

<u>Surface Water system:</u>	<u>Fee</u>
<u>Construction of a new surface water treatment facility</u>	<u>\$250</u>
<u>Alteration to an existing surface water treatment facility</u>	<u>\$150</u>
<u>Water System Management Plan review</u>	<u>\$75</u>
<u>Miscellaneous changes or maintenance not covered above</u>	<u>\$50</u>

21 (d) The Department may charge an administrative fee of up to one hundred fifty
 22 dollars (\$150.00) for failure to pay the permit fee by January 31 of each year.

23 (e) All fees collected under this section shall be applied to the costs of
 24 administering and enforcing this Article."

25 **SECTION 27B.2.(b)** The Department of Environment and Natural
 26 Resources may create a schedule for phasing in the new fees added to G.S. 130A-328,
 27 as amended by subsection (a) of this section, over multiple operating permit cycles.

28 **SECTION 27B.2.(c)** This section becomes effective January 1, 2007.

30 **PART XXVIII. MISCELLANEOUS PROVISIONS**

32 **EXECUTIVE BUDGET ACT APPLIES**

33 **SECTION 28.1.** The provisions of the Executive Budget Act, Chapter 143,
 34 Article 1 of the General Statutes, are reenacted and shall remain in full force and effect
 35 and are incorporated in this act by reference.

37 **COMMITTEE REPORT**

38 **SECTION 28.2.(a)** The House Appropriations Committee Report on the
 39 Continuation, Expansion, and Capital Budgets, dated June 13, 2006, shall indicate
 40 action by the General Assembly on this act and shall therefore be used to construe this
 41 act, as provided in G.S. 143-15 of the Executive Budget Act, and for these purposes
 42 shall be considered a part of this act and as such shall be printed as a part of the Session
 43 Laws.

44 **SECTION 28.2.(b)** The budget enacted by the General Assembly for the
 45 maintenance of the various departments, institutions, and other spending agencies of the
 46 State for the 2006-2007 fiscal year is a line-item budget, in accordance with the Budget
 47 Code Structure and the State Accounting System Uniform Chart of Accounts set out in
 48 the Administrative Policies and Procedures Manual of the Office of the State Controller.
 49 This budget includes the appropriations made from all sources, including the General
 50 Fund, Highway Fund, special funds, cash balances, federal receipts, and departmental
 51 receipts.

52 The General Assembly amended the requested adjustments to the budgets
 53 submitted to the General Assembly by the Director of the Budget and the Advisory
 54 Budget Commission in accordance with the steps that follow, and the line-item detail in
 55 the budget enacted by the General Assembly may be derived accordingly:

- 1 (1) The base budget was adjusted in accordance with the base budget cuts
2 and additions that were set out in the House Appropriations Committee
3 Report on the Continuation, Expansion, and Capital Budgets.
4 (2) Transfers of funds supporting programs were made in accordance with
5 the House Appropriations Committee Report on the Continuation,
6 Expansion, and Capital Budgets.

7 **SECTION 28.2.(c)** The budget enacted by the General Assembly shall also
8 be interpreted in accordance with the special provisions in this act and in accordance
9 with other appropriate legislation.

10 In the event that there is a conflict between the line-item budget certified by
11 the Director of the Budget and the budget enacted by the General Assembly, the budget
12 enacted by the General Assembly shall prevail.
13

14 **MOST TEXT APPLIES ONLY TO 2006-2007**

15 **SECTION 28.3.** Except for statutory changes or other provisions that clearly
16 indicate an intention to have effects beyond the 2006-2007 fiscal year, the textual
17 provisions of this act apply only to funds appropriated for, and activities occurring
18 during, the 2006-2007 fiscal year.
19

20 **APPROPRIATIONS LIMITATIONS AND DIRECTIONS APPLY**

21 **SECTION 28.4.(a)** Except where expressly repealed or amended by this act,
22 the provisions of S.L. 2005-276 and S.L. 2005-345 remain in effect.

23 **SECTION 28.4.(b)** Notwithstanding any modifications by this act in the
24 amounts appropriated, except where expressly repealed or amended, the limitations and
25 directions for the 2006-2007 fiscal year in S.L. 2005-276 and S.L. 2005-345 that
26 applied to appropriations to particular agencies or for particular purposes apply to the
27 newly enacted appropriations and budget reductions of this act for those same particular
28 purposes.
29

30 **EFFECT OF HEADINGS**

31 **SECTION 28.5.** The headings to the parts and sections of this act are a
32 convenience to the reader and are for reference only. The headings do not expand,
33 limit, or define the text of this act, except for effective dates referring to a part.
34

35 **SEVERABILITY CLAUSE**

36 **SECTION 28.6.** If any section or provision of this act is declared
37 unconstitutional or invalid by the courts, it does not affect the validity of this act as a
38 whole or any part other than the part so declared to be unconstitutional or invalid.
39

40 **EFFECTIVE DATE**

41 **SECTION 28.7.** Except as otherwise provided, this act becomes effective
42 July 1, 2006.