A BILL TO BE ENTITLED
AN ACT TO MODIFY THE CURRENT OPERATIONS AND CAPITAL APPROPRIATIONS ACT OF 2007; TO CONFORM TO CHANGES IN THE INTERNAL REVENUE CODE AND REQUIRE AN ADDBACK OF EIGHTY-FIVE PERCENT OF BONUS DEPRECIATION; TO MAKE OTHER TAX LAW CHANGES RECOMMENDED BY THE REVENUE LAWS STUDY COMMITTEE; TO PROVIDE FOR A REFUNDABLE EARNED INCOME TAX CREDIT EQUAL TO FIVE PERCENT OF THE FEDERAL CREDIT; TO EXTEND AND INCREASE THE SMALL BUSINESS HEALTH INSURANCE TAX CREDIT; TO DECREASE DISABLED VETERANS PROPERTY TAX; TO EXTEND TAX CREDITS FOR LOW-INCOME HOUSING AND MILL REHABILITATION; TO ESTABLISH A SALES TAX HOLIDAY FOR CERTAIN ENERGY STAR RATED APPLIANCES; TO ALLOW FOR A NONREFUNDABLE CREDIT FOR REINVESTMENT IN A MAJOR RECYCLING FACILITY AND TO SUNSET THE CREDIT FOR INVESTMENTS IN A LARGE OR MAJOR RECYCLING FACILITY; TO CREATE, SET, AND INCREASE VARIOUS FEES; AND TO AUTHORIZE SPECIAL OBLIGATION INDEBTEDNESS FOR VARIOUS CAPITAL PROJECTS.

The General Assembly of North Carolina enacts:

PART I. INTRODUCTION AND TITLE OF ACT

INTRODUCTION

SECTION 1.1. The appropriations made in this act are for maximum amounts necessary to provide the services and accomplish the purposes described in the budget. Savings shall be effected where the total amounts appropriated are not required to perform these services and accomplish these purposes and, except as allowed by the
State Budget Act, or this act, the savings shall revert to the appropriate fund at the end of each fiscal year as provided in G.S. 143C-1-2(b).

**TITLE**

**SECTION 1.2.** This act shall be known as "The Current Operations and Capital Improvements Appropriations Act of 2008."

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

**CURRENT OPERATIONS AND EXPANSION/GENERAL FUND**

**SECTION 2.1.** Appropriations from the General Fund of the State for the maintenance of the State departments, institutions, and agencies, and for other purposes as enumerated, are adjusted for the fiscal year ending June 30, 2009, according to the schedule that follows. Amounts set out in brackets are reductions from General Fund appropriations for the 2008-2009 fiscal year.

**Current Operations – General Fund**

**FY 2008-2009**

**EDUCATION**

<table>
<thead>
<tr>
<th>Institution</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Colleges System Office</td>
<td>$ 33,174,698</td>
</tr>
<tr>
<td>Department of Public Instruction</td>
<td>99,492,379</td>
</tr>
<tr>
<td>University of North Carolina System</td>
<td></td>
</tr>
<tr>
<td>Appalachian State University</td>
<td>(599,584)</td>
</tr>
<tr>
<td>East Carolina University</td>
<td></td>
</tr>
<tr>
<td>Academic Affairs</td>
<td>1,150,024</td>
</tr>
<tr>
<td>Health Affairs</td>
<td></td>
</tr>
<tr>
<td>Elizabeth City State University</td>
<td>(35,213)</td>
</tr>
<tr>
<td>Fayetteville State University</td>
<td>(351,369)</td>
</tr>
<tr>
<td>NC Agricultural and Technical University</td>
<td>(543,155)</td>
</tr>
<tr>
<td>North Carolina Central University</td>
<td>(176,670)</td>
</tr>
<tr>
<td>North Carolina School of the Arts</td>
<td>(312,634)</td>
</tr>
<tr>
<td>North Carolina State University</td>
<td></td>
</tr>
<tr>
<td>Academic Affairs</td>
<td>(1,638,163)</td>
</tr>
<tr>
<td>Agricultural Extension</td>
<td>(85,900)</td>
</tr>
<tr>
<td>Agricultural Research</td>
<td>(1,321,250)</td>
</tr>
<tr>
<td>University of North Carolina at Asheville</td>
<td>(610,621)</td>
</tr>
<tr>
<td>University of North Carolina at Chapel Hill</td>
<td></td>
</tr>
<tr>
<td>Academic Affairs</td>
<td>(1,236,446)</td>
</tr>
<tr>
<td>Health Affairs</td>
<td>(977,373)</td>
</tr>
<tr>
<td>Area Health Education Centers</td>
<td></td>
</tr>
<tr>
<td>University of North Carolina at Charlotte</td>
<td>(1,211,256)</td>
</tr>
<tr>
<td></td>
<td>University of North Carolina at Greensboro</td>
</tr>
<tr>
<td>---</td>
<td>------------------------------------------</td>
</tr>
<tr>
<td>2</td>
<td>University of North Carolina at Pembroke</td>
</tr>
<tr>
<td>3</td>
<td>University of North Carolina at Wilmington</td>
</tr>
<tr>
<td>4</td>
<td>Western Carolina University</td>
</tr>
<tr>
<td>5</td>
<td>Winston-Salem State University</td>
</tr>
<tr>
<td>6</td>
<td>General Administration</td>
</tr>
<tr>
<td>7</td>
<td>University Institutional Programs</td>
</tr>
<tr>
<td>8</td>
<td>Related Educational Programs</td>
</tr>
<tr>
<td>9</td>
<td>North Carolina School of Science and Mathematics</td>
</tr>
<tr>
<td>10</td>
<td>UNC Hospitals at Chapel Hill</td>
</tr>
<tr>
<td>11</td>
<td><strong>Total University of North Carolina Board of Governors</strong></td>
</tr>
<tr>
<td>12</td>
<td><strong>HEALTH AND HUMAN SERVICES</strong></td>
</tr>
<tr>
<td>13</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Department of Health and Human Services</td>
</tr>
<tr>
<td>15</td>
<td>Central Management and Support</td>
</tr>
<tr>
<td>16</td>
<td>Division of Aging</td>
</tr>
<tr>
<td>17</td>
<td>Division of Blind Services/Deaf/HH</td>
</tr>
<tr>
<td>18</td>
<td>Division of Child Development</td>
</tr>
<tr>
<td>19</td>
<td>Division of Education Services</td>
</tr>
<tr>
<td>20</td>
<td>Division of Facility Services</td>
</tr>
<tr>
<td>21</td>
<td>Division of Medical Assistance</td>
</tr>
<tr>
<td>22</td>
<td>Division of Mental Health</td>
</tr>
<tr>
<td>23</td>
<td>NC Health Choice</td>
</tr>
<tr>
<td>24</td>
<td>Division of Public Health</td>
</tr>
<tr>
<td>25</td>
<td>Division of Social Services</td>
</tr>
<tr>
<td>26</td>
<td>Division of Vocational Rehabilitation</td>
</tr>
<tr>
<td>27</td>
<td><strong>Total Health and Human Services</strong></td>
</tr>
<tr>
<td>28</td>
<td></td>
</tr>
<tr>
<td>29</td>
<td><strong>NATURAL AND ECONOMIC RESOURCES</strong></td>
</tr>
<tr>
<td>30</td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>Department of Agriculture and Consumer Services</td>
</tr>
<tr>
<td>32</td>
<td>Department of Commerce</td>
</tr>
<tr>
<td>33</td>
<td>Commerce</td>
</tr>
<tr>
<td>34</td>
<td>Commerce State-Aid</td>
</tr>
<tr>
<td>35</td>
<td>NC Biotechnology Center</td>
</tr>
<tr>
<td>36</td>
<td>Rural Economic Development Center</td>
</tr>
<tr>
<td>37</td>
<td>Department of Environment and Natural Resources</td>
</tr>
<tr>
<td>38</td>
<td>Environment and Natural Resources</td>
</tr>
<tr>
<td>39</td>
<td>Clean Water Management Trust Fund</td>
</tr>
<tr>
<td>40</td>
<td>Department of Labor</td>
</tr>
</tbody>
</table>

House Bill 2436*-Fourth Edition
<table>
<thead>
<tr>
<th>Department</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>JUSTICE AND PUBLIC SAFETY</strong></td>
<td></td>
</tr>
<tr>
<td>Department of Correction</td>
<td>$304,779</td>
</tr>
<tr>
<td>Department of Crime Control and Public Safety</td>
<td>2,980,175</td>
</tr>
<tr>
<td>Judicial Department</td>
<td>(417,908)</td>
</tr>
<tr>
<td>Judicial Department – Indigent Defense</td>
<td>(1,570,057)</td>
</tr>
<tr>
<td>Department of Justice</td>
<td>(426,758)</td>
</tr>
<tr>
<td>Department of Juvenile Justice and Delinquency Prevention</td>
<td>20,694,280</td>
</tr>
<tr>
<td><strong>GENERAL GOVERNMENT</strong></td>
<td></td>
</tr>
<tr>
<td>Department of Administration</td>
<td>$1,306,562</td>
</tr>
<tr>
<td>Office of Administrative Hearings</td>
<td>313,544</td>
</tr>
<tr>
<td>Department of State Auditor</td>
<td>(283,938)</td>
</tr>
<tr>
<td>Office of State Controller</td>
<td>(110,940)</td>
</tr>
<tr>
<td>Department of Cultural Resources</td>
<td></td>
</tr>
<tr>
<td>Cultural Resources</td>
<td>2,110,579</td>
</tr>
<tr>
<td>Roanoke Island Commission</td>
<td>(15,000)</td>
</tr>
<tr>
<td>State Board of Elections</td>
<td>261,583</td>
</tr>
<tr>
<td>General Assembly</td>
<td>(881,000)</td>
</tr>
<tr>
<td>Office of the Governor</td>
<td></td>
</tr>
<tr>
<td>Office of the Governor</td>
<td>(355,119)</td>
</tr>
<tr>
<td>Office of State Budget and Management</td>
<td>15,242</td>
</tr>
<tr>
<td>OSBM – Reserve for Special Appropriations</td>
<td>1,450,000</td>
</tr>
<tr>
<td>Housing Finance Agency</td>
<td>12,000,000</td>
</tr>
<tr>
<td>Department of Insurance</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>328,080</td>
</tr>
<tr>
<td>Insurance – Volunteer Safety Workers’ Compensation</td>
<td>(1,150,000)</td>
</tr>
<tr>
<td>Office of Lieutenant Governor</td>
<td>0</td>
</tr>
</tbody>
</table>
Department of Revenue (1,415,864)

Department of Secretary of State 132,056

Department of State Treasurer
  State Treasurer 0
  State Treasurer – Retirement for Fire and Rescue Squad Workers 0

RESERVES, ADJUSTMENTS AND DEBT SERVICE

Compensation Increases $ 366,494,351
Salary Adjustment Fund 2007-2009 Biennium 0
Teachers' & State Employees' Retirement Contributions 30,237,400
Hospitalization Reserve (5,000,000)
Reserve for Eliminated Positions 0
No Penalty for Teachers Taking Personal Leave Day 5,000,000
Contingency and Emergency Fund 0
Information Technology Fund 0
Job Development Investment Grants Reserve 22,700,000
North Carolina Master Address Dataset 1,000,000
Pending Gang Prevention Legislation (HB 274) 10,000,000
Debt Service
  General Debt Service (17,500,000)
  Federal Reimbursement 0

TOTAL CURRENT OPERATIONS – GENERAL FUND $ 485,495,458

GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2.(a) Section 2.2.(a) of S.L. 2007-323 is repealed. The General Fund availability used in adjusting the 2008-2009 budget is shown below:

FY 2008-2009
Net Adjustment – S.L. 2007-540 (1,000,000)
Adjustment from Estimated to Actual 2007-2008
  Beginning Unreserved Balance 47,867,864
  Projected Reversions from FY 2007-2008 150,000,000
  Projected Overcollections from FY 2007-2008 151,500,000
  Less Earmarkings of Year End Fund Balance
    Credit to Savings Reserve (62,224,083)
    Credit to Repairs and Renovation Reserve Account (65,000,000)
Beginning Unreserved Fund Balance $ 491,647,879

Revenues Based on Existing Tax Structure $ 19,903,800,000
**Nontax Revenues**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Income</td>
<td>$247,300,000</td>
</tr>
<tr>
<td>Judicial Fees</td>
<td>$204,800,000</td>
</tr>
<tr>
<td>Disproportionate Share</td>
<td>$100,000,000</td>
</tr>
<tr>
<td>Insurance</td>
<td>$62,900,000</td>
</tr>
<tr>
<td>Other Nontax Revenues</td>
<td>$160,600,000</td>
</tr>
<tr>
<td>Highway Trust Fund Transfer</td>
<td>$172,500,000</td>
</tr>
<tr>
<td>Highway Fund Transfer</td>
<td>$17,600,000</td>
</tr>
</tbody>
</table>

**Subtotal Nontax Revenues** $965,700,000

**Total General Fund Availability** $21,361,147,879

**Adjustments to Availability: 2008 Session**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extend Sunset for State Ports Tax Credit</td>
<td>$(1,000,000)</td>
</tr>
<tr>
<td>Extend Credit for Research &amp; Development</td>
<td>$(1,000,000)</td>
</tr>
<tr>
<td>Sales Tax Exemption for American Red Cross</td>
<td>$(500,000)</td>
</tr>
<tr>
<td>Sales Tax Holiday for Energy Efficient Products</td>
<td>$(1,200,000)</td>
</tr>
<tr>
<td>Extend Sunset for Small Business Employee Health</td>
<td>$(8,500,000)</td>
</tr>
<tr>
<td>Increase Tax Credit for Small Business Employee Health</td>
<td>$(1,600,000)</td>
</tr>
<tr>
<td>Increase Earned Income Tax Credit to 5%</td>
<td>$(20,600,000)</td>
</tr>
<tr>
<td>Provide Property Tax Homestead Exemption for Military/Disabled Veterans</td>
<td>$(8,600,000)</td>
</tr>
<tr>
<td>Reserve for Tax Relief</td>
<td>$(6,000,000)</td>
</tr>
<tr>
<td>Health Care Facility Construction Project Fee Increase</td>
<td>$822,028</td>
</tr>
<tr>
<td>Adjust Securities Filing Fee</td>
<td>$1,993,500</td>
</tr>
<tr>
<td>Reduce Transfer from Highway Trust Fund</td>
<td>$(25,000,000)</td>
</tr>
<tr>
<td>Transfer from Disaster Relief Reserve</td>
<td>$21,000,000</td>
</tr>
<tr>
<td>Transfer from NC Rx Fund Balance</td>
<td>$3,500,000</td>
</tr>
<tr>
<td>Transfer from Tobacco Trust Fund</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>Transfer from Health &amp; Wellness Trust Fund</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>Transfer from Coaching Scholarship Loan Fund</td>
<td>$267,000</td>
</tr>
<tr>
<td>Transfer from Principal Fellows Trust Fund</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Transfer from NC Community College System</td>
<td>$4,500,000</td>
</tr>
<tr>
<td>Computer Information System Fund Balance</td>
<td>$783,246</td>
</tr>
<tr>
<td>Transfer from Disproportionate Share Receipt Reserve</td>
<td>$19,300,000</td>
</tr>
<tr>
<td>Adjust Transfer from Insurance Regulatory Fund</td>
<td>$328,080</td>
</tr>
</tbody>
</table>

**Subtotal Adjustments to Availability: 2008 Session** $(11,506,146)

**Revised General Fund Availability for 2008-2009 Fiscal Year** $21,349,641,733
Total General Fund Appropriations for 2008-2009 Fiscal Year $ (21,349,641,733)

Unappropriated Balance Remaining $ 0

SECTION 2.2.(b) Notwithstanding the provisions of G.S. 143C-4-3, the State Controller shall transfer sixty-five million dollars ($65,000,000) from the unreserved fund balance to the Repairs and Renovations Reserve Account on June 30, 2008. This subsection becomes effective June 30, 2008.

SECTION 2.2.(c) Funds transferred under this section to the Repairs and Renovations Reserve Account are appropriated for the 2008-2009 fiscal year to be used in accordance with G.S. 143C-4-3.

SECTION 2.2.(c1) Notwithstanding G.S. 143C-4-2, the State Controller shall transfer only sixty-two million two hundred twenty-four thousand eighty-three dollars ($62,224,083) from the unreserved fund balance to the Savings Reserve Account on June 30, 2008. This is not an "appropriation made by law", as that phrase is used in Article V, Section 7(1) of the North Carolina Constitution. This subsection becomes effective June 30, 2008.

SECTION 2.2.(d) Section 2.2.(d) of S.L. 2007-323 reads as rewritten.

"SECTION 2.2.(d) Notwithstanding the provisions of G.S. 105-187.9(b)(1), the sum to be transferred under that subdivision for the 2007-2008 fiscal year is one hundred seventy million dollars ($170,000,000) and for the 2008-2009 fiscal year is one hundred seventy million dollars ($170,000,000), one hundred forty-five million dollars ($145,000,000)."

SECTION 2.2.(e) Notwithstanding G.S. 143C-9-3, of the funds credited to the Tobacco Trust, the sum of five million dollars ($5,000,000) shall be transferred from the Department of Agriculture and Consumer Services, Budget Code 23703 (Tobacco Trust Fund), to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2008-2009 fiscal year.

SECTION 2.2.(f) Notwithstanding G.S. 143C-9-3, of the funds credited to the Health Trust Account, the sum of five million dollars ($5,000,000) that would otherwise be deposited in the Fund Reserve shall be transferred from the Department of State Treasurer, Budget Code 23460 (Health and Wellness Trust Fund), to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2008-2009 fiscal year.

SECTION 2.2.(g) On July 1, 2008, the State Controller shall transfer twenty-one million dollars ($21,000,000) from the Disaster Reserve Fund to Nontax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2008-2009 fiscal year.

SECTION 2.2.(h) On July 1, 2008, the State Controller shall transfer nineteen million three hundred thousand dollars ($19,300,000) from the Disproportionate Share Receipt Reserve, to Nontax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2008-2009 fiscal year.
SECTION 2.2.(i) Transfers of additional availability in the amount of ten million fifty thousand two hundred forty-six dollars ($10,050,246) are made to the General Fund pursuant to Sections 8.9, 9.1, 9.4, and 10.1 of this act.

PART III. CURRENT OPERATIONS/HIGHWAY FUND

CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND

SECTION 3.1. Appropriations from the State Highway Fund for the maintenance and operation of the Department of Transportation and for other purposes as enumerated are adjusted for the fiscal year ending June 30, 2009, according to the following schedule. Amounts set out in brackets are reductions from Highway Fund Appropriations for the 2008-2009 fiscal year.

<table>
<thead>
<tr>
<th>Department / Program</th>
<th>2008-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Transportation</td>
<td>(9,583,308)</td>
</tr>
<tr>
<td>Administration</td>
<td></td>
</tr>
<tr>
<td>Repairs and Renovations</td>
<td>14,334,221</td>
</tr>
<tr>
<td>Division of Highways</td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>0</td>
</tr>
<tr>
<td>Construction</td>
<td>1,807,592</td>
</tr>
<tr>
<td>Maintenance</td>
<td>19,342,804</td>
</tr>
<tr>
<td>Planning and Research</td>
<td>0</td>
</tr>
<tr>
<td>OSHA Program</td>
<td>0</td>
</tr>
<tr>
<td>Ferry Operations</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Public Transportation</td>
<td>0</td>
</tr>
<tr>
<td>Airports</td>
<td>0</td>
</tr>
<tr>
<td>Railroads</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Governor's Highway Safety Program</td>
<td>0</td>
</tr>
<tr>
<td>Division of Motor Vehicles</td>
<td>195,266</td>
</tr>
<tr>
<td>State Aid to Municipalities</td>
<td>1,807,592</td>
</tr>
<tr>
<td>Transfers to Other State Agencies</td>
<td>431,491</td>
</tr>
<tr>
<td>Reserve for Compensation Increases</td>
<td>14,762,342</td>
</tr>
<tr>
<td>Reserve for Teachers' and State Employees' Retirement Contributions</td>
<td>1,462,000</td>
</tr>
</tbody>
</table>
1 TOTAL $46,560,000

**HIGHWAY FUND AVAILABILITY STATEMENT**

**SECTION 3.2.** Section 3.2 of S.L. 2007-323 is repealed. The Highway Fund availability used in adjusting the 2008-2009 fiscal year budget is shown below:

<table>
<thead>
<tr>
<th>Highway Fund Availability Statement</th>
<th>2008-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unappropriated Balance From Previous Year</td>
<td>0</td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
<td>35,000,000</td>
</tr>
<tr>
<td>Estimated Revenue</td>
<td>1,822,550,000</td>
</tr>
<tr>
<td>Total Highway Fund Availability</td>
<td>$1,857,550,000</td>
</tr>
</tbody>
</table>

**PART IV HIGHWAY TRUST FUND APPROPRIATIONS**

**HIGHWAY TRUST FUND**

**SECTION 4.1.** Appropriations from the State Highway Trust Fund for the maintenance and operation of the Department of Transportation and for other purposes as enumerated are adjusted for the fiscal year ending June 30, 2009, according to the following schedule. Amounts set out in brackets are reductions from Highway Trust Fund Appropriations for the 2008-2009 fiscal year.

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Intrastate System</td>
<td>(40,691,943)</td>
</tr>
<tr>
<td>Urban Loops</td>
<td>(16,454,126)</td>
</tr>
<tr>
<td>Aid to Municipalities</td>
<td>(4,269,533)</td>
</tr>
<tr>
<td>Secondary Roads</td>
<td>(7,687,965)</td>
</tr>
<tr>
<td>Program Administration</td>
<td>3,627,360</td>
</tr>
<tr>
<td>Transfer to General Fund</td>
<td>(25,143,793)</td>
</tr>
<tr>
<td>North Carolina Turnpike Authority</td>
<td>25,000,000</td>
</tr>
</tbody>
</table>

| Total                                  | ($65,620,000)|

**HIGHWAY TRUST FUND AVAILABILITY STATEMENT**

**SECTION 4.2.** Section 4.2 of S.L. 2007-323 is repealed. The Highway Trust Fund availability used in adjusting the 2008-2009 fiscal year budget is shown below:

| Highway Trust Fund Availability       | $1,073,160,000|

**PART V. OTHER AVAILABILITY AND APPROPRIATIONS**
CIVIL PENALTIES AND FORFEITURES/FUND AVAILABILITY AND APPROPRIATION

SECTION 5.1.(a) Section 5.1(a) of S.L. 2007-323 reads as rewritten:
"SECTION 5.1.(a) Availability. – The availability used to support appropriations made in this act from the Civil Penalty and Forfeiture Fund is based upon estimated collections of fines and forfeitures from the agencies and in the amounts listed below:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Revenue</td>
<td>$63,000,000</td>
<td>$63,000,000</td>
</tr>
<tr>
<td>Department of Transportation</td>
<td>$15,000,000</td>
<td>$15,000,000</td>
</tr>
<tr>
<td>Employment Security Commission</td>
<td>$3,000,000</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Department of Insurance</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>University of North Carolina</td>
<td>$3,500,000</td>
<td>$3,500,000</td>
</tr>
<tr>
<td>Other Agencies</td>
<td>$10,000,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Total Funds Available</td>
<td>$95,500,000</td>
<td>$95,500,000</td>
</tr>
</tbody>
</table>

SECTION 5.1.(b) Section 5.1(b) of S.L. 2007-323 reads as rewritten:
"SECTION 5.1.(b) Appropriations. – Appropriations are made from the Civil Penalty and Forfeiture Fund for the fiscal biennium year ending June 30, 2009, as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>School Technology Fund</td>
<td>$18,000,000</td>
<td>$18,000,000</td>
</tr>
<tr>
<td>State Public School Fund</td>
<td>$77,500,000</td>
<td>$77,500,000</td>
</tr>
<tr>
<td>Total Appropriation</td>
<td>$95,500,000</td>
<td>$95,500,000</td>
</tr>
</tbody>
</table>

EDUCATION LOTTERY

SECTION 5.2.(a) Pursuant to G.S. 18C-164, the revenue used to support appropriations made in this act is transferred from the State Lottery Fund in the amount of three hundred eighty-five million five hundred thousand dollars ($385,500,000) for the 2008-2009 fiscal year.

SECTION 5.2.(b) Notwithstanding G.S. 18C-164(b), funds in the amount of forty-one million thirty thousand two hundred twelve dollars ($41,030,212) shall be transferred from the Education Lottery Reserve Fund to the Education Lottery Fund to support appropriations made in this act. Of these funds, nineteen million seven hundred fifty thousand dollars ($19,750,000) shall be allocated for class size reduction and twenty-one million two hundred eighty thousand two hundred twelve dollars ($21,280,212) shall be allocated to the Public School Building Capital Fund for the 2008-2009 fiscal year. Any unexpended funds not needed for these purposes shall be transferred back to the Education Lottery Reserve Fund at the end of the 2008-2009 fiscal year.

SECTION 5.2.(c) Notwithstanding G.S. 18C-164(d), the appropriations made from the Education Lottery Fund for the 2008-2009 fiscal year are as follows:

2. Prekindergarten Program: $84,635,709
3. Public School Building Capital Fund: $175,480,212
4. Scholarships for Needy Students: $38,550,000
INFORMATION TECHNOLOGY FUND AVAILABILITY AND APPROPRIATION

SECTION 5.3. Section 5.3 of S.L. 2007-323 reads as rewritten:

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

<table>
<thead>
<tr>
<th>FY 2007-2008</th>
<th>FY 2008-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from Information Technology Enterprise Fee</td>
<td>$9,800,000</td>
</tr>
<tr>
<td>BEACON/Data Integration Funds</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>Interest Income</td>
<td>$100,000</td>
</tr>
<tr>
<td>IT Fund Balance June 30</td>
<td>$600,000</td>
</tr>
<tr>
<td>Appropriation from General Fund</td>
<td>$4,140,000</td>
</tr>
<tr>
<td>Receipts for ESRI</td>
<td>0</td>
</tr>
<tr>
<td>Reversions</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Funds Available</strong></td>
<td><strong>$19,640,000</strong></td>
</tr>
</tbody>
</table>

"SECTION 5.3.(b) Appropriations are made from the Information Technology Fund for the 2007-2009 fiscal biennium as follows:

**Office of Information Technology Services**

<table>
<thead>
<tr>
<th>FY 2007-2008</th>
<th>FY 2008-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Technology Operations</td>
<td>$9,452,835</td>
</tr>
<tr>
<td>Information Technology Projects</td>
<td>$4,497,165</td>
</tr>
<tr>
<td>BEACON/Data Integration Funds</td>
<td>$5,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$18,950,000</strong></td>
</tr>
</tbody>
</table>

"SECTION 5.3.(c) State agencies supported by the ESRI licenses shall be billed for a proportionate share of the cost to provide the Office of Information Technology Services with the funding necessary to pay for enterprise licenses.
"SECTION 5.3.(d) The State shall not enter into any information technology enterprise agreements without obtaining written agreements from State agencies. State agencies agreeing to participate must ensure that sufficient funds are budgeted to support their shares of enterprise agreements throughout the life of the contract and must transfer the required funding to the Office of Information Technology Services in sufficient time to meet contract requirements."

PART VI. GENERAL PROVISIONS

APPROPRIATION OF CASH BALANCES

SECTION 6.1. Section 6.1 of S.L. 2007-323 reads as rewritten:

"SECTION 6.1.(a) Expenditures of cash balances, federal funds, departmental receipts, grants, and gifts from the various General Fund, Special Revenue Fund, Enterprise Fund, Internal Service Fund, and Trust and Agency Fund budget codes, State funds, as defined in G.S. 143C-1-1(d)(25), are appropriated and authorized as provided in G.S. 143C-1-2 for the 2007-2009 fiscal biennium as follows:

(1) For all budget codes listed in "North Carolina State Budget, Recommended Operating Budget 2007-2009, Volumes 1 through 6," cash balances and receipts are appropriated up to the amounts specified in Volumes 1 through 6, as adjusted by the General Assembly, for the 2007-2008 fiscal year and the 2008-2009 fiscal year. Funds may be expended only for the programs, purposes, objects, and line items specified in Volumes 1 through 6, or otherwise authorized by the General Assembly.

(1a) For all budget codes listed in the "Governor's Recommended Budget for Governmental and Proprietary Funds and Selected Component Units 2008-2009" but not covered by subdivisions (2) and (3) of this subsection, as adjusted by the General Assembly in this act.

(2) For all budget codes that are not listed in "North Carolina State Budget, Recommended Operating Budget 2007-2009, Volumes 1 through 6," cash balances and receipts are appropriated for each year of the 2007-2009 fiscal biennium up to the level of actual expenditures for the 2006-2007 fiscal year, unless otherwise provided by law. Funds may be expended only for the programs, purposes, objects, and line items authorized for the 2006-2007 fiscal year.

(3) Notwithstanding subdivisions (1) and (2) of this subsection, any receipts that are required to be used to pay debt service requirements for various outstanding bond issues and certificates of participation are appropriated up to the actual amounts received for the 2007-2008 fiscal year and the 2008-2009 fiscal year and shall be used only to pay debt service requirements.

(4) Notwithstanding subdivisions (1) and (2) of this subsection, cash balances and receipts of funds that meet the definition issued by the Governmental Accounting Standards Board of a trust or agency fund
are appropriated for and in the amounts required to meet the legal requirements of the trust agreement for the 2007-2008 fiscal year and the 2008-2009 fiscal year.

All these cash balances, federal funds, departmental receipts, grants, and gifts shall be expended and reported in accordance with the provisions of the State Budget Act, except as otherwise provided by law and this section.

"SECTION 6.1.(b) Receipts collected in a fiscal year in excess of the amounts authorized by this section shall remain unexpended and unencumbered until appropriated by the General Assembly in a subsequent fiscal year, unless the expenditure of overrealized receipts in the fiscal year in which the receipts were collected is authorized by the State Budget Act.

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

In addition to the consultation and reporting requirements set out in G.S. 143C-6-4, the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division of the Legislative Services Office within 30 days after the end of each quarter on any overrealized receipts approved for expenditure under this subsection by the Director of the Budget. The report shall include the source of the receipt, the amount overrealized, the amount authorized for expenditure, and the rationale for expenditure.

"SECTION 6.1.(c) Notwithstanding subsections (a) and (b) of this section, there is appropriated from the Reserve for Reimbursements to Local Governments and Shared Tax Revenues for each fiscal year an amount equal to the amount of the distributions required by law to be made from that reserve for that fiscal year."

EXPENDITURES OF FUNDS IN RESERVES LIMITED

SECTION 6.2. All funds appropriated by this act into reserves may be expended only for the purposes for which the reserves were established.

BUDGET CODE CONSOLIDATIONS

SECTION 6.3. Notwithstanding G.S. 143C-6-4, the Office of State Budget and Management may adjust the enacted budget by making transfers among purposes or programs for the purpose of consolidating budget and fund codes or eliminating inactive budget and fund codes. The Office of State Budget and Management shall change the authorized budget to reflect these adjustments.

CONSULTATION NOT REQUIRED PRIOR TO ESTABLISHING OR INCREASING FEES PURSUANT TO THE STATE BUDGET ACT

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

STUDY OF LAPSED SALARY USE

SECTION 6.5. Section 6.18(b) of S.L. 2007-323 reads as rewritten:
"SECTION 6.18.(b) The Office of State Budget and Management shall report its findings, including an estimate of the total amount of lapsed salaries by each State agency, to the Joint Legislative Commission on Governmental Operations by April 30, 2008—February 1, 2009."

AUTHORIZATION TO ESTABLISH RECEIPT-SUPPORTED POSITIONS

SECTION 6.6. Notwithstanding any other provision of law, a department, institution, or other agency of State government may establish receipt-supported positions authorized in this act upon approval by the Director of the Budget. The Director, if necessary, may establish a receipt-supported position pursuant to this section at an annual salary amount different from the salary amount set out in this act if (i) funds are available from the proposed funding source and (ii) the alternative salary amount remains within the established salary range grade identified for the job classification of the affected receipt-supported position established in this act. The Director shall not change the job classifications or increase the number of receipt-supported positions specified in this act without prior consultation with the Joint Legislative Commission on Governmental Operations.

CONTINUATION REVIEW OF CERTAIN FUNDS, PROGRAMS, AND DIVISIONS

SECTION 6.7.(a) It is the intent of the General Assembly to establish a process to periodically and systematically review the funds, agencies, divisions, and programs financed by State government. This process shall be known as the Continuation Review Program. The Continuation Review Program is intended to assist the General Assembly in determining whether to continue, reduce, or eliminate funding for the State's funds, agencies, divisions, and programs subject to continuation review.

SECTION 6.7.(b) The Appropriations Committees of the House of Representatives and the Senate may direct State departments and agencies to conduct continuation reviews as described in subsection (c) of this section. The Fiscal Research Division may issue instructions to the State departments and agencies subject to continuation review regarding the expected content and format of the reports required by this section. No later than December 1, 2008, the following agencies shall report to the Fiscal Research Division:

2. Spot Safety Program – Department of Transportation.
3. Safety Inspection Program – Department of Commerce.
6. Parking Office – Department of Administration.
7. Forest Development Fund – Department of Environment and Natural Resources.
SECTION 6.7.(c) The continuation review reports required in this section shall include the following information:

(1) A description of the fund, agency, division, or program mission, goals, and objectives.

(2) The statutory objectives for the fund, agency, division, or program and the problem or need addressed.

(3) The extent to which the fund, agency, division, or program's objectives have been achieved.

(4) The fund, agency, division, or program's functions or programs performed without specific statutory authority.

(5) The performance measures for each fund, agency, division, or program and the process by which the performance measures determine efficiency and effectiveness.

(6) Recommendations for statutory, budgetary, or administrative changes needed to improve efficiency and effectiveness of services delivered to the public.

(7) The consequences of discontinuing funding.

(8) Recommendations for improving services or reducing costs or duplication.

(9) The identification of policy issues that should be brought to the attention of the General Assembly.

(10) Other information necessary to fully support the General Assembly's Continuation Review Program along with any information included in instructions from the Fiscal Research Division.

SECTION 6.7.(d) State departments and agencies identified in subsection (b) of this section shall submit a final report to the General Assembly by March 1, 2009.

STATE SUPPORT OF OUR MILITARY PERSONNEL

SECTION 6.8. The General Assembly finds that North Carolina has a rich military heritage and is the site of some of the nation's major military installations, including Camp Lejeune, Fort Bragg, Pope Air Force Base, Seymour Johnson Air Force Base, New River Marine Corps Air Station, United States Coast Guard Air Station, Elizabeth City, and Cherry Point Marine Corps Air Station. The General Assembly further finds that North Carolina is the home to more than 770,000 veterans of our nation's armed forces and about 120,000 active-duty military personnel, one of the largest active-duty military populations in our entire country. In appreciation of and gratitude to those North Carolinians, both living and deceased, who have served in our armed forces in service to our country, the General Assembly provides funding for and support of the following initiatives:

(1) Defense and Security Technology Accelerator.


(3) "More at Four" for children of deployed military personnel.

(4) Traumatic Brain Injury (TBI) Services.

(5) Fayetteville Tech 3-D Technology Project.
(6) National Guard Pension Fund.
(7) National Guard Tuition Assistance Program.
(8) National Guard Armory Rehabilitations.
(10) Land Buffers and Latrines for Camp Butner.
(11) Property Tax Homestead Exemption for Disabled Veterans.

FEDERAL AND OTHER RECEIPTS FROM PENDING GRANT AWARDS

SECTION 6.9. Notwithstanding G.S. 143C-6-4, State agencies may, with approval of the Director of the Budget, spend funds received from grants awarded subsequent to the enactment of this act, provided the applications for the grants were made prior to May 14, 2008. The Office of State Budget and Management shall work with the recipient State agencies to budget grants award according to the annual program needs and within the parameters of the respective granting entities. Depending on the nature of the award, additional State personnel may be employed on a permanent or time-limited basis. The Office of State Budget and Management shall consult with the Joint Legislative Commission on Governmental Operations prior to expending any funds received from grant awards. Funds received from such grants are hereby appropriated and shall be incorporated into the certified budget of the recipient State agency.

IMPROVE DISASTER RECOVERY AND BUSINESS CONTINUITY

SECTION 6.10.(a) The State Chief Information Officer (CIO) shall utilize the business and disaster recovery plans submitted under G.S. 147-33.89 and any other information at the CIO's disposal to determine whether State agencies have made adequate preparations for backing up critical applications.

SECTION 6.10.(b) In cases where backup is not sufficient to minimize any disruptions in critical State services caused by natural or man-made disasters, the State CIO, in conjunction with the agencies and the Office of State Budget and Management, shall develop plans to utilize the Western Data Center for providing backup.

SECTION 6.10.(c) By December 1, 2008, the State CIO shall report to the Joint Legislative Oversight Committee on Information Technology on the number of critical State applications without adequate backup, the State agencies utilizing the applications, and the plans for providing adequate backup.

SECTION 6.10.(d) This section does not apply to the General Assembly, to the Judicial Department, or to The University of North Carolina and its constituent institutions.

MULTIYEAR CONTRACTS FOR INFORMATION TECHNOLOGY

SECTION 6.11.(a) Notwithstanding the cash management provisions of G.S. 147-86.11, the Office of Information Technology Services (ITS) may procure information technology goods and services for periods not exceeding three years where the terms require payment of all or a portion of the purchase price at the beginning of
the agreement. All of the following conditions must be met before payment for these agreements may be disbursed:

1. Any advance payment complies with the ITS budget.
2. The State Controller receives conclusive evidence that the proposed agreement would be more cost-effective than a multiyear agreement that complies with G.S. 147-86.11.
3. The procurement complies in all other respects with applicable statutes and rules.
4. The proposed agreement contains contract terms that protect the financial interests of the State against contractor nonperformance or insolvency through the creation of escrow accounts for funds, source codes, or both, or by other reasonable means that have legally binding effect.
5. Participating State agencies shall agree in writing to provide their proportionate share of funding over the term of the multiyear contract.

**SECTION 6.11.(b)** The Office of State Budget and Management (OSBM) shall ensure that the savings from any authorized agreement will be included in the ITS calculation of rates before OSBM annually approves the proposed rates.

**SECTION 6.11.(c)** The Office of Information Technology shall report to the Office of State Budget and Management on any State agency budget impacts resulting from the multiyear contracts.

**SECTION 6.11.(d)** By January 1, 2009, then quarterly thereafter, the Office of Information Technology Services shall submit a written report of any authorizations granted under this section to the Joint Legislative Oversight Committee on Information Technology and to the Fiscal Research Division.

**DOCUMENT MANAGEMENT/DIGITAL SIGNATURE PILOT**

**SECTION 6.12.(a)** Funds. – Of the funds appropriated to the Office of Information Technology Services (ITS) for the 2008-2009 fiscal year, the sum of two hundred thousand dollars ($200,000) shall be used to pilot a statewide electronic document management system that will include a digital signature capability. ITS shall identify a State agency for the pilot, which shall develop the following program requirements:

1. Creation of a uniform and consistent set of policies and procedures for managing and preserving electronic records through their life cycle in an efficient, effective, and economical manner.
2. Development, establishment, and promotion of statewide electronic records management training and certification programs.
3. Promotion of the use of public records in digital format.
5. Provision of guidance and assistance to all customers on issues relating to public records in digital formats including, but not limited to,
e-mail, e-commerce, electronic signature encryption, filings, public
Web pages, metadata, and system documentation.

SECTION 6.12.(b) By April 1, 2009, the Office of Information Technology
Services shall submit a written report to the Joint Legislative Oversight Committee on
Information Technology and to the Fiscal Research Division on the status and
effectiveness of the electronic document management pilot.

STATE GEOGRAPHIC INFORMATION/CONSOLIDATION

SECTION 6.13. The State Chief Information Officer (SCIO), the Office of
State Budget and Management (OSBM), and the Geographic Information Coordinating
Council (GICC) shall develop a detailed plan to implement the recommendations
contained in the Geographic Information System Study mandated by Section 6.13 of
S.L. 2007-323. The implementation plan shall include, at a minimum, details relating to
all of the following:

(1) The current and future costs of unconsolidated State agency GIS
efforts and an estimate of savings to be realized by the consolidation of
GIS efforts.
(2) A cost estimate for implementing the consolidation plan, with specific
costs associated with each study report recommendation and the
amount of any additional funding requirements to accomplish the
consolidation and transfer.
(3) An accounting of funds, furniture, equipment, and other operational
resources to be transferred from the Department of Environment and
Natural Resources (DENR) to the SCIO to support the Center for
Geographic Information and Analysis (CGIA) and the GICC.
(4) A description of personnel positions to be (i) transferred from DENR
to SCIO and the sources and amount of funding associated with each
position and (ii) eliminated due to the consolidation, if any.
(5) Any new positions required and the costs associated with each new
position.
(6) Projects that can be consolidated as part of the plan implementation
and the State agencies or contractors, or both, responsible for each of
those projects.
(7) A time line for implementation, including specific benchmarks.

By December 1, 2008, this detailed implementation plan shall be submitted to the
Chairs of the House and Senate Appropriations Committees and to the Fiscal Research
Division of the Legislative Services Office.

SINGLE ELECTRONIC MAIL SYSTEM

SECTION 6.14.(a) The State Chief Information Officer shall develop a
detailed plan for transitioning State agencies, departments, and institutions to a single
statewide electronic mail system by January 1, 2010. This plan shall be coordinated
with every organization not currently using the Office of Information Technology
Services (ITS) electronic mail system and shall specifically address any issues identified by these organizations.

SECTION 6.14.(b) The plan shall be presented to the State Chief Information Officer and the Joint Legislative Oversight Committee on Information Technology by November 1, 2008, and may be implemented after consultation with the Committee.

SECTION 6.14.(c) In preparing the Governor's proposed budget for 2009-2011, OSBM may utilize the plan required under subsection (b) of this section.

SECTION 6.14.(d) This provision shall not apply to the General Assembly, the Judicial Department, or The University of North Carolina and its constituent institutions. These agencies may utilize the electronic mail service operated by the Office in accordance with the statutes, policies, and rules of the Office.

PART VII. PUBLIC SCHOOLS

CHILDREN WITH DISABILITIES

SECTION 7.1. The State Board of Education shall allocate funds for children with disabilities on the basis of three thousand three hundred eighty-six dollars and eighty-four cents ($3,386.84) per child for a maximum of 172,079 children for the 2008-2009 school year. Each local school administrative unit shall receive funds for the lesser of (i) all children who are identified as children with disabilities or (ii) twelve and five-tenths percent (12.5%) of the 2008-2009 allocated average daily membership in the local school administrative unit.

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

FUNDS FOR ACADEMICALLY GIFTED CHILDREN

SECTION 7.2. The State Board of Education shall allocate funds for academically or intellectually gifted children on the basis of one thousand one hundred thirty-seven dollars and nineteen cents ($1,137.19) per child. A local school administrative unit shall receive funds for a maximum of four percent (4%) of its 2008-2009 allocated average daily membership, regardless of the number of children identified as academically or intellectually gifted in the unit. The State Board shall allocate funds for no more than 59,063 children for the 2008-2009 school year.

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

FUNDS TO IMPLEMENT THE ABCS OF PUBLIC EDUCATION

SECTION 7.3.(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 2007-2008 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:
   a. Up to one thousand five hundred dollars ($1,500) for each
      teacher and for certified personnel; and
   b. Up to five hundred dollars ($500.00) for each teacher assistant.

   (2) Incentive awards in schools that meet the expected improvements may
be:
   a. Up to seven hundred fifty dollars ($750.00) for each teacher and
      for certified personnel; and
   b. Up to three hundred seventy-five dollars ($375.00) for each
      teacher assistant.

SECTION 7.3.(b) The State Board of Education may use funds appropriated
to the State Public School Fund to implement the consolidated assistance program, as
directed in Section 7.6(b) of S.L. 2006-66. The Board shall report to the Joint
Legislative Education Oversight Committee by January 15, 2009, on any restructuring
of the program pursuant to this section.

NORTH CAROLINA VIRTUAL PUBLIC SCHOOL

SECTION 7.4.(a) Section 7.20(d) of S.L. 2007-323 reads as rewritten:
"SECTION 7.20.(d) The State Board of Education shall implement an allotment
formula developed pursuant to Section 7.16(d) of S.L. 2006-66, for funding e-learning,
effective in the 2008-2009 fiscal year. NCVPS shall be available at no cost to
all students in North Carolina who are enrolled in North Carolina's public schools,
Department of Defense schools, and schools operated by the Bureau of Indian Affairs.
The Department of Public Instruction shall communicate to local school administrative
units all applicable guidelines regarding the enrollment of nonpublic school students in
these courses.

The State Board of Education shall report to the Joint Legislative Education
Oversight Committee and the Fiscal Research Division by December 15, 2008, on its
implementation of this section.

Funds appropriated for NCVPS shall not revert at the end of the 2007-2008 fiscal
year but shall remain available for expenditure in the 2008-2009 fiscal year."

SECTION 7.4.(b) This section becomes effective June 30, 2008.

LEARN AND EARN ONLINE CARRYFORWARD

SECTION 7.5.(a) Funds appropriated for Learn and Earn Online that are
unexpended or unencumbered at the end of each fiscal year shall not revert, but shall
remain available for expenditure.

SECTION 7.5.(b) This section becomes effective June 30, 2008.

SCHOOL CONNECTIVITY INITIATIVE
SECTION 7.6.(a) Section 7.28(c) of S.L. 2007-323 reads as rewritten:

"SECTION 7.28.(c) Funds currently used for the services covered by these new funds shall not be supplanted by this additional funding and shall be used to support instructional technologies and local infrastructure in schools in support of acquisition and delivery of instructional technology resources to the classroom. Any refunds received for services paid with these technology funds shall return to the originating technology fund. Expenditures of existing funds for instructional technologies and local infrastructure shall be reported for each local school administrative unit to the Office of State Budget and Management, the Fiscal Research Division, and the Joint Legislative Education Oversight Committee annually by January 15."

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

SECTION 7.6.(b1) Of the funds allocated for the School Connectivity Initiative, the sum of two hundred fifty thousand dollars ($250,000) may be used to sustain the Education E-Learning Portal.

SECTION 7.6.(c) Funds allocated to the School Connectivity Initiative shall carry forward to the next fiscal year until the project is fully implemented by June 30, 2010.

SECTION 7.6.(d) Subsection (c) of this section becomes effective June 30, 2008.

ALLOTMENT FOR MENTORING SERVICES

SECTION 7.8. The State Board of Education shall allot funds for mentoring services to local school administrative units based on the highest number of employees in the preceding three school years who (i) are paid with State, federal, or local funds and (ii) are either teachers paid on the first or second steps of the teacher salary schedule or instructional support personnel paid on the first step of the instructional support personnel salary schedule.

Local school administrative units shall use these funds to provide mentoring support to eligible employees in accordance with a plan approved by the State Board of Education. The plan shall include information on how all mentors in the local school administrative unit will be adequately trained to provide mentoring support.

DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING

SECTION 7.9. Section 7.8(c) of S.L. 2007-323 reads as rewritten:

"SECTION 7.8.(c) Funds appropriated to a local school administrative unit for disadvantaged student supplemental funding shall be allotted based on: (i) the local school administrative unit's eligible DSSF population and (ii) the difference between a teacher-to-student ratio of 1:21 and the following teacher-to-student ratios:
(1) For counties with wealth greater than ninety percent (90%) of the statewide average, a ratio of 1:20.0; 19.9;
(2) For counties with wealth not less than eighty percent (80%) and not greater than ninety percent (90%) of the statewide average, a ratio of 1:19.5; 1:19.4;
(3) For counties with wealth less than eighty percent (80%) of the statewide average, a ratio of 1:19.3; 1:19.1; and
(4) For LEAs receiving DSSF funds in 2005-2006, a ratio of 1:16. These LEAs shall receive no less than the DSSF amount allotted in 2006-2007.

For the purpose of this subsection, wealth shall be calculated under the low-wealth supplemental formula."

MODIFY LOW-WEALTH SCHOOL FUNDING FORMULA

SECTION 7.10.(a) Local school administrative units shall receive the same amount of funds for the 2008-2009 fiscal year under the low-wealth supplemental formula that they received for the 2007-2008 fiscal year. This allotment shall be adjusted in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel enacted by the General Assembly for the 2007-2008 fiscal year.

SECTION 7.10.(b) The provisions of Section 7.6 of S.L. 2007-323 regarding the expenditure of funds shall apply to low-wealth funds received for the 2008-2009 fiscal year.

ADDITIONAL LOTTERY FUNDS FOR SCHOOL BLDGS

SECTION 7.11. Monies allocated to the Public School Building Capital Fund pursuant to Section 5.2(b) of this act shall be allocated on the basis of average daily membership to local school administrative units that did not qualify for funding for the 2008-2009 fiscal year pursuant to G.S. 115C-546.2(d)(2). The maximum allocation shall be the amount received by other units pursuant to G.S. 115C-546.2(d)(2) on the basis of per average daily membership. Any monies not needed for this purpose shall be transferred back to the Education Lottery Reserve Fund and may be appropriated only as provided in G.S. 18C-164(e).

STUDY OF STUDENTS WITH DISABILITIES

SECTION 7.12. The Department of Public Instruction shall analyze the participation of students with disabilities in Learn and Earn Early College High Schools, Redesigned High Schools, the North Carolina Virtual Public School, and North Carolina public high schools that are on block schedules. In conducting its analysis, the Department shall consider enrollment, graduation, and dropout rates for students with disabilities in these different programs. The Department shall report its findings and any recommendations to the Joint Legislative Education Oversight Committee and the Committee on Dropout Prevention by March 15, 2009.
FOCUSED ED. REFORM PROG. FUNDS DO NOT REVERT

SECTION 7.13.(a) Funds appropriated for the Focused Education Reform Pilot Program that are unexpended and unencumbered at the end of each fiscal year shall not revert but shall remain available for expenditure for that purpose for the duration of the pilot program.

SECTION 7.13.(b) This section becomes effective June 30, 2008.

REESTABLISH COMMITTEE ON DROPOUT PREVENTION

SECTION 7.14.(a) Section 7.32(e) of S.L. 2007-323 reads as rewritten:

"SECTION 7.32.(e) Report. – The Committee shall report to the Joint Legislative Commission on Dropout Prevention and High School Graduation created in subsection (f) of this section by December 1, 2007, on the grants awarded under subsection (d) of this section, after which time the Committee shall terminate.

The Committee shall terminate on December 31, 2010."

SECTION 7.14.(b) Committee. – The Committee on Dropout Prevention, as created in Section 7.32 of S.L. 2007-323, is reestablished to determine which local school administrative units, schools, agencies, and nonprofits shall receive dropout prevention grants under this section, the amount of each grant, and eligible uses of the grant funding. When utilizing outside grant reviewers and raters, the Committee is encouraged to utilize individuals who represent public schools, universities, and community-based organizations.

The Committee shall continue to be located administratively in the Department of Public Instruction but shall exercise its powers and duties independently of the Department of Public Instruction. The Department of Public Instruction shall provide for the administrative costs of the Committee. The Department of Public Instruction shall contract with an independent consultant to serve as staff to the Committee, to provide technical assistance to the grant recipients for the length of the grant, and to assist the Committee in evaluating the impact of the grants awarded.

The members of the Committee shall assure they are in compliance with laws and rules governing conflicts of interest. The Committee shall meet on the call of the cochairs provided that the Committee shall meet at least once every three months.

In the event of a vacancy on the Committee, the appointing authorities are encouraged to provide representation on the Committee from each of the eight educational districts as defined in G.S. 115C-65.

SECTION 7.14.(c) Dropout Prevention Grants. – The Committee shall select grant recipients as follows:

(1) From applications received in the process outlined in Section 7.32(d) of S.L. 2007-323 and using the process for the review of grant applications in 2007, the Committee shall establish a new cutoff score and award grants to applicants that both meet the new cutoff score and did not previously receive funding under S.L. 2007-323. Priority for additional funding of grants awarded under S.L. 2007-323 shall be given to programs that would serve students in local schools that have
(2) From the recipients of grants awarded under S.L. 2007-323, the Committee shall establish a process to award additional funds to those grantees.

(3) Using the process outlined in Section 7.32(d) of S.L. 2007-323 consistent with subsection (d) of this section, the Committee may award grants to new applicants that did not apply for funding under that act.

SECTION 7.14.(d) Criteria for Dropout Prevention Grants. – The following criteria apply to all types of dropout prevention grants approved by the Committee:

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

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

(3) Priority shall be given to new programs and initiatives or to those that have begun within the last five school years.

(4) Grants shall be distributed geographically throughout the State and throughout the eight educational districts as defined in G.S. 115C-65. No more than three grants shall be awarded in any one county under this section in a single fiscal year.

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

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

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

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

(9) Priority for grants shall be given to proposals that demonstrate input from the local community and coordination with other available programs or resources.
(10) Grantees shall assure their compliance with applicable laws and rules regulating conflicts of interest.

(11) Priority for grants shall be given to programs that would serve students in local schools that have a four-year cohort graduation rate of less than sixty-five percent (65%) and that are from counties that did not receive funding under S.L. 2007-323. The Committee shall establish a grant rating cutoff score at such a level as to allow for consideration of all viable grants in this priority category. The Committee may require grantees to provide supplemental information in response to any prior reviewer comments.

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

(13) Grants shall be made no later than November 1, 2008. The Committee shall report to the Joint Legislative Commission on Dropout Prevention and High School Graduation and the Joint Legislative Education Oversight Committee on the grants awarded under this section by March 1, 2009.

SECTION 7.14.(e) Evaluation. – The Committee shall evaluate the impact of the dropout prevention grants awarded under S.L. 2007-323 and under this section. In evaluating the impact of the grants, the Committee shall consider:

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

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

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

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

(5) The sustainability of the program;

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

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

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

November 15, 2009, to the Joint Legislative Commission on Dropout Prevention and High School Graduation and to the Joint Legislative Education Oversight Committee.

The recipients of the dropout prevention grants awarded under this section shall report to the Committee on Dropout Prevention by January 31, 2010, and by September 30, 2010. The Committee shall make an interim report of the results of its evaluation of the grants awarded under this section by March 31, 2010, to the Joint Legislative Commission on Dropout Prevention and High School Graduation and to the Joint Legislative Education Oversight Committee. The Committee shall make a final report of the results of its evaluation of the grants awarded under subsection (c) of this section by November 15, 2010, to the Joint Legislative Commission on Dropout Prevention and High School Graduation and to the Joint Legislative Education Oversight Committee.

SECTION 7.14.(f) Dropout Prevention Network. – In addition to its other duties, the Joint Legislative Commission on Dropout Prevention and High School Graduation, established under Section 7.32 of S.L. 2007-323, shall study the development of an effective network for the purpose of sharing best practices among the grant recipients, the public schools, and other interested organizations. The Commission shall consider interactive Web sites, electronic information sharing, professional development opportunities, conferences, and other means that it believes would be effective. The Commission may consult with the Department of Public Instruction and the Committee on Dropout Prevention. The Commission shall report its findings and any recommendations to the 2009 General Assembly.

SECTION 7.14.(g) Of the funds appropriated in this act for the Committee on Dropout Prevention, the sum of five million five hundred thousand dollars ($5,500,000) for the 2008-2009 fiscal year shall be used to provide for 40 additional dropout prevention grants to be awarded in accordance with subsection (b) of this section. The remainder shall be used in accordance with subsection (b) of this section to provide additional funding to the recipients of grants awarded under S.L. 2007-323 or to award grants to applicants that did not previously receive funding under S.L. 2007-323. Priority for additional funding of grants awarded under S.L. 2007-323 shall be given to programs that would serve students in local schools that have a four-year cohort graduation rate of less than sixty-five percent (65%).


SECTION 7.14.(i) Of the funds appropriated for the dropout prevention grants, the sum of one hundred thousand dollars ($100,000) for the 2008-2009 fiscal year may be used to issue a request for proposals from qualified vendors on a competitive basis to contract as a consultant to staff the Committee, assist with the evaluation, and provide technical assistance. The factors to be considered in awarding the contract shall be identified in the request for proposals.
SECTION 7.14.(j) Of the funds appropriated for the dropout prevention grants, the Department of Public Instruction may use up to fifty thousand dollars ($50,000) for its administrative assistance to the Committee under this section.

SECTION 7.14.(k) Subsection (h) of this section becomes effective June 30, 2008.

DROPOUT PREVENTION TECHNICAL CORRECTION

SECTION 7.14A. Section 7.32(c) of S.L. 2007-323 reads as rewritten:

"SECTION 7.32.(c) Committee. – There is established the Committee on Dropout Prevention. The Committee shall be located administratively in the Department of Public Instruction but shall exercise its powers and duties independently of the Department of Public Instruction. The Department of Public Instruction shall provide for the administrative costs of the Committee and shall provide staff to the Committee.

The Committee shall determine which local school administrative units, schools, agencies, and nonprofits shall receive dropout prevention grants under subsection (d) of this section, the amount of each grant, and eligible uses of the grant funding. The Committee shall consist of the following 15 members:

1. The Governor shall appoint five members, of whom one is a superintendent of schools, one is a representative of a nonprofit, and one is a school social worker;

2. The General Assembly upon the recommendation of the President Pro Tempore of the Senate shall appoint five members, of whom one is a principal, one is a representative of a school of education, and one is a school counselor; and

3. The General Assembly upon the recommendation of the Speaker of the House of Representatives shall appoint five members, of whom one is a teacher, one is a member of the business community, and one is a representative of the juvenile justice system.

The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each designate a cochair of the Committee. The members of the Committee shall assure they are in compliance with laws and rules governing conflicts of interest."

USE OF LEARN AND EARN ONLINE FOR ADJUNCT UNIVERSITY FACULTY

SECTION 7.15. Local school administrative units may use funds appropriated for learn and earn online for college-level courses taught by university instructors at public schools. Instruction for these courses shall be partially delivered online. Payments related to the textbooks and the prorated cost of the instructor shall be paid to the university supplying the instruction.

The State Board of Education shall adopt policies to establish guidelines and reimbursement procedures.

COMPREHENSIVE SUPPORT FOR SCHOOL SYSTEMS AND SCHOOLS
SECTION 7.16. If a local school administrative unit is designated by the State Board of Education as a targeted school district for comprehensive support, the State Board may:

(1) Authorize additional flexibility with regard to State allotments to allow the State Board's assigned support team and the local school administrative unit's leadership to redirect State funding to address the identified reform requirements. This additional flexibility shall not increase overall State funding available to the unit.

(2) Use funds already appropriated to the State Board of Education to allocate time-limited funds to implement strategies identified by the State Board's assigned support team and the school unit's leadership. The State Board shall adopt policies regarding (i) the strategies for which these time-limited funds may be used and (ii) the maximum time a unit may receive these funds. This funding shall not be allotted for more than one fiscal year. This funding is intended to allow the implementation of necessary reform initiatives while the unit obtains local funding or identifies other State or federal funding to cover the initiatives.

MORE AT FOUR PROGRAM

SECTION 7.17.(a) Section 7.24(f) of S.L. 2007-323 reads as rewritten:

"SECTION 7.24.(f) If a county is unable to increase "More at Four" slots because of a documented lack of available resources necessary to provide the required local contribution for the additional slots allocated to the county for the 2007-2008 fiscal year or the 2008-2009 fiscal year, the contract agency for that county may appeal to the Office of School Readiness for an exception to the required local amount for those additional slots. The Office of School Readiness may grant an exception and allot funds to pay up to ninety percent (90%) of the full cost of the additional slots for that county if it finds that (i) there is in fact a documented lack of available resources in the county and (ii) granting the exception will not reduce access statewide to "More at Four" slots."

SECTION 7.17.(b) The Office of School Readiness shall develop a plan to tier the local More at Four slots that are in child care facilities, based on child care subsidy market rates. The Office of School Readiness shall report the plan to the House of Representatives Appropriations Subcommittee on Education, the Senate Appropriations Committee on Education, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Education Oversight Committee, and the Fiscal Research Division by January 1, 2009.

PLANT OPERATION FUNDING

SECTION 7.18.(a) G.S. 115C-546.2 reads as rewritten:

"(a) Monies Of the monies credited to the Fund by the Secretary of Revenue pursuant to G.S. 115C-546.1(b), the State Board of Education may allocate up to one
million dollars ($1,000,000) each year to the Department of Public Instruction. These
tools shall be used by the Plant Operation Section of the School Support Division to
assist each local school administrative unit with effective energy and environmental
management, effective water management, hazardous material management, clean air
quality, and engineering support for safe, effective environmental practices. The
remainder of the monies in the Fund shall be allocated to the counties on a per average
daily membership basis according to the average daily membership for the budget year
as determined and certified by the State Board of Education. Interest earned on funds
allocated to each county shall be allocated to that county."

SECTION 7.18.(b) The Department of Public Instruction shall report to the
Joint Legislative Education Oversight Committee by April 15 of each year on the
effectiveness of the program in accomplishing its purpose and on any other information
requested by the Committee.

TRANSFER FUNDS FOR AGRICULTURAL EDUCATION PROGRAMS

SECTION 7.19. The Agricultural Education Program (Program) in the
Department of Agricultural and Extension Education at North Carolina State University
shall develop the secondary agricultural education curricula. The Program shall
recommend the curricula and corresponding assessment instruments to the State Board
of Education, which shall adopt the curricula for inclusion in the Standard Course of
Study. This curricula shall include as a part of its core content the Future Farmers of
America (FFA) student youth organization and the Supervised Agricultural Experience
learning program.

Effective with the 2008 federal grant, the State Board of Education shall
transfer a prorated share of funds from all federal Career and Technical Education funds
available for State-level usage to the Agricultural Education and FFA Program housed
in the Department of Agricultural and Extension Education at North Carolina State
University. The transfer of funds shall be a percentage of the total based upon the
grades 9-12 duplicated agricultural education enrollment as compared to the total career
and technical education grades 9-12 duplicated enrollment. These funds shall be used to
support the secondary Agricultural Education Program State-level administration,
leadership, curriculum and professional development, operations, innovations and
expansions, and the FFA and the Supervised Agricultural Education learning program.

PART VIII. COMMUNITY COLLEGES

REORGANIZATION OF THE NORTH CAROLINA COMMUNITY
COLLEGES SYSTEM OFFICE

SECTION 8.1.(a) Notwithstanding any other provision of law, and
consistent with the authority established in G.S. 115D-3, the President of the North
Carolina Community College System may reorganize the System Office in accordance
with recommendations and plans submitted to and approved by the State Board of
Community Colleges.

SECTION 8.1.(b) This section expires June 30, 2009.
USE OF FUNDS FOR THE COLLEGE INFORMATION SYSTEM

SECTION 8.2.(a) Funds appropriated in this act to the Community Colleges System Office for the College Information System shall not revert at the end of the 2008-2009 fiscal year but shall remain available until expended. These funds may only be used to purchase periodic system upgrades.

SECTION 8.2.(b) Notwithstanding G.S. 143C-6-4, the Community Colleges System Office may, subject to the approval of the Office of State Budget and Management and in consultation with the Office of Information Technology Services, use funds appropriated in this act for the College Information System to create a maximum of three positions. Personnel positions created pursuant to this subsection shall be dedicated to maintaining and administering information technology and software upgrades to the College Information System.

SECTION 8.2.(c) The Community Colleges System Office shall report by January 1, 2009, to the Joint Legislative Education Oversight Committee on the transition from the implementation phase to the ongoing operations and maintenance phase of the College Information System Project.

REPORT ON EFFECT OF ADDITIONAL ALLIED HEALTH FUNDING

SECTION 8.3. The Community Colleges System Office shall report by March 1, 2009, to the Joint Legislative Education Oversight Committee, the Fiscal Research Division, and the Office of State Budget and Management regarding the impact of the additional funding received for nursing and allied health programs during the 2006-2007, 2007-2008, and 2008-2009 fiscal years. This report shall include, at a minimum:

1. The number of FTE students enrolled in these programs;
2. The number of qualified applicants who were not admitted due to program capacity constraints;
3. The performance of students on nursing licensure exams; and
4. The average salary for allied health faculty by education level.

REPORT ON COST OF ALL PROGRAMS

SECTION 8.4. The Community Colleges System Office shall report by May 15, 2009, to the Fiscal Research Division and the Office of State Budget and Management regarding the instructional cost of all curriculum and non-curriculum programs. This report shall include an explanation of the differences in costs between programs, including faculty salaries and equipment costs.

MINORITY MALE MENTORING PROGRAM FUNDS

SECTION 8.5.(a) Funds appropriated for the Minority Male Mentoring Program shall not revert at the end of the fiscal year, but shall remain available until expended. Of the funds carried forward, up to one hundred thousand dollars ($100,000) may be used by the State Board of Community Colleges to recruit minority male
students to community colleges, market the thirty-two pilot programs statewide, and contract for summer enrichment programs for program participants.

SECTION 8.5.(b) This section becomes effective June 30, 2008.

LEARN AND EARN ONLINE FUNDS

SECTION 8.6.(a) Funds reimbursed to the Community College System for full-time equivalent (FTE) students participating in learn and earn online courses shall not revert at the end of a fiscal year, but shall remain available for expenditure up to 12 months after the close of a fiscal year.

SECTION 8.6.(b) This section becomes effective June 30, 2008.

CONSOLIDATE WORKFORCE DEVELOPMENT PROGRAMS

SECTION 8.7.(a) G.S. 115D-5.1 reads as rewritten:

"§ 115D-5.1. Workforce Development Programs.
(a) Community colleges shall assist in the preemployment and in-service training of employees in industry, business, agriculture, health occupation and governmental agencies. Such training shall include instruction on worker safety and health standards and practices applicable to the field of employment. The State Board of Community Colleges shall make appropriate regulations including the establishment of maximum hours of instruction which may be offered at State expense in each in-plant training program. No instructor or other employee of a community college shall engage in the normal management, supervisory and operational functions of the establishment in which the instruction is offered during the hours in which the instructor or other employee is employed for instructional or educational purposes.
(b) The North Carolina Community College System's New and Expanding Industry Training (NEIT) Program Guidelines, which were adopted by the State Board of Community Colleges on April 18, 1997, apply to all funds appropriated for the Program after June 30, 1997. A project approved as an exception under these Guidelines, or these Guidelines as modified by the State Board of Community Colleges, shall be approved for one year only.
(b1) Notwithstanding any other provision of law, the State Board of Community Colleges may adopt rules and guidelines that allow the New and Expanding Industry Training Program and the Focused Industrial Training Program to use funds appropriated for those programs to support training projects for the various branches of the United States Armed Forces.
(c) The State Board of Community Colleges shall report to the Joint Legislative Education Oversight Committee on September 1 of each year on expenditures for the New and Expanding Industry Training Program each fiscal year. The report shall include, for each company or individual that receives funds for the New and Expanding Industry Training Program:
(1) The total amount of funds received by the company or individual;
(2) The amount of funds per trainee received by the company or individual;
(3) The amount of funds received per trainee by the community college training the trainee;
(4) The number of trainees trained by company and by community college; and
(5) The number of years the companies or individuals have been funded.

(d) Funds available to the New and Expanding Industry Training Program shall not revert at the end of a fiscal year but shall remain available until expended.

(e) There is created within the North Carolina Community College System the Customized Industry Training (CIT) Program. The CIT–Customized Training Program shall offer programs and training services as new options for assisting new and existing business and industry to remain productive, profitable, and within the State. Before a business or industry qualifies to receive assistance under the CIT–Customized Training Program, the President of the North Carolina Community College System shall determine that:

(1) The business is making an appreciable capital investment;
(2) The business is deploying new technology; and
(2a) The business or individual is creating jobs, expanding an existing workforce, or enhancing the productivity and profitability of the operations within the State; and
(3) The skills of the workers will be enhanced by the assistance.

(f) The State Board shall report on an annual basis to the Joint Legislative Education Oversight Committee on:

(1) The total amount of funds received by a company under the CIT Program;
(2) The amount of funds per trainee received by that company;
(3) The amount of funds received per trainee by the community college delivering the training;
(4) The number of trainees trained by the company and community college; and
(5) The number of years that company has been funded.

(f1) Notwithstanding any other provision of law, the State Board of Community Colleges may adopt rules and guidelines that allow the Customized Training Program and the Focused Industrial Training Program to use funds appropriated for those programs to support training projects for the various branches of the United States Armed Forces.

(f2) Funds available to the Customized Training Program shall not revert at the end of a fiscal year but shall remain available until expended. Up to ten percent (10%) of the college-delivered training expenditures and up to five percent (5%) of the contractor-delivered training expenditures for the prior fiscal year for Customized Training may be allotted to each college for capacity building at that college.

(f3) Of the funds appropriated in a fiscal year for the Customized Training Programs, the State Board of Community Colleges may approve the use of up to eight percent (8%) for the training and support of regional community college personnel to deliver Customized Industry Training Program services to business and industry.
(g) The State Board shall adopt rules and policies to implement this section."

SECTION 8.7.(b) The State Board of Community Colleges shall transfer funds appropriated for the New and Expanding Industry Training Program and the Focused Industrial Training Program to the Customized Industry Training Programs appropriation. This transfer shall be completed by September 1, 2008.

BASIC SKILLS BLOCK GRANT

SECTION 8.8. The Community Colleges System Office shall develop a new formula for the Basic Skills Block Grant for consideration during the 2009 Session of the General Assembly. The revised formula shall incorporate the following changes:

(1) Federal funds shall be distributed to both community-based organizations and community colleges using the same process and shall only be awarded to programs that meet minimum standards; and

(2) A larger amount of funding shall be distributed on the basis of performance using revised criteria.

(3) The formula shall not include funding for members of target populations who do not receive basic skills services.

TRANSFERS OF CASH BALANCES TO THE GENERAL FUND

SECTION 8.9.(a) Notwithstanding any other provision of law, four million five hundred thousand dollars ($4,500,000) of the cash balance remaining in the North Carolina Community College System Information Technology CIS Fund (Budget Code 26802, Fund 2201) on July 1, 2008, shall be transferred to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers). These funds shall be used to support the General Fund appropriations for the 2008-2009 fiscal year for expansion funding for the North Carolina Community College System.

SECTION 8.9.(b) Notwithstanding any other provision of law, seven hundred eighty-three thousand two hundred fifty-six dollars ($783,256) of the cash balance remaining in the Focused Industrial Training (FIT) programs (Budget Code 16800, Fund 1603) on July 1, 2008, shall be transferred to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers). These funds shall be used to support the General Fund appropriations for the 2008-2009 fiscal year for expansion funding for the North Carolina Community College System.

FUNDS FOR CAMPUS SECURITY

SECTION 8.10. Notwithstanding G.S. 115D-32 or any other provision of law, a community college may use up to two percent (2%) of the noninstructional State funds allocated to it in the institutional support allotment for the 2008-2009 fiscal year for campus security. This may include the hiring of personnel, contracted professional services, surveillance cameras, call boxes, alert systems, and other equipment-related expenditures.

These funds shall be used to supplement and not supplant existing local funding for campus security.
SECTION 8.11. G.S. 115C-5 is amended by adding a new subsection to read:

"(s) The State Board of Community Colleges may retain and budget fees charged to students taking the General Education Development (GED) test. Fees collected for this purpose shall be used only to (i) offset the costs of the GED test, including the cost of scoring the test, (ii) offset the course of printing GED certificates, and (iii) meet federal and State reporting requirements related to the test."


SECTION 8.12.(b) This section becomes effective June 30, 2008.

SECTION 8.13. Notwithstanding any other provision of law, a local community college may use up to five percent (5%) of the Literacy Funds allocated to it by the State Board of Community Colleges to procure instructional technology for literacy labs. This technology may include computers, instructional software and software licenses, scanners for testing, and classroom projection equipment.

SECTION 8.14.(a) Funds appropriated for the 2007-2008 fiscal year to the Community Colleges System Office for the operations of the North Carolina Viticulture and Enology Center located at Surry Community College shall not revert at the end of the fiscal year. Surry Community College may use these funds for capital construction for the Center.

SECTION 8.14.(b) This section becomes effective June 30, 2008.

SECTION 8.15. The Joint Legislative Education Oversight Committee shall study the changes necessary to improve financial aid for community college students. Specifically the study shall include recommendations on how to better serve nontraditional students and how to increase the number of community colleges that participate in federal student loan programs.

SECTION 8.16. Funds appropriated to the Community Colleges System Office for the Hosiery Technology Center at Catawba Valley Community College may
be expended for the Center for Emerging Manufacturing Solutions (CEMS), which was established by Catawba Valley Community College in February 2008. The Hosiery Technology Center is now a division with the CEMS.

PART IX. UNIVERSITIES

ELIMINATE COACHING SCHOLARSHIP LOAN PROGRAM/TRANSFER FUND BALANCE TO GENERAL FUND

SECTION 9.1.(a) G.S. 116-209.36 is repealed.

SECTION 9.1.(b) All financial obligations to any student awarded a scholarship loan from the Coaching Scholarship Loan Fund before July 1, 2008, shall be fulfilled provided the student remains eligible under the provisions of the Coaching Scholarship Loan Fund. All contractual agreements between a student awarded a scholarship loan from the Coaching Scholarship Loan Fund before July 1, 2008, and the State Education Assistance Authority remain enforceable and the provisions of G.S. 116-209.36 that would be applicable but for this section shall remain applicable with regard to any scholarship loan awarded before July 1, 2008.

SECTION 9.1.(c) Effective June 30, 2008, the unencumbered balance of funds in the Coaching Scholarship Loan Fund shall revert to the General Fund.

PRIVATE COLLEGE STUDENT ELIGIBILITY FOR EARN SCHOLARSHIP/USE OF ESCHEAT FUNDS FOR CERTAIN EARN SCHOLARSHIPS

SECTION 9.2.(a) G.S. 116-209.26(a) reads as rewritten:

"(a) The following definitions apply to this section:

(1) Academic year. – A period of time in which a student in matriculated status is expected to complete the equivalent of at least two semesters' or three quarters' academic work.

(2) Eligible postsecondary institution. – A school that is any of the following:
   a. A constituent institution of The University of North Carolina as defined in G.S. 116-2(4);
   b. A community college as defined in G.S. 115D-2(2); or
   c. An institution as defined in G.S. 116-22(1).

(3) Matriculated status. – Being recognized as a first-time candidate for a degree or certificate, exclusive of any course credits earned while in high school, in a defined program of study at an eligible postsecondary institution.

(4) Title IV. – Title IV of the Higher Education Act of 1965, as amended."

SECTION 9.2.(b) G.S. 116-209.26 is amended by adding a new subsection to read:

"(h) No funds appropriated from the Eschat Fund to the Education Access Rewards North Carolina Scholars Fund shall be used for a grant awarded under this
section to a student who is an undergraduate student at an institution as defined in G.S. 116-22(1); however, funds appropriated from the General Fund to the Education Access Rewards North Carolina Scholars Fund may be used for a grant awarded under this section to a student who is an undergraduate student at an institution as defined in G.S. 116-22(1).

SECTION 9.2.(c) Section 9.7(b) of S.L. 2007-323 reads as rewritten:
"SECTION 9.7.(b) There is appropriated from the General Fund to the State Education Assistance Authority the sum of twenty-seven million six hundred five thousand two hundred ten dollars ($27,605,210) for the 2007-2008 fiscal year and the sum of sixty million dollars ($60,000,000)–ten million dollars ($10,000,000) for the 2008-2009 fiscal year."

SECTION 9.2.(d) Section 9.7(c) of S.L. 2007-323 reads as rewritten:
"SECTION 9.7.(c) There is appropriated from the Escheat Fund to the State Education Assistance Authority the sum of forty million dollars ($40,000,000)–sixty million dollars ($60,000,000) for the 2008-2009 fiscal year. Notwithstanding any other provision of law, no funds shall be used from the Escheat Fund until all monies from the General Fund appropriated under Section 9.7(c) have been exhausted."

SECTION 9.2.(e) Subsections (a) and (b) of this section apply only for academic years beginning on or after July 1, 2008.

CLOSING THE ACHIEVEMENT GAP/GRANTS

SECTION 9.3.(a) Of the funds appropriated by this act for the 2008-2009 fiscal year to the Board of Governors of The University of North Carolina to be used for the North Carolina Historically Minority Colleges and Universities initiative for "Closing the Achievement Gap", North Carolina Central University may use up to ten percent (10%) of the funds to cover the costs for administering the grants and shall award at least ninety percent (90%) of the funds as grants to the public and private institutions of higher education.

SECTION 9.3.(b) North Carolina Central University shall report to the Joint Education Legislative Oversight Committee and to the Fiscal Research Division by April 1, 2009, regarding the number of grants awarded, the recipients of the grants, the amount of the grant awarded, the programs and purposes for which the grant was awarded, the cost of administering the grant, and any other information requested by the Committee or Fiscal Research Division. The grants awarded pursuant to this section shall also include as a term of the grant that the recipient of the grant report to the Joint Education Legislative Oversight Committee and to the Fiscal Research Division regarding the amount of the grant received, the program and purposes for which the grant was requested, the methodology used to implement the grant program and purposes, the results of the program funded by the grant, and any other information requested by the Joint Education Legislative Oversight Committee and the Fiscal Research Division.

OPTIONAL SCHOLARSHIP FOR CERTAIN GRADUATES OF THE PRINCIPAL FELLOWS PROGRAM
SECTION 9.4.(a) The North Carolina Principal Fellows Commission in collaboration with the State Education Assistance Authority shall make available an optional six-month scholarship in the amount of twenty thousand dollars ($20,000) to any person who was a recipient of a scholarship loan through the Principal Fellows Program and who: (i) was in Class 10 of the Principal Fellows Program for the 2003-2004 academic year, (ii) completed the Principal Fellows Program, and (iii) has either served as a school administrator for four years at a North Carolina public school or at a school operated by the United States as required by G.S. 116-74.43, or who has had the loan forgiven by the State Education Assistance Authority pursuant to G.S. 116-74.43. A person may be eligible for the optional six-month scholarship only after fulfilling all contractual obligations agreed to by the person upon receipt of the original scholarship loan awarded to the person under G.S. 116-74.42. Exclusive of any deferment for extenuating circumstances, a person remains eligible for the optional six-month scholarship for two years after the six-year period of time allowed the person to satisfy the original scholarship loan requirements under G.S. 116-74.43. Should a person present extenuating circumstances, the State Education Assistance Authority may extend the period of time for which a person remains eligible for the optional six-month scholarship for a reasonable time period.

SECTION 9.4.(b) The Principal Fellows Commission shall develop the criteria for awarding the scholarship. In developing the criteria, the Commission shall require that the person agree to work at least another six months as a school administrator in a North Carolina public school or at a school operated by the United States after satisfying the four-year work requirement set out in G.S. 116-74.43. The Commission, in collaboration with the State Education Assistance Authority, shall develop a process for evaluating a scholarship recipient's work performance and for issuing a final approval and certification of the work performance. The Commission shall transfer to the State Education Assistance Authority the name of each recipient that it certifies as successfully completing the optional scholarship program. The State Education Assistance Authority shall pay the twenty thousand dollar ($20,000) stipend to the scholarship recipient within a reasonable time of receiving notification from the Commission that the recipient has successfully completed the optional scholarship program. The State Education Assistance Authority shall perform all of the administrative functions necessary to implement this act, including rule making.

SECTION 9.4.(c) Effective June 30, 2008, the sum of one million dollars ($1,000,000) shall revert from the Principal Fellows Trust Fund to the General Fund. The sum of one million seven hundred forty thousand dollars ($1,740,000) in the Principal Fellows Trust Fund shall be held in reserve to pay each participant in the optional scholarship program the stipend of twenty thousand dollars ($20,000) upon successful completion of the optional scholarship program.

AHEC FUNDS

SECTION 9.5. Funds appropriated in the amount of one million one hundred ninety thousand five hundred sixty-two dollars ($1,190,562) by this act to the Board of Governors of The University of North Carolina for the 2008-2009 fiscal year
for Area Health Education Centers (AHEC) to address health workforce shortages, primary care residency training, and patient safety in local health facilities shall be used only for these purposes and shall not be reduced.

REPORTING ON UNC FACULTY WORKLOAD

SECTION 9.6.(a) The Board of Governors shall conduct a study on faculty workload. The study shall be done using the Delaware Study Method of collecting data. Information in the report shall include, but is not to be limited to:

(1) Faculty workload data for each UNC constituent institution compared to the UNC enrollment model.
(2) UNC faculty workload average as compared to the UNC enrollment model student credit hours per instructional position.
(3) Faculty workload of regional and peer institutions as compared to each UNC constituent institution faculty average and to the UNC faculty workload average.

SECTION 9.6.(b) The UNC Board of Governors shall submit the study to the Joint Legislative Education Oversight Committee, the Office of State Budget and Management, and the Fiscal Research Division no later than August 1, 2008.

UNC-NCCCS 2+2 E-LEARNING INITIATIVE

SECTION 9.7.(a) Funds appropriated in this act to The University of North Carolina and the North Carolina Community College System for the UNC-NCCCS 2+2 E-Learning Initiative shall be used to fund further development of online courses for 2+2 programs. Based on a mutually agreed upon decision by the State Board of Education Chairman, the President of the Community Colleges, and the President of the University of North Carolina as to the areas of greatest need, to include mathematics and science teacher licensure fields, these funds are available to support joint technology development, systems to track student progress, and articulation between a North Carolina community college and a UNC constituent institution and develop technology needed to support online courses and 2+2 programs.

SECTION 9.7.(b) The University of North Carolina and the North Carolina Community College System shall use these funds first to develop online teacher education programs, including baccalaureate and associate pre-major programs.

SECTION 9.7.(c) The University of North Carolina and Community Colleges System Office shall report by September 1, 2008, and annually thereafter, to the Joint Legislative Education Oversight Commission, the State Board of Education, the Office of State Budget and Management, and the Fiscal Research Division of the General Assembly on the implementation of the UNC-NCCCS 2+2 E-Learning Initiative. This report shall include:

(1) The courses and programs within the 2+2 E-Learning Initiative;
(2) The total number of prospective teachers that have taken or are taking part in this initiative to date broken down by the current academic period and each of the previous academic periods since the program's inception;
(3) The total number of teachers currently in the State's classrooms, by local school administrative unit, who have taken part in this initiative;
(4) The change in the number of teachers available to schools since the program's inception;
(5) The qualitative data from students, teachers, local school administrative unit personnel, university personnel, and community college personnel as to the impact of this initiative on our State's teaching pool; and
(6) An explanation of the expenditures and collaborative programs between the North Carolina Community College System and the University of North Carolina, including recommendations for improvement.

UNC ENROLLMENT GROWTH REQUEST TO CONTAIN PREVIOUS ACADEMIC YEAR'S ACTUAL STUDENT CREDIT HOURS (SCH) AND FULL TIME EQUIVALENCIES (FTE)

SECTION 9.8. G.S. 116-11(9) reads as rewritten:

"(9) a. The Board of Governors shall develop, prepare and present to the Governor and the General Assembly a single, unified recommended budget for all of the constituent institutions of The University of North Carolina. The recommendations shall consist of requests in three general categories: (i) funds for the continuing operation of each constituent institution, (ii) funds for salary increases for employees exempt from the State Personnel Act and (iii) funds requested without reference to constituent institutions, itemized as to priority and covering such areas as new programs and activities, expansions of programs and activities, increases in enrollments, increases to accommodate internal shifts and categories of persons served, capital improvements, improvements in levels of operation and increases to remedy deficiencies, as well as other areas. The president may present to the General Assembly an updated estimate of tuition, fees, and other receipts by June 15 of each year to be included in the budget for the following fiscal year.

a1. The Board of Governors shall provide full documentation and justification of any enrollment change funding request at the time it is recommended. This documentation and justification shall include the most recent academic year's actual enrollment numbers in the same format in which the growth increase request is made. The actual enrollment numbers shall be the actual student credit hours (SCH) or full-time equivalencies (FTE).

b. Funds for the continuing operation of each constituent institution shall be appropriated directly to the institution. Funds
for salary increases for employees exempt from the State Personnel Act shall be appropriated to the Board in a lump sum for allocation to the institutions. Funds for the third category in paragraph a of this subdivision shall be appropriated to the Board in a lump sum for allocation to the institutions. The Board shall make allocations among the institutions in accordance with the Board's schedule of priorities and any specifications in the Current Operations Appropriations Act. When both the Board and the Director of the Budget deem it to be in the best interest of the State, funds in the third category may be allocated, in whole or in part, for other items within the list of priorities or for items not included in the list. Provided, nothing herein shall be construed to allow the General Assembly, except as to capital improvements, to refer to particular constituent institutions in any specifications as to priorities in the third category.

c. The Director of the Budget may, on recommendation of the Board, authorize transfer of appropriated funds from one institution to another to provide adjustments for over or under enrollment or may make any other adjustments among institutions that would provide for the orderly and efficient operation of the institutions.

d. Repealed by Session Laws 1987, c. 795, s. 27."

REVERT THE 2007-2008 APPROPRIATION FOR THE EDUCATION ACCESS REWARDS NORTH CAROLINA (EARN) SCHOLARS FUND

SECTION 9.9. Effective June 30, 2008, the unencumbered balance of the funds appropriated in 2007-2008 to The University of North Carolina Board of Governors and the State Education Assistance Authority in Section 9.7 of S.L. 2007-323 shall revert to the General Fund. The amount reverted shall be no less than twenty-seven million six hundred five thousand two hundred ten dollars ($27,605,210).

HIGHER EDUCATION STUDIES/DISTANCE EDUCATION AND UNC ENROLLMENT GROWTH FUNDING FORMULAS

SECTION 9.10.(a) The Joint Legislative Program Evaluation Oversight Committee shall include in the 2009-2010 Work Plan for the Program Evaluation Division of the General Assembly a study of the start-up and ongoing cost of distance education and compare it with the start-up and ongoing cost of on-campus education. The Program Evaluation Division shall submit the study to the Joint Legislative Program Evaluation Oversight Committee, the Joint Legislative Education Oversight Committee, and the Fiscal Research Division at a date to be determined by the Joint Legislative Program Evaluation Oversight Committee.

SECTION 9.10.(b) The Joint Legislative Program Evaluation Oversight Committee shall include in the 2009-2010 Work Plan for the Program Evaluation Division...
Division of the General Assembly a comprehensive review of the full-time equivalencies (FTE) and student credit hours (SCH) enrollment growth funding formulas used by The University of North Carolina. In its study, the Program Evaluation Division shall consider and evaluate all of the following:

(1) The assumptions contained within each element of the funding formulas.

(2) Benchmark information related to specific elements within the formulas.

(3) How a formula based on full-time equivalencies (FTE) compares with a formula based on Student Credit Hours (SCH).

(4) The types of formulas used by other states to fund university systems; how those states use those formulas; the success of the formulas with regard to indicating future financial needs, providing equitable funding to different institutions within the system based on the size, mission, and growth of each institution; and the types of support programs, if any, addressed by the formulas.

(5) The objectives that the formulas are designed to meet and whether those accurately reflect the goals of The University of North Carolina System.

(6) How the current formulas should be modified, if at all, to more accurately predict The University of North Carolina System's future financial needs or whether different types of formulas would be more helpful.

The Program Evaluation Division shall submit the study to the Joint Legislative Program Evaluation Oversight Committee, the Joint Legislative Education Oversight Committee, and the Fiscal Research Division at a date to be determined by the Joint Legislative Program Evaluation Oversight Committee.

LEGISLATIVE TUITION GRANT/REDEFINE PART-TIME STUDENT

SECTION 9.11.(a) G.S. 116-21.2 reads as rewritten:

"§ 116-21.2. Legislative tuition grants to aid students and licensure students attending private institutions of higher education.

(a) Grants for Students. – In addition to any funds appropriated pursuant to G.S. 116-19 and in addition to all other financial assistance made available to institutions, or to persons attending these institutions, there is granted to each North Carolina undergraduate student attending an approved institution as defined in G.S. 116-22, a sum, to be determined by the General Assembly for each academic year which shall be distributed to the undergraduate student as provided by this subsection. A full-time North Carolina undergraduate student shall be awarded the full amount of the tuition grant provided by this section. A part-time North Carolina undergraduate student who is enrolled to take at least nine-six hours of academic credit per semester shall be awarded a tuition grant in an amount that is calculated on a pro rata basis.

(a1) Grants for Licensure Students. – The legislative tuition grant provided by this section shall also be granted to each full-time licensure student who is enrolled in a
program intended to result in a license in teaching or nursing at an approved institution. The legislative tuition grant provided by this section shall be awarded on a pro rata basis to any part-time licensure student who is enrolled to take at least nine six hours of undergraduate academic credit per semester in a program intended to result in a license in teaching or nursing at an approved institution. The legislative tuition grant and prorated legislative tuition grant authorized under this subsection shall be paid for undergraduate courses only. If a course is required for licensure, but is designated as both an undergraduate and graduate course, for purposes of this subsection, the course shall be considered an undergraduate course.

(b) Administration of Grants. – The tuition grants provided for in this section shall be administered by the State Education Assistance Authority pursuant to rules adopted by the State Education Assistance Authority not inconsistent with this section. The State Education Assistance Authority shall not approve any grant until it receives proper certification from an approved institution that the student or licensure student applying for the grant is eligible. Upon receipt of the certification, the State Education Assistance Authority shall remit at the times as it prescribes the grant to the approved institution on behalf, and to the credit, of the student or licensure student.

(c) Student or Licensure Student Change of Status; Audits. – In the event a full-time student on whose behalf a grant has been paid in accordance with subsection (a) of this section or a full-time licensure student on whose behalf a grant has been paid in accordance with subsection (a1) of this section is not enrolled and carrying a minimum academic load as of the tenth classroom day following the beginning of the school term for which the grant was paid, the institution shall refund the full amount of the grant to the State Education Assistance Authority. If a part-time student on whose behalf a prorated grant has been paid in accordance with subsection (a) of this section or a part-time licensure student on whose behalf a prorated grant has been paid in accordance with subsection (a1) of this section is not enrolled and carrying a minimum academic load of nine six credit hours per semester in the undergraduate class as of the tenth classroom day following the beginning of the school term for which the grant was paid, the institution shall refund the full amount of the grant to the State Education Assistance Authority. If the matriculated status of a full-time student or a full-time licensure student changes to a matriculated status of part-time student or part-time licensure student by the tenth classroom day following the beginning of the school term for which the grant was paid, the institution shall refund only the difference between the amount of the full-time grant awarded and the amount of the part-time grant that is awarded pursuant to this section. Each approved institution shall be subject to examination by the State Auditor for the purpose of determining whether the institution has properly certified eligibility and enrollment of students and licensure students and credited grants paid on behalf of them.

(d) Shortfall. – In the event there are not sufficient funds to provide each eligible student or licensure student with a full or prorated grant as provided by subsection (a) of this section or a full or a prorated grant as provided by subsection (a1) of this section:

1. The Board of Governors of The University of North Carolina, with the approval of the Office of State Budget and Management, may transfer
available funds to meet the needs of the programs provided by subsections (a), (a1), and (b) of this section; and

(2) Each eligible student and licensure student shall receive a pro rata share of funds then available for the remainder of the academic year within the fiscal period covered by the current appropriation.

(e) Reversions. – Any remaining funds shall revert to the General Fund."

SECTION 9.11.(b) This section applies to academic semesters beginning on or after July 1, 2008.

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

NC Rx FUNDS TRANSFER

SECTION 10.1. The sum of three million five hundred thousand dollars ($3,500,000) of the cash balance remaining in the NC Rx Program (Budget Code 536J50, Fund 1510) on July 1, 2008, shall be transferred to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers). These funds shall be used to support General Fund appropriations for the 2008-2009 fiscal year in the following amounts and for the following purposes:

(1) $700,000 to HealthNet (Budget Code 536J30; Fund 1510),
(2) $2,300,000 to Community Health Centers (Budget Code 536E66, Fund 1510), and
(3) $500,000 to the North Carolina Housing Trust Fund (Budget Code 13010).

STATE COUNTY SPECIAL ASSISTANCE

SECTION 10.2. Section 10.13 of S.L. 2007-323 reads as rewritten:

"SECTION 10.13.(a) The eligibility of Special Assistance recipients residing in adult care homes on August 1, 1995, shall not be affected by an income reduction in the Special Assistance eligibility criteria resulting from adoption of the Rate Setting Methodology Report and Related Services, providing these recipients are otherwise eligible. The maximum monthly rate for these residents in adult care home facilities shall be one thousand two hundred thirty-one dollars ($1,231) per month per resident.

"SECTION 10.13.(b) Effective January 1, 2007, the maximum monthly rate for residents in adult care home facilities shall be one thousand one hundred forty-eight dollars ($1,148) per month per resident unless adjusted by the Department in accordance with subsection (e) of this section.

"SECTION 10.13.(c) Effective October 1, 2007, the maximum monthly rate for residents in adult care home facilities shall be one thousand one hundred seventy-three dollars ($1,173) per month per resident unless adjusted by the Department in accordance with subsection (e) of this section.

"SECTION 10.13.(c1) Effective January 1, 2009, the maximum monthly rate for residents in adult care home facilities shall be one thousand two hundred three dollars ($1,203) per month per resident unless adjusted by the Department in accordance with subsection (e) of this section."
"SECTION 10.13.(d) The maximum monthly rate for residents in Alzheimer/Dementia special care units shall be one thousand five hundred fifteen dollars ($1,515) per month per resident unless adjusted by the Department in accordance with subsection (e) of this section.

"SECTION 10.13.(e) Notwithstanding any other provision of this section, the Department of Health and Human Services shall review activities and costs related to the provision of care in adult care homes and shall determine what costs may be considered to properly maximize allowable reimbursement available through Medicaid personal care services for adult care homes (ACH-PCS) under federal law. As determined, and with any necessary approval from the Centers for Medicare and Medicaid Services (CMS), and the approval of the Office of State Budget and Management, the Department may transfer necessary funds from the State-County Special Assistance program within the Division of Social Services to the Division of Medical Assistance and may use those funds as State match to draw down federal matching funds to pay for such activities and costs under Medicaid's personal care services for adult care homes (ACH-PCS), thus maximizing available federal funds. The established rate for State-County Special Assistance set forth in subsections (b) and (c) of this section shall be adjusted by the Department to reflect any transfer of funds from the Division of Social Services to the Division of Medical Assistance and related transfer costs and responsibilities from State-County Special Assistance to the Medicaid personal care services for adult care homes (ACH-PCS). Subject to approval by the Centers for Medicare and Medicaid Service (CMS) and prior to implementing this section, the Department may disregard a limited amount of income for individuals whose countable income exceeds the adjusted State-County Special Assistance rate. The amount of the disregard shall not exceed the difference between the Special Assistance rate prior to the adjustment and the Special Assistance rate after the adjustment and shall be used to pay a portion of the cost of the ACH-PCS and reduce the Medicaid payment for the individual's personal care services provided in an adult care home. In no event shall the reimbursement for services through the ACH-PCS exceed the average cost of the services as determined by the Department from review of cost reports as required and submitted by adult care homes. The Department shall report any transfers of funds and modifications of rates to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

"SECTION 10.13.(f) Effective July 1, 2007, the Department of Health and Human Services shall recommend rates for State-County Special Assistance and for Adult Care Home Personal Care Services. The Department may recommend rates appropriate cost methodology and cost reports submitted by adult care homes that receive State-County Special Assistance funds and shall ensure that cost reporting is done for State-County Special Assistance and Adult Care Home Personal Care Services to the same standards as apply to other residential service providers."

AIDS DRUG ASSISTANCE PROGRAM

SECTION 10.3. Section 10.26 of S.L. 2007-323 reads as rewritten:
"SECTION 10.26.(a) For the 2007-2008 fiscal year and the 2008-2009 fiscal year, the Department may adjust the financial eligibility criterion of the ADAP up to an amount not exceeding two hundred fifty percent (250%) of the federal poverty level in order to serve as many eligible North Carolinians living with HIV disease as possible within existing resources plus any new federal resources. If the Department raises the eligibility limit above one hundred twenty-five percent (125%) of the federal poverty level and a waiting list develops as a result, the Department shall give priority on the waiting list to those individuals at or below one hundred twenty-five percent (125%) of the federal poverty level.

"SECTION 10.26.(b) For the 2008-2009 fiscal year, the Department may, within existing ADAP Program resources, adjust the financial eligibility criterion of the ADAP up to an amount not exceeding three hundred percent (300%) of the federal poverty level in order to serve as many eligible North Carolinians living with HIV disease as possible within existing resources plus any new federal resources. If a waiting list develops as a result of the eligibility criterion being raised, the Department shall give first priority to those individuals on the waiting list with income at or below one hundred twenty-five percent (125%) of the federal poverty level, and second priority to those individuals with income above one hundred twenty-five percent (125%) and at or below two hundred fifty percent (250%) of federal poverty guidelines."

**CHANGES TO COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE**

**SECTION 10.4.** Section 10.22 of S.L. 2007-323 reads as rewritten:

"SECTION 10.22.(a) Of funds appropriated in this act from the General Fund to the Department of Health and Human Services, the sum of two million five hundred thousand dollars ($2,500,000) for the 2007-2008 fiscal year and the sum of two million dollars ($2,000,000) for the three million dollars ($3,000,000) for the 2008-2009 fiscal year shall be allocated for the Community-Focused Eliminating Health Disparities Initiative (CFEHDI) to provide grants-in-aid to local public health departments, American Indian tribes, and faith-based and community-based organizations to close the gap in the health status of African-Americans, Hispanics/Latinos, and American Indians as compared to the health status of white persons. These grants shall focus on the use of preventive measures to support healthy lifestyles. The areas of focus on health status shall be infant mortality, HIV-AIDS and sexually transmitted infections, cancer, diabetes, and homicides and motor vehicle deaths.

The five hundred thousand dollars ($500,000) in nonrecurring funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, for the Health Disparities Initiative in the 2007-2008 fiscal year shall be awarded as a grant-in-aid to honor the memory of the following recently deceased members of the General Assembly: Bernard Allen, John Hall, Robert Holloman, Howard Hunter, Jeanne Lucas, and William Martin. These funds shall be used for concerted efforts to address large gaps in health status among North Carolinians who are African-American, as well as disparities among other minority populations in North Carolina. These efforts shall include:
(1) Providing enhanced education and outreach to minority populations on
the prevention, diagnosis, and treatment of heart disease, breast cancer,
diabetes, obesity, hypertension, sickle cell anemia, and HIV infection.

(2) Addressing cultural and communication barriers to quality care by
improving interpersonal processes between clinicians and patients.

The Secretary shall send to each grantee organization a letter stating that the award
is made in honor of the memory of and in recognition of the recent deaths of Senators
Robert Holloman, Jeanne Lucas, and William Martin and Representatives Bernard
Allen, John Hall, and Howard Hunter.

"SECTION 10.22.(b) The Department of Health and Human Services shall report
on the following with respect to funds appropriated to the CFEHDI program in fiscal
years. The report shall address for each fiscal year:

(1) Which community programs and local health departments received
CFEHDI grants.

(2) What amount of funding did each program or local health department
receive.

(3) Which of the minority populations were served by the programs or
local health departments.

(4) Which counties were served by the programs or local health
departments.

(5) What activities were planned and implemented by the programs or
local health departments to fulfill the community focus of the CFEHDI
program.

The report shall also contain a comprehensive evaluation of all grantees with regard
to fulfilling the goals of the program, assessing the difference the funded activities have
made in the community, and addressing and mitigating the health disparities identified
addition, the Department shall solicit from the grantees their observations and
recommendations on ways the CFEHDI program can best accomplish its goals. The
report shall also include specific activities undertaken pursuant to subsection (a) of this
section to address large gaps in health status among North Carolinians who are
African-American and other minority populations in this State. The Department shall
submit the report not later than March 1, 2008, to the House of Representatives
Appropriations Subcommittee on Health and Human Services, the Senate
Appropriations Committee on Health and Human Services, and the Fiscal Research
Division."

**HIV PREVENTION FUNDS**

**SECTION 10.5.** Of the funds appropriated in this act to the Department of
Health and Human Services, the sum of two million dollars ($2,000,000) for the
2008-2009 fiscal year shall be allocated for HIV Prevention for the following purposes:

(1) Funding to local health departments, historically black colleges and
universities, the Office of Minority Health and Health Disparities, and
other community organizations for HIV counseling, testing, and early medical interventions.

(2) Funding to implement three community-based harm reduction programs as part of a comprehensive Hepatitis C and HIV disease prevention program. The funds shall also be used to support these programs in providing case management services, care, and other services that will further the purposes of HIV and Hepatitis C prevention.

(3) Funding to support peer-to-peer counseling efforts.

**CHILD CARE FUNDS MATCHING REQUIREMENT**

**SECTION 10.6.** Section 10.17 of S.L. 2007-323 reads as rewritten:

"SECTION 10.17.(a) No local matching funds may be required by the Department of Health and Human Services as a condition of any locality's receiving its initial allocation of child care funds appropriated by this act unless federal law requires a match. If the Department reallocates additional funds above twenty-five thousand dollars ($25,000) to local purchasing agencies beyond their initial allocation, local purchasing agencies must provide a fifteen percent (15%) twenty percent (20%) local match to receive the reallocated funds. Matching requirements shall not apply when funds are allocated because of a disaster as defined in G.S. 166A-4(1).

"SECTION 10.17.(b) If funds are reallocated to local purchasing agencies in accordance with subsection (a) of this section, the Department of Health and Human Services shall evaluate the fifteen percent (15%) twenty percent (20%) local matching requirement to determine its effect on local purchasing agencies and whether the matching requirement should be adjusted. The Department shall report its findings and recommendations to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division no later than April 1, 2009."

**CHANGES TO FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS**

**SECTION 10.7.** Section 10.29 of S.L. 2007-323 reads as rewritten:

"SECTION 10.29.(a) The maximum rates for State participation in the foster care assistance program are established on a graduated scale as follows:

(1) $390.00 per child per month for children aged birth through 5;
(2) $440.00 per child per month for children aged 6 through 12; and
(3) $490.00 per child per month for children aged 13 through 18.

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

"SECTION 10.29.(b) The maximum rates for the State participation in the adoption assistance program are established on a graduated scale consistent with the foster care rates as follows:

(1) $390.00 per child per month for children aged birth through 5;
(2) $440.00 per child per month for children aged 6 through 12; and
"SECTION 10.29.(c) In addition to providing board payments to foster and adoptive families of HIV-infected children, as prescribed in Section 23.28 of Chapter 324 of the 1995 Session Laws, any additional funds remaining that were appropriated for this purpose shall be used to provide medical training in avoiding HIV transmission in the home.

"SECTION 10.29.(d) The maximum rates for the State participation in HIV foster care and adoption assistance are established on a graduated scale as follows:

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

"SECTION 10.29.(e) The State and a county participating in foster care and adoption assistance shall each contribute fifty percent (50%) of the nonfederal share of the cost of care for a child placed by a county department of social services or child placing agency in a family foster home or residential child care facility. A county shall be held harmless from contributing fifty percent (50%) of the cost for a child currently in a family foster home or residential child care facility until the child leaves foster care or experiences a placement change.

"SECTION 10.29.(f) The Department of Health and Human Services may establish foster care and adoption assistance rates based on the United States Department of Agriculture (USDA) 'Expenditures on Children by Families' index subject to State appropriations for each fiscal year.

"SECTION 10.29.(g) This section becomes effective January 1, 2009, and applies to payments made on or after that date."

TICKET TO WORK IMPLEMENTATION DATE
SECTION 10.8. The Department of Health and Human Services shall implement the Ticket to Work Program on July 1, 2008, whether or not the new MMIS is operational.

IMPLEMENTATION OF MMIS
SECTION 10.9. The delay in implementation of the new MMIS system has delayed the implementation of important programs that involve collecting premiums. In order to mitigate the negative impact of the continuous delays in implementation of these programs, the Department of Health and Human Services, Division of Medical Assistance, shall implement the following programs in the first iteration of the new MMIS, and this first iteration must have the capability of collecting premiums in order that the programs may be fully implemented at the time MMIS becomes operational.

1. Ticket to Work.
2. Families pay part of the cost of services under the CAP-MR/DD and CAP children's programs.
3. NC Health Choice.
MEDICAID POLICY CHANGE

SECTION 10.10. Section 10.36(b) of S.L. 2007-323 reads as rewritten:

"SECTION 10.36.(b) Policy.–
(1) Volume purchase plans and single source procurement. – The Department of Health and Human Services, Division of Medical Assistance, may, subject to the approval of a change in the State Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of volume purchase plans, single source procurement, or other contracting processes in order to improve cost containment.

(2) Cost-containment programs. – The Department of Health and Human Services, Division of Medical Assistance, may undertake cost-containment programs, including contracting for services, preadmissions to hospitals, and prior approval for certain outpatient surgeries before they may be performed in an inpatient setting.

(3) Fraud and abuse. – The Division of Medical Assistance, Department of Health and Human Services, shall provide incentives to counties that successfully recover fraudulently spent Medicaid funds by sharing State savings with counties responsible for the recovery of the fraudulently spent funds.

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

DHHS STUDY PERFORMANCE BOND REQUIREMENT

SECTION 10.11. The Department of Health and Human Services shall study the feasibility of requiring Medicaid-enrolled providers to purchase a performance bond or to submit an executed letter of credit or financial instrument as a condition of initial provider enrollment, re-enrollment, or reinstatement. In conducting the study, the Department shall consider the conditions under which a performance bond, letter of credit, or financial instrument would be required of Medicaid providers, and the conditions under which the Department should waive or limit the performance bond, letter of credit, or financial instrument requirements, including the potential fiscal impact of the waiver or limitation on the Medicaid program. The Department shall report its findings and recommendations to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division not later than January 1, 2009.

EXPAND HEALTH CHOICE/NC KIDS' CARE

SECTION 10.12.(a) Section 10.48 of S.L. 2007-323 reads as rewritten:

"SECTION 10.48.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Medical Assistance, the sum of three hundred sixty-eight thousand dollars ($368,000) for the 2007-2008 fiscal year shall be used by the Department of Health and Human Services to produce a report that identifies the most cost-efficient and cost-effective method for developing and implementing a program of comprehensive health care benefits within available funding for children ages 0 through 18 in families with annual incomes between two hundred percent (200%) and three hundred percent (300%) of the federal poverty level. The report shall consider and address the following:

1. Congress' reauthorization of the State Children's Health Insurance Program (SCHIP) with respect to:
   a. The amount of federal funds authorized for each of the fiscal years covered in the reauthorization;
   b. The number of fiscal years that federal funding awarded to the states remains available to each state;
   c. The adequacy of the formula by which federal funds are distributed to the states; and
   d. The ability of states to expand SCHIP coverage to children whose family incomes exceed two hundred percent (200%) of the federal poverty level.

The Department shall determine whether the most effective use of State funds is to develop a program that expands access to health insurance for children whose family income exceeds two hundred
percent (200%) of the federal poverty level through NC Health Choice or the State Medical Assistance Program.

(2) Eligibility and benefits are not an entitlement, are for legal residents of North Carolina, and are subject to availability of State and federal funds, and State and federal requirements.

(3) The most cost-effective use of limited State funds to offer health care services to children in families between two hundred percent (200%) and three hundred percent (300%) of the federal poverty level.

(4) Children enrolled in the program must be ineligible for Medicaid, Medicare, or other government-sponsored health insurance. The Department shall study whether children must also be without private health insurance for a specified amount of time, e.g. six months.

(5) The health care benefits covered in the proposed expansion program shall not exceed the benefits currently covered by the NC Health Choice.

(6) The establishment of cost-sharing measures for the families of children with an income above two hundred percent (200%) of the federal poverty level, including:
   a. A monthly premium per child that is at an optimal level that simultaneously is affordable, encourages participation by families, controls costs, and provides revenue to reduce the cost of the program to the State. The amount of the premium may increase as income increases above two hundred percent (200%) of the federal poverty level.
   b. Increased co-payments and cost-sharing that are affordable and sufficient to control costs, while not discouraging families from seeking and continuing prescribed treatment for children.
   c. A deductible that is to be applied to certain health care benefits.
   d. A limit on out-of-pocket expenses that is no more than five percent (5%) of family income.

(7) The establishment of a comprehensive annual benefit limit per child that is no more than the current annual benefit limit under NC Health Choice.

(8) The most cost-effective and efficient way of administering and managing enrollment in the program and the collection of premiums. This may include having the current administrator of NC Health Choice be the entity to collect premiums, or designating some other benefit management or administrative entity to do so, including the Department.

"SECTION 10.48.(b) Not later than January 1, 2008, the Department shall submit an interim report of its findings and recommendations to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division. The
Department shall submit its final report not later than February 1, 2008. It is the intent of the General Assembly to review the Department's recommendations before the Department implements a program to expand access to health insurance to children above two hundred percent (200%) of the federal poverty level, effective July 1, 2008, or upon approval of all required federal waivers, whichever occurs later.

"SECTION 10.48.(c) Of the funds appropriated in this act to the Department of Health and Human Services, the sum of seven one million eight hundred nine thousand dollars ($1,809,000) ($7,000,000) for the 2008-2009 fiscal year shall be used to implement a program to expand access to health insurance to children above two hundred percent (200%) of the federal poverty level-effective July 1, 2008. These funds may be used to support nonrecurring start-up costs and ongoing administrative and program services expenditures.

"SECTION 10.48.(d) The Department of Health and Human Services, Division of Medical Assistance, shall implement a health care assistance program, NC Kids' Care, to provide health insurance coverage to children in families with incomes above two hundred percent (200%) and not more than two hundred fifty percent (250%) of the federal poverty level, by expanding the Health Insurance Program for Children established under Part 8 of Article 2 of Chapter 108A of the General Statutes. Except as otherwise provided, all the requirements of Part 8 of Article 2 of Chapter 108A of the General Statutes shall apply to the NC Kids' Care program. The Department shall submit any State Child Health Plan amendments required to implement this section. Eligibility for and benefits under this program are not an entitlement and are subject to availability of funds and other changes to State and federal law.

"SECTION 10.48.(e) Eligibility. – The Department may enroll eligible children based on the availability of funds. Following are the eligibility and other requirements for participation in NC Kids' Care. Children must:

1. Be between the ages of birth through 18 years of age;
2. Be ineligible for Medicaid, Medicare, or other government sponsored health insurance, except that any child covered under G.S. 108A-70.21(g) as of the effective date of this section shall be eligible for participation in NC Kids' Care as provided in subsection (o) of this section;
3. Have been uninsured for three months immediately prior to enrollment; the Department may require a longer uninsured waiting period if required by federal regulations;
4. Be in a family whose family income is above two hundred percent (200%) through two hundred fifty percent (250%) of the federal poverty level;
5. Be a resident of this State, meet applicable federal citizenship and immigration requirements, and be eligible under federal law; and
6. Have paid the monthly premiums required under this section.

"SECTION 10.48.(f) Benefits and Limitations. – Except as otherwise provided in this section for eligibility and cost-sharing requirements, health benefits coverage
provided to children eligible for NC Kids' Care shall be the same as coverage provided
under Part 8 of Article 2 of Chapter 108A of the General Statutes.

"SECTION 10.48.(g) Community Care of North Carolina. – The Department of
Health and Human Services shall provide services to children enrolled in the NC Kids' 
Care program through Community Care of North Carolina and shall pay Community 
Care of North Carolina providers a care management fee for these services as allowed
under Medicaid.

"SECTION 10.48.(h) Cost-Sharing. – The Department shall require NC Kids' Care
enrollees to contribute to the cost of their care through the use of deductibles, 
co-payments, and premiums as follows:

(1) No annual enrollment fee. – In lieu of an annual enrollment fee, a 
monthly premium shall be charged for each child or family enrolled in 
NC Kids' Care. The Department shall establish a procedure for sharing 
a portion of premium receipts with each county department of social 
services to cover the cost of determining eligibility for services under 
NC Kids' Care.

(2) Premiums. – The premium amount charged for each child or family 
shall vary depending on family income. Enrollees shall pay monthly 
premiums as follows:

a. Enrollees whose family income is above two hundred percent 
(200%) through two hundred twenty-five percent (225%) of the 
federal poverty level shall pay a monthly premium not to 
exceed thirty dollars ($30.00) per child.

b. Enrollees whose family income is above two hundred 
twenty-five percent (225%) through two hundred fifty percent 
(250%) of the federal poverty level shall pay a monthly 
premium not to exceed sixty dollars ($60.00) per child.

(3) Co-payments. – NC Kids' Care enrollees shall be responsible for 
coopayments to providers as follows:

a. Ten dollars ($10.00) per child for each primary care physician 
visit;

b. Twenty-five dollars ($25.00) per child for each specialty care 
physician visit;

c. Twenty-five dollars ($25.00) per child for each physical 
therapy, occupational therapy, or speech therapy visit;

d. Thirty dollars ($30.00) per child for each outpatient hospital 
visit;

e. Fifty dollars ($50.00) per child for each inpatient hospital visit;

f. Twenty dollars ($20.00) per child for durable medical 
equipment, except there shall be no co-payment required for 
diabetic supplies;

g. One hundred dollars ($100.00) for each emergency room visit, 
except the co-payment is waived if the enrollee is admitted to 
the hospital;
h. One hundred fifty dollars ($150.00) for each ambulance service, except the co-payment is waived if the enrollee is admitted to the hospital;

i. Outpatient prescription drugs, as follows:

1. Five dollars ($5.00) for each generic prescription drug, for each brand-name prescription drug for which there is no generic substitution available, and for each covered over-the-counter medication; and

2. Twenty dollars ($20.00) for each brand-name prescription drug for which there is a generic substitution available.

(4) Deductible. – The Department may establish an annual deductible not to exceed two hundred fifty dollars ($250.00) per child.

(5) The Department shall establish maximum annual cost-sharing limits per individual or family, provided that the total annual aggregate cost-sharing, including premiums, with respect to all children in a family receiving benefits under this section shall not exceed five percent (5%) of the family's income for the year involved.

"SECTION 10.48.(i) Enrollment in NC Kids' Care shall not exceed 15,000 children for the 2008-2009 fiscal year. This enrollment cap shall not be exceeded even if State and federal funds are available to enroll additional children for the current fiscal year.

"SECTION 10.48.(j) The nonfederal costs of NC Kids' Care shall be paid with State funds and enrollee premiums. Counties shall not be required to share in the nonfederal costs of NC Kids' Care.

"SECTION 10.48.(k) Providers of services under NC Kids' Care shall be paid at rates equivalent to Medicaid rates, less any applicable co-payments or deductibles.

"SECTION 10.48.(l) Administration of NC Kids' Care shall be in accordance with Part 8 of Article 2 of Chapter 108A of the General Statutes.

"SECTION 10.48.(m) Enrollees covered under G.S. 108A-70.21(g) prior to the effective date of subsection (n) of this section may choose to continue coverage under that section through the end of their buy-in coverage period or enroll in NC Kids' Care provided they meet the eligibility requirements, pay the applicable premium, and notify their county department of social services within 60 days of receiving notice of their potential eligibility under NC Kids' Care. For any enrollee electing to transfer coverage from the buy-in program to NC Kids' Care, coverage under NC Kids' Care shall become effective the first day of the next month immediately following the month in which they notified their county department of social services of their intent to enroll in NC Kids' Care.

"SECTION 10.48.(n) This section becomes effective April 1, 2009, or upon approval of all State Child Health Plan amendments, whichever is later, and is contingent upon the availability of sufficient federal funding. The Department shall not apply for such amendments until the US Congress acts to reauthorize the State Children's Health Insurance Program with sufficient funding to support the current North Carolina program and the provisions of this section."
SECTION 10.12.(b) G.S. 108A-70.21(c) reads as rewritten:

"(c) Annual Enrollment Fee. – There shall be no enrollment fee for Program
coverage for enrollees whose family income is at or below one hundred fifty percent
(150%) of the federal poverty level. The enrollment fee for Program coverage for
enrollees whose family income is above one hundred fifty percent (150%) through two
hundred percent (200%) of the federal poverty level shall be fifty dollars ($50.00) per
year per child with a maximum annual enrollment fee of one hundred dollars ($100.00)
for two or more children. The enrollment fee shall be collected by the county
department of social services and retained to cover the cost of determining eligibility for
services under the Program. County departments of social services shall establish
procedures for the collection of enrollment fees."

SECTION 10.12.(c) G.S. 108A-70.21(g) reads as rewritten:

"(g) Purchase of Extended Coverage. – An enrollee in the Program who loses
eligibility due to an increase in family income above two hundred percent (200%) of the
federal poverty level and up to and including two hundred twenty-five percent (225%)
of the federal poverty level fifty percent (250%) of the federal poverty level and up to
and including two hundred seventy-five percent (275%) of the federal poverty level may
purchase at full premium cost continued coverage under the Program for a period not to
exceed one year beginning on the date the enrollee becomes ineligible under the income
requirements for the Program. The same benefits, copayments, and other conditions of
enrollment under the Program shall apply to extended coverage purchased
under this subsection. Subsection shall be the same as those applicable to an NC Kids' Care enrollee whose family income equals two hundred fifty percent (250%) of the
federal poverty level."

NC HEALTH CHOICE TRANSITION

SECTION 10.13.(a) G.S. 135-39.5(23), 135-39.6(d), and 135-39.6A(c) are
repealed.

SECTION 10.13.(b) G.S. 135-42 reads as rewritten:

"§ 135-42. Undertaking. Administration and processing of Program claims.

(a) The State of North Carolina undertakes to make available a health insurance
program for children (hereinafter called the "Program") children (Program), which shall
be called North Carolina Health Choice for Children. The Program shall provide
comprehensive acute medical care to low-income, uninsured children who are residents
of this State and who meet the eligibility requirements established for the Program
under Part 8 of Article 2 of Chapter 108A of the General Statutes. The Executive
Administrator and Board of Trustees of the State Health Plan for Teachers and State
Employees (hereinafter called the "Plan") shall administer the Program under this Part
and shall carry out their duties and responsibilities in accordance with Parts 2 and 3 of
this Article and with applicable provisions of Part 8 of Article 2 of Chapter 108A. The
Plan's self-insured indemnity program shall not incur any financial obligations for the
Program in excess of the amount of funds that the Plan's self-insured indemnity program
receives for the Program. Except as provided in this Part, the Program shall be
administered by the Department of Health and Human Services in accordance with Part
8 of Article 2 of Chapter 108A of the General Statutes and as required under applicable federal law.

(a1) Notwithstanding any other provision of law, the Secretary of the Department of Health and Human Services shall delegate the responsibility for the administration and processing of claims for benefits provided under the Program to the Executive Administrator and Board of Trustees of the State Health Plan for Teachers and State Employees (hereinafter called the "Plan") until such date, but not later than July 1, 2010, the Secretary determines that the Department is prepared to assume some or all of these responsibilities. In administering the processing of claims for benefits, the Executive Administrator and Board of Trustees shall have the same type of powers and duties as provided for these purposes under the Predecessor Plan. For the purposes of this Part, "Predecessor Plan" means the "North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan in effect prior to July 1, 2008." The claims payments shall be made against accounts maintained by the Department of Health and Human Services. The Executive Administrator and Board of Trustees shall establish premium rates for benefits provided under this Part. The Department of Health and Human Services shall, from State and federal appropriations and from any other funds made available for the Program, make payments to the Plan as determined by the Plan for its administration, claims processing, and other services delegated by the Secretary to provide coverage for acute medical care for children eligible for benefits provided under the Program. The Plan shall not incur any financial obligations for the Program in excess of the amount of funds that the Plan receives for the Program.

(b) The benefits provided under the Program shall be equivalent to the Teachers' and State Employees' Comprehensive Major Medical Plan (hereafter "Predecessor Plan") in effect through June 30, 2008, and as provided under Part 8 of Article 2 of Chapter 108A of the General Statutes, and made available through the Plan pursuant to Articles 2 and 3 of this Chapter and as provided under G.S. 108A-70.21(b) and administered by the Plan's Executive Administrator and Board of Trustees. To the extent there is a conflict between the provisions of Part 8 of Article 2 of Chapter 108A and Part 3 of this Article the Predecessor Plan pertaining to eligibility, fees, deductibles, copayments, and lifetime maximum benefits, and other cost-sharing charges, the provisions of Part 8 of Article 2 of Chapter 108A shall control. In administering the benefits provided by this Part, the Executive Administrator and Board of Trustees shall have the same type of powers and duties that are provided under Part 3 of this Article the Predecessor Plan for hospital and medical benefits.

(c) The benefits authorized by this Part are available only to children who are residents of this State and who meet the eligibility requirements established for the Program under Part 8 of Article 2 of Chapter 108A of the General Statutes."

SECTION 10.13.(c) Part 5 of Article 3 of Chapter 135 of the General Statutes is amended by adding the following new sections to read:

"§ 135-43. Child health insurance fund.
There is established a Child Health Insurance Fund. All premium receipts or any other receipts, including earnings on investments, occurring or arising in connection with acute medical care benefits provided under the Program shall be deposited into the
Child Health Insurance Fund. Disbursements from the Child Health Insurance Fund shall include any and all amounts required to pay the benefits and administrative costs of the Health Insurance Program for Children.

§ 135-44. Data reporting.

The Executive Administrator and Board of Trustees of the State Health Plan for Teachers and State Employees shall provide to the Department:

1. Data as necessary and in sufficient detail to meet federal reporting requirements under Title XXI; and
2. Data showing cost-sharing paid by Program enrollees to assist the Department in monitoring and ensuring that enrollees do not exceed the Program's cost of sharing limitations.
3. Data as necessary and in sufficient detail to meet the data collections and reporting requirements pursuant to G.S. 108A-70.27.

SECTION 10.13.(d) G.S. 108A-70.18 reads as rewritten:


As used in this Part, unless the context clearly requires otherwise, the term:

1. "Comprehensive health coverage" means creditable health coverage as defined under Title XXI.
2. "Family income" has the same meaning as used in determining eligibility for the Medical Assistance Program.
3. "FPL" or "federal poverty level" means the federal poverty guidelines established by the United States Department of Health and Human Services, as revised each April 1.
4. "Medical Assistance Program" means the State Medical Assistance Program established under Part 6 of Article 2 of Chapter 108A of the General Statutes.
5. "Program" means The Health Insurance Program for Children established in this Part.
6. "State Plan" means the State Child Health Plan for the State Children's Health Insurance Program established under Title XXI.
8. "Uninsured" means the applicant for Program benefits is not covered under any private or employer-sponsored comprehensive health insurance plan on the date of enrollment.

SECTION 10.13.(e) G.S. 108A-70.20 reads as rewritten:

§ 108A-70.20. Program established.

The Health Insurance Program for Children is established. The Program shall be known as North Carolina Health Choice for Children, and it shall be administered by the Department of Health and Human Services in accordance with this Part and as
required under Title XXI and related federal rules and regulations. Administration of
Program benefits and claims processing shall be as provided under Part 5 of Article 3 of
Chapter 135 of the General Statutes."

SECTION 10.13.(f) Effective July 1, 2008, G.S. 108A-70.21 reads as
rewritten:
"§ 108A-70.21. Program eligibility; benefits; enrollment fee and other
cost-sharing; coverage from private plans; purchase of extended
coverage.
(a) Eligibility. – The Department may enroll eligible children based on
availability of funds. Following are eligibility and other requirements for participation
in the Program:

(1) Children must:
   a. Be between the ages of 6 through 18;
   b. Be ineligible for Medicaid, Medicare, or other federal
government-sponsored health insurance;
   c. Be uninsured;
   d. Be in a family whose family income is above one hundred
   percent (100%) through two hundred percent (200%) of the
   federal poverty level;
   e. Be a resident of this State and eligible under federal law; and
   f. Have paid the Program enrollment fee required under this Part.

(2) Proof of family income and residency and declaration of uninsured
status shall be provided by the applicant at the time of application for
Program coverage. The family member who is legally responsible for
the children enrolled in the Program has a duty to report any change in
the enrollee's status within 60 days of the change of status.

(3) If a responsible parent is under a court order to provide or maintain
health insurance for a child and has failed to comply with the court
order, then the child is deemed uninsured for purposes of determining
eligibility for Program benefits if at the time of application the
custodial parent shows proof of agreement to notify and cooperate
with the child support enforcement agency in enforcing the order.

If health insurance other than under the Program is provided to the
child after enrollment and prior to the expiration of the eligibility
period for which the child is enrolled in the Program, then the child is
deemed to be insured and ineligible for continued coverage under the
Program. The custodial parent has a duty to notify the Department
within 10 days of receipt of the other health insurance, and the
Department, upon receipt of notice, shall disenroll the child from the
Program. As used in this paragraph, the term "responsible parent"
means a person who is under a court order to pay child support.

(4) Except as otherwise provided in this section, enrollment shall be
continuous for one year. At the end of each year, applicants may
reapply for Program benefits.
(b) Benefits. – Except as otherwise provided for eligibility, fees, deductibles, copayments, and other cost-sharing charges, health benefits coverage provided to children eligible under the Program shall be equivalent to coverage provided for dependents under the State Health Plan for Teachers and State Employees, including optional prepaid plans, Predecessor Plan.

In addition to the benefits provided under the Plan, Predecessor Plan, the following services and supplies are covered under the Health Insurance Program for Children established under this Part:

1. Dental: Oral examinations, teeth cleaning, and scaling twice during a 12-month period, full mouth X-rays once every 60 months, supplemental bitewing X-rays showing the back of the teeth once during a 12-month period, fluoride applications twice during a 12-month period, fluoride varnish, sealants, simple extractions, therapeutic pulpotomies, prefabricated stainless steel crowns, and routine fillings of amalgam or other tooth-colored filling material to restore diseased teeth. No benefits are to be provided for services and materials under this subsection that are not performed by or upon the direction of a dentist, doctor, or other professional provider approved by the Plan nor for services and materials that do not meet the standards accepted by the American Dental Association.

2. Vision: Scheduled routine eye examinations once every 12 months, eyeglass lenses or contact lenses once every 12 months, routine replacement of eyeglass frames once every 24 months, and optical supplies and solutions when needed. Optical services, supplies, and solutions must be obtained from licensed or certified ophthalmologists, optometrists, or optical dispensing laboratories. Eyeglass lenses are limited to single vision, bifocal, trifocal, or other complex lenses necessary for a Plan enrollee’s visual welfare. Coverage for oversized lenses and frames, designer frames, photosensitive lenses, tinted contact lenses, blended lenses, progressive multifocal lenses, coated lenses, and laminated lenses is limited to the coverage for single vision, bifocal, trifocal, or other complex lenses provided by this subsection. Eyeglass frames are limited to those made of zylonite, metal, or a combination of zylonite and metal. All visual aids covered by this subsection require prior approval of the Plan. Upon prior approval by the Plan, prior approval. Upon prior approval, refractions may be covered more often than once every 12 months.

3. Hearing: Auditory diagnostic testing services and hearing aids and accessories when provided by a licensed or certified audiologist, otolaryngologist, or other approved hearing aid specialist approved by the Plan. Prior approval of the Plan specialist. Prior approval is required for hearing aids, accessories, earmolds, repairs, loaners, and rental aids.
(4) Over-the-counter medications: Selected over-the-counter medications provided the medication is covered under the State Medical Assistance Plan. Coverage shall be subject to the same policies and approvals as required under the Medicaid program.

Effective January 1, 2006, the Department shall provide services to children enrolled in the NC Health Choice Program through Community Care of North Carolina and shall pay Community Care of North Carolina providers for these services as allowed under Medicaid.

(b1) Payments. – Prescription drug providers shall accept as payment in full, for outpatient prescriptions filled, amounts allowable for prescription drugs under Medicaid. For all other providers, effective no later than January 1, 2006, services provided to children enrolled in the Program shall be provided at rates equivalent to one hundred fifteen percent (115%) of Medicaid rates, less any co-payments assessed to enrollees under this Part. Effective July 1, 2006, services provided to these children shall be provided at rates equivalent to one hundred percent (100%) of Medicaid rates, less any co-payments assessed to enrollees under this Part. Effective until rates equivalent to one hundred fifteen percent (115%) of Medicaid rates become effective, providers of services to Program enrollees shall accept as payment in full for services rendered the maximum allowable charges under the State Health Plan for Teachers and State Employees for services less any co-payments assessed to enrollees under this Part.

(c) Annual Enrollment Fee. – There shall be no enrollment fee for Program coverage for enrollees whose family income is at or below one hundred fifty percent (150%) of the federal poverty level. The enrollment fee for Program coverage for enrollees whose family income is above one hundred fifty percent (150%) of the federal poverty level shall be fifty dollars ($50.00) per year per child with a maximum annual enrollment fee of one hundred dollars ($100.00) for two or more children. The enrollment fee shall be collected by the county department of social services and retained to cover the cost of determining eligibility for services under the Program. County departments of social services shall establish procedures for the collection of enrollment fees.

(d) Cost-Sharing. – There shall be no deductibles, copayments, or other cost-sharing charges for families covered under the Program whose family income is at or below one hundred fifty percent (150%) of the federal poverty level, except that fees for outpatient prescription drugs are applicable and shall be one dollar ($1.00) for each outpatient generic prescription drug and three dollars ($3.00) for each outpatient brand-name prescription drug for which there is no generic substitution available, and for each covered over-the-counter medication. The fee for each outpatient brand-name prescription drug for which there is a generic substitution available is three dollars ($3.00). Families covered under the Program whose family income is above one hundred fifty percent (150%) of the federal poverty level shall be responsible for copayments to providers as follows:
(1) Five dollars ($5.00) per child for each visit to a provider, except that there shall be no copayment required for well-baby, well-child, or age-appropriate immunization services;

(2) Five dollars ($5.00) per child for each outpatient hospital visit;

(3) A one dollar ($1.00) fee for each outpatient generic prescription drug and for each outpatient brand-name prescription drug for which there is no generic substitution available, and for each covered over-the-counter medication. The fee for each outpatient brand-name prescription drug for which there is a generic substitution available is ten dollars ($10.00).

(4) Twenty dollars ($20.00) for each emergency room visit unless:

- The child is admitted to the hospital, or
- No other reasonable care was available as determined by the Claims Processing Contractor of the State Health Plan for Teachers and State Employees Department.

Copayments required under this subsection for prescription drugs apply only to prescription drugs prescribed on an outpatient basis.

(e) Cost-Sharing Limitations. – The total annual aggregate cost-sharing, including fees, with respect to all children in a family receiving Program benefits under this Part shall not exceed five percent (5%) of the family's income for the year involved. To assist the Department in monitoring and ensuring that the limitations of this subsection are not exceeded, the Executive Administrator and Board of Trustees of the State Health Plan for Teachers and State Employees shall provide data to the Department showing cost-sharing paid by Program enrollees.

(f) Coverage From Private Plans. – The Department shall, from funds available for the Program, pay the cost for dependent coverage provided under a private insurance plan for persons eligible for coverage under the Program if all of the following conditions are met:

1. The person eligible for Program coverage requests to obtain dependent coverage from a private insurer in lieu of coverage under the Program and shows proof that coverage under the private plan selected meets the requirements of this subsection;

2. The dependent coverage under the private plan is actuarially equivalent to the coverage provided under the Program and the private plan does not engage in the exclusive enrollment of children with favorable health care risks;

3. The cost of dependent coverage under the private plan is the same as or less than the cost of coverage under the Program; and

4. The total annual aggregate cost-sharing, including fees, paid by the enrollee under the private plan for all dependents covered by the plan, do not exceed five percent (5%) of the enrollee's family income for the year involved.
The Department may reimburse an enrollee for private coverage under this subsection upon a showing of proof that the dependent coverage is in effect for the period for which the enrollee is eligible for the Program.

(g) Purchase of Extended Coverage. – An enrollee in the Program who loses eligibility due to an increase in family income above two hundred percent (200%) of the federal poverty level and up to and including two hundred twenty-five percent (225%) of the federal poverty level may purchase at full premium cost continued coverage under the Program for a period not to exceed one year beginning on the date the enrollee becomes ineligible under the income requirements for the Program. The same benefits, copayments, and other conditions of enrollment under the Program shall apply to extended coverage purchased under this subsection.

(h) No State Funds for Voluntary Participation. – No State or federal funds shall be used to cover, subsidize, or otherwise offset the cost of coverage obtained under subsection (f) of this section.

(i) No Lifetime Maximum Benefit Limit. – Benefits provided to an enrollee in the Program shall not be subject to a maximum lifetime limit.

SECTION 10.13.(g) G.S. 108A-70.22 is repealed.

SECTION 10.13.(h) G.S. 108A-70.23 reads as rewritten:

§ 108A-70.23. Services for children with special needs established; definition; eligibility; services; limitation; recommendations; no entitlement.

(a) [Special Needs Services Authorized. –] The Department shall, from federal funds received and State funds appropriated for the Program, pay for services for children with special needs as authorized under this section. As used in this section, the term "children with special needs" or "special needs child" means children who have been diagnosed as having one or more of the following conditions which in the opinion of the diagnosing physician (i) is likely to continue indefinitely, (ii) interferes with daily routine, and (iii) require extensive medical intervention and extensive family management:

(1) Birth defect, including genetic, congenital, or acquired disorders;
(2) Developmental disability as defined under G.S. 122C-3;
(3) Mental or behavioral disorder; or
(4) Chronic and complex illnesses.

(b) Eligibility for Services. – In order to be eligible for services under this section a special needs child must be enrolled in the Program.

(c) Services Provided. – The services authorized to be provided to children eligible under this section are as follows:

(1) The same level of services as provided for special needs children under the Medical Assistance Program as authorized in the Current Operations Appropriations Act except that:
   a. No services for long-term care shall be provided under this section;
   b. Services for respite care shall be provided only under emergency circumstances; and
c. The Department may limit services for special needs children after consultation with the Commission on Children with Special Health Care Needs.

(2) Only those services eligible under this section that are not covered or otherwise provided under Part 5 of Article 3 of Chapter 135 of the General Statutes, the Predecessor Plan.

(d) Limitation. – Funds may be expended for services under this section only if the special needs child is enrolled in the Program, the services provided under this section are not provided under Part 5 of Article 3 of Chapter 135 of the General Statutes, the Predecessor Plan and the child meets the definition of a special needs child under this section.

(e) Case Management Services. – The Department shall develop procedures for the provision of case management services by the Department to eligible special needs children. Case management services shall be developed to ensure to the maximum extent possible that services are provided in the most efficient and effective manner considering the special needs of the child. The cost of providing case management services for children with special needs shall be paid from funds available for services under this section.

(f) Recommendations by Commission on Children With Special Health Care Needs. – In implementing this section the Department shall consider the recommendations of the Commission on Children With Special Health Care Needs established under Article 71 of Chapter 143 of the General Statutes. The Department, in consultation with the Commission on Children With Special Health Care Needs shall develop procedures for providing respite care services under emergency circumstances.

(g) No Entitlement. – Nothing in this section shall be construed as entitling any person to services under this section."

SECTION 10.13.(i) G.S. 108A-70.24 is repealed.

SECTION 10.13.(j) G.S. 108A-27(c) reads as rewritten:

"§ 108A-70.27. Data collection; reporting.

..."
(b) Benefits. – Except as otherwise provided for eligibility, fees, deductibles, copayments, and other cost-sharing charges, health benefits coverage provided to children eligible under the Program shall be equivalent to coverage provided for dependents under the Predecessor Plan.

In addition to the benefits provided under the Predecessor Plan, dental services and supplies as follows:

(1) **Dental:** Oral examinations, teeth cleaning, and sealing topical fluoride treatments twice during a 12-month period, full mouth X-rays once every 60 months, supplemental bitewing X-rays showing the back of the teeth once during a 12-month period, fluoride applications twice during a 12-month period, fluoride varnish, sealants, simple extractions, sealants, extractions, other than impacted teeth or wisdom teeth, therapeutic pulpotomies, space maintainers, root canal therapy for permanent anterior teeth and permanent first molars, prefabricated stainless steel crowns, and routine fillings of amalgam or other tooth-colored filling material to restore diseased teeth.

(1a) Orthognathic surgery to correct functionally impairing malocclusions when orthodontics was approved and initiated while the child was covered by Medicaid and the need for orthognathic surgery was documented in the orthodontic treatment plan.

No benefits are to be provided for services and materials under this subsection that do not meet the standards accepted by the American Dental Association."

**SECTION 10.13.(l)** The Secretary of the Department of Health and Human Services shall develop and implement a plan for assuming administrative responsibility for the North Carolina Health Choice for Children program by transitioning all administrative oversight and claims processing activities from the Executive Administrator and Board of Trustees of the State Health Plan for Teachers and State Employees to the Division of Medical Assistance no later than July 1, 2010. The Secretary shall report to the Joint Legislative Health Care Oversight Committee and the Committee on Employee Hospital and Medical Benefits at least 30 days prior to effecting the transition of some or all of the responsibilities for the administration and processing of claims for benefits provided under the North Carolina Health Choice for Children program from the Executive Administrator and Board of Trustees of the State Health Plan for Teachers and State Employees to the Department.

**SECTION 10.13.(m)** The Secretary of the Department of Health and Human Services shall develop a plan to ensure operation of the most cost-effective program on a long-term basis, including identifying a new third-party administrator and restructuring the benefits design for the North Carolina Health Choice program, if necessary, and provide a progress report to the General Assembly by May 15, 2009. The following factors should be considered in identifying and evaluating alternatives for a long-term claims processing solution:

(1) The ability of the State and the amount of time required to realize a return on its investment in the BCBSNC Power MHS system (i.e., the
cost to the State to move NCHC claims processing from the Legacy System to MHS).

(2) The operational efficiency of the BCBSNC Power MHS system as an interim solution.

(3) The amount of time, transition and operating costs required to select a new vendor and develop, design, and implement an independent claims processing system for NC Health Choice.

(4) Likely operational issues and additional costs associated with ensuring compatibility of an independent claims processing system with the MMIS replacement system.

(5) The amount of time, transition, and operating costs required to modify and enhance the core MMIS replacement system to process NC Health Choice claims.

(6) The impact of decisions related to the benefit structure and coverage policies, including the ability to implement future program changes.

(7) Any other factors or issues related to ensuring long-term cost-effectiveness and operating efficiency of claims processing and other administrative activities for NC Health Choice.

SECTION 10.13.(n) Subsections (a) through (c) and subsections (e) through (k) of this section become effective July 1, 2008. Effective July 1, 2010, G.S. 135-42, as amended by subsection (b) of this section, is repealed. The remainder of this section is effective when this act becomes law.

HEALTH CHOICE ENROLLMENT GROWTH CAP

SECTION 10.14.(a) Section 10.47 of S.L. 2007-323 is repealed.

SECTION 10.14.(b) The Department of Health and Human Services may, in the NC Health Choice Program for the 2008-2009 fiscal year, allow up to eight and seventy-three hundredths percent (8.73%) enrollment growth over the number of children enrolled in the NC Health Choice Program on June 30, 2008. This limitation on enrollment growth may not be exceeded even if State and federal funds are available for the 2008-2009 fiscal year to enroll additional children for that fiscal year.

SECTION 10.14.(c) On January 15, 2009, or upon the convening of the 2009 General Assembly, whichever occurs later, the Department of Health and Human Services shall report to the 2009 General Assembly. The report shall provide the following information:

(1) The number of children that were enrolled in NC Health Choice in the first week of January 2009, based on the January Pull-Night data; and

(2) Projected enrollment and program costs for each of the remaining six months of the 2008-2009 fiscal year. The projected enrollment shall be based on NC Health Choice enrollment data and program costs from the immediately preceding five fiscal years.

The Department shall submit the report to the Chairs of the House of Representatives Appropriations Subcommittee on Health and Human Services, the
SECTION 10.14.(d) If the report submitted pursuant to subsection (c) of this section indicates, or if the Department becomes later aware that growth in NC Health Choice enrollment for the 2008-2009 fiscal year will exceed the maximum eight and seventy-three hundredths percent (8.73%) growth allowed under subsection (a) of this section, then the Department shall notify the Centers for Medicare and Medicaid Services (CMS) that it anticipates a freeze on enrolling new enrollees. The Department will continue to provide monthly reports to the chairs of the House of Representatives Committee on Appropriations, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Office of State Budget and Management, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division. If enrollment in NC Health Choice continues to follow the Department's projections that the eight and seventy-three hundredths percent (8.73%) cap will be exceeded, then the Department shall formally notify CMS, the Chairs of the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division of a freeze on new enrollees.

MENTAL HEALTH CHANGES

SECTION 10.15.(a) For the purpose of mitigating cash-flow problems that many non-single-stream local management entities (LMEs) experience at the beginning of each fiscal year, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall adjust the timing and method by which allocations of service dollars are distributed to each non-single-stream LME. To this end, the allocations shall be adjusted such that at the beginning of the fiscal year the Department shall distribute not less than one-twelfth of the LME's continuation allocation and subtract the amount of the adjusted distribution from the LME's total reimbursements for the fiscal year.

SECTION 10.15.(b) There is appropriated from the General Fund to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the sum of two million dollars ($2,000,000) for the 2008-2009 fiscal year. These funds shall be used to support LMEs in establishing additional regionally purchased and locally hosted substance abuse programs. Funds appropriated shall be for the purpose of developing and enhancing the American Society of Addiction Medicine (ASAM) continuum of care at the community level. The Department of Health and Human Services shall work with LMEs in establishing these programs. LMEs shall report to the Department of Health and Human Services on the LME's use of the funds. Reporting dates and frequency shall be as determined by the Department.

SECTION 10.15.(c) The Department shall encourage the conversion of the remaining non-single-stream LMEs to single-stream funding as soon as possible. The
Department shall develop prompt-pay guidelines as part of single-stream funding requirements. The Department shall also develop standards for the removal of single-stream designation for those LMEs that do not continue to comply with the applicable requirements for single-stream funding, except that the Department's requirements shall allow for LMEs in the first year of single-stream funding to have a six-month grace period to comply with the requirements from the time the LME begins single-stream funding. For its report on performance measures, the Department shall include a matrix by LME and performance measure of those LMEs that are not meeting the performance measure.

SECTION 10.15.(d) The Department of Health and Human Services shall simplify the current State Integrated Payment and Reporting System (IPRS) to encourage more providers to serve State-paid clients. This effort shall include working with LMEs to develop billing codes for relevant activities currently lacking such codes.

SECTION 10.15.(e) The Department of Health and Human Services shall consult with LMEs and service providers to determine why there have been under- and over-expenditure of State service dollars by LMEs and shall take the action necessary to address the problem. In making its determination, the Department shall work with LMEs and providers. Not later than January 1, 2009, the Department shall report to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Fiscal Research Division, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services on actions taken to address the problem of LME under- and over-expenditure of service dollars. The report shall include legislative action needed to address the problem.

SECTION 10.15.(f) The Department shall perform a services gap analysis of the Mental Health, Developmental Disabilities, and Substance Abuse Services System. The Department of Health and Human Services shall involve LMEs in performing the gap analysis. The Department shall not contract with an independent entity to perform the gap analysis. The Department shall report the results of its analysis to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Fiscal Research Division, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services not later than January 1, 2010.

SECTION 10.15.(g) In order to temporarily address high admissions to adult acute unit beds in the State psychiatric hospitals, the Secretary of the Department of Health and Human Services may, notwithstanding G.S. 122C-181 and G.S. 122C-112.1(a)(30), open and operate on a temporary basis up to 60 beds at the Central Regional Hospital Wake Unit on the Dorothea Dix Campus and may maintain the Wake Unit on the Dix Campus until beds become available in the system. Section 10.49(t) of S.L. 2007-323 does not apply to this subsection.

SECTION 10.15.(h) Onetime funds appropriated for the Dorothea Dix Hospital overflow unit shall be used to support the temporary opening and operation of
the Central Regional Hospital Wake Unit on the Dorothea Dix Campus. It is the intent of the General Assembly to fund the Wake Unit for three years.

**SECTION 10.15.(i)** Of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for mobile crisis teams, the sum of five million seven hundred fifty-five thousand dollars ($5,755,000) shall be distributed to LMEs to support 30 mobile crisis teams according to the Cross-Area Service Program model. The new mobile crisis units shall be distributed across the State according to need as determined by the Department.

**SECTION 10.15.(j)** Of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the sum of eight million dollars ($8,000,000) shall be allocated for ten thousand local inpatient psychiatric bed days. These funds shall be distributed across the State according to need as determined by the Department. These funds may also be used for detoxification bed days. Notwithstanding any other provision of law to the contrary, the Department may pay the hospitals directly for these beds, but shall transfer the funds to the LMEs for payment to the hospitals at such time as the LMEs have the capacity of managing these funds.

**SECTION 10.15.(k)** Of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the sum of three million four hundred forty-four thousand one hundred forty-seven dollars ($3,444,147) shall be allocated for the START crisis model for developmental disability services. These funds shall be distributed to LMEs to support nine crisis teams according to the Cross-Area Service Program model. The new crisis teams shall be distributed across the State according to need as determined by the Department.

**SECTION 10.15.(l)** Of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the sum of six million one hundred thirteen thousand nine hundred forty-seven dollars ($6,113,947) shall be allocated for walk-in crisis and immediate psychiatric aftercare and shall be distributed to the LMEs to support 30 psychiatrists and related support staff. Of these funds, the sum of one million six hundred fifty thousand dollars ($1,650,000) shall be used for telepsychiatry equipment owned by the LMEs.

**SECTION 10.15.(m)** The independent and supportive living apartments for persons with disabilities constructed from funds appropriated in this act for that purpose shall be affordable to persons with incomes at the Supplemental Security Income (SSI) level.

**SECTION 10.15.(n)** The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall implement the tiered CAP-MR/DD waiver program in accordance with Section 10.49(dd) of S.L. 2007-323. The Department shall implement the program with four tiers: (i) up to twenty thousand dollars ($20,000); (ii) between twenty thousand one dollars ($20,001) and forty-five thousand dollars ($45,000); (iii) between forty-five
thousand one dollars ($45,001) and seventy-five thousand dollars ($75,000); and (iv) between seventy-five thousand one dollars ($75,001) and one hundred thousand dollars ($100,000). The Department shall review on a case-by-case basis tier funding in excess of one hundred thousand dollars ($100,000) and may authorize the excess amount based on standards adopted by the Department.

**SECTION 10.15.(o)** Of the funds appropriated in this act to the Department of Health and Human Services, Division of Medical Assistance, for the 2008-2009 fiscal year for additional CAP-MR/DD slots, a portion of these funds shall be allocated for slots managed under the North Carolina CAP-MR/DD 1915(c) Medicaid waiver and shall be used for tier one slots as described under subsection (n) of this section. In addition a portion of these funds shall be allocated to fund CAP-MR/DD slots statewide to fund a combination of slots managed under the North Carolina CAP-MR/DD 1915(c) Medicaid waiver and slots managed under the North Carolina Piedmont Behavioral Health Care 1915(b) and (c) Medicaid waiver.

**SECTION 10.15.(p)** The Department of Health and Human Services shall implement a plan to catch up Piedmont Behavioral Health (PBH) CAP-MR/DD slots to the State average such that one percent (1%) of the funds for turnover CAP-MR/DD slots shall be transferred each year to PBH until PBH CAP-MR/DD slots reach the State per capita average of slots.

**SECTION 10.15.(q)** The North Carolina Institute of Medicine (IOM) shall study and report on the transition for persons with developmental disabilities from one life setting to another, including barriers to transition and best practices in successful transitions. The IOM should conduct this study using funds appropriated for IOM studies in the 2007 Session. The study should encompass at least the following topics: (i) the transition for adolescents leaving high school, including adolescents in foster care and those in other settings; (ii) the transition for persons with developmental disabilities who live with aging parents; and (iii) the transition from the developmental centers to other settings. The IOM shall report its findings and recommendations to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Fiscal Research Division, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services on or before March 1, 2009.

**SECTION 10.15.(r)** The Department of Health and Human Services shall review State-County Special Assistance rates to develop an appropriate rate for special care units for persons with a mental health disability, including individuals with Traumatic Brain Injury (TBI), and shall review current rules pertaining to special care units for persons with a mental health disability to determine if additional standards are necessary. The Department shall report its findings and recommendations to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division not later than January 1, 2009.

**SECTION 10.15.(s)** The Department of Health and Human Services shall ensure that veterans and their families comprise one of the target populations for mental
health, developmental disabilities, and substance abuse services in order that this population is eligible for existing funding.

SECTION 10.15.(t) In order to ensure accountability for services provided and funds expended for community services, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall develop a tiered rate structure to replace the blended rate currently used for community support services. Under the new tiered structure, services that are necessary but do not require the skill, education, or knowledge of a qualified professional should not be paid at the same rate as services provided by qualified skilled professionals. The Department shall not implement the tiered rate structure until 15 days after it has notified the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services. The Department shall report on the development of the structure to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services not later than October 1, 2008.

SECTION 10.15.(u) The lead paragraph of Section 10.49(ee) of S.L. 2007-323 reads as rewritten:

"SECTION 10.49.(ee) For This subsection does not apply to community support services offered under a Medicaid managed care, capitated, at-risk waiver. For all other community support services, for the purpose of avoiding overutilization of community support services and overexpenditure of funds for these services, the Department of Health and Human Services shall immediately conduct an in-depth evaluation of the use and cost of community support services to identify existing and potential areas of overutilization and overexpenditure. The Department shall also adopt or revise as necessary management policies and practices that will ensure that at a minimum:"

SECTION 10.15.(v) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall develop a service authorization process that separates the assessment function from the service delivery function whenever possible to avoid self-referral and that requires a comprehensive clinical assessment to be completed by a licensed clinician prior to service delivery. The Department shall require that the licensed professional that signs a medical order for behavioral health services must indicate on the order whether the licensed professional (i) has had direct contact with the consumer, and (ii) has reviewed the consumer's assessment. The Department shall report on the development of the service authorization process to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services not later than October 1, 2008. The Department shall not implement the service authorization process until 15 days after it has notified the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services.
SECTION 10.15.(w) The Department of Health and Human Services shall develop a plan to return the service authorization, utilization review, and utilization management functions to LMEs for all clients. Not later than February 1, 2009, the Department shall report on the development of the plan to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division. Not later than July 1, 2009, utilization review, utilization management, and service authorization for publicly funded mental health, developmental disabilities, and substance abuse services should be returned to LMEs representing in total at least fifty percent (50%) of the State's population. The Department shall comply with the requirements of S.L. 2007-323, Section 10.49(ee). The Department shall not contract with an outside vendor for service authorization, utilization review, or utilization management functions, or otherwise obligate the State for these functions beyond September 30, 2009. The Department shall require LMEs to include in their service authorization, utilization management, and utilization review a review of assessments, as well as person-centered plans and random or triggered audits of services and assessments.

SECTION 10.15.(x) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall study Medicaid waivers, including 1915(b) and (c) waivers, for all LMEs. In cases where Medicaid waivers are not appropriate for an LME, the Department shall identify and recommend strategies to increase LME flexibility to provide case management, assessment, limit provider networks, or other innovative approach for managing care. Not later than March 1, 2009, the Department shall report its findings and recommendations to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division.

SECTION 10.15.(y) The Piedmont Behavioral Health (PBH) local management entity (LME) shall be deemed by the Department as a demonstration model in the PBH LME catchment area. The Department shall also adopt as part of the demonstration model the PBH 1915(b) and 1915(c) Medicaid waivers, and single-stream funding for State services funds, which include funds previously transferred from State institution budgets.

SECTION 10.15.(z) The Secretary of the Department of Health and Human Services shall not take any action prior to January 1, 2010, that would result in the merger or consolidation of LMEs operating on January 1, 2008, or that would establish consortia or regional arrangements for the same purpose, except that:

(1) LMEs that do not meet the catchment area requirements of G.S. 122C-115 as of January 1, 2008, may initiate, continue, or implement the LMEs' merger or consolidation plans to overcome noncompliance with G.S. 122C-115, and
The Guilford Center for Behavioral Health and Disability Services, the Smoky Mountain Center, and the Mecklenburg County Area Mental Health, Developmental Disability and Substance Abuse Authority may continue with or implement the proposed administrative service organization under development as of March 1, 2008, for merger or consolidation of any combination of these entities.

**SECTION 10.15.(aa)** If the Secretary of the Department of Health and Human Services desires to merge LMEs, the Secretary shall develop a detailed plan for General Assembly review on its recommendation to merge, consolidate, or establish regional arrangements or consortia of LMEs. In developing the plan, the Secretary shall consult with LMEs to obtain input on the feasibility and effectiveness of potential mergers and the time frame needed to fully implement the mergers, regional arrangements, or consortia at the local level. The Secretary shall provide the plan to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division not later than March 1, 2009.

MENTAL HEALTH COMMUNITY SERVICES APPEALS/PROVIDER ACCREDITATION/DEPARTMENTAL STUDY

**SECTION 10.15A.(a)** For the purposes of realizing substantial savings to the Medicaid budget in the 2008-2009 fiscal year and beyond, the Department shall undertake immediately the studies required under this section.

**SECTION 10.15A.(b)** The Department of Health and Human Services shall study the feasibility of requiring providers of community supports services to be accredited by an entity approved by the Secretary that accredits mental health, developmental disabilities, and substance abuse services. The Department shall report its findings and recommendations to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division not later than March 1, 2009.

**SECTION 10.15A.(c)** The Department of Health and Human Services shall study the feasibility of expediting appeals by Medicaid recipients and providers by conducting appeals exclusively within the Department through an independent departmental hearing officer. Because of the departmental backlog of pending appeals with respect actions taken by the Department on community support services, the appeals process should give priority to those pending appeals. The Department shall report its findings and recommendations to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division not later than March 1, 2009.
NON-MEDICAID REIMBURSEMENT CHANGES

SECTION 10.16. Section 10.5 of S.L. 2007-323 reads as rewritten:

"SECTION 10.5. Providers of medical services under the various State programs, other than Medicaid, offering medical care to citizens of the State shall be reimbursed at rates no more than those under the North Carolina Medical Assistance Program.

The Department of Health and Human Services may reimburse hospitals at the full prospective per diem rates without regard to the Medical Assistance Program's annual limits on hospital days. When the Medical Assistance Program's per diem rates for inpatient services and its interim rates for outpatient services are used to reimburse providers in non-Medicaid medical service programs, retroactive adjustments to claims already paid shall not be required.

Notwithstanding the provisions of paragraph one, the Department of Health and Human Services may negotiate with providers of medical services under the various Department of Health and Human Services programs, other than Medicaid, for rates as close as possible to Medicaid rates for the following purposes: contracts or agreements for medical services and purchases of medical equipment and other medical supplies.

These negotiated rates are allowable only to meet the medical needs of its non-Medicaid eligible patients, residents, and clients who require such services which cannot be provided when limited to the Medicaid rate.

Maximum net family annual income eligibility standards for services in these programs shall be as follows:

<table>
<thead>
<tr>
<th>Program</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>DSB Medical Eye Care</td>
<td>125% FPL</td>
</tr>
<tr>
<td>DSB Independent Living &lt;55</td>
<td>125% FPL</td>
</tr>
<tr>
<td>DSB Independent Living 55&gt;</td>
<td>200% FPL</td>
</tr>
<tr>
<td>DSB Vocational Rehabilitation</td>
<td>125% FPL</td>
</tr>
<tr>
<td>DVR Independent Living</td>
<td>125% FPL</td>
</tr>
<tr>
<td>DVR Vocational Rehabilitation</td>
<td>125% FPL</td>
</tr>
</tbody>
</table>

The eligibility level for adults in the Atypical Antipsychotic Medication Program in the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall be one hundred fifty percent (150%) of the federal poverty guidelines, as revised annually by the United States Department of Health and Human Services and in effect on July 1 of each fiscal year. Additionally, those adults enrolled in the Atypical Antipsychotic Medication Program who become gainfully employed may continue to be eligible to receive State support, in decreasing amounts, for the purchase of atypical antipsychotic medication and related services up to three hundred percent (300%) of the poverty level.

State financial participation in the Atypical Antipsychotic Medication Program for those enrollees who become gainfully employed is as follows:

<table>
<thead>
<tr>
<th>(% of poverty)</th>
<th>Income</th>
<th>State Participation</th>
<th>Client Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–150%</td>
<td>100%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>151–200%</td>
<td>75%</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td>201–250%</td>
<td>50%</td>
<td>50%</td>
<td></td>
</tr>
</tbody>
</table>
The Department of Health and Human Services shall contract at, or as close as possible to, Medicaid rates for medical services provided to residents of State facilities of the Department."

**DHHS BLOCK GRANTS**

**SECTION 10.17.(a)** Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2009, according to the following schedule:

**TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT**

Local Program Expenditures

<table>
<thead>
<tr>
<th>Division of Social Services</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>01. Work First Family Assistance (Cash Assistance)</td>
<td>$90,857,234</td>
</tr>
<tr>
<td>02. Work First County Block Grants</td>
<td>94,653,315</td>
</tr>
<tr>
<td>03. Work First Functional Assessment</td>
<td>2,721,787</td>
</tr>
<tr>
<td>05. Work First – Boys and Girls Clubs</td>
<td>2,000,000</td>
</tr>
<tr>
<td>06. Work First – After-School Services for At-Risk Children</td>
<td>2,249,642</td>
</tr>
<tr>
<td>07. Work First – After-School Programs for At-Risk Youth in Middle Schools</td>
<td>500,000</td>
</tr>
<tr>
<td>08. Work First – Connect, Inc.</td>
<td>550,000</td>
</tr>
<tr>
<td>09. Adoption Services – Special Children’s Adoption Fund</td>
<td>3,000,000</td>
</tr>
<tr>
<td>10. Family Violence Prevention</td>
<td>2,200,000</td>
</tr>
<tr>
<td>Division of Child Development</td>
<td></td>
</tr>
<tr>
<td>11. Subsidized Child Care Program</td>
<td>61,087,077</td>
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1. Division of Public Health

12. Teen Pregnancy Prevention Initiatives 450,000

DHHS Administration

13. Division of Social Services 995,142

14. Office of the Secretary 66,101

15. Office of the Secretary/DIRM – TANF Automation Projects 595,541

16. Office of the Secretary/DIRM – NC FAST Implementation 1,300,000

Transfers to Other Block Grants

17. Transfer to the Child Care and Development Fund 84,330,900

Division of Social Services

18. Transfer to Social Services Block Grant for Department of Juvenile Justice and Delinquency Prevention – Support Our Students 2,749,642

19. Transfer to Social Services Block Grant for Child Protective Services – Child Welfare Training in Counties 2,738,827

20. Transfer to Social Services Block Grant for Maternity Homes 838,000

21. Transfer to Social Services Block Grant for Teen Pregnancy Prevention Initiatives 2,500,000

22. Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services 4,620,619

23. Transfer to Social Services Block Grant for
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<td>TOTAL LOW-INCOME ENERGY BLOCK GRANT</td>
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<td>CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT</td>
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<td>02. Child Care Services Support-Contract</td>
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<td>04. Quality and Availability Initiatives</td>
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<td>05. Administrative Expenses (Nondirect Subsidy Services Support)</td>
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<td>06. DCD Administrative Expenses</td>
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<td>07. DHHS Central Administration-DIRM Technical Services</td>
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<td>TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT</td>
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### MENTAL HEALTH SERVICES BLOCK GRANT

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<td>04. Mental Health Services – Schizophrenia Services for Young Adults</td>
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**TOTAL MENTAL HEALTH SERVICES BLOCK GRANT**: $12,676,923

### SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

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<td>04. Substance Abuse – HIV and IV Drug</td>
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**TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT** $3,694,073

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**TOTAL COMMUNITY SERVICES BLOCK GRANT** $17,847,392

**GENERAL PROVISIONS**

**SECTION 10.17.(b) Information to Be Included in Block Grant Plans.**

The Department of Health and Human Services shall submit a separate plan for each
Block Grant received and administered by the Department, and each plan shall include
the following:

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

(2) A delineation of the proposed State and local administrative expenditures.

(3) An identification of all new positions to be established through the Block Grant, including permanent, temporary, and time-limited positions.

(4) A comparison of the proposed allocations by program or activity with two prior years' program and activity budgets and two prior years' actual program or activity expenditures.

(5) A projection of current year expenditures by program or activity.

(6) A projection of federal Block Grant funds available, including unspent federal funds from the current and prior fiscal years.

SECTION 10.17.(c) Changes in Federal Fund Availability. – If the Congress of the United States increases the federal fund availability for any of the Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall allocate the increase proportionally across the program and activity appropriations identified for that Block Grant in this section. In allocating an increase in federal fund availability, the Department shall not propose funding for new programs or activities not appropriated in this section or increase State administrative expenditures.

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

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

SECTION 10.17.(d) All changes to the budgeted allocations to the Block Grants administered by the Department of Health and Human Services that are not specifically addressed in this section shall be approved by the Office of State Budget and Management, and a report shall be submitted to the Joint Legislative Commission on Governmental Operations for review prior to implementing the changes. All changes
to the budgeted allocations to the Block Grant shall be reported immediately to the
House of Representatives Appropriations Subcommittee on Health and Human
Services, the Senate Appropriations Committee on Health and Human Services, and the
Fiscal Research Division. This subsection does not apply to Block Grant changes
caused by legislative salary increases and benefit adjustments.

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

**SECTION 10.17.(e)** The sum of nine hundred ninety-five thousand one
hundred forty-two dollars ($995,142) appropriated in this section in the TANF Block
Grant to the Department of Health and Human Services, Division of Social Services, for
the 2008-2009 fiscal year shall be used to support administration of TANF-funded
programs.

**SECTION 10.17.(f)** The sum of two million two hundred thousand dollars
($2,200,000) appropriated under this section in the TANF Block Grant to the
Department of Health and Human Services, Division of Social Services, for the
2008-2009 fiscal year shall be used to provide domestic violence services to Work First
recipients. These funds shall be used to provide domestic violence counseling, support,
and other direct services to clients. These funds shall not be used to establish new
domestic violence shelters or to facilitate lobbying efforts. The Division of Social
Services may use up to seventy-five thousand dollars ($75,000) in TANF funds to
support one administrative position within the Division of Social Services to implement
this subsection.

Each county department of social services and the local domestic violence
shelter program serving the county shall jointly develop a plan for utilizing these funds.
The plan shall include the services to be provided and the manner in which the services
shall be delivered. The county plan shall be signed by the county social services director
or the director's designee and the domestic violence program director or the director's
designee and submitted to the Division of Social Services by December 1, 2008. The
Division of Social Services, in consultation with the Council for Women, shall review
the county plans and shall provide consultation and technical assistance to the
departments of social services and local domestic violence shelter programs, if needed.

The Division of Social Services shall allocate these funds to county
departments of social services according to the following formula: (i) each county shall
receive a base allocation of five thousand dollars ($5,000); and (ii) each county shall
receive an allocation of the remaining funds based on the county's proportion of the
statewide total of the Work First caseload as of July 1, 2008, and the county's proportion
of the statewide total of the individuals receiving domestic violence services from
programs funded by the Council for Women as of July 1, 2008. The Division of Social
Services may reallocate unspent funds to counties that submit a written request for
additional funds.

**SECTION 10.17.(g)** The sum of two million two hundred forty-nine
thousand six hundred forty-two dollars ($2,249,642) appropriated in this section in the
TANF Block Grant to the Department of Health and Human Services, Division of
Social Services, for the 2008-2009 fiscal year shall be used to expand after-school programs and services for at-risk children. The Department shall develop and implement a grant program to award grants to community-based programs that demonstrate the ability to reach children at risk of teen pregnancy, school dropout, and gang participation. The Department shall award grants to community-based organizations that demonstrate the ability to develop and implement linkages with local departments of social services, area mental health programs, schools, and other human services programs in order to provide support services and assistance to the child and family. These funds may be used to fund one position within the Division of Social Services to coordinate at-risk after-school programs and shall not be used for other State administration.

SECTION 10.17.(h) The sum of fourteen million four hundred fifty-two thousand three hundred ninety-one dollars ($14,452,391) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in the TANF Block Grant for the 2008-2009 fiscal year for child welfare improvements, shall be allocated to the county departments of social services for hiring or contracting staff to investigate and provide services in Child Protective Services cases; to provide foster care and support services; to recruit, train, license, and support prospective foster and adoptive families; and to provide interstate and postadoption services for eligible families.

SECTION 10.17.(i) The sum of three million dollars ($3,000,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Special Children Adoption Fund, for the 2008-2009 fiscal year shall be used in accordance with Section 10.31 of S.L. 2007-323. The Division of Social Services, in consultation with the North Carolina Association of County Directors of Social Services and representatives of licensed private adoption agencies, shall develop guidelines for the awarding of funds to licensed public and private adoption agencies upon the adoption of children described in G.S. 108A-50 and in foster agencies. Payments received from the Special Children Adoption Fund by participating agencies shall be used exclusively to enhance the adoption services program. No local match shall be required as a condition for receipt of these funds.

SECTION 10.17.(j) The sum of one million three hundred thousand dollars ($1,300,000) in this section appropriated to the Department of Health and Human Services in the TANF Block Grant for the 2008-2009 fiscal year shall be used to implement N.C. FAST (North Carolina Families Accessing Services through Technology). The N.C. FAST Program involves the entire automation initiative through which families access services and local departments of social services deliver benefits, supervised by the Department of Health and Human Services, Divisions of Social Services, Aging and Adult Services, Medical Assistance, and Child Development. The statewide automated initiative shall be implemented in compliance with federal regulations in order to ensure federal financial participation in the project. The Department of Health and Human Services shall report on its compliance with this subsection to the House of Representatives Appropriations Subcommittee on Health and
SECTION 10.17.(k) The sum of five hundred thousand dollars ($500,000) appropriated in this section to the Department of Health and Human Services, Division of Social Services, in the TANF Block Grant for the 2008-2009 fiscal year shall be used to expand after-school programs for at-risk children attending middle school. The Department shall develop and implement a grant program to award funds to community-based programs demonstrating the capacity to reach children at risk of teen pregnancy, school dropout, and gang participation. These funds shall not be used for training or administration at the State level. All funds shall be distributed to community-based programs, focusing on those communities where similar programs do not exist in middle schools.

SECTION 10.17.(l) In implementing the TANF Block Grant, the Department of Health and Human Services shall review policies, programs, and initiatives to ensure that they support men in their role as fathers and strengthen fathers' involvement in their children's lives. The Department shall encourage county departments of social services to ensure their Work First programs emphasize responsible fatherhood and increased participation by noncustodial fathers.

SECTION 10.17.(m) The sum of five hundred fifty thousand dollars ($550,000) appropriated in this section to the Department of Health and Human Services in the TANF Block Grant for the 2008-2009 fiscal year shall be transferred to Connect, Inc. Connect, Inc., shall report on the number of people served and the services received as a result of the receipt of funds. The report shall contain expenditure data, including the amount of funds used for administration and direct training. The report shall also include the number of people who have been employed as a direct result of services provided by Connect, Inc., including the length of employment in the new position. The Department of Health and Human Services shall evaluate the program and ensure that services provided are not duplicative of local employment security commissions in the nine counties served by Connect, Inc. The evaluation report shall be submitted to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division no later than May 1, 2008.

SECTION 10.17.(n) The sum of two million dollars ($2,000,000) appropriated in this section to the Department of Health and Human Services in the TANF Block Grant for Boys and Girls Clubs for the 2008-2009 fiscal year shall be used to make grants for approved programs. The Department of Health and Human Services, in accordance with federal regulations for the use of TANF Block Grant funds, shall administer a grant program to award funds to the Boys and Girls Clubs across the State in order to implement programs that improve the motivation, performance, and self-esteem of youths and to implement other initiatives that would be expected to reduce gang participation, school dropout, and teen pregnancy rates. The Department shall encourage and facilitate collaboration between the Boys and Girls Clubs and Support Our Students, Communities in Schools, and similar programs to submit joint applications for the funds if appropriate.
SECTION 10.17.(o) The Department of Health and Human Services, Division of Social Services, shall continue implementing county demonstration grants that began in the 2006-2007 fiscal year. The county demonstration grants may be awarded for up to three years with all projects ending no later than the end of fiscal year 2009-2010. The purpose of the county demonstration grants is to identify best practices that can be used by counties to improve the work participation rates. The Division of Social Services is authorized to establish two time-limited positions to manage the grant award process and monitor the demonstration projects through fiscal year 2009-2010.

Funding provided under the county demonstration grants shall not be used to supplant local funds, and counties shall be required to maintain the current level of effort and funding for the Work First program.

The Department of Health and Human Services, Division of Social Services, shall report on the status of county demonstration grants implemented pursuant to this subsection to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division no later than February 1, 2009.

SOCIAL SERVICES BLOCK GRANT

SECTION 10.17.(p) Social Services Block Grant funds appropriated to the North Carolina Inter-Agency Council for Coordinating Homeless Programs and the North Carolina Housing Coalition are exempt from the provisions of 10A NCAC 71R .0201(3).

SECTION 10.17.(q) The sum of two million seven hundred forty-nine thousand six hundred forty-two dollars ($2,749,642) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services and transferred to the Department of Juvenile Justice and Delinquency Prevention for the 2008-2009 fiscal year shall be used to support the existing Support Our Students Program, including gang prevention, and to expand the Program statewide, focusing on low-income communities in unserved areas. These funds shall not be used for administration of the Program.

SECTION 10.17.(r) The sum of two million seven hundred thirty-eight thousand eight hundred twenty-seven dollars ($2,738,827) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2008-2009 fiscal year shall be used to support various child welfare training projects as follows:

(1) Provide a regional training center in southeastern North Carolina.
(2) Support the Master's Degree in Social Work/Baccalaureate Degree in Social Work Collaborative.
(3) Provide training for residential child-caring facilities.
(4) Provide for various other child welfare training initiatives.

SECTION 10.17.(s) The sum of eight hundred thirty-eight thousand dollars ($838,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services for the 2008-2009 fiscal year shall be used to purchase services at maternity homes throughout the State.
SECTION 10.17.(t) The sum of two million three hundred seventy-two thousand five hundred eighty-seven dollars ($2,372,587) appropriated in this section in the Social Services Block Grant for child-caring agencies for the 2008-2009 fiscal year shall be allocated to the State Private Child-Caring Agencies Fund.

SECTION 10.17.(u) The sum of two hundred ninety thousand dollars ($290,000) appropriated in this section in the Social Services Block Grant for services to medically fragile children for the 2008-2009 fiscal year shall be used for the child care component of pediatric day treatment centers for medically fragile children.

SECTION 10.17.(v) The Department of Health and Human Services is authorized, subject to the approval of the Office of State Budget and Management, to transfer Social Services Block Grant funding allocated for departmental administration between divisions that have received administrative allocations from the Social Services Block Grant.

LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM

SECTION 10.17.(w) Additional emergency contingency funds received may be allocated for Energy Assistance Payments or Crisis Intervention Payments without prior consultation with the Joint Legislative Commission on Governmental Operations. Additional funds received shall be reported to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division upon notification of the award. The Department of Health and Human Services shall not allocate funds for any activities, including increasing administration, other than assistance payments, without prior consultation with the Joint Legislative Commission on Governmental Operations.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 10.17.(x) The sum of no more than four hundred thousand dollars ($400,000) appropriated in this section to the Department of Health and Human Services in the Child Care and Development Fund Block Grant for the 2008-2009 fiscal year may be used for the operations of the Medical Child Care Pilot.

SECTION 10.17.(y) Payment for subsidized child care services provided with federal TANF funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 10.17.(z) If funds appropriated through the Child Care and Development Fund Block Grant for any program cannot be obligated or spent in that program within the obligation or liquidation periods allowed by the federal grants, the Department may move funds to child care subsidies, unless otherwise prohibited by federal requirements of the grant, in order to use the federal funds fully.

MENTAL HEALTH BLOCK GRANT

SECTION 10.17.(aa) The sum of one million five hundred thousand dollars ($1,500,000) appropriated in this section in the Mental Health Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2008-2009 fiscal year and the sum of four hundred twenty-two thousand three dollars ($422,003) appropriated in this
section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2008-2009 fiscal year shall be used to continue a Comprehensive Treatment Services Program for Children in accordance with Section 10.10 of S.L. 2007-323.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 10.17.(bb) The sum of one million seven hundred thousand dollars ($1,700,000) appropriated in this section in the Maternal and Child Health Block Grant to the Department of Health and Human Services, Department of Public Health, for the 2008-2009 fiscal year shall be used for influenza vaccinations for children.

SECTION 10.17.(cc) If federal funds are received under the Maternal and Child Health Block Grant for abstinence education, pursuant to section 912 of Public Law 104-193 (42 U.S.C. § 710), for the 2008-2009 fiscal year, then those funds shall be transferred to the State Board of Education to be administered by the Department of Public Instruction. The Department of Public Instruction shall use the funds to establish an Abstinence Until Marriage Education Program and shall delegate to one or more persons the responsibility of implementing the program and G.S. 115C-81(e1)(4). The Department of Public Instruction shall carefully and strictly follow federal guidelines in implementing and administering the abstinence education grant funds.

SECTION 10.17.(dd) The Department of Health and Human Services shall ensure that there will be follow-up testing in the Newborn Screening Program.

PART XI. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

STUDY CERTAIN DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES FEES

SECTION 11.1.(a) The Department of Agriculture and Consumer Services, in consultation with the Office of State Budget and Management and the Fiscal Research Division, shall study the following:

1. The feasibility and advisability of increasing the fees imposed by either the Board of Agriculture or the Department regarding services provided by the Rollins Laboratory System.
2. The feasibility and advisability of establishing fees for soil testing services provided by the Agronomics Division of the Department.
3. The feasibility and advisability of using alternative sources of funding for the "Agricultural Review", an agriculture newsletter published by the Department, including charging fees for advertisements or classified advertisements and soliciting private sponsors for the newsletter.

SECTION 11.1.(b) In the course of the study under subsection (a) of this section, the Department may consider other fees imposed by either the Board of Agriculture or the Department, the administrative costs associated with these fees, and current usage rates for various services provided by the Department.
SECTION 11.1.(c) No later than March 1, 2009, the Department of Agriculture and Consumer Services shall report the results of the study under this section, including any recommendations or legislative proposals, to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Natural and Economic Resources.

PART XII. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

BERNARD ALLEN MEMORIAL EMERGENCY DRINKING WATER FUND AMENDMENTS.

SECTION 12.1. G.S. 87-98 reads as rewritten:

"§ 87-98. Bernard Allen Memorial Emergency Drinking Water Fund."

(a) The Bernard Allen Memorial Emergency Drinking Water Fund is established under the control and direction of the Department. The Fund shall be a nonreverting, interest-bearing fund consisting of monies appropriated by the General Assembly or made available to the Fund from any other source and investment interest credited to the Fund.

(b) The Fund may be used to pay for notification, to the extent practicable, of persons aged 18 and older who reside in any dwelling unit, and the senior official in charge of any business, at which drinking water is supplied from a private drinking water well or improved spring that is located within 1,500 feet of, and at risk from, known groundwater contamination. The senior official in charge of the business shall take reasonable measures to notify all employees of the business of the groundwater contamination, including posting a notice of the contamination in a form and at a location that is readily accessible to the employees of the business. The Fund may also be used by the Department to pay the costs of testing of private drinking water wells and improved springs for suspected contamination up to once every three years upon request by a person who uses the well and for the temporary or permanent provision of alternative drinking water supplies to persons whose drinking water well or improved spring is contaminated. Under this subsection, an alternative drinking water supply includes the repair or replacement of a contaminated well or the connection to a public water supply.

(c) The Department shall disburse monies from the Fund based on financial need and on the risk to public health posed by groundwater contamination and shall give priority to the provision of services under this section to instances when an alternative source of funds is not available. The Fund shall not be used for remediation of groundwater contamination. Nothing in this section expands, contracts, or modifies the obligation of responsible parties under Article 9 or 10 of Chapter 130A of the General Statutes, this Article, or Article 21A of this Chapter to assess contamination, identify receptors, or remediate groundwater or soil contamination. The Fund shall not be used to provide alternative water supply to households with incomes greater than three hundred percent (300%) of the current federal poverty level. The Fund may be used to provide alternative drinking water supplies unless the Department determines...
that the concentration of one or more contaminants in the private drinking water well or improved spring exceeds the federal Maximum Contaminant Level maximum contaminant level, or the federal drinking water action level as defined in 40 Code of Federal Regulations § 141.1 through § 141.571 (1 July 2006) and 40 Code of Federal Regulations § 143.3 (1 July 2006). For a contaminant for which a federal maximum contaminant level or drinking water action level has not been established, the State groundwater standard established by the Environmental Management Commission for the concentration of that contaminant shall be used to determine whether the Fund may be used to provide alternative drinking water supplies. The Fund may also be used to provide alternative drinking water supplies as provided in this section if the Department determines that the concentration of one or more contaminants in a private drinking water well is increasing over time and that there is a significant risk that the concentration of a contaminant will exceed the federal maximum contaminant level or drinking water action level, or the State groundwater standard. A determination of the concentration of a contaminant shall be based on a sample of water collected from the private drinking water well within the past 12 months. The Fund shall not be used to provide temporary water supplies in any calendar quarter until all needs for permanent replacement water supplies that have been identified in that calendar quarter have been met through hookups to public water supplies, repair, or replacement of contaminated wells.

(c1) In disbursing monies from the Fund, preference shall be given to providing the Department shall give preference to provision of permanent replacement water supplies by connection to public water supplies and repair or replacement of contaminated wells over the provision of temporary water supplies. In providing alternative drinking water supplies, the Department shall give preference to connection to a public water supply system or to construction of a new private drinking water well over the use of a filtration system if the Department determines that the costs of periodic required maintenance of the filtration system would be cost-prohibitive for users of the alternative drinking water supply.

(c2) If the Department provides an alternative drinking water supply by extension of a waterline, the Department may disburse from the Fund no more than ten thousand dollars ($10,000) per household or other service connection. No more than one-third of the total cost of the project may be paid from the Fund. The Department may combine monies from the Fund with monies from other sources in order to pay the total cost of the project.

(c3) The Fund shall be used to provide alternative drinking water supplies only if the Department determines that the person or persons who are responsible for the contamination of the private drinking water well is or are not financially viable or cannot be identified or located and if the Department determines that one of the following applies:

(1) The contamination of the private drinking water well is naturally occurring.
The owner of the property on which the private drinking water well is located did not cause or contribute to the contamination or control the source of the contamination.

The source of the contamination is the application or disposal of a hazardous substance or pesticide that occurred without the consent of the owner of the property on which the private drinking water well is located.

(c4) The Department may use up to one hundred thousand dollars ($100,000) of the monies in the Fund to pay the personnel and other direct costs associated with the implementation of this section.

(c5) The Fund shall not be used for remediation of groundwater contamination.

(c6) Nothing in this section expands, contracts, or modifies the obligation of responsible parties under Article 9 or 10 of Chapter 130A of the General Statutes, this Article, or Article 21A of this Chapter to assess contamination, identify receptors, or remediate groundwater or soil contamination.

(d) The Department shall establish criteria by which the Department is to evaluate applications and disburse monies from this Fund and may adopt any rules necessary to implement this section.

(e) The Department, in consultation with the Commission for Public Health and local health departments, shall report no later than 1 October of each year to the Environmental Review Commission, the House of Representatives and Senate Appropriations Subcommittees on Natural and Economic Resources, and the Fiscal Research Division of the General Assembly on the implementation of this section. The report shall include the purpose and amount of all expenditures from the Fund during the prior fiscal year, a discussion of the benefits and deficiencies realized as a result of the section, and may also include recommendations for any legislative action."

INACTIVE HAZARDOUS WASTE SITES REPORT REQUIREMENT

SECTION 12.1A.(a) G.S. 130A-310.2 reads as rewritten:

"§ 130A-310.2. Inactive Hazardous Waste Sites Priority List.

(a) No later than six months after July 1, 1987, the Commission shall develop a system for the prioritization of inactive hazardous substance or waste disposal sites based on the extent to which such sites endanger the public health and the environment. The Secretary shall apply the prioritization system to the inventory of sites to create and maintain an Inactive Hazardous Waste Site Priority List, which shall rank all inactive hazardous substance or waste disposal sites in decreasing order of danger. This list shall identify the location of each site and the type and amount of hazardous substances or waste known or believed to be located on the site. The first such list shall be published within two years after July 1, 1987, with subsequent lists to be published at intervals of not more than two years thereafter. The Secretary shall notify owners, operators, and responsible parties of sites listed on the Inactive Hazardous Waste Sites Priority List of their ranking on the list. The Inactive Hazardous Sites Priority List shall be used by the Department in determining budget requests and in allocating any State appropriation which may be made for remedial action, but shall not be used so as to
impede any other action by the Department, or any remedial or other action for which funds are available.

(b) No later than January 1 of each year, the Department shall report to each member of the General Assembly who has an inactive hazardous substance or waste disposal site in the member's district. This report shall include the location of each inactive hazardous substance or waste disposal site in the member's district, the type and amount of hazardous substances or waste known or believed to be located on each of these sites, the last action taken at each of these sites, and the date of that last action."

SECTION 12.1A.(b) The initial report under G.S. 130A-310.2(b), as amended by this section, shall be due no later than January 1, 2009.

GRASSROOTS SCIENCE PROGRAM

SECTION 12.2. Section 12.5(a) of S.L. 2007-323 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 nine hundred six thousand three hundred forty dollars ($3,906,340) for the 2007-2008 fiscal year and the sum of three million four hundred eighty-one thousand three hundred forty dollars ($3,481,340) for the 2008-2009 fiscal year is allocated as grants-in-aid for each fiscal year as follows:

<table>
<thead>
<tr>
<th>Organization Name</th>
<th>2007-2008</th>
<th>2008-2009</th>
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</thead>
<tbody>
<tr>
<td>Aurora Fossil Museum</td>
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<td>$59,057</td>
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<tr>
<td>Cape Fear Museum</td>
<td>$161,007</td>
<td>$161,007</td>
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<tr>
<td>Carolina Raptor Center</td>
<td>$112,174</td>
<td>$109,112</td>
</tr>
<tr>
<td>Catawba Science Center</td>
<td>$146,356</td>
<td>$142,360</td>
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<td>Colburn Earth Science Museum, Inc.</td>
<td>$74,545</td>
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<tr>
<td>Core Sound Waterfowl Museum</td>
<td>$50,000</td>
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<tr>
<td>Discovery Place</td>
<td>$662,865</td>
<td>$644,769</td>
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<tr>
<td>Eastern NC Regional Science Center</td>
<td>$350,000</td>
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<tr>
<td>Fascinate-U</td>
<td>$81,072</td>
<td>$78,859</td>
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<tr>
<td>Granville County Museum Commission, Inc.–Harris Gallery</td>
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<td>Greensboro Children's Museum</td>
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<td>The Health Adventure Museum of Pack Place Education, Arts and Science Center, Inc.</td>
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<tr>
<td>Highlands Nature Center</td>
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<td>Imagination Station</td>
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<td>The Iredell Museums, Inc.</td>
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<td>Kidsenses</td>
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<td>Museum of Coastal Carolina</td>
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<td>$75,890</td>
</tr>
<tr>
<td>The Natural Science Center of Greensboro, Inc.</td>
<td>$311,354</td>
<td>$181,267</td>
</tr>
</tbody>
</table>

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BEAVER DAMAGE CONTROL PROGRAM FUNDS

SECTION 12.3.(a) Of the funds available to the Wildlife Resources Commission, the sum of five hundred thousand dollars ($500,000) for the 2008-2009 fiscal year shall be used to provide the State share necessary to support the beaver damage control program established in G.S. 113-291.10, provided the sum of at least twenty-five thousand dollars ($25,000) in federal funds is available each fiscal year of the biennium to provide the federal share.

SECTION 12.3.(b) G.S. 113-291.10(f) reads as rewritten:

"(f) Each county that volunteers to participate in this program for a given fiscal year shall provide written notification of its wish to participate no later than September 30 of that year and shall commit the sum of four thousand dollars ($4,000) in local funds no later than September 30 of that year. The remaining funds needed each fiscal year of the biennium to provide the State share necessary to support this program shall be paid from funds available to the Wildlife Resources Commission, provided the sum of at least twenty-five thousand dollars ($25,000) in federal funds is available each fiscal year of the biennium to provide the federal share."

AGRICULTURAL DROUGHT RESPONSE COST SHARE PROGRAM

SECTION 12.4.(a) Agricultural Drought Response Cost Share Program. – The Agricultural Drought Response Cost Share Program is established. The Program shall provide cost share funds to assist North Carolina farmers who suffered damage from the severe and extreme drought conditions in North Carolina in 2007. These cost share funds shall be used to assist farmers with the following projects:

(1) To redrill damaged wells or to drill new wells to be used as a water supply for livestock or for irrigation.
(2) To renovate damaged or inadequate farm ponds or construct new farm ponds to be used as a water supply for livestock or for irrigation.

(3) To renovate pastures depleted by the 2007 drought.

SECTION 12.4.(b) Program Administration. – The Program shall be implemented and supervised by the Soil and Water Conservation Commission through the Agriculture Cost Share Program for Nonpoint Source Pollution Control. The Commission shall administer this Program as provided in this section and in Part 9 of Article 21 of Chapter 143 of the General Statutes.

SECTION 12.4.(c) Program Functions. – Under the Agricultural Drought Response Cost Share Program, the Division shall:

(1) Within funds available for this Program, provide cost share funds subject to all of the following limitations and requirements:

a. Except as provided in G.S. 143-215.74(b)(9), State funding shall be limited to:

   1. Seventy-five percent (75%) of the average cost for each project with the assisted person providing twenty-five percent (25%) of the project cost, which may include in-kind support of the project.

   2. A maximum of seventy-five thousand dollars ($75,000) per year to each applicant.

b. Applicants shall be limited to farmers who have an adjusted gross income in each of the previous two years that is at or below two hundred fifty thousand dollars ($250,000), unless at least seventy-five percent (75%) of this adjusted gross income is derived directly from farming, ranching, or forestry operations.

c. To be eligible for cost share funds under subdivision (1) or subdivision (2) of subsection (a) of this section, applicants must demonstrate that their existing water supplies are insufficient to provide reliable water to meet current needs for livestock watering or irrigation.

d. Applicants may apply for cost share funds for projects under subsection (a) of this section that were installed as of August 1, 2007, so long as the costs of installation are documented to the satisfaction of the Commission.

e. The requirements and limitations under subdivisions (1), (2), (5), and (8) of subsection (b) of G.S. 143-215.74 do not apply.

   All other limitations and requirements set out in Part 9 of Article 21 of Chapter 143 of the General Statutes, as modified by this section, apply.

(2) Establish criteria to prioritize the redrilling of damaged wells and the drilling of new wells, the renovation of damaged or inadequate farm ponds and the construction of new farm ponds, and the renovation of pastures depleted by the drought.
(3) Establish criteria for the selection of applicants who are eligible for participation in the Program.

(4) Develop a process for soliciting and reviewing applications and for selecting farmers to participate in the Program.

(5) Investigate and pursue other funding sources to supplement State funds, including federal, local, and private funding sources.

(6) Provide technical assistance to participating persons to assist with the projects that are eligible for cost share funds under subsection (a) of this section and to facilitate the timely transfer of technology among participating persons.

SECTION 12.4.(d) Report. – No later than 31 January of each year, the Division shall prepare a comprehensive report on the implementation of subsections (a) through (c) of this section. The report shall be submitted to the Environmental Review Commission as a part of the report required by G.S. 143-215.74(e). The first report required by this subsection shall be submitted to the Environmental Review Commission no later than 31 January 2009.

SECTION 12.4.(e) Program Funds. – The Soil and Water Conservation Commission may use up to three hundred thousand dollars ($300,000) of the funds appropriated in this act to the Department of Environment and Natural Resources for the 2008-2009 fiscal year to be used for the Agricultural Drought Response Cost Share Program for the Division of Soil and Water Conservation and for the Soil and Water Conservation Districts for the costs of providing engineering assistance, providing technical assistance, and administering the Program. Further, twenty-five percent (25%) of the remaining funds shall not be allocated during the initial funding cycle, but shall be retained to be allocated by the Commission consistent with the limitations under this section, for the purposes under this section, and to address future drought emergencies or to allocate to farmers who received cost share funds under this section who need additional funds to achieve the purpose of the initial cost share disbursement.

PART XIII. DEPARTMENT OF COMMERCE

ONE NORTH CAROLINA FUND

SECTION 13.1. Section 13.1 of S.L. 2007-323 reads as rewritten:

"SECTION 13.1.(a) Of the funds appropriated in this act to the One North Carolina Fund for the 2007-2008 fiscal year, the Department of Commerce may use up to three hundred thousand dollars ($300,000) to cover its expenses in administering the One North Carolina Fund and other economic development incentive grant programs during the 2007-2008 fiscal year.

SECTION 13.1.(b) Of the funds appropriated in this act to the One North Carolina Fund for the 2007-2008 fiscal year, the sum of six hundred fifty thousand dollars ($650,000) shall be transferred to the Department of Environment and Natural Resources, Division of Information Technology Services, for the development of a Tier II hazardous chemicals inventory database and Web-based access application."
SECTION 13.1.(c) If any One North Carolina funds that have been previously awarded and disbursed are recovered by the Department of Commerce during the 2007-2008 fiscal year, the Department of Commerce may use up to one million dollars ($1,000,000) of the recovered funds to supplement the Department's budget for statewide economic development marketing and business assistance, including continued development and maintenance of the Department's Web site, development of software and systems to improve service to North Carolina businesses, and the promotion of North Carolina nationally and internationally as a location for business growth and expansion through advertising, events-related marketing, and hosting international economic development conferences. Funds recovered by the Department of Commerce under this subsection in the 2007-2008 fiscal year that are unencumbered and unexpended as of June 30, 2008, may be used by the Department in the 2008-2009 fiscal year for Client Relationship Management software and to upgrade the building and sites database and website for the Certified Sites Program."

NC GREEN BUSINESS FUND

SECTION 13.2. Of the funds appropriated in this act to the NC Green Business Fund for the 2008-2009 fiscal year, the Department of Commerce may use up to fifty thousand dollars ($50,000), if necessary, to cover the Department's expenses in administering the NC Green Business Fund.

WELCOME/VISITOR CENTER CONSTRUCTION

SECTION 13.3. S.L. 2007-356 reads as rewritten:

"SECTION 1. The Department of Commerce and the Department of Transportation shall consult with the Joint Legislative Commission on Governmental Operations and the House and Senate Appropriations Subcommittees on Natural and Economic Resources before beginning the design or construction of any new welcome center or visitor center buildings.

"SECTION 2. The Department of Commerce and the Department of Transportation shall immediately cease the planning, design, or construction of any new welcome center buildings in Randolph County and shall not resume the planning, design, or construction of any new welcome center buildings in that county before consulting with the Joint Legislative Commission on Governmental Operations and the House and Senate Appropriations Subcommittees on Natural and Economic Resources.

"SECTION 3. Nothing in this act shall be interpreted to prohibit or restrict the Department of Transportation from constructing visitor center buildings in Randolph County and Wilkes County that were in the planning, design, or construction phase prior to the effective date of this act. The Department of Commerce shall operate the Randolph County visitor center with funding sources consistent with the existing nine welcome centers, excluding use of funds from the Special Registration Plate Account and the Highway Fund."

WANCHESE SEAFOOD INDUSTRIAL PARK/OREGON INLET FUNDS

SECTION 13.4. Section 13.3A of S.L. 2007-323 reads as rewritten:
"SECTION 13.3A.(a) Funds appropriated to the Department of Commerce for the 2006-2007;2007-2008 fiscal year for the Wanchese Seafood Industrial Park that are unexpended and unencumbered as of June 30, 2007, June 30, 2008, shall not reverts to the General Fund on June 30, 2007, June 30, 2008, but shall remain available to the Department to be expended by the Wanchese Seafood Industrial Park for operations, maintenance, repair, and capital improvements in accordance with Article 23C of Chapter 113 of the General Statutes. These funds shall be in addition to funds available to the North Carolina Seafood Industrial Park Authority for operations, maintenance, repair, and capital improvements under Article 23C of Chapter 113 of the General Statutes.

"SECTION 13.3A.(b) Funds appropriated to the Department of Commerce for the 2006-2007;2007-2008 fiscal year for the Oregon Inlet Project that are unexpended and unencumbered as of June 30, 2007, June 30, 2008, shall not reverts to the General Fund on June 30, 2007, June 30, 2008, but shall remain available to the Department to be expended by the Wanchese Seafood Industrial Park for securing adequate channel maintenance of the Oregon Inlet and for operations, maintenance, repair, and capital improvements in accordance with Article 23C of Chapter 113 of the General Statutes. These funds shall be in addition to funds available to the North Carolina Seafood Industrial Park Authority for operations, maintenance, repair, and capital improvements under Article 23C of Chapter 113 of the General Statutes.

"SECTION 13.3A.(c) This section becomes effective June 30, 2007, June 30, 2008."

NER BLOCK GRANTS

SECTION 13.5.(a) Appropriations from federal block grant funds are made for fiscal year ending June 30, 2009, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>01. State Administration</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>02. Urgent Needs and Contingency</td>
<td>1,000,000</td>
</tr>
<tr>
<td>03. Scattered Site Housing</td>
<td>13,200,000</td>
</tr>
<tr>
<td>04. Economic Development</td>
<td>8,710,000</td>
</tr>
<tr>
<td>05. Small Business/Entrepreneurship</td>
<td>1,000,000</td>
</tr>
<tr>
<td>06. Community Revitalization</td>
<td>13,000,000</td>
</tr>
<tr>
<td>07. State Technical Assistance</td>
<td>450,000</td>
</tr>
<tr>
<td>08. Housing Development</td>
<td>1,500,000</td>
</tr>
</tbody>
</table>
SECTION 13.5.(b) Decreases in Federal Fund Availability. – If federal funds are reduced below the amounts specified above after the effective date of this act, then every program in each of these federal block grants shall be reduced by the same percentage as the reduction in federal funds.

SECTION 13.5.(c) Increases in Federal Fund Availability for Community Development Block Grant. – Any block grant funds appropriated by the Congress of the United States in addition to the funds specified in this section shall be expended as follows: each program category under the Community Development Block Grant shall be increased by the same percentage as the increase in federal funds.

SECTION 13.5.(d) Limitations on Community Development Block Grant Funds. – Of the funds appropriated in this section for the Community Development Block Grant, the following shall be allocated in each category for each program year: up to one million dollars ($1,000,000) may be used for State Administration; not less than one million dollars ($1,000,000) may be used for Urgent Needs and Contingency; up to thirteen million two hundred thousand dollars ($13,200,000) may be used for Scattered Site Housing; eight million seven hundred ten thousand dollars ($8,710,000) may be used for Economic Development; up to one million dollars ($1,000,000) may be used for Small Business/Entrepreneurship; not less than thirteen million dollars ($13,000,000) shall be used for Community Revitalization; up to four hundred fifty thousand dollars ($450,000) may be used for State Technical Assistance; up to one million five hundred thousand dollars ($1,500,000) may be used for Housing Development; up to five million one hundred forty thousand dollars ($5,140,000) may be used for Infrastructure. If federal block grant funds are reduced or increased by the Congress of the United States after the effective date of this act, then these reductions or increases shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

SECTION 13.5.(e) Increase Capacity for Nonprofit Organizations. – Assistance to nonprofit organizations to increase their capacity to carry out CDBG-eligible activities in partnership with units of local government is an eligible activity under any program category in accordance with federal regulations. Capacity building grants may be made from funds available within program categories, program income, or unobligated funds.

SECTION 13.5.(f) The Department of Commerce shall consult with the Joint Legislative Commission on Governmental Operations prior to reallocating Community Development Block Grant Funds. Notwithstanding the provisions of this subsection, whenever the Director of the Budget finds that:

(1) A reallocation is required because of an emergency that poses an imminent threat to public health or public safety, the Director of the
Budget may authorize the reallocation without consulting the Commission. The Department of Commerce shall report to the Commission on the reallocation no later than 30 days after it was authorized and shall identify in the report the emergency, the type of action taken, and how it was related to the emergency.

(2) The State will lose federal block grant funds or receive less federal block grant funds in the next fiscal year unless a reallocation is made. The Department of Commerce shall provide a written report to the Commission on the proposed reallocation and shall identify the reason that failure to take action will result in the loss of federal funds. If the Commission does not hear the issue within 30 days of receipt of the report, the Department may take the action without consulting the Commission.

EMPLOYMENT SECURITY COMMISSION FUNDS

SECTION 13.6. Section 13.4 of S.L. 2007-323 reads as rewritten:

"SECTION 13.4.(a) Funds from the Employment Security Commission Reserve Fund shall be available to the Employment Security Commission of North Carolina to use as collateral to secure federal funds and to pay the administrative costs associated with the collection of the Employment Security Commission Reserve Fund surcharge. The total administrative costs paid with funds from the Reserve in the 2007-2008 fiscal year shall not exceed two million five hundred thousand dollars ($2,500,000).

"SECTION 13.4.(b) There is appropriated from the Employment Security Commission Reserve Fund to the Employment Security Commission of North Carolina the sum of seven million three hundred thousand dollars ($7,300,000) twenty million dollars ($20,000,000) for the 2007-2008 fiscal year to be used for the following purposes:

(1) Seven million dollars ($7,000,000) Nineteen million seven hundred thousand dollars ($19,700,000) for the operation and support of local ESC offices.

(2) Two hundred thousand dollars ($200,000) for the State Occupational Information Coordinating Committee to develop and operate an interagency system to track former participants in State education and training programs.

(3) One hundred thousand dollars ($100,000) to maintain compliance with Chapter 96 of the General Statutes, which directs the Commission to employ the Common Follow-Up Management Information System to evaluate the effectiveness of the State's job training, education, and placement programs.

"SECTION 13.4.(c) There is appropriated from the Employment Security Commission Reserve Fund to the Employment Security Commission of North Carolina an amount not to exceed two million five hundred thousand dollars ($2,500,000) one
million dollars ($1,000,000) for the fiscal year to fund State initiatives not currently funded through federal grants.

"SECTION 13.4.(d) There is appropriated from the Employment Security Commission Reserve Fund to the Employment Security Commission of North Carolina an amount not to exceed three hundred fifty thousand dollars ($350,000) for the fiscal year to allow the Commission to continue to work with Connect, Inc., to provide dislocated workers with assistance in obtaining health care benefits, receiving vocational training, and securing employment.

"SECTION 13.4.(e) This section becomes effective July 1, 2007."

REGIONAL ECONOMIC DEVELOPMENT COMMISSION ALLOCATIONS

"SECTION 13.7.(a) Funds appropriated in this act to the Department of Commerce for regional economic development commissions shall be allocated to the following commissions in accordance with subsection (b) of this section: Western North Carolina Regional Economic Development Commission, Research Triangle Regional Partnership, Southeastern North Carolina Regional Economic Development Commission, Piedmont Triad Partnership, Northeastern North Carolina Regional Economic Development Commission, North Carolina's Eastern Region Economic Development Partnership, and Carolinas Partnership, Inc.

"SECTION 13.7.(b) Funds appropriated pursuant to subsection (a) of this section shall be allocated to each regional economic development commission as follows:

(1) First, the Department shall establish each commission's allocation by determining the sum of allocations to each county that is a member of that commission. Each county's allocation shall be determined by dividing the county's development factor by the sum of the development factors for eligible counties and multiplying the resulting percentage by the amount of the appropriation. As used in this subdivision, the term "development factor" means a county's development factor as calculated under G.S. 143B-437.08; and

(2) Next, the Department shall subtract from funds allocated to the North Carolina's Eastern Region Economic Development Partnership the sum of four hundred sixty-nine thousand seven hundred forty dollars ($469,740) in the 2008-2009 fiscal year, which sum represents: (i) the total interest earnings in the prior fiscal year on the estimated balance of seven million five hundred thousand dollars ($7,500,000) appropriated to the Global TransPark Development Zone in Section 6 of Chapter 561 of the 1993 Session Laws; and (ii) the total interest earnings in the prior fiscal year on loans made from the seven million five hundred thousand dollars ($7,500,000) appropriated to the Global TransPark Development Zone in Section 6 of Chapter 561 of the 1993 Session Laws; and

(3) Next, the Department shall redistribute the sum of four hundred sixty-nine thousand seven hundred forty dollars ($469,740) in the 2008-
2009 fiscal year to the seven regional economic development commissions named in subsection (a) of this section. Each commission's share of this redistribution shall be determined according to the development factor formula set out in subdivision (1) of this subsection. This redistribution shall be in addition to each commission's allocation determined under subdivision (1) of this subsection.

SECTION 13.7.(c) No more than one hundred twenty thousand dollars ($120,000) in State funds shall be used for the annual salary of any one employee of a regional economic development commission.

SECTION 13.7.(d) The General Assembly finds that successful economic development requires the collaboration of the State, regions of the State, counties, and municipalities. Therefore, the regional economic development commissions are encouraged to seek supplemental funding from their county and municipal partners to continue and enhance their efforts to attract and retain business in the State.

Funds for Local Government Water and Sewer Improvement Grants

SECTION 13.8.(a) Allocation of Funds. – Of the funds appropriated in this act to the Rural Economic Development Center, Inc., (Rural Center) the sum of fifty million dollars ($50,000,000) for the 2008-2009 fiscal year shall be allocated as follows:

(1) Up to $25,000,000 may be used to provide grants to local government units for wastewater-related projects under subsection (b) of this section.

(2) Up to $25,000,000 may be used to provide grants to local government units for public water system-related projects under subsection (b) of this section.

SECTION 13.8.(b) Definitions. – The definitions in G.S. 159G-20 and the following definitions apply in this section. In addition, the following definitions shall apply in this section unless otherwise provided:

(1) Ability to pay. – An assessment of the ability of a local government unit to pay for a water infrastructure project as calculated annually by the Division of Community Assistance in the Department of Commerce.

(2) Economically distressed area. – Any of the following:
   a. An economically distressed county as defined in G.S. 143B-437.01.
   b. That part of a county in which the poverty rate is at least one hundred fifty percent (150%) of the State poverty rate. The poverty rate is the percentage of the population whose income is below the most recent federal poverty level set by the U.S. Bureau of the Census.
c. That part of a county that experiences an actual or imminent loss of jobs in a number equal to or greater than five percent (5%) of the total number of jobs in the part.

(3) Rural county. – A county with a population density of fewer than 250 people per square mile based on the most recent federal decennial census.

SECTION 13.8.(c) Eligible Applicants; Eligible Projects. – A local government unit is not eligible for a grant under subsection (a) of this section unless it meets the eligibility requirements under subsection (d) or subsection (e) of this section for that type of grant. The funds allocated under this section may be used to provide either a planning grant that meets the requirements under subsection (d) of this section or a supplemental grant that meets the requirements of subsection (e) of this section. The following projects are eligible for receiving a grant under this section:

(1) Wastewater collection system.
(2) Wastewater treatment works.
(3) Public water system.
(4) Wastewater and drinking water infrastructure planning.
(5) Multijurisdictional wastewater, drinking water, water quality, and stormwater planning.

SECTION 13.8.(d) Planning Grants. – A planning grant under this section is available for the costs associated with preliminary planning for wastewater collection system projects, wastewater treatment works projects, and public water system projects. Preliminary planning includes developing a capital improvement plan, developing a comprehensive land-use plan, conducting a study, developing a regional or multijurisdictional infrastructure or water quality improvement plan, assembling a financing plan to carry out a project, completing a grant application, and preparing a preliminary engineering report for a proposed project. A planning grant is subject to the following restrictions:

(1) Eligibility. – For purposes of this subsection, a regional council of government organized under G.S. 160A-460 or a regional planning and development commission organized under G.S. 153A-391 is considered a local government unit. A local government unit is eligible for a planning grant if it meets the following criteria:
   a. It is a rural county or is located in one of these counties.
   b. It is an economically distressed county or is located in an economically distressed county or an economically distressed area.
   c. It is applying for a regional or multijurisdictional planning project involving two or more units of local government.

(2) Maximum. – A planning grant shall not exceed forty thousand dollars ($40,000) for each unit of local government.

(3) Matching funds. – A local government unit shall match a planning grant on a dollar-for-dollar basis unless the unit meets one or more of
the following descriptions, in which instance the Rural Center may require a match of less than fifty percent (50%):

a. It is an economically distressed county or located in an economically distressed county.

b. Its poverty rate is at least one hundred fifty percent (150%) of the State poverty rate.

c. If it is not a county, its ability to pay is less than fifty percent (50%) of the ability to pay of the county in which it is located.

SECTION 13.8.(e) Supplemental Grants. – A supplemental grant is available to match other funds to be applied to the construction costs of an eligible project. Other funds include federal funds, State funds received under Article 2 of Chapter 159G of the General Statutes, and local funds. A supplemental grant is subject to the following restrictions:

(1) Eligibility. – A local government unit is eligible for a supplemental grant if it meets the following criteria:

a. It is a rural county or is located in one of these counties.

b. It adopts a resolution to set the household user fee for water and sewer service in the area served by the project at an amount that equals or exceeds the high-unit-cost threshold.

(2) Maximum. – A supplemental grant shall not exceed five hundred thousand dollars ($500,000) unless the applicant meets one or more of these descriptions:

a. It is an economically distressed county or is located in an economically distressed county.

b. Its poverty rate is at least one hundred fifty percent (150%) of the State poverty rate.

c. If it is not a county, its ability to pay is less than fifty percent (50%) of the ability to pay of the county in which it is located.

(3) Matching funds. – A local government unit shall match a supplemental grant on a dollar-for-dollar basis unless the unit meets one or more of the following descriptions, in which instance the Rural Center may require a match of less than fifty percent (50%):

a. It is an economically distressed county or is located in an economically distressed county.

b. Its poverty rate is at least one hundred fifty percent (150%) of the State poverty rate.

c. If it is not a county, its ability to pay is less than fifty percent (50%) of the ability to pay of the county in which it is located.

SECTION 13.8.(f) Criteria for Grants. – The criteria in G.S. 159G-23, the criteria set out in this section, and any other criteria established by the Board of Directors of the Rural Center shall apply to a grant provided under this section. An application for a project that serves an economically distressed area shall have priority over a project that does not.
SECTION 13.8.(g) Grant Applications. – Any application for a grant under this section shall be submitted by the local government unit to the Rural Center. An application shall be submitted on a form prescribed by the Rural Center and shall contain the information required by the Rural Center. An applicant shall submit to the Rural Center any additional information requested by the Rural Center to enable the Rural Center to make a determination on the application. An application that does not contain information required on the application or requested by the Rural Center is incomplete and is not eligible for consideration. An applicant may submit an application in as many categories as it is eligible for consideration under this section.

SECTION 13.8.(h) Environmental Assessment. – An application submitted under this section for any grant other than a planning grant for a project under subdivision (b)(4) or (b)(5) of this section shall state whether the project to be funded by the grant requires an environmental assessment. If the application indicates that an environmental assessment is not required, it must identify the exclusion in the North Carolina Environmental Policy Act, Article 1 of Chapter 113A of the General Statutes, that applies to the project. The Rural Center shall give the Department of Environment and Natural Resources a copy of an application that indicates an environmental assessment is not required. If the Department of Environment and Natural Resources determines that the project requires an environmental assessment, the Department shall notify the Rural Center and the applicant, and the applicant shall submit the assessment to the Department before the Center continues its review of the application.

An application that does not identify an exclusion in the North Carolina Environmental Policy Act shall include the environmental assessment of the project's probable impacts on the environment that was submitted to the Department of Environment and Natural Resources. If the Department notifies the Rural Center that an environmental impact statement is required, the Rural Center shall not award the applicant a grant until a final environmental assessment impact statement has been completed and approved as provided in the Environmental Policy Act.

SECTION 13.8.(i) Review of Applications and Award of Grant. –

(1) Point Assignment. – The Rural Center shall review all grant applications submitted under this section for an application period, to be determined by the Rural Center, and shall rank each application in accordance with the points assigned to the evaluation criteria. The Rural Center shall make a written determination of an application's rank and attach the determination to the application. The Rural Center's determination of rank is conclusive.

(2) Reconsideration. – When an application's rank is too low to receive an award of a grant for the application period, the Rural Center may reconsider an amended application, provided the application addresses questions from the previous grant round.

(3) Notification of decision. – When the Rural Center determines that an application's rank makes it eligible for an award of a grant, the Rural Center shall send the applicant a letter of intent to award the grant. The notice shall set out any conditions the applicant must meet to receive
an award of a grant. When the applicant satisfies the conditions set out
in the letter of intent, the Rural Center shall send the applicant an offer
to award a grant. The applicant shall give the Rural Center written
notice of whether it accepts or rejects the offer. A grant is considered
awarded the date the offer to award the grant is sent by the Rural
Center.

SECTION 13.8.(j) Disbursement of Grant. – A planning grant awarded
under this section may be disbursed in one payment. Other grants awarded under this
section shall be disbursed in two or more payments based on the progress of the project
for which the grant was awarded. To obtain a payment, a grant recipient shall submit a
request for payment to the Rural Center and shall document the expenditures for which
the payment is requested. The Rural Center shall review the payment request for
compliance with all grant conditions.

SECTION 13.8.(k) Withdrawal of Grant. – An award for a grant for a
project is withdrawn if the applicant fails to enter into a construction contract for the
project within one year after the date of the award for supplemental grants under
subsection (d) of this section, unless the Board of Directors of the Rural Center finds
that the applicant has good cause for the failure. If the Rural Center finds good cause for
an applicant's failure, the Rural Center shall set a date by which the applicant must take
action or forfeit the grant. This subsection does not apply to a planning grant for a
project under subdivision (b)(4) or (b)(5) of this section.

SECTION 13.8.(l) Inspection of Project. –
(1) Authority. – The Rural Center may inspect a project for which it
awards a grant under this section to determine the progress made on
the project and whether the construction of the project is consistent
with the project described in the grant application. The inspection may
be performed by personnel of the Rural Center or by a professional
engineer licensed under Chapter 89C of the General Statutes.

(2) Disqualification. – An individual may not perform an inspection of a
project under this section if the individual meets any of the following
criteria:
   a. Is an officer or employee of the local government unit that
      received the grant award for the project.
   b. Is an owner, officer, employee, or agent of a contractor or
      subcontractor engaged in the construction of the project for
      which the grant was made.

SECTION 13.8.(m) The Rural Center may use a portion of the funds
allocated under this section for administration, not to exceed two percent (2%), for the
life of the grant program created by this section. Of these funds for administrative costs,
the sum of two hundred fifty thousand dollars ($250,000) may be used to fund the
ongoing work of the State Water Infrastructure Commission in the 2008-2009 fiscal
year.

SECTION 13.8.(n) Reporting Requirement. – The Rural Center shall report
to the Joint Legislative Commission on Governmental Operations on a quarterly basis
concerning the progress of the grant program created under this section. The first report
is due no later than December 1, 2008.

SECTION 13.8.(o) Separate Accounts. – Each grant that is provided under
this section shall be administered through a separate account.

SECTION 13.8.(p) Loans Prohibited. – The Rural Center shall not use the
funds allocated under this section to make loans.

RURAL CENTER ECONOMIC INFRASTRUCTURE FUND

SECTION 13.9.(a) Of the funds appropriated in this act to the North
Carolina Rural Economic Development Center, Inc. (Rural Center), the sum of ten
million dollars ($10,000,000) for the 2008-2009 fiscal year shall be used to expand the
North Carolina Rural Economic Infrastructure Fund with targeted priority to severely
distressed rural areas.

SECTION 13.9.(b) The Rural Center shall use the funds appropriated in this
act to establish and implement the Rural Economic Transition Program. This program
shall provide grants and equity investments to carry out transformative economic
development and agricultural enhancement projects that will generate jobs and expand
business activity.

SECTION 13.9.(c) Units of local government and nonprofit organizations in
rural areas are eligible for grants, with priority to applicants in development tier one
areas as defined in G.S. 143B-437.08.

SECTION 13.9.(d) Priority for grant funds shall be given to economic
development projects that satisfy one or more of the following criteria:

1. It is located in a county or census area with a persistently high poverty
rate of at least one hundred fifty percent (150%) of the State's poverty
rate according to the most recent decennial census.

2. It is located in a community that has experienced a sudden and severe
economic downturn as reflected in numbers of business closings,
layoffs, and unemployment rate during the previous 12 months.

3. It is located in a small town with a population under 10,000, an
agrarian growth zone as defined in G.S. 143B-437.010, or an urban
progress zone as defined in G.S. 143B-437.09.

4. It is identified in community-based strategic planning efforts and
coordinated with other economic development and
community-building initiatives, such as the North Carolina Rural
Economic Development Center Small Town Economic Prosperity
Program, the North Carolina Department of Commerce 21st Century
Communities Program, the North Carolina Department of Commerce
Main Street Program, and federally funded Comprehensive Economic
Development Strategies.

5. It is supportive of strategies to expand entrepreneurial small business
activity based on the natural, cultural, or historical assets of the
community.
(6) It has the ability to demonstrate benefits to small farm business diversifying into value-added production and marketing, and it increases opportunities in food and beverage manufacturing and distribution for small farm entrepreneurs.

SECTION 13.9.(e) Eligible units of local government and nonprofit organizations are not required to match grants received under this section, but shall demonstrate the commitment of other funds to the project.

SECTION 13.9.(f) Up to twenty percent (20%) of the funds appropriated in this section may be used for equity investments and loans through the Rural Venture Fund to private business ventures that will substantially transform and improve the economic status of rural areas, with priority to businesses locating or expanding in development tier one areas as defined in G.S. 143B-437.08.

SECTION 13.9.(g) The Rural Center may use a portion of the funds appropriated under this section, not to exceed two percent (2%), for administration of the programs created by this section.

SECTION 13.9.(h) The Rural Center may contract with other State agencies and branches of The University of North Carolina for certain aspects of the programs created under this section, including the design of program guidelines and evaluation of program results.

SECTION 13.9.(i) The Rural Center shall report to the Joint Legislative Commission on Governmental Operations on a quarterly basis concerning the progress of the programs created under this section. The first report is due no later than December 1, 2008.

PART XIV. JUDICIAL DEPARTMENT

PILOT PROGRAM FOR ALTERNATIVE SCHEDULING

SECTION 14.1. Of the funds appropriated to the Office of Indigent Defense Services in this act, the Office of Indigent Defense Services may spend up to the sum of twenty-five thousand dollars ($25,000) to support one or more pilot programs of alternative scheduling in district or superior court that would reduce defense attorney wait time and State expense. The establishment of any pilot program under this section would require the prior agreement of the district attorney, chief district court judge, and senior resident superior court judge for the district.

STUDY TO IDENTIFY MISDEMEANORS THAT SHOULD BE DECRIMINALIZED

SECTION 14.2. The sum of ten thousand dollars ($10,000) in funds appropriated in this act to the Office of Indigent Defense Services shall be used by the Sentencing and Policy Advisory Commission, in consultation with the Office of Indigent Defense Services and the Administrative Office of the Courts, to conduct a study to determine whether there are offenses that are currently classified as misdemeanors that should be infractions because jail sentences are rarely or never imposed and because significant State funds are being spent for the representation of
indigent persons accused of the misdemeanors. A report on the results of this study shall be included in the Office of Indigent Defense Services' annual report due March 1, 2009.

OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION OF EXISTING PUBLIC DEFENDER OFFICES

SECTION 14.3. Section 14.4(a) of S.L. 2007-323 reads as rewritten:

"SECTION 14.4(a) The Judicial Department, Office of Indigent Defense Services, may use up to the sum of two million one hundred ninety-two thousand three hundred fifty dollars ($2,192,350) in appropriated funds during the 2007-2008 fiscal year and up to the sum of two million eighty-two thousand five hundred ten dollars ($2,082,510) in appropriated funds during the 2008-2009 fiscal year for the expansion of existing or new public defender offices currently providing legal services to the indigent population under the oversight of the Office of Indigent Defense Services by creating up to 20 new attorney positions and 10 new support staff positions during the 2007-2008 fiscal year. In addition, the Office of Indigent Defense Services may use up to the sum of two million three hundred thousand eight hundred fifty dollars ($2,300,850) in appropriated funds during the 2008-2009 fiscal year to create up to 20 new attorney and 10 new support staff positions in existing offices during the 2008-2009 fiscal year. These funds may be used for salaries, benefits, equipment, and related expenses. Prior to using funds for this purpose, the Office of Indigent Defense Services shall report to the Chairs of the House of Representatives and the Senate Appropriations Subcommittees on Justice and Public Safety on the proposed expansion."

REPEAL PUBLIC DEFENDER EXPANSION AUTHORITY

SECTION 14.4.(a) Section 14.4(b) of S.L. 2007-323 is repealed.

REPEAL JUDICIAL DEPARTMENT GRANT FUNDS MATCHING AUTHORIZATION AND REPORTING REQUIREMENT

SECTION 14.5. Section 14.2 of S.L. 2007-323 is repealed.

ADDITIONAL ASSISTANT DISTRICT ATTORNEYS

SECTION 14.6. G.S. 7A-60(a1) reads as rewritten:

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

<table>
<thead>
<tr>
<th>Prosecutorial District</th>
<th>Counties</th>
<th>No. of Full-Time Asst. District Attorneys</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Camden, Chowan, Currituck, Dare, Gates, Pasquotank, Perquimans</td>
<td>11</td>
</tr>
<tr>
<td>2</td>
<td>Beaufort, Hyde, Martin, Tyrrell, Washington</td>
<td>7 &amp;</td>
</tr>
<tr>
<td>District</td>
<td>Counties</td>
<td>Seat</td>
</tr>
<tr>
<td>----------</td>
<td>---------------</td>
<td>------</td>
</tr>
<tr>
<td>1</td>
<td>Pitt</td>
<td>11</td>
</tr>
<tr>
<td>2</td>
<td>Carteret, Craven, Pamlico</td>
<td>12</td>
</tr>
<tr>
<td>3</td>
<td>Duplin, Jones, Onslow, Sampson</td>
<td>18</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>New Hanover, Pender</td>
<td>17 18</td>
</tr>
<tr>
<td>6</td>
<td>Halifax</td>
<td>5</td>
</tr>
<tr>
<td>7</td>
<td>Bertie, Hertford, Northampton</td>
<td>6</td>
</tr>
<tr>
<td>8</td>
<td>Edgecombe, Nash, Wilson</td>
<td>18 19</td>
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<td>Cleveland, Lincoln</td>
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FEASIBILITY STUDY ON PROVIDING THE OFFICE OF INDIGENT DEFENSE SERVICES WITH INDIGENT CASE INFORMATION WHEN CASES ARE INITIATED

SECTION 14.7. The Office of Indigent Defense Services and the Administrative Office of the Courts shall consult on developing a statewide system to enable the Office of Indigent Defense Services to obtain information about indigent cases when counsel is first appointed and shall develop a proposal for statewide implementation of such a system. A report on this proposal shall be included in the Office of Indigent Defense Services' annual report due March 1, 2009.

JCPC EFFECTIVENESS STUDY

SECTION 14.8.(a) The Judicial Department, through the North Carolina Sentencing and Policy Advisory Commission, shall conduct a feasibility study for measuring the effectiveness of programs that receive Juvenile Crime Prevention Council (JCPC) grant funds. All State agencies and community-based programs that receive JCPC funding shall provide data as requested by the Commission.

The Sentencing and Policy Advisory Commission shall provide an interim report on the results of the feasibility study to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, the Chairs of the House of Representatives and Senate Appropriations Committees and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety by December 1, 2008. The final plan for measuring the effectiveness of JCPC programs shall be provided to the Chairs of the Senate and House of Representatives Appropriations Committees and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety by May 1, 2009.

SECTION 14.8.(b) G.S. 143B-519 is repealed.

LEGAL ASSISTANCE TO HOMEOWNERS

SECTION 14.9. G.S. 7A-474.3(b) reads as rewritten:

"(b) Eligible Cases. – Legal assistance shall be provided to eligible clients under this Article only in the following types of cases:

(1) Family violence or spouse abuse;
(2) Assistance for the disabled in obtaining federal Social Security benefits;
(2a) Assistance for eligible clients in obtaining benefits or assistance under any federal law or program providing benefits or assistance for human trafficking victims;"
(3) Representation of eligible farmers faced with the potential of farm foreclosure;

(4) Representation of eligible clients over the age of 60 regarding the following matters:
   a. Wills and estates;
   b. Safe and sanitary housing;
   c. Pensions and retirement rights;
   d. Social Security and Medicare rights;
   e. Access to health care;
   f. Food and nutrition; and
   g. Transportation.

(5) Representation of eligible clients designed to enable them to obtain the necessary skills and means to obtain meaningful employment at a decent wage and reduce the public welfare rolls; and

(6) Representation of eligible clients under the age of 21 or eligible families with legal problems affecting persons under the age of 21 regarding the following matters:
   a. Financial support and custody of children;
   b. Child care;
   c. Child abuse or neglect;
   d. Safe and sanitary housing;
   e. Food and nutrition; and
   f. Access to health care.

(7) Legal assistance to consumers in cases involving predatory mortgage lending, mortgage broker and loan services abuses, foreclosure defense, and other legal issues that relate to helping consumers avoid foreclosure and home loss.

RESTORE FUNDING FOR CONFERENCE OF CLERKS OF SUPERIOR COURT AND CONFERENCE OF DISTRICT ATTORNEYS

SECTION 14.10.(a) Notwithstanding any other provision of this act, the sum of one hundred twenty-one thousand four hundred two dollars ($121,402) in recurring funds appropriated to the Judicial Department for the 2008-2009 fiscal year to provide training for judges, prosecutors, clerks of superior court, and magistrates shall be used to restore funding and positions to the Conference of Clerks of Superior Court.

SECTION 14.10.(b) Notwithstanding any other provision of this act, the sum of fifty-eight thousand five hundred ninety-eight dollars ($58,598) in recurring funds appropriated to the Judicial Department for the 2008-2009 fiscal year to provide training for judges, prosecutors, clerks of superior court, and magistrates shall be used to restore funding and positions to the Conference of District Attorneys.

SECTION 14.10.(c) Notwithstanding any other provision of this act, funds appropriated to the Department of Correction for the 2008-2009 fiscal year for contractual support positions for construction projects is reduced by the sum of three
hundred forty-two thousand six hundred ninety-one dollars ($342,691) in recurring funds.

**SECTION 14.10.(d)** The sum of three hundred forty-two thousand six hundred ninety-one dollars ($342,691) in recurring funds made available by the reduction in subsection (c) of this section is appropriated to the Judicial Department for the 2008-2009 fiscal year to restore funding and positions to the Conference of District Attorneys.

**SECTION 14.10.(e)** Notwithstanding any other provision of this act, the sum of seventy thousand dollars ($70,000) in nonrecurring funds appropriated to the Judicial Department for the 2008-2009 fiscal year to provide training for judges, prosecutors, clerks of superior court, and magistrates shall be used to provide funding for telephone equipment.

**ESTABLISH DOMESTIC VIOLENCE RESERVE**

**SECTION 14.11.(a)** Notwithstanding any other provision of this act, funds appropriated to the Judicial Department for the 2008-2009 fiscal year for a domestic violence reserve are reduced by the sum of ten thousand dollars ($10,000).

**SECTION 14.11.(b)** The sum of ten thousand dollars ($10,000) in non-recurring funds made available by the reduction in subsection (a) of this section is appropriated to the Department of Crime Control and Public Safety for the 2008-2009 fiscal year for a reserve for Sheriff's department grants.

**SECTION 14.11.(c)** Notwithstanding any other provision of this act, funds appropriated to the Department of Correction for the 2008-2009 fiscal year for contractual support positions for construction projects are reduced by the sum of one hundred thousand dollars ($100,000) in recurring funds.

**SECTION 14.11.(d)** The sum of one hundred thousand dollars ($100,000) in recurring funds made available by the reduction in subsection (c) of this section is appropriated to the Judicial Department for the 2008-2009 fiscal year to establish a reserve contingent upon the passage of House Bill 44.

**REPEAL THE REQUIREMENT THAT COUNTIES PROVIDE TELEPHONE EQUIPMENT AND INFRASTRUCTURE FOR COURT FACILITIES**

**SECTION 14.12.(a)** Section 14.16 of S.L. 2007-323 is repealed.

**SECTION 14.12.(b)** Subsection (a) of this section becomes effective June 30, 2008.

**SECTION 14.12.(c)** Notwithstanding any other provision of this act, there shall be no reduction in the Judicial Department budget for telephone services.

**SECTION 14.12.(d)** Notwithstanding any other provision of this act, funds appropriated to the Judicial Department for the 2008-2009 fiscal year for telephone equipment shall be reduced by the sum of eighty-eight thousand one hundred ninety-two dollars ($88,192) in recurring funds and the sum of six hundred twenty-five thousand eighty-four dollars ($625,084) in non-recurring funds.

**SECTION 14.12.(e)** Notwithstanding any other provision of this act, funds appropriated to the Office of Indigent Defense Services for the 2008-2009 fiscal year to
establish additional public defender offices and for private-assigned counsel payments shall be reduced by the sum of one million five hundred seventy thousand fifty-seven dollars ($1,570,057) in recurring funds and the sum of one million dollars ($1,000,000) in non-recurring funds.

SECTION 14.12.(f) The sum of two million five hundred seventy thousand fifty-seven dollars ($2,570,057) in funds made available by the reduction in subsection (e) of this section is appropriated to the Judicial Department for the 2008-2009 fiscal year to provide funding for telephone services and telephone equipment.

SECTION 14.12.(g) The Administrative Office of the Courts, in consultation with the North Carolina Association of County Commissioners, shall conduct a study to identify alternative means of paying for the cost of county courthouse telephone equipment and services from sources other than the General Fund.

The Administrative Office of the Courts shall submit a written report of the findings and recommendations to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety by March 1, 2009.

PART XV. DEPARTMENT OF JUSTICE

FUNDS FOR PENDING CIVIL LITIGATION EXPENSES

SECTION 15.1. Notwithstanding G.S. 143-215.3A, from funds in the Water and Air Quality Account, the Department of Environment and Natural Resources shall transfer the sum of one million dollars ($1,000,000) for the 2008-2009 fiscal year to the Office of State Budget and Management, Litigation Reserve. These funds shall be used by the Department of Justice solely for expenses related to either ex rel. Cooper v. Tennessee Valley Authority, No. 1:06CV20 (W.D.N.C. filed Jan 30, 2006) or South Carolina v. North Carolina, No. 220138 ORG (U.S. Sup. Ct. filed June 7, 2007). Any of these funds that remain unused on June 30, 2009, shall revert to the Water and Air Quality Account.

USE OF SEIZED AND FORFEITED RECEIPTS FOR REPLACEMENT LABORATORY EQUIPMENT AND FORENSIC FIREARMS ANALYST START-UP COSTS

SECTION 15.2. The Department of Justice is authorized to use up to one hundred forty thousand dollars ($140,000) of receipts transferred to the Department pursuant to applicable federal law to purchase replacement laboratory equipment and for start-up costs associated with the forensic firearms analyst positions approved in this act. Notwithstanding Section 15.3 of S.L. 2007-323, the Department is not required to seek prior approval to use these funds for the purposes described in this section.

PART XVI. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION

JCPC GRANT REPORTING AND CERTIFICATION

SECTION 16.1.(a) Section 18.2(a) of S.L. 2007-323 reads as rewritten:

House Bill 2436*-Fourth Edition  Page 115
"SECTION 18.2.(a) On or before April 1st of each year, the Department of Juvenile Justice and Delinquency Prevention shall submit to the Joint Legislative Commission on Governmental Operations and the Appropriations Committees of the Senate and House of Representatives a list of the recipients of the grants awarded, or preapproved for award, from funds appropriated to the Department for local Juvenile Crime Prevention Council grants. The list shall include for each recipient grants, including:

1. The amount of the grant awarded;
2. The membership of the local committee or council administering the award funds on the local level;
3. The type of program funded;
4. A short description of the local services, programs, or projects that will receive funds;
5. Identification of any programs that received grant funds at one time but for which funding has been eliminated by the Department of Juvenile Justice and Delinquency Prevention;
6. The number of at-risk, diverted, and adjudicated juveniles served by county;
7. The Department's actions to ensure that county JCPC's prioritize funding for dispositions of intermediate and community-level sanctions for court-adjudicated juveniles under minimum standards adopted by the Department;
8. The total cost for each funded program, including the cost per juvenile and the essential elements of the program.

A written copy of the list and other information regarding the projects shall also be sent to the Fiscal Research Division of the General Assembly."

SECTION 16.1.(b) Section 18.2(d) of S.L. 2007-323 is repealed.

SUPPORT OUR STUDENTS (SOS) GRANT ELIGIBILITY

SECTION 16.2. G.S. 143B-152.4(a) reads as rewritten:

"(a) A community- or neighborhood-based 501(c)(3) entity or a consortium consisting of one or more local 501(c)(3) entities and one or more local school administrative units may apply for a grant."

JUVENILE CRIME PREVENTION COUNCILS (JCPC) FORMULA REVISION

SECTION 16.3. The Department of Juvenile Justice and Delinquency Prevention, the NC Juvenile Services Association, and the Community Alternatives for Youth, in consultation with the Fiscal Research Division, shall develop and propose a
revision to the county allocation formula for Juvenile Crime Prevention Councils. The
Department shall report the recommendations to the Joint Legislative Corrections,
Crime Control, and Juvenile Justice Oversight Committee, the Chairs of the House of
Representatives and Senate Appropriations Committees and the Chairs of the
Subcommittees on Justice and Public Safety of the House of Representatives and Senate
Appropriations Committees by December 1, 2008.

STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS

SECTION 16.4. Section 18.5 of S.L. 2007-323 reads as rewritten:

"SECTION 18.5. Funds appropriated in this act from the General Fund to the
Department of Juvenile Justice and Delinquency Prevention for the 2007-2008 fiscal
year—2008-2009 fiscal year may be used as matching funds for the Juvenile
Accountability Incentive Block Grants. If North Carolina receives Juvenile
Accountability Incentive Block Grants, or a notice of funds to be awarded, the Office of
State Budget and Management and the Governor's Crime Commission shall consult
with the Department of Juvenile Justice and Delinquency Prevention regarding the
criteria for awarding federal funds. The Office of State Budget and Management, the
Governor's Crime Commission, and the Department of Juvenile Justice and
Delinquency Prevention shall report to the Appropriations Committees of the House of
Representatives and Senate and the Joint Legislative Commission on Governmental
Operations prior to allocation of the federal funds. The report shall identify the amount
of funds to be received for the 2007-2008 fiscal year, 2008-2009 fiscal year, the amount
of funds anticipated for the 2008-2009 fiscal year, 2009-2010 fiscal year, and the
allocation of funds by program and purpose."

PART XVII. DEPARTMENT OF CORRECTION

TEMPORARY HOUSING FUNDS

SECTION 17.1.(a) The Department of Correction may use funds available
during the 2008-2009 fiscal year to secure appropriate temporary housing for offenders
on post-release supervision, probation, or parole. The Department may use available
funds to secure housing in a homeless shelter, halfway house, or other housing provider
that is already under contract with the federal government in order to provide housing
for offenders who do not have a viable home placement plan and are at risk of being
homeless. The Department shall ensure that no offender is placed in a hotel, motel,
nursing home, adult care facility, group home containing the physically or
developmentally disabled, or residential facility where minors are housed.

SECTION 17.1.(b) The Department may not use available funds as
authorized by this section to provide housing for any offender for a continuous period
exceeding 30 days.

SECTION 17.1.(c) The Department of Correction shall study the feasibility
of establishing a central facility or facilities to provide temporary housing for offenders
on post-release supervision, probation, or parole who do not have a viable home
placement plan and are at risk of being homeless. The Department shall report its
findings to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee by January 1, 2009.

**FEDERAL GRANT MATCHING FUNDS**

**SECTION 17.2.** Section 17.12 of S.L. 2007-323 reads as rewritten:

"SECTION 17.12. Notwithstanding the provisions of G.S. 143C-6-9, the Department of Correction may use up to the sum of one million two hundred thousand dollars ($1,200,000) during the 2007-2008 fiscal year and up to the sum of one million five hundred thousand dollars ($1,500,000) during the 2008-2009 fiscal year from funds available to the Department to provide the State match needed in order to receive federal grant funds. Prior to using funds for this purpose, the Department shall report to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds."

**RESERVE FUND FOR PROBATION AND PAROLE STAFFING AND RESOURCES**

**SECTION 17.3.** Of the funds appropriated in this act to the Department of Correction, a reserve fund of three million dollars ($3,000,000) is established in the Office of State Budget and Management to address critical staffing and resource needs in Probation and Parole Field Services, Department of Correction. The designation of these funds is pending the outcome of a National Institute of Corrections review. The sum of one million dollars ($1,000,000) in nonrecurring funds in the reserve shall not revert at the end of the fiscal year, but shall remain available to the Department for the purposes identified in the NIC review.

Prior to using any funds from the reserve authorized by this section, the Department of Correction shall consult with the Joint Legislative Commission on Governmental Operations and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety on the proposed use of the funds and the reasons for the proposal.

**REPORT ON PROBATION AND PAROLE CASELOADS**

**SECTION 17.4.** Section 17.16 of S.L. 2007-323 reads as rewritten:

"SECTION 17.16.(a) The Department of Correction shall report by March 1 of each year to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on caseload averages for probation and parole officers. The report shall include:

1. Data on current caseload averages for Probation Parole Officer I, Probation Parole Officer II, and Probation Parole Officer III positions; and Chief Probation Parole Officer positions;
2. An analysis of the optimal caseloads for these officer classifications;
3. An assessment of the role of surveillance officers;"
(4) The number and role of paraprofessionals in supervising low-risk caseloads;

(5) An update on the Department's implementation of the recommendations contained in the National Institute of Correction study conducted on the Division of Community Corrections in 2004;

(6) The selection of a risk assessment and the resulting distribution of offenders among risk levels; The process of assigning offenders to an appropriate supervision level based on a risk assessment, and an examination of other existing resources for assessment and case planning, including the Sentencing Services Program in the Office of Indigent Defense Services, and the range of screening and assessment services provided by the Division of Mental Health, Developmental Disability, and Substance Abuse Services in the Department of Health and Human Services; and

(7) Any position reallocations in the previous 12 months, and the reasons for and fiscal impact of those reallocations.

"SECTION 17.16.(b) The Department of Correction shall conduct a study of probation/parole officer workload at least biannually. The study shall include analysis of the type of offenders supervised, the distribution of the probation/parole officers' time by type of activity, the caseload carried by the officers, and comparisons to practices in other states. The study shall be used to determine whether the caseload goals established by the Structured Sentencing Act are still appropriate, based on the nature of the offenders supervised and the time required to supervise those offenders.

"SECTION 17.16.(c) The Department of Correction shall report the results of the study and recommendations for any adjustments to caseload goals to the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety by January 1, 2009.

"SECTION 17.16.(d) The Office of State Personnel, in conjunction with the Department of Correction, shall conduct a compensation study of Probation Parole Officers, including a comparison with other states, Juvenile Justice court counselors, other law enforcement, social workers, and other comparable job classifications with a role in assessing client needs and developing case plans to address those risks and needs. The Office of State Personnel shall report the results of the study and recommendations for any adjustments to the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety by March 1, 2009."

INMATE DRUG AND ALCOHOL TREATMENT

SECTION 17.5. Notwithstanding any other provision of this act, the sum of two hundred thirty-nine thousand eight hundred five dollars ($239,805) in funds appropriated to the Department of Correction for the 2008-2009 fiscal year for contractual support positions for construction projects shall instead be used to increase the capacity for intensive treatment of chemically-dependent male inmates.
GOVERNOR'S CRIME COMMISSION STUDY/EXPAND JUVENILE JURISDICTION

SECTION 18.1.(a) The Governor's Crime Commission and its adjunct committees shall study the legal, systematic, and organizational impact of expanding the jurisdiction of the Department of Juvenile Justice and Delinquency Prevention to include persons 16 and 17 years of age who commit crimes or infractions under State law or under an ordinance of local government. In particular, the Commission shall perform the following functions regarding the proposed expansion of the jurisdiction of the Department of Juvenile Justice and Delinquency Prevention to include 16- and 17-year-olds who commit crimes or infractions under State or local law:

1. Identify the costs to the State court system and State and local law enforcement.
2. Review the relevant State laws that should be conformed or amended, including, but not limited to, the motor vehicle and criminal laws, the laws regarding expunction of criminal records, and other juvenile laws.
3. Review the experience of any other states which have within recent years expanded the juvenile justice jurisdiction to 16- and 17-year-olds.
4. Identify the practical issues for the Department of Juvenile Justice and Delinquency Prevention to implement best practices for programs and facilities that would meet the unique needs of the older youth under the proposal without adversely affecting the existing departmental programming.
5. Review the relevant State laws on sharing of juvenile information with other State departments and agencies.
6. Create a specific plan of the actions that are necessary to implement the expansion of the jurisdiction of the Department of Juvenile Justice and Delinquency Prevention.
7. Determine the total cost of expanding the jurisdiction of the Department of Juvenile Justice and Delinquency Prevention.
8. Conduct a cost benefit analysis of expanding the jurisdiction of the Department of Juvenile Justice and Delinquency Prevention with specific information on possible future fiscal savings anywhere within State government as a result of expenditures necessary to implement the expansion.
9. Determine whether federal or other funds are available to aid in the transition and expansion, or both, of the age of juvenile jurisdiction to 16- and 17-year-olds.

SECTION 18.1.(b) The Commission may contract with an independent group or groups for the oversight and management of this study project, a service needs study, and a courts study, and to periodically report those findings to the Commission.

SECTION 18.1.(c) The Department of Juvenile Justice and Delinquency Prevention and all other departments, agencies, institutions, or officers of the State or...
any political subdivision of the State, shall cooperate with the Commission in this study, shall provide the Commission with any requested facilities, data, or other assistance, and help the Commission identify any collateral effect which might result from implementation of the proposal on the program and operations of the relevant State department, agency, or the political subdivision.

SECTION 18.1.(d) The Commission shall submit a report of its findings and legislative, administrative, and funding recommendations by April 1, 2009, to the General Assembly and the Governor.

In addition to its final report, the Commission shall report in writing on the progress of this study on a quarterly basis beginning on October 1, 2008, and by the first day of every quarter thereafter until the Commission submits its final report to the General Assembly, to the chairs and cochair, as applicable, of the standing committees or subcommittees of the General Assembly listed in subsections (e) and (f) of this section. A copy of each progress report made to the standing committee and subcommittee chairs shall also be filed in the Legislative Library.

SECTION 18.1.(e) The Commission shall report to all of the following standing committees or subcommittees in the House of Representatives pursuant to this section:

2. Children, Youth, and Families.
5. All of the Judiciary Committees.

SECTION 18.1.(f) The Commission shall report to all of the following standing committees or subcommittees in the Senate pursuant to this section:

2. Education and Higher Education.
3. All of the Judiciary Committees.

SECTION 18.1.(g) Of the funds appropriated by this act to the Department of Crime Control and Public Safety, the Governor's Crime Commission for the 2008-2009 fiscal year, the Commission may use up to two hundred thousand dollars ($200,000) to conduct the study authorized by this section. The Commission may also apply for, receive, or accept grants and contributions from any source of money or any other thing of value to be held and used for the purposes of the study authorized by this section.

ENHANCE RAPE VICTIMS ASSISTANCE PROGRAM

SECTION 18.2.(a) G.S. 143B-480.2 reads as rewritten:

"§ 143B-480.2. Victim assistance.
(a) Eligibility for Assistance. – Sexual assault victims or victims of attempted sexual assault are eligible for assistance under this Program if the sexual assault or the attempted sexual assault is reported to a law enforcement officer within five days 72 hours of the occurrence of the assault or the attempted sexual assault and if a forensic medical examination is performed within five days 72 hours of the sexual assault or the
attempted sexual assault. The Secretary may waive either five-day–72-hour requirement for good cause. The term "sexual assault" as used in this section refers to the following crimes: first-degree rape as defined in G.S. 14-27.2, second-degree rape as defined in G.S. 14-27.3, first-degree sexual offense as defined in G.S. 14-27.4, second-degree sexual offense as defined in G.S. 14-27.5, or statutory rape as defined in G.S. 14-27.7A.

(b) Eligible Expenses. – Assistance is limited to the following expenses incurred by the victim:

(1) Immediate and short-term medical expenses.
(2) Ambulance services from the place of the attack to a place where medical treatment is provided.
(3) Mental health services provided by a professional licensed or certified by the State to provide such services.
(4) A forensic medical examination. As used in this section, the term "forensic medical examination" means an examination provided to a sexual assault victim eligible for assistance under subsection (a) of this section by medical personnel who gather evidence of a sexual assault in a manner suitable for use in a court of law. The examination should include an examination of physical trauma, a patient interview, and a collection and evaluation of evidence.
(5) Counseling treatment following the attack.

(c) Amount of Assistance. – The Program shall pay for the full out-of-pocket cost of the victim's forensic medical examination up to eight hundred dollars ($800.00). Specifically, the Program shall pay amounts for services in accordance with the following schedule:

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<thead>
<tr>
<th>Service</th>
<th>Maximum Amount Paid by Program</th>
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<tbody>
<tr>
<td>Physician or SANE Nurse</td>
<td>$350.00</td>
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<tr>
<td>Hospital/Facility Fee</td>
<td>$250.00</td>
</tr>
<tr>
<td>Ambulance Fee</td>
<td>$200.00</td>
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<tr>
<td><strong>Total:</strong></td>
<td><strong>$800.00</strong></td>
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The Program shall pay for all other eligible expenses set out in subsection (b) of this section in an amount not to exceed the difference between the full out-of-pocket cost of the forensic medical examination and one thousand dollars ($1,000). If the full out-of-pocket cost for the forensic medical examination costs more than one thousand dollars ($1,000), then the Program shall pay only for the full out-of-pocket cost of the forensic medical examination. Assistance not to exceed fifty dollars ($50.00) shall be provided to victims to replace clothing that was held for evidence tests.

(d) Payment Directly to Provider. – With the exception of assistance authorized under subsection (f) of this section, assistance for expenses authorized under this section is to be paid directly to any hospital, ambulance service, attending physicians, or mental health professionals providing counseling, upon the filing of proper forms. Payment for the full out-of-pocket cost of the forensic medical examination shall be paid to the
provider no later than 90 days after receiving the required written notification of the victim's expense. If the entity seeking payment for expenses authorized under this section is a hospital, ambulance service, or mental health professional providing counseling, the Program shall make payment directly to that entity upon the filing of proper forms. If the entity seeking payment for expenses authorized under this section is an attending physician or licensed registered nurse, the Program shall make payment to a hospital, which shall then pay the entity seeking payment. Attending physicians and licensed registered nurses shall not bill or otherwise seek payment directly from the Program, but shall instead seek payment from the hospital that accepted payment on the entity's behalf. No payment for the cost of the forensic medical examination shall be made under this subsection unless the recipient agrees in writing that receipt of that payment shall constitute payment in full for the amount owed for the cost of the examination and expenses related to the examination.

(e) Judicial Review. – Upon an adverse determination by the Secretary on a claim for medical expenses, a victim is entitled to judicial review of that decision. The person seeking review shall file a petition in the Superior Court of Wake County.

(f) Examinations by Licensed Registered Nurse. – If the forensic medical examination is conducted by a licensed registered nurse who has successfully completed a program approved under G.S. 90-171.38(b), payment for the full out-of-pocket cost of the forensic medical examination may be made directly to the licensed registered nurse in lieu of any payment which may otherwise have been made under subsection (d) of this section. Payment for the full out-of-pocket costs of a forensic medical examination under this subsection shall be paid no later than 90 days after receiving the required written notification of the victim's expense. The Secretary shall adopt rules to facilitate the payments authorized under this subsection and to encourage, whenever practical, the use of licensed registered nurses trained under G.S. 90-171.38(b) to conduct medical examinations and procedures."

SECTION 18.2.(b) G.S. 143B-480.3 reads as rewritten:

"§ 143B-480.3. Reduction of benefits; restitution; actions.
(a) Assistance shall be reduced or denied to the extent the medical expenses are recouped through a public or private insurance plan or other victim benefit source, except that the Program shall pay any co-payment that the victim is required to pay in connection with the forensic medical examination up to the maximum amount that the Program will pay for a forensic medical exam under G.S. 143B-480.2(c).
(b) The Program shall be an eligible recipient for restitution or reparation under G.S. 15A-1021, 15A-1343, 148-33.1, 148-33.2, 148-57.1, and any other applicable statutes.
(c) When any victim who:
(1) Has received assistance under this Part;
(2) Brings an action for damages arising out of the rape, attempted rape, sexual offense, or attempted sexual offense for which she received that assistance; and
(3) Recovers damages including the expenses for which she was awarded assistance, the court shall make as part of its judgment an order for reimbursement to the Program of the amount of any assistance awarded less reasonable expenses allocated by the court to that recovery.

(d) Funds appropriated to the Department of Crime Control and Public Safety for this program may be used to purchase and distribute rape evidence collection kits approved by the State Bureau of Investigation."

SECTION 18.2.(c) Of the funds appropriated by this act to the Department of Crime Control and Public Safety for the 2008-2009 fiscal year, the sum of one million seventy-eight thousand seventy-eight dollars ($1,078,078) may be used to enhance the ability of the Assistance Program for Victims of Rape and Sex Offenses to provide assistance to victims of rape and sexual offenses.

REPORT ON THE USE OF ILLEGAL IMMIGRATION PROJECT FUNDS

SECTION 18.3. No later than March 1, 2009, the North Carolina Sheriffs' Association shall submit a report to the Chairs of the House and Senate Appropriations Committees and the Chairs of the House and Senate Appropriations Subcommittees on Justice and Public Safety on the operations and effectiveness of the Illegal Immigration Project. The report shall include all of the following:

(1) An overview of the program.
(2) The program budget.
(3) A summary of work done with funds received, which shall include the following information:
   a. The total number of law enforcement agencies that received funding from the program for officer training.
   b. The total number of officers trained.
   c. The total number of training sessions administered.
   d. Copies of educational/informational materials distributed.
(4) Recommendations on ways that federal, State, and local resources can be used to further improve the effectiveness of the Illegal Immigration Project and other immigration enforcement initiatives.

PART XIX. DEPARTMENT OF ADMINISTRATION

SEXUAL ASSAULT AND RAPE CRISIS CENTER FUND

SECTION 19.1. Article 11 of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 3B. Sexual Assault and Rape Crisis Center Fund.

§ 143B-480.20. Sexual Assault and Rape Crisis Center Fund.
(a) The Sexual Assault and Rape Crisis Center Fund is established within the State Treasury. The fund shall be administered by the Department of Administration, North Carolina Council for Women, and shall be used to make grants to centers for victims of sexual assault or rape crisis and to the North Carolina Coalition Against
Sexual Assault, Inc. This fund shall be administered in accordance with the provisions of the State Budget Act under Chapter 143C of the General Statutes. The Department of Administration shall make quarterly grants to each eligible sexual assault or rape crisis center and to the North Carolina Coalition Against Sexual Assault, Inc. To be eligible to receive funds under this section, a sexual assault or rape crisis center shall meet the following requirements:

1. Have been in operation on the preceding July 1 and continue to be in operation.
2. Offer all of the following services: a hotline, transportation services, community education programs, daytime services, and call forwarding during the night; and fulfill other criteria established by the Department of Administration.
3. Be a nonprofit corporation or a local governmental entity.
4. Have a mission statement that clearly specifies rape crisis services are provided.
5. Act in support of victims of rape or sexual assault by providing assistance to ensure victims' interests are represented in law enforcement and legal proceedings and support and referral services are provided in medical and community settings.

(b) Funds appropriated from the General Fund to the Department of Administration, North Carolina Council for Women, for the Sexual Assault and Rape Crisis Center Fund shall be distributed in two shares. The North Carolina Coalition Against Sexual Assault, Inc., and sexual assault or rape crisis centers whose services are confined to rape crisis or sexual assault services shall receive an equal share of thirty-five percent (35%) of the funds. Organizations whose services contain sexual assault or rape crisis services and domestic violence services or other support services shall receive an equal share of the remaining sixty-five percent (65%) of the funds."

SCHOLARSHIPS FOR CHILDREN OF WAR VETERANS

SECTION 19.2. (a) G.S. 165-21 reads as rewritten:

"§ 165-21. Scholarship. (a) A scholarship granted pursuant to this Article shall consist of the following benefits in either a State or private educational institution:

1. With respect to State educational institutions, unless expressly limited elsewhere in this Article, a scholarship shall consist of:
   a. Tuition at the State educational institution.
   b. A reasonable standard board allowance.
   c. A reasonable standard room allowance.
   d. Matriculation and other institutional fees required to be paid as a condition to remaining in said the institution and pursuing the course of study selected, excluding charges or fees for books, supplies, tools and clothing selected.
   e. An allowance of five hundred dollars ($500.00) per academic year for charges or fees for books, supplies, and equipment."
With respect to private educational institutions, a scholarship shall consist of a monetary allowance as prescribed in G.S. 165-22.1(d).

Only one scholarship may be granted pursuant to this Article with respect to each child and it shall not extend for a longer period than four academic years, which years, however, need not be consecutive.

No educational assistance shall be afforded a child under this Article after the end of an eight-year period beginning on the date the scholarship is first awarded. Those persons who have been granted a scholarship under this Article prior to the effective date of this act shall be entitled to the remainder of their period of scholarship eligibility if used prior to August 1, 2010. Whenever a child is enrolled in an educational institution and the period of entitlement ends while enrolled in a term, quarter or semester, such period shall be extended to the end of such term, quarter or semester, but not beyond the entitlement limitation of four academic years.

A scholarship awarded to a student under this section shall not exceed the cost of attendance at the State educational institution at which the student is enrolled. If a student, who is eligible for a scholarship under this section, also receives a scholarship or other grant covering the cost of attendance at the State educational institution for which the scholarship is awarded, then the amount of the scholarship shall be reduced by an appropriate amount determined by the State educational institution at which the student is enrolled. The scholarship shall be reduced so that the sum of all grants and scholarship aid covering the cost of attendance received by the student, including the scholarship under this section, shall not exceed the cost of attendance for the State educational institution at which the student is enrolled.

SECTION 19.2.(b) Repealed by Session Laws 2002-126, s. 19.3(b), effective November 1, 2002.

(c) If a child is awarded a scholarship under this Article, the Commission shall notify the recipient by May 1st of the year in which the recipient enrolls in college."

"State educational institution" means any constituent institution of The University of North Carolina, educational institution of higher learning which is owned and operated by the State of North Carolina, or any community college operated under the provisions of Chapter 115A and Article 3 of Chapter 116 of the General Statutes of North Carolina, or the college program of the North Carolina School of the Arts, or any technical institute operated under the provisions of Chapter 115A of Chapter 115D of the General Statutes of North Carolina."

PART XIXA. CULTURAL RESOURCES

SECTION 19A.1. Article 1 of Chapter 121 of the General Statutes is amended by adding a new section to read:
§ 121-7.5. Bentonville Battlefield Fund.

(a) Fund. – The Bentonville Battlefield Fund is created as a nonreverting special fund in the Department of Cultural Resources, Division of State Historic Sites. The interest earned by the Fund shall be credited to the Fund by the State Treasurer pursuant to G.S. 147-69.2 and G.S. 147-69.3. The Fund shall be used for operation, interpretation, maintenance, preservation, development, and expansion at Bentonville Battlefield State Historic Site.

(b) Disposition of Fees. – Notwithstanding Chapter 146 of the General Statutes, all receipts derived from donations, or the lease, rental, or other disposition of structures or products of the land owned by or under the supervision or control of the Division of Historic Sites in Johnston County shall be credited to the Fund.

(c) The monies credited to this Fund pursuant to this section are annually appropriated to the Department of Cultural Resources."

PART XX. OFFICE OF THE STATE CONTROLLER

BEACON STAFF TO SUPPORT STATEWIDE ENTERPRISE TRAINING PROGRAM

SECTION 20.1. The Office of the State Controller shall use existing BEACON receipts to establish eight full-time time-limited positions to support the statewide enterprise training program as follows:

(1) $80,375 nonrecurring in fiscal year 2008-2009 for one SAP/NCAS Training Technology Specialist.

(2) $141,500 nonrecurring in fiscal year 2008-2009 for two SAP/NCAS Staff Development Specialists.

(3) $353,750 nonrecurring in fiscal year 2008-2009 for five SAP/NCAS Trainers.

PART XXI. HOUSING FINANCE AGENCY

HOUSING FINANCE AGENCY SHALL CONTINUE AND EXPAND THE HOME PROTECTION PROGRAM

SECTION 21.1.(a) G.S. 122A-3 reads as rewritten:


The following words and terms, unless the context clearly indicates a different meaning, shall have the following respective meanings: The following definitions apply in this section:

(1) "Bonds" or "notes" mean the bonds or the bond anticipation notes or construction loan notes authorized to be issued by the Agency under this Chapter;

(2) "Agency" means the North Carolina Housing Finance Agency created by this Chapter;

(3) Repealed by Session Laws 1973, c. 1296, s. 5;

(4) Repealed by Session Laws 1973, c. 1296, s. 6;
(5) "Governmental agency" means any department, division, public agency, political subdivision or other public instrumentality of the State, the federal government, any other State or public agency, or any two or more thereof;

(6) Repealed by Session Laws 1973, c. 1296, s. 8;

(7) Repealed by Session Laws 1973, c. 1296, s. 9;

(8) "Mortgage" or "mortgage loan" means a mortgage loan for residential housing, including, without limitation, a mortgage loan to finance, either temporarily or permanently, the construction, rehabilitation, improvement, or acquisition and rehabilitation or improvement of residential housing and a mortgage loan insured or guaranteed by the United States or an instrumentality thereof or for which there is a commitment by the United States or an instrumentality thereof to insure such a mortgage;

(9) Repealed by Session Laws 1973, c. 1296, s. 11;

(10) "Obligations" means any bonds or bond anticipation notes authorized to be issued by the Agency under the provisions of this Chapter;

(11) "Persons and families of lower income" means persons and families deemed by the Agency to require such assistance as is made available by this Chapter on account of insufficient personal or family income, taking into consideration, without limitation, (i) the amount of the total income of such persons and families available for housing needs, (ii) the size of the family, (iii) the cost and condition of housing facilities available, (iv) the eligibility of such persons and families for federal housing assistance of any type predicated upon a lower income basis and (v) the ability of such persons and families to compete successfully in the normal housing market and to pay the amounts at which private enterprise is providing decent, safe and sanitary housing and deemed by the Agency therefore to be eligible to occupy residential housing financed wholly or in part, with mortgages, or with other public or private assistance;

(12) "Residential housing" means a specific work or improvement undertaken primarily to provide dwelling accommodations for persons and families of lower income, including the rehabilitation of buildings and improvements, and such other nonhousing facilities as may be incidental or appurtenant thereto;

(13) "State" means the State of North Carolina;

(14) "Federally insured securities" means an evidence of indebtedness secured by a first mortgage lien on residential housing for persons of lower income and insured or guaranteed as to repayment of principal and interest by the United States or any agency or instrumentality thereof; and

(15) "Mortgage lenders" means any bank or trust company, savings bank, national banking association, savings and loan association, or building
and loan association, life insurance company, mortgage banking company, the federal government and any other financial institution authorized to transact business in the State;

(16) "Energy conservation loan" means a loan obtained from a mortgage lender for the purpose of satisfying an existing obligation of a borrower who is the resident owner of a single family dwelling or of "residential housing." The existing obligation of the owner in an "energy conservation loan" must have been incurred to pay for the purchase of materials or the installation of materials, or both, which results in a significant decrease in the amount of consumption of nonrenewable sources of energy in order to provide or maintain a comfortable level of room temperatures in his residence during the winter. "Energy conservation loan" does not include a loan obtained to refinance an existing loan agreement unless payment or collection of the original loan was guaranteed by the agency.

(17) "Rehabilitation" means the renovation or improvement of residential housing by the owner of said residential housing.

(1) Agency. – The North Carolina Housing Finance Agency created by this Chapter.

(2) Bonds or notes. – The bonds or the bond anticipation notes or construction loan notes authorized to be issued by the Agency under this Chapter.

(3) Counseling agency. – A nonprofit counseling agency located in North Carolina that is approved by the North Carolina Housing Finance Agency.

(4) Energy conservation loan. – A loan obtained from a mortgage lender for the purpose of satisfying an existing obligation of a borrower who is the resident owner of a single-family dwelling or of "residential housing." The existing obligation of the owner in an "energy conservation loan" must have been incurred to pay for the purchase of materials or the installation of materials, or both, which results in a significant decrease in the amount of consumption of nonrenewable sources of energy in order to provide or maintain a comfortable level of room temperatures in his residence during the winter. "Energy conservation loan" does not include a loan obtained to refinance an existing loan agreement unless payment or collection of the original loan was guaranteed by the agency.

(5) Federally insured securities. – An evidence of indebtedness secured by a first mortgage lien on residential housing for persons of lower income and insured or guaranteed as to repayment of principal and interest by the United States or any agency or instrumentality thereof.

(6) Governmental agency. – Any department, division, public agency, political subdivision, or other public instrumentality of the State, the
federal government, any other State or public agency, or any two or
more thereof.

(7) Mortgage or mortgage loan. – A mortgage loan for residential housing,
including, without limitation, a mortgage loan to finance, either
temporarily or permanently, the construction, rehabilitation,
 improvement, or acquisition and rehabilitation or improvement of
residential housing and a mortgage loan insured or guaranteed by the
United States or an instrumentality thereof or for which there is a
commitment by the United States or an instrumentality thereof to
insure such a mortgage. A mortgage obligation may be evidenced by a
security document and secured by a lien upon real property, including
a deed of trust and land sale agreement. Mortgage also means an
obligation evidenced by a security lien on real property upon which an
owner-occupied mobile home is located.

(8) Mortgage lenders. – Any bank or trust company, savings bank,
national banking association, savings and loan association, or building
and loan association, life insurance company, mortgage banking
company, the federal government, and any other financial institution
authorized to transact business in the State.

(9) Mortgagee. – The owner of a beneficial interest in a mortgage loan, the
servicer for the owner of a beneficial interest in a mortgage loan, or the
trustee for a securitized trust that holds title to a beneficial interest in a
mortgage loan.

(10) Obligations. – Any bonds or bond anticipation notes authorized to be
issued by the Agency under the provisions of this Chapter.

(11) Persons and families of lower income. – Persons and families deemed
by the Agency to require such assistance as is made available by this
Chapter on account of insufficient personal or family income, taking
into consideration, without limitation, (i) the amount of the total
income of such persons and families available for housing needs, (ii)
the size of the family, (iii) the cost and condition of housing facilities
available, (iv) the eligibility of such persons and families for federal
housing assistance of any type predicated upon a lower income basis,
and (v) the ability of such persons and families to compete
successfully in the normal housing market and to pay the amounts at
which private enterprise is providing decent, safe, and sanitary housing
and deemed by the Agency therefore to be eligible to occupy
residential housing financed wholly or in part, with mortgages, or with
other public or private assistance.

(12) Residential housing. – A specific work or improvement undertaken
primarily to provide dwelling accommodations for persons and
families of lower income, including the rehabilitation of buildings and
improvements, and such other nonhousing facilities as may be
incidental or appurtenant thereto.
(13) State. – The State of North Carolina.
(14) Rehabilitation. – The renovation or improvement of residential housing by the owner of said residential housing."

SECTION 21.1.(b) G.S. 122A-5.4(b) reads as rewritten:

"(b) The terms "persons and families of lower income" and "persons of lower income" wherever they appear in this Chapter, except where they appear in G.S. 122A-2 and 122A-3(11), G.S. 122A-3, shall be deemed to include "persons and families of moderate income" as defined in clause (c) of this section."

SECTION 21.1.(c) Chapter 122A of the General Statutes is amended by adding a new section to read:


(a) The North Carolina Housing Finance Agency shall establish and administer the Home Protection Program ("Program") to assist North Carolina workers who have lost jobs as a result of changing economic conditions in North Carolina when the workers are in need of assistance to avoid losing their homes to foreclosure. The Agency shall do all of the following:

(1) Develop and administer the Home Protection Program Fund ("Fund") to ensure that workers in North Carolina have assistance to avoid losing their homes to foreclosure. The Fund shall be a nonreverting fund.

(2) Make loans secured by liens on residential real property located in North Carolina to property owners who are eligible for those loans.

(3) Develop and administer procedures by which property owners at risk of being foreclosed upon may qualify for assistance.

(4) Designate, approve, and fund nonprofit counseling agencies in North Carolina to be available to assist the Agency in implementing the provisions of this section, provide services such as direct mortgagee negotiations on behalf of unemployed workers, and process loan applications for the Agency.

(5) Develop and fund enhanced methods by which workers may be notified of foreclosure mitigation services, may easily contact local nonprofit counseling agencies, and may apply for loans from the Agency.

(b) Home Protection Period. – Notwithstanding Chapters 23, 24, and 45 of the General Statutes or any other provision of law, upon the proper filing of an application for loan assistance by a mortgagor under this section, a mortgagee shall not do the following for a period of 120 days following the date of the mortgagor's properly filed application:

(1) Accelerate the maturity of any mortgage obligation covered under this section.

(2) Commence or continue any legal action, including mortgage foreclosure pursuant to Chapter 45 of the General Statutes, to recover the mortgage obligation."
(3) Take possession of any security of the mortgagor for the mortgage obligation.

(4) Procure or receive a deed in lieu of foreclosure.

(5) Enter judgment by confession pursuant to a note accompanying a mortgage.

(6) Proceed to enforce the mortgage obligation pursuant to applicable rules of civil procedure.

The provisions of this section shall not apply if the mortgagee receives notice from the Agency that the mortgagor's application has been denied.

If a mortgagee acts as proscribed in subdivisions (1) through (6) of this subsection, a mortgagor shall be entitled to injunctive relief without the necessity of providing a bond. This relief shall be in addition to any defenses available under G.S. 45-21.16(d) and any other remedies at law or equity.

Upon the Agency's receipt of a properly filed mortgagor's application for loan assistance, the Agency shall mail notice of the application to the mortgagor's mortgagee within 10 business days of the Agency's receipt of the application. The Agency shall also mail notice of the acceptance or denial of the mortgagor's application to the mortgagee within five days of the Agency's determination. Notice shall be deemed sufficient if sent to the last known address of the mortgagee.

(c) Rule making. – Solely with respect to the adoption of procedures for the program by which property owners at risk of being foreclosed upon may qualify for assistance, the Agency is exempt from the requirements of Article 2A of Chapter 150B of the General Statutes. Prior to adoption or amendment of procedures, the Agency shall:

(1) Publish the proposed procedures in the North Carolina Register at least 30 days prior to the adoption of the final procedures.

(2) Accept oral and written comments on the proposed procedures.

(3) Hold at least one public hearing on the proposed procedures.

(d) Annual Report. – By April 1 of each year, the Agency shall report to the House Appropriations Subcommittee on General Government and Senate Appropriations Subcommittee on General Government and Information Technology on the effectiveness of the Program in accomplishing its purposes and provide any other information the Agency determines is pertinent or that the General Assembly requests.

SECTION 21.1.(d) Of the funds appropriated to the Housing Finance Agency and allocated to the Home Protection Program Fund in this act, at least two-thirds shall be used for loans to North Carolina workers who have lost jobs as a result of changing economic conditions. If less than two-thirds of the funds allocated to the program go to loans, the Housing Finance Agency shall account for and explain the failure to meet this requirement during the Housing Finance Agency's annual report to the House Appropriations Subcommittee on General Government and Senate Appropriations Subcommittee on General Government and Information Technology.

PART XXII. OFFICE OF STATE BUDGET AND MANAGEMENT
STAFFING ANALYSIS OF THE ETHICS COMMISSION AND THE
LOBBYIST REGISTRATION SECTION OF THE DEPARTMENT OF
SECRETARY OF STATE

SECTION 22.1. The Office of State Budget and Management shall conduct
a staffing analysis of the Ethics Commission and the Lobbyist Registration Section of
the Department of Secretary of State to determine if the staffing is appropriate for the
workload volume that has been generated by the enactment of Session Law 2006-201.
The Office of State Budget and Management shall submit a final report outlining its
findings and staffing recommendations to the House Appropriations Subcommittee on
General Government, Senate Appropriations Subcommittee on General Government
and Information Technology, and the Fiscal Research Division by March 1, 2009.

MODIFY STATE FIRE PROTECTION GRANT FUND

SECTION 22.2. Effective July 1, 2008, G.S. 58-85A-1(c) reads as rewritten:
"(c) It is the intent of the General Assembly to appropriate annually to the State
Fire Protection Grant Fund up to three million eight hundred eighty thousand dollars
($3,880,000) four million one hundred eighty thousand dollars ($4,180,000) from the
General Fund, one hundred fifty-eight thousand dollars ($158,000) from the Highway
Fund, and one million three hundred forty-five thousand dollars ($1,345,000) from
University of North Carolina receipts. Funds received from the General Fund shall be
allocated only for providing local fire protection for State-owned property supported by
the General Fund; funds received from the Highway Fund shall be allocated only for
providing local fire protection for State-owned property supported by the Highway
Fund; and funds received from University of North Carolina receipts shall be allocated
only for providing local fire protection for State-owned property supported by
University of North Carolina receipts."

MILITARY MORALE, RECREATION, AND WELFARE FUNDS

SECTION 22.3. Funds appropriated in this act to the Office of State Budget
and Management to the Reserve for the Military Morale, Recreation, and Welfare Fund
and distributed to each military installation on a per capita basis shall be deposited in
the Military Morale, Recreation, and Welfare Fund for each installation and used only
for community services and other expenditures to improve quality of life programs for
military members and their families in North Carolina.

STAFFING ANALYSIS OF THE YOUTH ADVOCACY & INVOLVEMENT
OFFICE

SECTION 22.4. The Office of State Budget and Management shall conduct
a staffing analysis of the Youth Advocacy and Involvement Office of the Department of
Administration to determine if the staffing is appropriate for the workload volume. The
Office of State Budget and Management shall submit a final report outlining its findings
and staffing recommendations to the House Appropriations Subcommittee on General
Government, the Senate Appropriations Subcommittee on General Government and
STAFFING SURVEY OF STATE AGENCIES AND UNIVERSITIES THAT USE THE BEACON SYSTEM

SECTION 22.5. The Office of State Budget and Management shall conduct a staffing survey of all State agencies and universities that use the BEACON system and determine the number of FTE staff assigned to BEACON training. The Office of State Budget and Management shall submit a final report outlining its findings and staffing recommendations to the House Appropriations Subcommittee on General Government, the Senate Appropriations Subcommittee on General Government and Information Technology, and the Fiscal Research Division by March 1, 2009.

PART XXIII. DEPARTMENT OF REVENUE

USE OF COLLECTION ASSISTANCE FEE

SECTION 23.1. Section 6.9(b) of S.L. 2007-323 reads as rewritten:
"SECTION 6.9.(b) The General Assembly finds that a computer system that records tax payments and determines when the payments are overdue directly and primarily relates to the collection of overdue tax debts and that the proceeds of the collection assistance fee imposed by G.S. 105-243.1 may be applied to the cost of the computer system is subject to the collection assistance fee set forth in G.S. 105-243.1. The Department of Revenue is authorized to use funds in the 20% Collection Assistance Fee Account, Budget Code 24704-2474, during the 2007-2008 and 2008-2009 fiscal years to replace the Department's current computer system, and these funds are appropriated to the Department for that purpose. For fiscal year 2007-2008, the Department shall not use more than fifteen million dollars ($15,000,000) from the Account to replace the Department's current computer system. Funds appropriated to the Department in this subsection remain in the Account until withdrawn for expenditures for a replacement computer system and shall remain in the Account if not expended during the 2007-2008 fiscal year for the purposes set forth in this subsection. For fiscal year 2008-2009, the Department shall not use more than twenty-five million dollars ($25,000,000) from the Account to replace the Department's current computer system. Funds appropriated under this subsection may be transferred to Budget Code 24708-2478 to be applied to expenditures for a replacement computer system. Funds appropriated under this subsection that are not transferred to Budget Code 24708-2478 remain in the Account until they are transferred to that Budget Code or withdrawn for expenditures for a replacement computer system. Funds appropriated under this subsection that are not expended at the end of the 2007-2009 biennium remain available for expenditure for the purpose designated in this subsection."

PART XXIV. STATE BOARD OF ELECTIONS

2008 EARLY VOTING FUNDS

SECTION 24.1. Section 25.1 of S.L. 2007-323 reads as rewritten:
"SECTION 25.1.(a) The State Board of Elections shall use funds in the Maintenance of Effort Reserve as follows:

1. $1,500,000 nonrecurring in fiscal year 2007-2008 and $500,000 nonrecurring in fiscal year 2008-2009 to rebuild the State Elections Information Management System (SEIMS).

2. $100,000 recurring in fiscal year 2007-2008 for the required training for all county boards of elections staff on voting equipment operating procedures.

3. $427,500 recurring in fiscal year 2007-2008 to centralize ballot coding in North Carolina to provide oversight, ensure accuracy of election preparation, and reduce errors with ballot styles.

4. $150,000 recurring in fiscal year 2007-2008 to hire 20 additional election technicians across the State to deal with technical problems that arise on a 2008 Election Day in which a federal election is on the ballot.

5. $1,000,000 nonrecurring in fiscal year 2008-2009 provided for additional operating support for one-stop absentee voting (early voting) sites for the 2008 general election.

"SECTION 25.1.(b) The State Board of Elections shall use funds in the Election Fund under G.S. 163-82.28 (HAVA funds) as follows:

1. $2,525,000 nonrecurring in fiscal year 2007-2008 and $2,525,000 nonrecurring in fiscal year 2008-2009 for maintenance performed on voting equipment.

2. $750,000 nonrecurring in fiscal year 2007-2008 and $1,750,000 nonrecurring in fiscal year 2008-2009 provided for additional one-stop absentee voting (early voting) sites for the 2008 first primary and general election if a federal election is on the ballot.

"SECTION 25.1.(c) Section 1 of S.L. 2007-144 is repealed."

PART XXV. DEPARTMENT OF TRANSPORTATION

INCREASE ADMINISTRATIVE APPROPRIATION FOR THE HIGHWAY TRUST FUND

"SECTION 25.1. G.S. 136-176(b) reads as rewritten:

"(b) Funds in the Trust Fund are annually appropriated to the Department of Transportation to be allocated and used as provided in this subsection. A sum, not to exceed four percent (4%) four and eight-tenths percent (4.8%) of the amount of revenue deposited in the Trust Fund under subdivisions (a)(1), (2), and (3) of this section for the 2003-2004 fiscal year, three and eight-tenths percent (3.8%) through fiscal year 2006-2007, and four and two tenths percent (4.2%) thereafter, may be used each fiscal year by the Department for expenses to administer the Trust Fund. Operation and project development costs of the North Carolina Turnpike Authority are eligible administrative expenses under this subsection. Any funds allocated to the Authority pursuant to this subsection shall be repaid by the Authority from its toll revenue as soon
as possible, subject to any restrictions included in the agreements entered into by the Authority in connection with the issuance of the Authority's revenue bonds. Beginning one year after the Authority begins collecting tolls on a completed Turnpike Project, interest shall accrue on any unpaid balance owed to the Highway Trust Fund at a rate equal to the State Treasurer's average annual yield on its investment of Highway Trust Fund funds pursuant to G.S. 147-6.1. Interest earned on the unpaid balance shall be deposited in the Highway Trust Fund upon repayment. The sum up to the amount anticipated to be necessary to meet the State matching funds requirements to receive federal-aid highway trust funds for the next fiscal year may be set aside for that purpose.

The rest of the funds in the Trust Fund shall be allocated and used as follows:

(1) Sixty-one and ninety-five hundredths percent (61.95%) to plan, design, and construct projects on segments or corridors of the Intrastate System as described in G.S. 136-178 and to pay debt service on highway bonds and notes that are issued under the State Highway Bond Act of 1996 and whose proceeds are applied to these projects.

(2) Twenty-five and five hundredths percent (25.05%) to plan, design, and construct the urban loops described in G.S. 136-180 and to pay debt service on highway bonds and notes that are issued under the State Highway Bond Act of 1996 and whose proceeds are applied to these urban loops.

(3) Six and one-half percent (6.5%) to supplement the appropriation to cities for city streets under G.S. 136-181.

(4) Six and one-half percent (6.5%) for secondary road construction as provided in G.S. 136-182 and to pay debt service on highway bonds and notes that are issued under the State Highway Bond Act of 1996 and whose proceeds are applied to secondary road construction.

The Department must administer funds allocated under subdivisions (1), (2), and (4) of this subsection in a manner that ensures that sufficient funds are available to make the debt service payments on bonds issued under the State Highway Bond Act of 1996 as they become due."

DEPARTMENT OF TRANSPORTATION TO PRODUCE BIENNIAL STATE TRANSPORTATION MAPS AND COASTAL BOATING GUIDES

SECTION 25.2.(a) The Department of Transportation shall cease annual production of the North Carolina State Transportation Map and Coastal Boating Guide and shall produce a biennial North Carolina State Transportation Map and Coastal Boating Guide beginning in the 2008-2009 fiscal year.

SECTION 25.2.(b) The Department shall provide a written report to the Joint Legislative Transportation Oversight Committee on the biennial map production plan and identify any cost savings for nonproduction years. The report shall also include historical budget and production information for the past five years. The report is due by November 14, 2008.

ONE-STOP SHOPS FOR DRIVERS LICENSE AND REGISTRATION PLATES
SECTION 25.3.(a) The Department of Transportation, Division of Motor Vehicles, is prohibited from opening drivers license issuance, vehicle registration issuance, and renewal One-Stop Shops until the General Assembly has considered and appropriated funds for the purpose of One-Stop Shops.

SECTION 25.3.(b) The Department of Transportation shall develop a plan that thoroughly outlines the operational plans of combined function centers designated as One-Stop Shops. The plan may contain recommendations regarding making necessary changes to G.S. 20-63(h) to expand Division services. The plan should detail a cost effectiveness comparison between the current means for delivery of service and the proposed combined function center services. The plan should also include a thorough justification for each proposed One-Stop Shop location, including any assumptions made in the justification process. The plan should clearly highlight the benefits to the State, including customer service enhancements for Division customers obtained by implementation of One-Stop Shops. The Division shall also conduct an analysis of the anticipated number of transactions at the One-Stop Shops and consider the impact on commission contracts for independent license plate agents, as well as any other interested party affected by the change.

SECTION 25.3.(c) The Division shall report to the Joint Legislative Transportation Oversight Committee, the Joint Appropriations Subcommittee for Transportation, and the Fiscal Research Division no later than October 31, 2008.

REALIGN THE CONTINUATION AND CERTIFIED BUDGETS OF EACH DIVISION WITHIN THE DEPARTMENT

SECTION 25.4.(a) The Department of Transportation and the Office of State Budget and Management shall review each of the Department's division's expenditure patterns and realign the continuation and certified budget. The certified budget shall become the current expenditure plan for each division based on actual expenditure patterns from repeated annually approved budget adjustments for the Department.

SECTION 25.4.(b) The Department of Transportation shall prepare reports on the cash spending plan based on the certified budget's line item detail. The first report shall show cash expenditure plans for the 2008-2009 fiscal year and the second report shall include the next biennium's budget.

SECTION 25.4.(c) The Department of Transportation and the Office of State Budget and Management shall report on the realignment of the budget and cash spending plan based on the certified budget to the Joint Legislative Transportation Oversight Committee, Appropriations Subcommittee for Transportation, and the Fiscal Research Division no later than August 1, 2008, on the 2008-2009 fiscal year cash expenditure plan and March 15 for the next biennium's budget.

TRANSFER HIGHWAY TRUST FUND MONIES IN THE AMOUNT OF TWENTY-FIVE MILLION DOLLARS BEGINNING IN FISCAL YEAR 2008-2009 AND FORTY-NINE MILLION DOLLARS BEGINNING IN
FISCAL YEAR 2009-2010 TO THE NC TURNPIKE AUTHORITY FOR
DEBT SERVICE ON BONDS

SECTION 25.5. (a) G.S. 105-187.9(b) reads as rewritten:

"(b) Transfer. – In each fiscal year the State Treasurer shall transfer the amounts
provided below from the taxes deposited in the Trust Fund to the General Fund. The
transfer of funds authorized by this section may be made by transferring one-fourth of
the amount at the end of each quarter in the fiscal year or by transferring the full amount
annually on July 1 of each fiscal year, subject to the availability of revenue.

(1) The sum of one hundred seventy million dollars ($170,000,000), forty-five million dollars ($145,000,000).

(2) In addition to the amount transferred under subdivision (1) of this
subsection, the sum of one million seven hundred thousand dollars ($1,700,000) shall be transferred in the 2001-2002 fiscal year. The
amount distributed under this subdivision shall increase in the
2002-2003 fiscal year to the sum of two million four hundred thousand
dollars ($2,400,000). In each fiscal year thereafter, the sum transferred
under this subdivision shall be the amount distributed in the previous
fiscal year plus or minus a percentage of this sum equal to the
percentage by which tax collections under this Article increased or
decreased for the most recent 12-month period for which data are
available."

SECTION 25.5.(b) G.S. 136-176 is amended by adding a new subsection to
read:

"(b2) There is annually appropriated to the North Carolina Turnpike Authority from
the Highway Trust Fund the sum of twenty-five million dollars ($25,000,000) to be
used to service debt on bonds issued for the construction of the Triangle Expressway.
The amounts appropriated to the Authority pursuant to this subsection shall be used by
the Authority to pay debt service or related financing costs and expenses on revenue
bonds or notes issued by the Authority to finance the costs of one or more Turnpike
Projects or to refund such bonds or notes. The appropriations established by this
subsection constitute an agreement by the State to pay the funds appropriated hereby to
the Authority within the meaning of G.S. 159-81(4). Notwithstanding the foregoing, it is
the intention of the General Assembly that the enactment of this provision and the
issuance of bonds or notes by the Authority in reliance thereon shall not in any manner
constitute a pledge of the faith and credit and taxing power of the State, and nothing
contained herein shall prohibit the General Assembly from amending the appropriations
set forth in this act at any time to decrease or eliminate the amount annually
appropriated to the Authority."

SECTION 25.5.(c) G.S. 105-187.9(b) reads as rewritten:

"(b) Transfer. – In each fiscal year the State Treasurer shall transfer the amounts
provided below from the taxes deposited in the Trust Fund to the General Fund. The
transfer of funds authorized by this section may be made by transferring one-fourth of
the amount at the end of each quarter in the fiscal year or by transferring the full amount
annually on July 1 of each fiscal year, subject to the availability of revenue.
(1) The sum of one hundred forty-five million dollars ($145,000,000), twenty-one million dollars ($121,000,000).

(2) In addition to the amount transferred under subdivision (1) of this subsection, the sum of one million seven hundred thousand dollars ($1,700,000) shall be transferred in the 2001-2002 fiscal year. The amount distributed under this subdivision shall increase in the 2002-2003 fiscal year to the sum of two million four hundred thousand dollars ($2,400,000). In each fiscal year thereafter, the sum transferred under this subdivision shall be the amount distributed in the previous fiscal year plus or minus a percentage of this sum equal to the percentage by which tax collections under this Article increased or decreased for the most recent 12-month period for which data are available."

SECTION 25.5.(d) G.S. 136-176(b2), as enacted by subsection (b) of this section, reads as rewritten:

"(b2) There is annually appropriated to the North Carolina Turnpike Authority from the Highway Trust Fund the sum of twenty-five million dollars ($25,000,000). Of the amount allocated by this subsection, twenty-five million dollars ($25,000,000) shall be used to pay debt service or related financing costs and expenses on revenue bonds or notes issued for the construction of the Triangle Expressway and twenty-four million dollars ($24,000,000) shall be used to pay debt service or related financing expenses on revenue bonds or notes issued for the construction of the Monroe Bypass or to refund such bonds and notes. The amounts appropriated to the Authority pursuant to this subsection shall be used by the Authority to pay debt service or related financing costs and expenses on revenue bonds or notes issued by the Authority to finance the costs of one or more Turnpike Projects or to refund such bonds or notes. The appropriations established by this subsection constitute an agreement by the State to pay the funds appropriated hereby to the Authority within the meaning of G.S. 159-81(4). Notwithstanding the foregoing, it is the intention of the General Assembly that the enactment of this provision and the issuance of bonds or notes by the Authority in reliance thereon shall not in any manner constitute a pledge of the faith and credit and taxing power of the State, and nothing contained herein shall prohibit the General Assembly from amending the appropriations set forth in this act at any time to decrease or eliminate the amount annually appropriated to the Authority."

SECTION 25.5.(e) Subsections (a), (b), and (e) of this section become effective July 1, 2008. Subsections (c) and (d) of this section become effective July 1, 2009.

FUNDS FOR UNSAFE AND OBSOLETE FIELD FACILITIES

SECTION 25.6. Section 27.6 of S.L. 2007-323 is repealed.

CASH FLOW HIGHWAY FUNDS AND HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 25.7. Section 27.2 of S.L. 2007-323 is repealed.
SECTION 25.7. The General Assembly authorizes and certifies anticipated revenues of the Highway Fund as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-2010</td>
<td>$2,070.8 million</td>
</tr>
<tr>
<td>2010-2011</td>
<td>$2,066.0 million</td>
</tr>
<tr>
<td>2011-2012</td>
<td>$2,064.5 million</td>
</tr>
<tr>
<td>2012-2013</td>
<td>$2,075.6 million</td>
</tr>
</tbody>
</table>

SECTION 25.7. The General Assembly authorizes and certifies anticipated revenues of the Highway Trust Fund as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-2010</td>
<td>$1,178.4 million</td>
</tr>
<tr>
<td>2010-2011</td>
<td>$1,199.8 million</td>
</tr>
<tr>
<td>2011-2012</td>
<td>$1,226.9 million</td>
</tr>
<tr>
<td>2012-2013</td>
<td>$1,263.4 million</td>
</tr>
</tbody>
</table>

DEPARTMENT OF TRANSPORTATION TO APPLY FOR INTERSTATE CORRIDOR GRANT FUNDS

SECTION 25.8. The Department of Transportation and the North Carolina Turnpike Authority shall apply for all federal grant monies available for Interstate corridors. The grant funds shall be used for the preservation of the highway infrastructure and to provide for improvements and enhancements to the Interstate.

The Department shall report on the status of all grant applications made and any funding awarded for Interstate corridors to the Joint Legislative Transportation Oversight Committee no later than December 1, 2008.

AVIATION FUNDS FOR THE MOUNT AIRY-SURRY COUNTY AIRPORT AUTHORITY

SECTION 25.9. Of the funds appropriated to the Department of Transportation, Division of Aviation, for fiscal year 2008-2009, the sum of three million dollars ($3,000,000) shall be allocated to the Mount Airy-Surry County Airport Authority for expansion and renovation of the regional airport.

CLOSURE OF EXITS ON INTERSTATE HIGHWAYS

SECTION 25.10.(a) From the date this act becomes effective through July 1, 2009, the Department of Transportation shall not expend any funds to effect a permanent closure of an existing exit on an Interstate highway unless such exit was created and exists solely as a temporary exit in a construction zone that would be closed upon completion of the construction project.

SECTION 25.10.(b) If any exits on an Interstate highway are scheduled for permanent closure before July 1, 2009, other than an exit that was created and exists solely as a temporary exit in a construction zone that would be closed upon completion of the construction project, the Department of Transportation shall apply for a waiver from the United States Department of Transportation or any other federal agency, as required, to keep the exit or exits open to vehicular traffic exiting from the Interstate highway.
PART XXVI SALARIES AND BENEFITS

GOVERNOR AND COUNCIL OF STATE/SALARY INCREASES

SECTION 26.1.(a) Effective July 1, 2008, G.S. 147-11(a) reads as rewritten:

"(a) The salary of the Governor shall be one hundred thirty-five thousand eight hundred fifty-four dollars ($135,854) one hundred thirty-nine thousand five hundred ninety dollars ($139,590) annually, payable monthly."

SECTION 26.1.(b) Section 28.1(b) of S.L. 2007-323 reads as rewritten:

"SECTION 28.1.(b) Effective July 1, 2007, July 1, 2008, the annual salaries for the members of the Council of State, payable monthly, for the 2007-2008 and 2008-2009 fiscal years are:

<table>
<thead>
<tr>
<th>Council of State</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lieutenant Governor</td>
<td>$119,904 $123,198</td>
</tr>
<tr>
<td>Attorney General</td>
<td>$119,904 $123,198</td>
</tr>
<tr>
<td>Secretary of State</td>
<td>$119,904 $123,198</td>
</tr>
<tr>
<td>State Treasurer</td>
<td>$119,904 $123,198</td>
</tr>
<tr>
<td>State Auditor</td>
<td>$119,904 $123,198</td>
</tr>
<tr>
<td>Superintendent of Public Instruction</td>
<td>$119,904 $123,198</td>
</tr>
<tr>
<td>Agriculture Commissioner</td>
<td>$119,904 $123,198</td>
</tr>
<tr>
<td>Insurance Commissioner</td>
<td>$119,904 $123,198</td>
</tr>
<tr>
<td>Labor Commissioner</td>
<td>$119,904 $123,198</td>
</tr>
</tbody>
</table>

NONELECTED DEPARTMENT HEAD/SALARY INCREASES

SECTION 26.2. Effective July 1, 2008, Section 28.2 of S.L. 2007-323 reads as rewritten:

"SECTION 28.2. In accordance with G.S. 143B-9, the maximum annual salaries, payable monthly, for the nonelected heads of the principal State departments for the 2007-2008 and 2008-2009 fiscal years are:

<table>
<thead>
<tr>
<th>Nonelected Department Heads</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secretary of Administration</td>
<td>$117,142 $120,363</td>
</tr>
<tr>
<td>Secretary of Correction</td>
<td>$117,142 $120,363</td>
</tr>
<tr>
<td>Secretary of Crime Control and Public Safety</td>
<td>$117,142 $120,363</td>
</tr>
<tr>
<td>Secretary of Cultural Resources</td>
<td>$117,142 $120,363</td>
</tr>
<tr>
<td>Secretary of Commerce</td>
<td>$117,142 $120,363</td>
</tr>
<tr>
<td>Secretary of Environment and Natural Resources</td>
<td>$117,142 $120,363</td>
</tr>
<tr>
<td>Secretary of Health and Human Services</td>
<td>$117,142 $120,363</td>
</tr>
<tr>
<td>Secretary of Juvenile Justice and Delinquency Prevention</td>
<td>$117,142 $120,363</td>
</tr>
<tr>
<td>Secretary of Revenue</td>
<td>$117,142 $120,363</td>
</tr>
<tr>
<td>Secretary of Transportation</td>
<td>$117,142 $120,363</td>
</tr>
</tbody>
</table>
CERTAIN EXECUTIVE BRANCH OFFICIALS/SALARY INCREASES

SECTION 26.3. Effective July 1, 2008, Section 28.3 of S.L. 2007-323 reads as rewritten:

"SECTION 28.3. The annual salaries, payable monthly, for the 2007-2008 and 2008-2009 fiscal years for the following executive branch officials are:

<table>
<thead>
<tr>
<th>Executive Branch Officials</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman, Alcoholic Beverage Control Commission</td>
<td>$106,621 - $109,553</td>
</tr>
<tr>
<td>State Controller</td>
<td>$149,216 - $153,319</td>
</tr>
<tr>
<td>Commissioner of Motor Vehicles</td>
<td>$106,621 - $109,553</td>
</tr>
<tr>
<td>Commissioner of Banks</td>
<td>$119,904 - $123,198</td>
</tr>
<tr>
<td>Chairman, Employment Security Commission</td>
<td>$133,161</td>
</tr>
<tr>
<td>State Personnel Director</td>
<td>$117,142 - $120,363</td>
</tr>
<tr>
<td>Chairman, Parole Commission</td>
<td>$97,258 - $100,035</td>
</tr>
<tr>
<td>Members of the Parole Commission</td>
<td>$44,942 - $46,178</td>
</tr>
<tr>
<td>Chairman, Utilities Commission</td>
<td>$133,534 - $137,203</td>
</tr>
<tr>
<td>Members of the Utilities Commission</td>
<td>$119,904 - $123,198</td>
</tr>
<tr>
<td>Executive Director, Agency for Public Telecommunications</td>
<td>$89,884 - $92,356</td>
</tr>
<tr>
<td>Director, Museum of Art</td>
<td>$109,252 - $112,256</td>
</tr>
<tr>
<td>Executive Director, North Carolina Agricultural Finance Authority</td>
<td>$103,781 - $106,635</td>
</tr>
</tbody>
</table>
| State Chief Information Officer | $149,126 - $153,227"

COMPREHENSIVE SALARY STUDY

SECTION 26.3A. The Legislative Research Commission shall conduct a comprehensive study of the salaries paid to teachers, other school employees, State officers and employees, including members of the General Assembly. The Commission shall report to the General Assembly prior to convening of the 2009 Regular Session.

JUDICIAL BRANCH OFFICIALS/SALARY INCREASES

SECTION 26.4. Effective July 1, 2008, Section 28.4 of S.L. 2007-323 reads as written:

"SECTION 28.4.(a) The annual salaries, payable monthly, for specified judicial branch officials for the 2007-2008 and 2008-2009 fiscal years are:

<table>
<thead>
<tr>
<th>Judicial Branch Officials</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Justice, Supreme Court</td>
<td>$137,160 - $140,932</td>
</tr>
<tr>
<td>Associate Justice, Supreme Court</td>
<td>$133,526 - $137,249</td>
</tr>
<tr>
<td>Chief Judge, Court of Appeals</td>
<td>$130,236 - $133,817</td>
</tr>
<tr>
<td>Judge, Court of Appeals</td>
<td>$128,914 - $131,531</td>
</tr>
<tr>
<td>Judge, Senior Regular Resident Superior Court</td>
<td>$124,532 - $127,957</td>
</tr>
<tr>
<td>Judge, Superior Court</td>
<td>$124,053 - $124,382</td>
</tr>
<tr>
<td>Chief Judge, District Court</td>
<td>$109,923 - $112,946</td>
</tr>
</tbody>
</table>
"SECTION 28.4.(b) The district attorney or public defender of a judicial district, with the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant public defenders, respectively, in that district such that the average salaries of assistant district attorneys or assistant public defenders in that district do not exceed sixty-nine thousand forty-seven dollars ($69,047), and the minimum salary of any assistant district attorney or assistant public defender is at least thirty-six thousand eighty-two dollars ($36,082), effective July 1, 2007.

"SECTION 28.4.(b1) The district attorney or public defender of a judicial district, with the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant public defenders, respectively, in that district such that the average salaries of assistant district attorneys or assistant public defenders in that district do not exceed seventy thousand nine hundred forty-six dollars ($70,946), and the minimum salary of any assistant district attorney or assistant public defender is at least thirty-seven thousand one hundred eighty-two dollars ($37,182), effective July 1, 2008.

"SECTION 28.4.(c) Effective July 1, 2007, the annual salaries of permanent, full-time employees of the Judicial Department whose salaries are not itemized in this act shall be increased by four percent (4.0%). Effective July 1, 2008, the annual salaries of permanent, full-time employees of the Judicial Department whose salaries are not itemized in this act shall be increased by the greater of one thousand one hundred dollars ($1,100) or two and seventy-five hundredths percent (2.75%).

"SECTION 28.4.(d) Effective July 1, 2007, the annual salaries of permanent, part-time employees of the Judicial Department whose salaries are not itemized in this act shall be increased by four percent (4.0%). Effective July 1, 2008, the annual salaries of permanent, part-time employees of the Judicial Department whose salaries are not itemized in this act shall be increased by pro rata amounts of one thousand one hundred dollars ($1,100) or two and seventy-five hundredths percent (2.75%) whichever is greater."

CLERK OF SUPERIOR COURT/SALARY INCREASES

SECTION 26.5. Effective July 1, 2008, G.S. 7A-101(a) reads as rewritten:

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

<table>
<thead>
<tr>
<th>Population</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 100,000</td>
<td>$80,196</td>
</tr>
<tr>
<td></td>
<td>$82,401</td>
</tr>
</tbody>
</table>
When a county changes from one population group to another, the salary of the clerk shall be changed, on July 1 of the fiscal year for which the change is reported, to the salary appropriate for the new population group, except that the salary of an incumbent clerk shall not be decreased by any change in population group during his continuance in office."

### ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY INCREASES

**SECTION 26.6.** Effective July 1, 2008, G.S. 7A-102(c1) reads as rewritten:

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

<table>
<thead>
<tr>
<th>Assistant Clerks and Head Bookkeeper</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum</td>
<td>$31,122</td>
</tr>
<tr>
<td>Maximum</td>
<td>$32,222</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deputy Clerks</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum</td>
<td>$26,788</td>
</tr>
<tr>
<td>Maximum</td>
<td>$27,888</td>
</tr>
</tbody>
</table>

### MAGISTRATES' SALARY INCREASES

**SECTION 26.7.(a)** Effective July 1, 2008, 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>
<thead>
<tr>
<th>Table of Salaries of Full-Time Magistrates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step Level</td>
</tr>
<tr>
<td>Entry Rate</td>
</tr>
<tr>
<td>Step 1</td>
</tr>
<tr>
<td>Step 2</td>
</tr>
</tbody>
</table>
Step 3  41,006  42,134
Step 4  44,768  45,999
Step 5  49,007  50,355
Step 6  53,760  55,238

(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 26.7.(b) Effective July 1, 2008, G.S. 7A-171.1(a1)(1) reads as rewritten:

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

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

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>Salary 1</th>
<th>Salary 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>$25,428</td>
<td>$26,528</td>
</tr>
<tr>
<td>1 or more but less than 3 years</td>
<td>$26,595</td>
<td>$27,695</td>
</tr>
<tr>
<td>3 or more but less than 5 years</td>
<td>$28,944</td>
<td>$30,044</td>
</tr>
</tbody>
</table>

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

GENERAL ASSEMBLY PRINCIPAL CLERKS/SALARY INCREASES

SECTION 26.8. Effective July 1, 2008, G.S. 120-37(c) reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of one hundred one thousand two hundred ninety-eight dollars ($101,298) one hundred four thousand eighty-four dollars ($104,084) payable monthly. Each principal clerk shall also receive such additional compensation as approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate,
respectively, for additional employment duties beyond those provided by the rules of their House. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this paragraph."

SEARGEANT-AT-ARMS AND READING CLERKS/SALARY INCREASES

SECTION 26.9. Effective July 1, 2008, 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 fifty-nine dollars ($359.00) three hundred eighty dollars ($380.00) 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/SALARY INCREASES

SECTION 26.10. Effective July 1, 2008, the Legislative Services Officer shall increase the salaries of nonelected employees of the General Assembly in effect for fiscal year 2007-2008 by the greater of one thousand one hundred dollars ($1,100) or two and seventy-five hundredths percent (2.75%). Nothing in this act limits any of the provisions of G.S. 120-32.

COMMUNITY COLLEGES PERSONNEL/SALARY INCREASES

SECTION 26.11. Section 28.11 of S.L. 2007-323 reads as rewritten:

"SECTION 28.11.(a) The Director of the Budget shall transfer from the Reserve for Compensation Increases, created in this act for fiscal years 2007-2008 and 2008-2009, funds to the North Carolina Community Colleges System Office necessary to provide an annual salary increase of four percent (4.0%) including funds for the employer's retirement and social security contributions, commencing July 1, 2007, for all community college employees supported by State funds.

"SECTION 28.11.(a1) Effective July 1, 2008, the Director of the Budget shall transfer from the Reserve for Compensation Increases, created in this act for fiscal year 2008-2009, funds to the North Carolina Community Colleges System Office necessary to provide an annual salary increase of:

(1) Three percent (3.0%) including funds for the employer's retirement and social security contributions, commencing July 1, 2008, for all community college faculty and professional staff supported by State funds.

(2) The greater of one thousand one hundred dollars ($1,100) or two and seventy-five hundredths percent (2.75%) including funds for the
employer's retirement and social security contributions, commencing
July 1, 2008, for all other community college employees supported by
State funds.

"SECTION 28.11.(b) The Director of the Budget shall transfer from the Reserve
for Compensation Increases, created in this act for fiscal years 2007-2008 and
2008-2009, funds to the North Carolina Community Colleges System Office necessary
to provide an additional annual salary increase of one percent (1.0%) for Community
College faculty and professional staff, including funds for the employer's retirement and
social security contributions, supported by State funds."

UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES


"SECTION 28.12.(a) Effective July 1, 2007, 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
2007-2008 and 2008-2009, including funds for the employer's retirement and social
security contributions, to provide to employees of The University of North Carolina,
other than teachers of the North Carolina School of Science and Mathematics, whose
salaries are supported by State funds and who are exempt from the State Personnel Act
(EPA) an annual salary increase of five percent (5%) for faculty. The percentage annual
salary increase of five percent (5%) 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 and may not be used for any purpose other than for
salary increases and necessary employer contributions provided by this section. The
Board of Governors may use a portion of the annual salary increase provided by this
section to improve competitive national peer rankings for faculty.

"SECTION 28.12.(a1) Effective July 1, 2008, 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
2008-2009, including funds for the employer's retirement and social security
contributions, to provide to employees of The University of North Carolina, other than
teachers of the North Carolina School of Science and Mathematics, whose salaries are
supported by State funds and who are exempt from the State Personnel Act (EPA) an
annual salary increase of three percent (3%) for faculty and non-faculty. The percentage
annual salary increase of three percent (3%) 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, and may not be used for any purpose other than for
salary increases and necessary employer contributions provided by this section.

"SECTION 28.12.(b) Effective July 1, 2007, 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
2007-2008 and 2008-2009, including funds for the employer's retirement and social
security contributions, to provide to employees of The University of North Carolina,
other than teachers of the North Carolina School of Science and Mathematics, whose
salaries are supported by State funds and who are exempt from the State Personnel Act (EPA) an annual salary increase of four percent (4.0%) for nonfaculty.

"SECTION 28.12.(c) 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 2007-2008 and 2008-2009 to provide an average annual salary increase of five percent (5%) but at least an annual increase of one thousand two hundred forty dollars ($1,240), including funds for the employer's retirement and social security contributions, commencing July 1, 2007, for all teaching employees of the North Carolina School of Science and Mathematics, supported by State funds and whose salaries are exempt from the State Personnel Act (EPA). These funds shall be allocated to individuals according to the rules adopted by the Board of Trustees of the North Carolina School of Science and Mathematics and may not be used for any purpose other than for salary increases and necessary employer contributions provided by this section.

"SECTION 28.12.(c1) 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 2008-2009, to provide an average annual salary increase of three percent (3%), but at least an annual increase of four hundred seventy dollars ($470.00), including funds for the employer's retirement and social security contributions, commencing July 1, 2008, for all teaching employees of the North Carolina School of Science and Mathematics, supported by State funds and whose salaries are exempt from the State Personnel Act (EPA). These funds shall be allocated to individuals according to the rules adopted by the Board of Trustees of the North Carolina School of Science and Mathematics and may not be used for any purpose other than for salary increases and necessary employer contributions provided by this section."

LOTTERY COMMISSION SALARY INCREASES

SECTION 26.12A. Chapter 18C of the General Statutes is amended by adding a new section to read:

"§ 18C-120.1. Limits on compensation.

Notwithstanding G.S. 18C-114(a)(11) and G.S. 18C-120(b)(3), neither the Director nor any employee of the Commission may receive a salary increase during any fiscal year greater than an across-the-board increase granted to all State employees by the General Assembly, except for promotions and reallocations approved by the State Personnel Commission."

MOST STATE EMPLOYEES/SALARY INCREASES


"SECTION 28.14.(a) The salaries in effect June 30, 2007, of all permanent full-time State employees whose salaries are set in accordance with the State Personnel Act, and who are paid from the General Fund or the Highway Fund, shall be increased, effective July 1, 2007, by four percent (4%). Effective July 1, 2008, the salaries in effect
June 30, 2008, of all permanent, full-time State employees whose salaries are set in accordance with the State Personnel Act, and who are paid from the General Fund or Highway Fund shall be increased by the greater of one thousand one hundred dollars ($1,100) or two and seventy-five hundredths percent (2.75%).

"SECTION 28.14.(b) Except as otherwise provided in this act, the fiscal year 2007-2008 salaries for permanent full-time State officials and persons in exempt positions that are recommended by the Governor and set by the General Assembly shall be increased by four percent (4%), effective July 1, 2007. Effective July 1, 2008, the compensation of permanent, full-time State officials and persons in exempt positions that are recommended by the Governor and set by the General Assembly shall be increased by the greater of one thousand one hundred dollars ($1,100) or two and seventy-five hundredths percent (2.75%).

"SECTION 28.14.(c) The salaries in effect for fiscal year 2007-2008 for all permanent part-time State employees shall be increased, effective July 1, 2007, by the four percent (4%) salary increase provided for permanent full-time employees covered under this part. Effective July 1, 2008, the salaries of permanent, part-time State employees shall be increased by the greater of pro rata amounts of one thousand one hundred dollars ($1,100) or two and seventy-five hundredths percent (2.75%).

"SECTION 28.14.(d) The Director of the Budget may allocate out of special operating funds or from other sources of the employing agency, except tax revenues, sufficient funds to allow a salary increase, effective July 1, 2007, increases in accordance with subsection (a), (b), or (c) of this section including funds for the employer's retirement and social security contributions, for the permanent full-time and part-time employees of the agency, provided the employing agency elects to make available the necessary funds.

"SECTION 28.14.(e) Within the 2007-2008 fiscal year, within regular State Budget Act procedures as limited by this act, all State agencies and departments may increase on an equitable basis the rate of pay of temporary and permanent hourly State employees, subject to availability of funds in the particular agency or department, by pro rata amounts of the four percent (4%) salary increase provided for permanent full-time employees covered by the provisions of subsection (a) of this section, commencing July 1, 2007. For the 2008-2009 fiscal year, within regular State Budget Act procedures as limited by this act, all State agencies and departments may increase on an equitable basis the rate of pay of temporary and permanent hourly State employees, subject to availability of funds in the particular agency or department, by the greater of pro rata amounts of one thousand one hundred dollar ($1,100) or two and seventy-five hundredths percent (2.75%) salary increase provided for permanent full-time employees covered by the provisions of subsection (a) of this section, commencing July 1, 2008."

ALL STATE-SUPPORTED PERSONNEL/SALARY INCREASES

"SECTION 28.15.(a) Salaries and related benefits for positions that are funded partially from the General Fund or Highway Fund and partially from sources other than the General Fund or Highway Fund shall be increased from the General Fund or Highway Fund appropriation only to the extent of the proportionate part of the salaries paid from the General Fund or Highway Fund.

"SECTION 28.15.(b) The granting of the salary increases under this act does not affect the status of eligibility for salary increments for which employees may be eligible unless otherwise required by this act.

"SECTION 28.15.(c) The fiscal year 2007-2008 salary increases provided in this act are to be effective July 1, 2007, do not apply to persons separated from State service due to resignation, dismissal, reduction in force, death, or retirement, or whose last workday is prior to July 1, 2007. The fiscal year 2008-2009 salary increases provided in this act are to be effective July 1, 2008, do not apply to persons separated from State service due to resignation, dismissal, reduction in force, death, or retirement, or whose last workday is prior to July 1, 2008.

Payroll checks issued to employees after July 1, 2007, which represent payment of services provided prior to July 1, 2007, these increases shall not be eligible for salary increases provided for in this act. This subsection shall apply to all employees, subject to or exempt from the State Personnel Act, paid from State funds, including public schools, community colleges, and The University of North Carolina.

"SECTION 28.15.(d) The Director of the Budget shall transfer from the Reserve for Compensation Increases in this act for fiscal year 2007-2008 and fiscal year 2008-2009 all funds necessary for the salary increases provided by this act, including funds for the employer's retirement and social security contributions.

"SECTION 28.15.(e) Nothing in this act authorizes the transfer of funds between the General Fund and the Highway Fund for salary increases.

"SECTION 28.15.(f) Permanent—For the 2007-2008 fiscal year, permanent, full-time employees who work a nine-, ten-, or eleven-month work year schedule shall receive the four percent (4.0%) annual increase provided by this act. For the 2008-2009 fiscal year, permanent, full-time employees who work a nine-, ten-, or eleven-month work year schedule shall receive the greater of the one thousand one hundred dollar ($1,100) or two and seventy-five hundredths percent (2.75%) annual increase provided by this act."

OFFICE OF STATE PERSONNEL TO PERFORM LABOR MARKET ANALYSIS OF CERTAIN POSITIONS

SECTION 26.15.(a) The Office of State Personnel shall conduct a labor market analysis of the Administrative Support positions in the Department of Transportation to determine whether current employees are compensated appropriately relative to market rates for similar positions. If appropriate, the Office of State Personnel shall recommend to the State Personnel Commission a Salary Range Revision or establishment of a Special Minimum Rate, as those terms are defined in the State Personnel Manual. The Office of State Personnel shall report its findings and any actions of the State Personnel Commission to the Appropriations Committees of the
House and Senate no later than two weeks after the convening of the 2009 legislative session.

**SECTION 26.15.(b)** The Office of State Personnel shall conduct a labor market analysis of the Information Technology and Law Enforcement positions in the Department of Transportation to determine whether current employees are compensated appropriately relative to labor market rates for similar positions. This study shall be based upon employees' competency assessments made at the time these positions were Career Banded or on the employees' date of hire, if later, and shall not include an analysis of "career progression adjustments" that could be made under current policy due to additional skills/competencies demonstrated by an employee subsequent to their initial competency assessment. The Office of State Personnel shall report its findings to the Appropriations Committees of the House and Senate no later than two weeks after the convening of the 2009 legislative session.

**SECTION 26.15.(c)** The Office of State Personnel shall conduct an analysis of the Department of Health and Human Services Division of Mental Health's proposal to increase salaries of Health Care Technicians, Developmental Disability Trainers, and Youth Program Assistants based upon the establishment of defined skill and competency sets and employees' subsequent demonstration of those skills and competencies. This analysis shall determine whether the Division's goals can be accomplished through current State Personnel Policy regulating "Reallocations." If so, the Office of State Personnel shall so advise the Division of Mental Health and assist them by timely processing any reallocation requests. The Office of State Personnel shall report its findings and actions to the Appropriations Committees of the House and Senate no later than two weeks after the convening of the 2009 legislative session.

**TEACHER SALARY SCHEDULES**

**SECTION 26.16.(a)** Effective for the 2008-2009 school year, the Director of the Budget shall transfer from the Reserve for Compensation Increases funds necessary to implement the teacher salary schedules set out in subsection (b) of this section and for longevity in accordance with subsection (d) 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 26.16.(b)** The following monthly salary schedules shall apply for the 2008-2009 fiscal year to certified personnel of the public schools who are classified as teachers. The schedule contains 32 steps with each step corresponding to one year of teaching experience.

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<th>Years of Experience</th>
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<th>NBPTS Certification</th>
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<tr>
<th>Years of Experience</th>
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<td>23</td>
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#### SECTION 26.16.(c)
Annual longevity payments for teachers shall be at the rate of one and one-half percent (1.5%) of base salary for 10 to 14 years of State service, two and twenty-five hundredths percent (2.25%) of base salary for 15 to 19 years of State service, three and twenty-five hundredths percent (3.25%) of base salary for 20 to 24 years of State service, and four and one-half percent (4.5%) of base salary for 25 or more years of State service. The longevity payment shall be paid in a lump sum once a year.

#### SECTION 26.16.(d)
Certified public schoolteachers with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars ($126.00) per month in addition to the compensation provided for certified personnel of the public schools who are classified as "M" teachers. Certified public schoolteachers with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars ($253.00) per month in addition to the compensation provided for certified personnel of the public schools who are classified as "M" teachers.

#### SECTION 26.16.(e)
The first step of the salary schedule for school psychologists shall be equivalent to Step 5, corresponding to five years of experience, on the salary schedule established in this section for certified personnel of the public schools who are classified as "M" teachers. Certified psychologists shall be placed on
the salary schedule at an appropriate step based on their years of experience. Certified psychologists shall receive longevity payments based on years of State service in the same manner as teachers.

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

**SECTION 26.16.(f)** Speech pathologists who are certified as speech pathologists at the master's degree level and audiologists who are certified as audiologists at the master's degree level and who are employed in the public schools as speech and language specialists and audiologists shall be paid on the school psychologist salary schedule.

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

**SECTION 26.16.(g)** Certified school nurses who are employed in the public schools as nurses shall be paid on the "M" salary schedule.

**SECTION 26.16.(h)** As used in this section, the term "teacher" shall also include instructional support personnel.

**SCHOOL BASED ADMINISTRATOR SALARY SCHEDULE**

**SECTION 26.17.(a)** Effective for the 2008-2009 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 26.17.(b)** The base salary schedule for school-based administrators shall apply only to principals and assistant principals. The base salary schedule for the 2008-2009 fiscal year, commencing July 1, 2008, is as follows:

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<th>Classification</th>
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<th>Prin II (11-21)</th>
<th>Prin III (22-32)</th>
<th>Prin IV (33-43)</th>
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</tbody>
</table>
### 2008-2009 Principal and Assistant Principal Salary Schedules

<table>
<thead>
<tr>
<th>Classification</th>
<th>Years of Exp</th>
<th>Prin V</th>
<th>Prin VI</th>
<th>Prin VII</th>
<th>Prin VIII</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>(44-54)</td>
<td>(55-65)</td>
<td>(66-100)</td>
<td>(101+)</td>
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<tr>
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<td>$5,617</td>
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<td></td>
<td>45</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$6,979</td>
</tr>
</tbody>
</table>
SECTION 26.17.(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:

<table>
<thead>
<tr>
<th>Classification</th>
<th>Number of Teachers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assistant Principal</td>
<td></td>
</tr>
<tr>
<td>Principal I</td>
<td>Fewer than 11 Teachers</td>
</tr>
<tr>
<td>Principal II</td>
<td>11-21 Teachers</td>
</tr>
<tr>
<td>Principal III</td>
<td>22-32 Teachers</td>
</tr>
<tr>
<td>Principal IV</td>
<td>33-43 Teachers</td>
</tr>
<tr>
<td>Principal V</td>
<td>44-54 Teachers</td>
</tr>
<tr>
<td>Principal VI</td>
<td>55-65 Teachers</td>
</tr>
<tr>
<td>Principal VII</td>
<td>66-100 Teachers</td>
</tr>
<tr>
<td>Principal VIII</td>
<td>More than 100 Teachers</td>
</tr>
</tbody>
</table>

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

The beginning classification for principals in alternative schools and in cooperative innovative high school programs shall be the Principal III level. Principals...
in alternative schools who supervise 33 or more teachers shall be classified according to
the number of teachers supervised.

SECTION 26.17.(d) A principal shall be placed on the step on the salary
schedule that reflects total number of years of experience as a certificated employee of
the public schools and an additional step for every three years of experience as a
principal. A principal or assistant principal shall also continue to receive any additional
school years for improvement in student performance or maintaining a safe and orderly
school.

SECTION 26.17.(e) Principals and assistant principals with certification
based on academic preparation at the six-year degree level shall be paid a salary
supplement of one hundred twenty-six dollars ($126.00) per month and at the doctoral
degree level shall be paid a salary supplement of two hundred fifty-three dollars
($253.00) per month.

SECTION 26.17.(f) Longevity pay for principals and assistant principals
shall be as provided for State employees under the State Personnel Act.

SECTION 26.17.(g) If a principal is reassigned to a higher job classification
because the principal is transferred to a school within a local school administrative unit
with a larger number of State-allotted teachers, the principal shall be placed on the
salary schedule as if the principal had served the principal's entire career as a principal
at the higher job classification.

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

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

SECTION 26.17.(h) Participants in an approved full-time master's in school
administration program shall receive up to a 10-month stipend at the beginning salary of
an assistant principal during the internship period of the master's program. For the
2006-2007 fiscal year and subsequent fiscal years, the stipend shall not exceed the
difference between the beginning salary of an assistant principal plus the cost of tuition,
fees, and books and any fellowship funds received by the intern as a full-time student,
including awards of the Principal Fellows Program. The Principal Fellows Program or
the school of education where the intern participates in a full-time master's in school
administration program shall supply the Department of Public Instruction with
certification of eligible full-time interns.

SECTION 26.17.(i) During the 2008-2009 fiscal year, the placement on the
salary schedule of an administrator with a one-year provisional assistant principal's
certificate shall be at the entry-level salary for an assistant principal or the appropriate step on the teacher salary schedule, whichever is higher.

**CENTRAL OFFICE SALARIES**

**SECTION 26.18.(a)** The monthly salary ranges that follow apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers for the 2008-2009 fiscal year, beginning July 1, 2008.

<table>
<thead>
<tr>
<th>Position</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Administrator I</td>
<td>$3,309</td>
<td>$6,207</td>
</tr>
<tr>
<td>School Administrator II</td>
<td>$3,508</td>
<td>$6,583</td>
</tr>
<tr>
<td>School Administrator III</td>
<td>$3,724</td>
<td>$6,984</td>
</tr>
<tr>
<td>School Administrator IV</td>
<td>$3,874</td>
<td>$7,262</td>
</tr>
<tr>
<td>School Administrator V</td>
<td>$4,030</td>
<td>$7,556</td>
</tr>
<tr>
<td>School Administrator VI</td>
<td>$4,275</td>
<td>$8,013</td>
</tr>
<tr>
<td>School Administrator VII</td>
<td>$4,447</td>
<td>$8,336</td>
</tr>
</tbody>
</table>

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

**SECTION 26.18.(b)** The monthly salary ranges that follow apply to public school superintendents for the 2008-2009 fiscal year, beginning July 1, 2008.

<table>
<thead>
<tr>
<th>Position</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Superintendent I</td>
<td>$4,720</td>
<td>$8,843</td>
</tr>
<tr>
<td>Superintendent II</td>
<td>$5,011</td>
<td>$9,377</td>
</tr>
<tr>
<td>Superintendent III</td>
<td>$5,316</td>
<td>$9,948</td>
</tr>
<tr>
<td>Superintendent IV</td>
<td>$5,642</td>
<td>$10,552</td>
</tr>
<tr>
<td>Superintendent V</td>
<td>$5,988</td>
<td>$11,196</td>
</tr>
</tbody>
</table>

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

**SECTION 26.18.(c)** Longevity pay for superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers shall be as provided for State employees under the State Personnel Act.

**SECTION 26.18.(d)** Superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars ($126.00) per month in addition to the compensation provided pursuant to this section. Superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars ($253.00) per month in addition to the compensation provided for under this section.
SECTION 26.18.(e) The State Board of Education shall not permit local school administrative units to transfer State funds from other funding categories for salaries for public school central office administrators.

SECTION 26.18.(f) The annual salary increase for all permanent full-time personnel paid from the Central Office Allotment shall be the greater of one thousand one hundred dollars ($1,100) or two and seventy-five hundredths percent (2.75%), commencing July 1, 2008. The State Board of Education shall allocate these funds to local school administrative units. The local boards of education shall establish guidelines for providing salary increases to these personnel.

NONCERTIFIED PERSONNEL SALARIES

SECTION 26.19.(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 the greater of one thousand one hundred dollars ($1,100) or two and seventy-five hundredths percent (2.75%) commencing July 1, 2008.

SECTION 26.19.(b) Local boards of education shall increase the rates of pay for such employees who were employed for all or part of fiscal year 2007-2008 and who continue their employment for fiscal year 2008-2009 by providing an annual salary increase for employees of the greater of one thousand one hundred dollars ($1,100) or two and seventy-five hundredths percent (2.75%). For part-time employees, the pay increase shall be pro rata based on the number of hours worked.

SECTION 26.19.(c) The State Board of Education may adopt salary ranges for noncertified personnel to support increases of the greater of one thousand one hundred dollars ($1,100) or two and seventy-five hundredths percent (2.75%) for the 2008-2009 fiscal year.

BONUS FOR CERTIFIED PERSONNEL AT THE TOP OF THEIR SALARY SCHEDULES

SECTION 26.20. Effective July 1, 2008, any permanent personnel employed on July 1, 2008, and paid at the top of the principal and assistant principal salary schedule shall receive a onetime bonus equivalent to two percent (2%).

Effective July 1, 2008, any permanent certified personnel employed on July 1, 2008, and paid on the teacher salary schedule with 31+ years of experience shall receive a onetime bonus equivalent to one and eight-tenths percent (1.8%). Personnel defined under G.S. 115C-325(a)(5a) are not eligible to receive the bonus.

NO PENALTY FOR TEACHERS TAKING ONE DAY OF PERSONAL LEAVE

SECTION 26.21.(a) G.S. 115C-302.1(d) reads as rewritten:

"(d) Personal Leave. – Teachers earn personal leave at the rate of .20 days for each full month of employment not to exceed two days per year. Personal leave may be accumulated without any applicable maximum until June 30 of each year. A teacher may carry forward to July 1 a maximum of five days of personal leave; the remainder of the teacher's personal leave shall be converted to sick leave on June 30. At the time of
retirement, a teacher may also convert accumulated personal leave to sick leave for
creditable service towards retirement.

Personal leave may be used only upon the authorization of the teacher's immediate
supervisor. A teacher shall not take personal leave on the first day the teacher is
required to report for the school year, on a required teacher workday, on days scheduled
for State testing, or on the day before or the day after a holiday or scheduled vacation
day, unless the request is approved by the principal. On all other days, if the request is
made at least five days in advance, the request shall be automatically granted subject to
the availability of a substitute teacher, and the teacher cannot be required to provide a
reason for the request. Teachers may transfer personal leave days between local school
administrative units. The local school administrative unit shall credit a teacher who has
separated from service and is reemployed within 60 months from the date of separation
with all personal leave accumulated at the time of separation. Local school
administrative units shall not advance personal leave. Teachers using up to one day of
personal leave per year shall receive full salary less the required substitute
deduction. Teachers using more than one day per year shall receive full salary
less the required substitute deduction. As used in this subsection, 'teachers' means
classroom teachers and media specialists who require a substitute."

SECTION 26.21.(b) This section expires June 30, 2009.

SALARY-RELATED CONTRIBUTIONS/EMPLOYER

SECTION 26.22. Section 28.19(c) of S.L. 2007-323 reads as rewritten:

"SECTION 28.19.(c) Effective July 1, 2008, the State's employer contribution rates
budgeted for retirement and related benefits as percentage of covered salaries for the
2008-2009 fiscal year are: (i) seven and eighty-three hundredths percent (7.83%) eight
and fourteen hundredths percent (8.14%) – Teachers and State Employees; (ii) twelve
and eighty-three hundredths percent (12.83%) thirteen and fourteen hundredths percent
(13.14%) – State Law Enforcement Officers; (iii) eleven and forty-six hundredths
percent (11.46%) – University Employees' Optional Retirement System; (iv) eleven and
forty-six hundredths percent (11.46%) – Community College Optional Retirement
Program; (v) seventeen and thirty-one hundredths percent (17.31%) – Consolidated
Judicial Retirement System; and (vi) four and ten hundredths percent (4.10%) –
Legislative Retirement System. Each of the foregoing contribution rates includes four
and ten hundredths percent (4.10%) for hospital and medical benefits. The rate for
Teachers and State Employees, State Law Enforcement Officers, Community College
Optional Retirement Program, and for the University Employees' Optional Retirement
Program includes fifty-two hundredths percent (0.52%) for the Disability Income Plan.
The rates for Teachers and State Employees and State Law Enforcement Officers
include sixteen-hundredths percent (0.16%) for the Death Benefits Plan. The rate for
State Law Enforcement Officers includes five percent (5%) for Supplemental
Retirement Income."

PROVIDE COST-OF-LIVING INCREASES FOR RETIREES OF THE
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE
JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM

SECTION 26.23.(a) G.S. 135-5 is amended by adding a new subsection to read:

"(rrr) From and after July 1, 2008, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2007, shall be increased by two and two-tenths percent (2.2%) of the allowance payable on June 1, 2008, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2008, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2007, but before June 30, 2008, shall be increased by a prorated amount of two and two-tenths percent (2.2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2007, and June 30, 2008."

SECTION 26.23.(b) G.S. 135-65 is amended by adding a new subsection to read:

"(cc) From and after July 1, 2008, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2007, shall be increased by two and two-tenths percent (2.2%) of the allowance payable on June 1, 2008. Furthermore, from and after July 1, 2008, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2007, but before June 30, 2008, shall be increased by a prorated amount of two and two-tenths percent (2.2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2007, and June 30, 2008."

SECTION 26.23.(c) G.S. 120-4.22A is amended by adding a new subsection to read:

"(w) In accordance with subsection (a) of this section, from and after July 1, 2008, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before January 1, 2008, shall be increased by two and two-tenths percent (2.2%) of the allowance payable on June 1, 2008. Furthermore, from and after July 1, 2008, the retirement allowance to or on account of beneficiaries whose retirement commenced after January 1, 2008, but before June 30, 2008, shall be increased by a prorated amount of two and two-tenths percent (2.2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between January 1, 2008, and June 30, 2008."

INCLUDE THE DIRECTOR OF THE OFFICE OF INDIGENT DEFENSE SERVICES AS A MEMBER OF THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM

SECTION 26.24.(a) G.S. 135-50(b) reads as rewritten:

"(b) The purpose of this Article is to improve the administration of justice by attracting and retaining the most highly qualified talent available within the State to the positions of justice and judge, district attorney and solicitor, public defender, the Director of Indigent Defense Services, and clerk of superior court, within the General Court of Justice."
SECTION 26.24.(b) G.S. 135-51 reads as rewritten:

"§ 135-51. Scope.

(a) This Article provides consolidated retirement benefits for all justices and judges, district attorneys, and solicitors who are serving on January 1, 1974, and who become such thereafter; and for all clerks of superior court who are so serving on January 1, 1975, and who become such after that date; and for all public defenders who are serving on July 1, 2007, and who become public defenders after that date; and for the Director of Indigent Defense Services who is serving on July 1, 2008, and those who become Director of Indigent Defense Services after that date.

(b) For justices and judges of the appellate and superior court divisions of the General Court of Justice who so served prior to January 1, 1974, the provisions of this Article supplement and, under certain circumstances, replace the provisions of Articles 6 and 8, as the case may be, of Chapter 7A of the General Statutes.

For district attorneys and judges of the district court of the General Court of Justice who so served prior to January 1, 1974, the provisions of this Article supplement and, under certain circumstances, replace the provisions of Article 1 of this Chapter.

For clerks of superior court of the General Court of Justice who so served prior to January 1, 1975, the provisions of this Article supplement and, under certain circumstances, replace the provisions of Article 1 of this Chapter.

(c) The retirement benefits of any person who becomes a justice or judge, district attorney, or solicitor on and after January 1, 1974, or clerk of superior court on and after January 1, 1975, or public defender on or after July 1, 2007, or the Director of Indigent Defense Services on or after July 1, 2008, shall be determined solely in accordance with the provisions of this Article."

SECTION 26.24.(c) G.S. 135-53 reads as rewritten:


The following words and phrases as used in this Article, unless a different meaning is plainly required by the context, shall have the following meanings:

(1) "Accumulated contributions" with respect to any member shall mean the sum of all the amounts deducted from the compensation of the member pursuant to G.S. 135-68 since he last became a member and credited to his account in the annuity savings fund, plus any amount standing to his credit pursuant to G.S. 135-67(c) as a result of a prior period of membership, plus any amounts credited to his account pursuant to G.S. 135-28.1(b) or 135-56(b), together with regular interest on all such amounts computed as provided in G.S. 135-7(b).

(2) "Actuarial equivalent" shall mean a benefit of equal value when computed upon the bases of such mortality tables as shall be adopted by the Board of Trustees, and regular interest.

(2a) "Average final compensation" shall mean the average annual compensation of a member during the 48 consecutive calendar months of membership service producing the highest such average.

(3) "Beneficiary" shall mean any person in receipt of a retirement allowance or other benefit as provided in this Article.
(4) "Board of Trustees" shall mean the Board of Trustees established by G.S. 135-6.

(4a) "Clerk of superior court" shall mean the clerk of superior court provided for in G.S. 7A-100(a).

(5) "Compensation" shall mean all salaries and wages derived from public funds which are earned by a member of the Retirement System for his service as a justice or judge, or district attorney, or clerk of superior court, or public defender, or the Director of Indigent Defense Services.

(6) "Creditable service" shall mean for any member the total of his prior service plus his membership service.

(6a) "District attorney" shall mean the district attorney or solicitor provided for in G.S. 7A-60.

(6b) "Director of Indigent Defense Services" shall mean the Director of Indigent Defense Services as provided for in G.S. 7A-498.6.

(7) "Filing" when used in reference to an application for retirement shall mean the receipt of an acceptable application on a form provided by the Retirement System.

(8) "Final compensation" shall mean for any member the annual equivalent of the rate of compensation most recently applicable to him.

(9) "Judge" shall mean any justice or judge of the General Court of Justice and the administrative officer of the courts.

(10) "Medical board" shall mean the board of physicians provided for in G.S. 135-6.

(11) "Member" shall mean any person included in the membership of the Retirement System as provided in this Article.

(12) "Membership service" shall mean service as a judge, district attorney, clerk of superior court, public defender, or the Director of Indigent Defense Services rendered while a member of the Retirement System.

(13) "Previous system" shall mean, with respect to any member, the retirement benefit provisions of Article 6 and Article 8 of Chapter 7A of the General Statutes, to the extent that such Article or Articles were formerly applicable to the member, and in the case of judges of the district court division, district attorney, public defender, the Director of Indigent Defense Services, and clerk of superior court of the General Court of Justice, the Teachers' and State Employees' Retirement System.

(14) "Prior service" shall mean service rendered by a member, prior to his membership in the Retirement System, for which credit is allowable under G.S. 135-56.

(14a) "Public defender" means a public defender provided for in G.S. 7A-498.7, the appellate defender provided for in G.S. 7A-498.8, the capital defender, and the juvenile defender.
(15) "Regular interest" shall mean interest compounded annually at such a rate as shall be determined by the Board of Trustees in accordance with G.S. 135-7(b).

(16) "Retirement" shall mean the withdrawal from active service with a retirement allowance granted under the provisions of this Chapter. In order for a member's retirement to become effective in any month, the member must render no service at any time during that month.

(17) "Retirement allowance" shall mean the periodic payments to which a beneficiary becomes entitled under the provisions of this Article.

(18) "Retirement System" shall mean the "Consolidated Judicial Retirement System" of North Carolina, as established in this Article.

(19) "Year" as used in this Article shall mean the regular fiscal year beginning July 1 and ending June 30 in the following calendar year, unless otherwise defined by regulation of the Board of Trustees.

SECTION 26.24.(d) G.S. 135-54 reads as rewritten:

"§ 135-54. Name and date of establishment.

A Retirement System is hereby established and placed under the management of the Board of Trustees for the purpose of providing retirement allowances and other benefits under the provisions of this Article for justices and judges, district attorneys, public defenders, the Director of Indigent Defense Services, and clerks of superior court of the General Court of Justice of North Carolina, and their survivors. The Retirement System so created shall be established as of January 1, 1974.

The Retirement System shall have the power and privileges of a corporation and shall be known as the "Consolidated Judicial Retirement System of North Carolina," and by such name all of its business shall be transacted."

SECTION 26.24.(e) G.S. 135-55 reads as rewritten:

"§ 135-55. Membership.

(a) The membership of the Retirement System shall consist of:

(1) All judges and district attorneys in office on January 1, 1974;

(2) All persons who become judges and district attorneys or reenter service as judges and district attorneys after January 1, 1974;

(3) All clerks of superior court in office on January 1, 1975;

(4) All persons who become clerks of superior court or reenter service as clerks of superior court after January 1, 1975;

(5) All public defenders in office on July 1, 2007; and

(6) All persons who become public defenders or reenter service as public defenders after July 1, 2007; and

(7) The Director of Indigent Defense Services on July 1, 2008; and

(8) All persons who become the Director of Indigent Defense Services or reenter service as the Director of Indigent Defense Services after July 1, 2008.

(b) The membership of any person in the Retirement System shall cease upon:
The withdrawal of his accumulated contributions after he is no longer a judge, district attorney, public defender, the Director of Indigent Defense Services, or clerk of superior court, or

His retirement under the provisions of the Retirement System, or

His death.

SECTION 26.24.(f) G.S. 135-58(a5) reads as rewritten:

"(a5) Any member who retires under the provisions of G.S. 135-57(a) or G.S. 135-57(c) on or after July 1, 2007, but before July 1, 2008, after the member has either attained the member's 65th birthday or has completed 24 years or more of creditable service, shall receive an annual retirement allowance, payable monthly, which shall commence on the effective date of the member's retirement and shall be continued on the first day of each month thereafter during the member's lifetime, the amount of which shall be computed as the sum of the amounts in subdivisions (1), (2), (3), (4), and (5) of this subsection, provided that in no event shall the annual allowance payable to any member be greater than an amount which, when added to the allowance, if any, to which the member is entitled under the Teachers' and State Employees' Retirement System, the Legislative Retirement System, or the Local Governmental Employees' Retirement System (prior in any case to any reduction for early retirement or for an optional mode of payment), would total three-fourths of the member's final compensation:

(1) Four and two hundredths percent (4.02%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a justice of the Supreme Court or judge of the Court of Appeals;

(2) Three and fifty-two hundredths percent (3.52%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a judge of the superior court or as Administrative Officer of the Courts;

(3) Three and two hundredths percent (3.02%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a judge of the district court, district attorney, clerk of superior court, or public defender;

(4) A service retirement allowance computed in accordance with the service retirement provisions of Article 3 of Chapter 128 of the General Statutes using an average final compensation as defined in G.S. 135-53(2a) and creditable service equal to the number of years of the member's creditable service that was transferred from the Local Governmental Employees' Retirement System to this System as provided in G.S. 135-56; and

(5) A service retirement allowance computed in accordance with the service retirement provisions of Article 1 of this Chapter using an average final compensation as defined in G.S. 135-53(2a) and creditable service, including any sick leave standing to the credit of the member, equal to the number of years of the member's creditable
service that was transferred from the Teachers' and State Employees' Retirement System or the Legislative Retirement System to this System as provided in G.S. 135-56."

**SECTION 26.24.(g)** G.S. 135-58 is amended by adding a new subsection to read:

"(a6) Any member who retires under the provisions of G.S. 135-57(a) or G.S. 135-57(c) on or after July 1, 2008, after the member has either attained the member's 65th birthday or has completed 24 years or more of creditable service, shall receive an annual retirement allowance, payable monthly, which shall commence on the effective date of the member's retirement and shall be continued on the first day of each month thereafter during the member's lifetime, the amount of which shall be computed as the sum of the amounts in subdivisions (1), (2), (3), (4), and (5) of this subsection, provided that in no event shall the annual allowance payable to any member be greater than an amount which, when added to the allowance, if any, to which the member is entitled under the Teachers' and State Employees' Retirement System, the Legislative Retirement System, or the Local Governmental Employees' Retirement System (prior in any case to any reduction for early retirement or for an optional mode of payment), would total three-fourths of the member's final compensation:

1. Four and two hundredths percent (4.02%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a justice of the Supreme Court or judge of the Court of Appeals;
2. Three and fifty-two hundredths percent (3.52%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a judge of the superior court or as Administrative Officer of the Courts;
3. Three and two hundredths percent (3.02%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a judge of the district court, district attorney, clerk of superior court, public defender, or the Director of Indigent Defense Services;
4. A service retirement allowance computed in accordance with the service retirement provisions of Article 3 of Chapter 128 of the General Statutes using an average final compensation as defined in G.S. 135-53(2a) and creditable service equal to the number of years of the member's creditable service that was transferred from the Local Governmental Employees' Retirement System to this System as provided in G.S. 135-56; and
5. A service retirement allowance computed in accordance with the service retirement provisions of Article 1 of this Chapter using an average final compensation as defined in G.S. 135-53(2a) and creditable service, including any sick leave standing to the credit of the member, equal to the number of years of the member's creditable service that was transferred from the Teachers' and State Employees'
General Assembly Of North Carolina
Session 2007

Retirement System or the Legislative Retirement System to this
System as provided in G.S. 135-56."

SECTION 26.24.(h) G.S. 135-56 is amended by adding a new subsection to
read:
"(i) On and after July 1, 2008, the creditable service of a member who is the
Director of Indigent Defense Services and a member of the Teachers' and State
Employees' Retirement System at the time of transfer of membership from the previous
system to this System shall include service as the Director of Indigent Defense Services
and as a public defender that was creditable in the previous system immediately prior to
July 1, 2008. The accumulated contributions, creditable service, and reserves, if any, of
a member as clerk of the Supreme Court or clerk of the Court of Appeals shall be
transferred from the previous system to this System in the same manner as prescribed
under G.S. 135-28.1 as it pertained to judges of the district court division of the General
Court of Justice."

PART XXVII. CAPITAL APPROPRIATIONS.

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 27.1. There is appropriated from the General Fund for the
2008-2009 fiscal year the following amounts for capital improvements:

Capital Improvements – General Fund 2008-2009

Department of Administration
  Capital Area Visitors Center and Parking Garage Planning $2,600,000
  North Carolina Freedom Monument Planning $500,000

Department of Agriculture and Consumer Services
  Agriculture Building Comprehensive Renovation Planning $1,225,000
  Motor Fuels/Metrology Laboratory Planning $1,000,000
  Southeastern North Carolina Agricultural Center Pavilion Planning $314,585
  Study Evaluation of the Veterinary Diagnostic Laboratory System $620,000
  Governor James B. Hunt Horse Complex – Horse Barn $900,000

Department of Commerce
  Port of Morehead City Port-wide Berth Structure Construction $2,500,000
  Port of Wilmington Berth 8 Replacement – Phase I $5,000,000
  Wanchese Seafood Industrial Park – Capital Improvements $605,700

Department of Correction
  Lanesboro Correctional Institution – Medium Security Addition Planning and Site Development $6,950,000

Department of Crime Control and Public Safety

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<table>
<thead>
<tr>
<th></th>
<th>Project Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Butner Training Site Buffer – Phase II</td>
<td>126,200</td>
</tr>
<tr>
<td>2</td>
<td>Butner Training Site Sewer Extension and Latrine Replacement</td>
<td>245,430</td>
</tr>
<tr>
<td>3</td>
<td>Gastonia Armory Rehabilitation Addition and Alteration</td>
<td>527,100</td>
</tr>
<tr>
<td>4</td>
<td>Master Facilities Planning Statewide – Phase II</td>
<td>300,300</td>
</tr>
<tr>
<td>5</td>
<td>Siler City Armory Rehabilitation Addition and Alteration</td>
<td>929,600</td>
</tr>
</tbody>
</table>

**Department of Cultural Resources**

<table>
<thead>
<tr>
<th></th>
<th>Project Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Charlotte Hawkins Brown State Historic Site</td>
<td>1,000,000</td>
</tr>
<tr>
<td>7</td>
<td>Mattamuskeet Lodge Renovations – Phase II</td>
<td>6,615,500</td>
</tr>
<tr>
<td>8</td>
<td>Museum of History Chronology Exhibit – Phase I to 1900 (Supplement)</td>
<td>1,000,000</td>
</tr>
</tbody>
</table>

**Department of Environment and Natural Resources**

<table>
<thead>
<tr>
<th></th>
<th>Project Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Land for Tomorrow Parks and Conservation Land Acquisition</td>
<td>50,000,000</td>
</tr>
<tr>
<td>10</td>
<td>Water Resources Development Projects</td>
<td>20,000,000</td>
</tr>
<tr>
<td>11</td>
<td>Zoo Africa Pavilion Replacement Planning</td>
<td>600,000</td>
</tr>
<tr>
<td>12</td>
<td>Zoo Polar Bear Exhibit Addition and Renovation</td>
<td>2,700,000</td>
</tr>
</tbody>
</table>

**Department of Justice**

<table>
<thead>
<tr>
<th></th>
<th>Project Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>Addition to SBI Buildings 17 and 18</td>
<td>1,792,006</td>
</tr>
</tbody>
</table>

**State Highway Patrol**

<table>
<thead>
<tr>
<th></th>
<th>Project Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>Training Academy Facilities and Dormitory Planning</td>
<td>1,790,300</td>
</tr>
</tbody>
</table>

**University of North Carolina System**

<table>
<thead>
<tr>
<th></th>
<th>Project Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>Appalachian State University – College of Nursing and Health Sciences Building Planning</td>
<td>2,100,000</td>
</tr>
<tr>
<td>16</td>
<td>Elizabeth City State University – School of Aviation Complex Planning and Site Development</td>
<td>1,500,000</td>
</tr>
<tr>
<td>17</td>
<td>East Carolina University – New Family Medicine/Geriatric Center Planning</td>
<td>1,874,932</td>
</tr>
<tr>
<td>18</td>
<td>Fayetteville State University – Teaching Education and General Classroom Building Planning</td>
<td>1,700,000</td>
</tr>
<tr>
<td>19</td>
<td>Millennium Campus – Joint Primary Data Center Planning</td>
<td>1,852,016</td>
</tr>
<tr>
<td>20</td>
<td>North Carolina Agricultural and Technical State University – Horse Barns</td>
<td>2,438,068</td>
</tr>
<tr>
<td>21</td>
<td>North Carolina School of Science and Mathematics Discovery Center Planning and Site Development</td>
<td>7,250,000</td>
</tr>
</tbody>
</table>
General Assembly Of North Carolina

<table>
<thead>
<tr>
<th>Name of Project</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Carolina School of the Arts – Central Storage Facility Planning</td>
<td>444,000</td>
</tr>
<tr>
<td>North Carolina State University – 4-H Camps Improvements</td>
<td>2,500,000</td>
</tr>
<tr>
<td>University of North Carolina at Asheville – Replace Carmichael Hall &amp; University Lecture Hall Planning</td>
<td>1,100,000</td>
</tr>
<tr>
<td>University of North Carolina at Chapel Hill Biomedical Research Imaging Center Planning</td>
<td>4,000,000</td>
</tr>
<tr>
<td>School of Law Replacement Planning</td>
<td>3,500,000</td>
</tr>
<tr>
<td>University of North Carolina at Chapel Hill</td>
<td></td>
</tr>
<tr>
<td>University of North Carolina at Charlotte – Science Building Planning</td>
<td>2,400,000</td>
</tr>
<tr>
<td>University of North Carolina at Pembroke – Information Commons Building Planning</td>
<td>2,000,000</td>
</tr>
<tr>
<td>University of North Carolina at Wilmington – Allied Health and Human Sciences Building Planning</td>
<td>1,700,000</td>
</tr>
<tr>
<td>Western Carolina University – Education and Allied Professions Building Planning</td>
<td>1,900,000</td>
</tr>
<tr>
<td>Winston-Salem State University Sciences and General Office Building Planning</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Student Activity Center – Budget Supplement</td>
<td>9,799,000</td>
</tr>
<tr>
<td>University of North Carolina General Administration Upper Coastal Plain Education and Health Center Planning</td>
<td>1,000,000</td>
</tr>
<tr>
<td>University of North Carolina System Wide Fire Safety Improvements – Student Residence Halls</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Land Acquisition</td>
<td>5,000,000</td>
</tr>
</tbody>
</table>

**TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND** $169,899,737

**WATER RESOURCES DEVELOPMENT PROJECT FUNDS**

**SECTION 27.2.(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:

<table>
<thead>
<tr>
<th>Name of Project</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Wilmington Harbor Deepening</td>
<td>$ 1,000,000</td>
</tr>
<tr>
<td>(2) Wilmington Harbor Maintenance</td>
<td>500,000</td>
</tr>
</tbody>
</table>

House Bill 2436*-Fourth Edition
<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Morehead City Harbor Maintenance</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>B. Everett Jordan Water Supply Storage</td>
<td>200,000</td>
</tr>
<tr>
<td>3</td>
<td>Dredging Contingency Fund</td>
<td>2,500,000</td>
</tr>
<tr>
<td>4</td>
<td>Deep Creek Structure 5-D (Yadkin County)</td>
<td>5,444,000</td>
</tr>
<tr>
<td>5</td>
<td>North Carolina Beach and Inlet Management Plan</td>
<td>250,000</td>
</tr>
<tr>
<td>6</td>
<td>Neuse River Basin Study</td>
<td>33,000</td>
</tr>
<tr>
<td>7</td>
<td>Manteo (Shallowbag Bay) Channel Maintenance</td>
<td>100,000</td>
</tr>
<tr>
<td>8</td>
<td>Currituck Sound Water Management Study</td>
<td>50,000</td>
</tr>
<tr>
<td>9</td>
<td>Planning Assistance to Communities</td>
<td>100,000</td>
</tr>
<tr>
<td>10</td>
<td>Bogue Banks Beach Protection</td>
<td>120,000</td>
</tr>
<tr>
<td>11</td>
<td>West Onslow Beach ( Topsail Beach, Pender County)</td>
<td>0</td>
</tr>
<tr>
<td>12</td>
<td>Belhaven Harbor Feasibility Study</td>
<td>15,000</td>
</tr>
<tr>
<td>13</td>
<td>Princeville Flood Control</td>
<td>0</td>
</tr>
<tr>
<td>14</td>
<td>Surf City – N. Topsail Beach Protection (Pender County)</td>
<td>0</td>
</tr>
<tr>
<td>15</td>
<td>North Carolina International Terminal</td>
<td>500,000</td>
</tr>
<tr>
<td>16</td>
<td>AIWW Dredging</td>
<td>1,638,000</td>
</tr>
<tr>
<td>17</td>
<td>State-Local Projects</td>
<td>2,000,000</td>
</tr>
<tr>
<td>18</td>
<td>Swan Quarter Dike Project (Hyde County)</td>
<td>250,000</td>
</tr>
<tr>
<td>19</td>
<td>Aquatic Plant Control, Statewide and Lake Gaston</td>
<td>200,000</td>
</tr>
<tr>
<td>20</td>
<td>Aquatic Weed Program Storage Facility</td>
<td>100,000</td>
</tr>
<tr>
<td>21</td>
<td>Hammocks Beach SP – Cow Channel Dredging</td>
<td>2,600,000</td>
</tr>
<tr>
<td>22</td>
<td>Dillsboro Dam Removal</td>
<td>400,000</td>
</tr>
<tr>
<td>23</td>
<td>Topsail Beach Emergency Nourishment</td>
<td>2,000,000</td>
</tr>
<tr>
<td>24</td>
<td>TOTALS</td>
<td>$20,000,000</td>
</tr>
</tbody>
</table>

**SECTION 27.2.(b)** Where the actual costs are different from the estimated costs under subsection (a) of this section, the Department may adjust the allocations among projects as needed. If any projects funded under subsection (a) of this section are delayed and the budgeted State funds cannot be used during the 2008-2009 fiscal year, or if the projects funded under subsection (a) of this section are accomplished at a lower cost, the Department may use the resulting fund availability to fund any of the following:

1. U.S. Army Corps of Engineers project feasibility studies.
2. U.S. Army Corps of Engineers projects whose schedules have advanced and require State-matching funds in fiscal year 2008-2009.
3. State-local water resources development projects.

Funds not expended or encumbered for these purposes shall revert to the General Fund at the end of the 2009-2010 fiscal year.

**SECTION 27.2.(c)** The Department shall make semiannual reports on the use of these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Office of State Budget and Management. Each report shall include all of the following:

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

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

**REPAIRS AND RENOVATIONS RESERVE ALLOCATION**

**SECTION 27.3.(a)** Of the funds in the Reserve for Repairs and Renovations for the 2008-2009 fiscal year, the sum of five million dollars ($5,000,000) shall be allocated to the Energy Efficiency Reserve for the purposes set forth in subsection (c) of this section. Of the remaining funds in the Reserve for Repairs and Renovations for the 2008-2009 fiscal year, forty-six percent (46%) shall be allocated to the Board of Governors of The University of North Carolina for repairs and renovations pursuant to G.S. 143C-4-3, in accordance with guidelines developed in The University of North Carolina Funding Allocation Model for Reserve for Repairs and Renovations, as approved by the Board of Governors of The University of North Carolina, and fifty-four percent (54%) shall be allocated to the Office of State Budget and Management for repairs and renovations pursuant to G.S. 143C-4-3.

Notwithstanding G.S. 143C-4-3, the Board of Governors may allocate funds for the repair and renovation of facilities not supported from the General Fund if the Board determines that sufficient funds are not available from other sources and that conditions warrant General Fund assistance. Any such finding shall be included in the Board's submission to the Joint Legislative Commission on Governmental Operations on the proposed allocation of funds.

The Board of Governors and the Office of State Budget and Management shall consult with the Joint Legislative Commission on Governmental Operations prior to the allocation or reallocation of these funds.

**SECTION 27.3.(b)** Of the funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, a portion shall be used by the Board of Governors for the installation of fire sprinklers in University residence halls. This portion shall be in addition to funds otherwise appropriated in this act for the same purpose. Such funds shall be allocated among the University's constituent institutions by the President of The University of North Carolina, who shall consider the following factors when allocating those funds:

1. The safety and well-being of the residents of campus housing programs.
2. The current level of housing rents charged to students and how that compares to an institution's public peers and other UNC institutions.
3. The level of previous authorizations to constituent institutions for the construction or renovation of residence halls funded from the General
Fund, or from bonds or certificates of participation supported by the
General Fund, since 1996.

4. The financial status of each constituent institution's housing system,
including debt capacity, debt coverage ratios, credit rankings, required
reserves, the planned use of cash balances for other housing system
improvements, and the constituent institution's ability to pay for the
installation of fire sprinklers in all residence halls.

5. The total cost of each proposed project, including the cost of installing
fire sprinklers and the cost of other construction, such as asbestos
removal and additional water supply needs.

The Board of Governors shall submit progress reports to the Joint Legislative
Commission on Governmental Operations. Reports shall include the status of
completed, current, and planned projects. Reports shall also include information on the
financial status of each constituent institution's housing system, the constituent
institution's ability to pay for fire protection in residence halls, and the timing of
installation of fire sprinklers. Reports shall be submitted on January 1 and July 1 until
all residence halls have fire sprinklers.

SECTION 27.3.(c) The Energy Efficiency Reserve shall be administered by
the State Energy Office. The State Energy Office, in consultation with the State
Construction Office, shall use the funds in the Energy Efficiency Reserve to provide
funding for projects designed to make State, university, or community college facilities
more energy efficient. Projects eligible to make State, university, or community college
facilities more energy efficient from remaining funds in the Energy Efficiency Reserve
include:

1. Replacement of incandescent light bulbs with compact fluorescent
light bulbs, installation of exit signs that employ light-emitting diode
(LED) technology, the installation of occupancy sensors or optical
sensors, and other lighting efficiency improvements.

2. For windows that need replacement, installation of more energy
efficient windows.

3. Insulation improvements when practicable.

4. Replacement of inefficient or oversized heating, ventilation, and
air-conditioning (HVAC) systems when those systems are subject to
replacement and installation of programmable automation systems.

5. Installation of aerators in sink faucets that reduce the flow rate and
other water system projects that reduce water consumption.

6. Any other retrofit or replacement projects that make State, university,
or community college facilities more energy efficient for which the
incremental cost of the project will be equal to or less than the energy
or water savings that result over a period of three years after
completion.

Funds appropriated to the Reserve for the 2008-2009 fiscal year shall not
revert and shall remain available until expended. The State Energy Office shall report to
the House of Representatives and Senate Appropriations Committees on the use of the Reserve funds no later than May 1, 2009.

NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS

SECTION 27.4.(a) The General Assembly authorizes the following capital projects to be funded with receipts or from other non-General Fund sources:

<table>
<thead>
<tr>
<th>Name of Project</th>
<th>Amount of Non-General Fund Funding Authorized for 2008-2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Agriculture and Consumer Services</td>
<td></td>
</tr>
<tr>
<td>Caswell Research Farm – Repair Shop</td>
<td>$450,000</td>
</tr>
<tr>
<td>Piedmont Research Station – Grain Storage Facility Renovation</td>
<td>400,000</td>
</tr>
<tr>
<td>Raleigh Farmers Market – Capital Improvements</td>
<td>900,000</td>
</tr>
<tr>
<td>Research Stations – Irrigation System Renovation</td>
<td>200,000</td>
</tr>
<tr>
<td>Research Stations – Storage Facilities</td>
<td>225,000</td>
</tr>
<tr>
<td>Senator Bob Martin Eastern Agricultural Center – Capital Improvements</td>
<td>500,000</td>
</tr>
<tr>
<td>State Fair – Campground</td>
<td>6,341,601</td>
</tr>
<tr>
<td>State Fair – Infrastructure Improvements</td>
<td>200,000</td>
</tr>
<tr>
<td>State Fair – Pond Improvements</td>
<td>500,000</td>
</tr>
<tr>
<td>Tidewater Research Station – Steer Barn</td>
<td>350,000</td>
</tr>
<tr>
<td>Triad Farmers Market – Capital Improvements</td>
<td>3,000,000</td>
</tr>
<tr>
<td>WNC Agricultural Center – New Vision Plan</td>
<td>900,000</td>
</tr>
<tr>
<td>Department of Correction</td>
<td></td>
</tr>
<tr>
<td>Broughton Correctional Center – Laundry Steam Plant</td>
<td>1,400,000</td>
</tr>
<tr>
<td>Umstead Correctional Center – Laundry Steam Plant</td>
<td>1,322,965</td>
</tr>
<tr>
<td>Wayne Correctional Center – Chase Laundry Steam Plant</td>
<td>1,368,926</td>
</tr>
<tr>
<td>Department of Crime Control and Public Safety</td>
<td></td>
</tr>
<tr>
<td>NC National Guard – Armory Improvements</td>
<td>8,402,273</td>
</tr>
<tr>
<td>NC National Guard – Asheville Field Maintenance Shop</td>
<td>3,743,000</td>
</tr>
<tr>
<td>NC National Guard – Camp Butner Training Site – Cantonment Complex</td>
<td>15,617,000</td>
</tr>
<tr>
<td>NC National Guard – Fixed Wing Hanger Complex – Morrisville</td>
<td>6,466,000</td>
</tr>
<tr>
<td>Department of Cultural Resources</td>
<td></td>
</tr>
<tr>
<td>Museum of Art – Enhanced Landscaping</td>
<td>7,500,000</td>
</tr>
<tr>
<td>USS North Carolina Battleship Memorial – Phase 3 Renovations</td>
<td>1,977,000</td>
</tr>
<tr>
<td>Department of Environment and Natural Resources</td>
<td></td>
</tr>
<tr>
<td>Bladen Lakes State Forest – Shop Building</td>
<td>943,800</td>
</tr>
<tr>
<td>Forest Resources – Region 2 Training Building</td>
<td>460,500</td>
</tr>
</tbody>
</table>
General Assembly Of North Carolina  
Session 2007

1  Department of Transportation
   Statewide Transportation Operations Center  7,650,000

2

3  Wildlife Resources Commission
   Armstrong Hatchery – Lower Raceway Renovation  1,725,000
   Boating Access Area Improvements  2,800,000
   Centennial Campus Center for Wildlife Education –
      Exhibit Completion  200,000
   Centennial Campus Center for Wildlife Education –
      Heat and Humidity Controls  6,000
   Chowan Bridge Fishing Pier and Boating Access  2,000,000
   Land Acquisitions – State Game Lands  62,660,000
   Marion Depot – Drainage Repairs  200,000
   McKinney Lake Hatchery – Kettle Replacement  1,955,000
   New Coldwater Fish Hatchery  7,900,000
   New Construction Depot  500,000
   Outer Banks Center for Wildlife Education – Repairs and
      Improvements  223,000
   Outer Banks Center for Wildlife Education – Teaching Facility  700,000
   Pisgah Center for Wildlife Education – Gift Shop Extension  200,000
   Pisgah Center for Wildlife Education – Outdoor Exhibit  450,000
   Pisgah Center for Wildlife Education – Repairs and
      Improvements  148,000
   Pisgah Center for Wildlife Education – Storage Building  150,000
   Pisgah Center for Wildlife Education – Teaching Facility  564,905
   Pisgah Center for Wildlife Education – Teaching Facility
      Upfit and Pavilion  280,000
   Rhodes Pond Dam Repairs  500,000
   Table Rock Hatchery – New Building  575,000
   Table Rock Hatchery – Office Building and Workshop  345,000
   Watha Fish Hatchery – Residence Replacement  707,250

33

34  TOTAL AMOUNT OF NON-GENERAL FUND CAPITAL
35  PROJECTS AUTHORIZED  $155,607,220
36
37  SECTION 27.4.(b)  From funds deposited with the State Treasurer in a
38  capital improvement account to the credit of the Department of Agriculture and
39  Consumer Services pursuant to G.S. 146-30, the sum of thirty thousand dollars
40  ($30,000) for the 2008-2009 fiscal year shall be transferred to the Department of
41  Agriculture and Consumer Services to be used, notwithstanding G.S. 146-30, by the
42  Department for its plant conservation program under Article 19B of Chapter 106 of the
43  General Statutes for costs incidental to the acquisition of land, such as land appraisals,
land surveys, title searches, environmental studies, and for the management of the plant
conservation program preserves owned by the Department.

**SECTION 27.4.(c)** Of the funds previously authorized to be used for the
construction of a frozen dough manufacturing facility at Maury Correctional Institution,
the Department of Correction may use one million five hundred thousand dollars
($1,500,000) to upfit a general industry operation at Tabor Correctional Institution.

**STUDY RELOCATION OF HIGHWAY PATROL TRAINING FACILITIES**

**SECTION 27.5.** The Department of Crime Control and Public Safety, in
consultation with the Department of Administration, shall study suitable locations all
across this State for a relocation of the Highway Patrol's Garner Road complex and shall
report its findings and recommendations to the Chairs of the House and Senate
Appropriations Committees and to the Chairs of the House Appropriations
Subcommittee on Capital no later than February 1, 2009.

**ACCESS TO DRY CLEANING SOLVENT CLEANUP FUND FOR GREEN
SQUARE PROJECT**

**SECTION 27.6.** The limitation contained in G.S. 143-215.104N(b)(9) shall
not apply to costs incurred by the Department of Environment and Natural Resources in
connection with the Green Square Project site, originally authorized in Section 1 of S.L.
2005-255.

**CHRONOLOGY EXHIBIT ON FIRST FLOOR OF NC MUSEUM OF HISTORY**

**SECTION 27.7.** The Department of Cultural Resources may use all of the
funds appropriated in this act and in Section 29.1 of S.L. 2007-323 for the North
Carolina Museum of History Chronology Exhibit to make capital improvements
necessary to ensure that the entire exhibit is located on the first floor of the Museum.

**SPECIAL INDEBTEDNESS PROJECTS**

**SECTION 27.8.(a)** The State, with the prior approval of the State Treasurer
and the Council of State, as provided in Article 9 of Chapter 142 of the General
Statutes, is authorized to issue or incur special indebtedness in order to provide funds to
the State to be used, together with other available funds, to pay the capital facility costs
of the projects described in this subsection. In accordance with G.S. 142-83, this
subsection authorizes the issuance or incurrence of special indebtedness:

1. In the maximum aggregate principal amount of sixty-two million
dollars ($62,000,000) to finance the capital facility costs of completing
a School of Dentistry building at East Carolina University and no more
than 10 satellite dental clinics across the State. No more than a
maximum aggregate amount of twenty million dollars ($20,000,000)
of special indebtedness may be issued or incurred under this
subdivision prior to July 1, 2009. No more than a maximum aggregate
amount of fifty-five million dollars ($55,000,000) of special
indebtedness may be issued or incurred under this subdivision prior to
July 1, 2010.

(2) In the maximum aggregate principal amount of eighteen million
dollars ($18,000,000) to finance the capital facility costs of a School of
Education building at Elizabeth City State University. No more than a
maximum aggregate amount of five million dollars ($5,000,000) of
special indebtedness may be issued or incurred under this subdivision
prior to July 1, 2009. No more than a maximum aggregate amount of
fifteen million dollars ($15,000,000) of special indebtedness may be
issued or incurred under this subdivision prior to July 1, 2010.

(3) In the maximum aggregate principal amount of twenty million four
hundred ninety thousand dollars ($20,490,000) to finance the capital
facility costs of completing a general classroom building at North
Carolina Agricultural and Technical State University. No more than a
maximum aggregate amount of ten million dollars ($10,000,000) of
special indebtedness may be issued or incurred under this subdivision
prior to July 1, 2009.

(4) In the maximum aggregate principal amount of twenty-four million
five hundred thousand dollars ($24,500,000) to finance the capital
facility costs of completing a School of Nursing building at North
Carolina Central University. No more than a maximum aggregate
amount of seven million dollars ($7,000,000) of special indebtedness
may be issued or incurred under this subdivision prior to July 1, 2009.
No more than a maximum aggregate amount of fifteen million dollars
($15,000,000) of special indebtedness may be issued or incurred under
this subdivision prior to July 1, 2010.

(5) In the maximum aggregate principal amount of one hundred nine
million one hundred thousand dollars ($109,100,000) to finance the
capital facility costs of completing the Centennial Campus library at
North Carolina State University. No more than a maximum aggregate
amount of thirty million dollars ($30,000,000) of special indebtedness
may be issued or incurred under this subdivision prior to July 1, 2009.
No more than a maximum aggregate amount of sixty million dollars
($60,000,000) of special indebtedness may be issued or incurred under
this subdivision prior to July 1, 2010. No more than a maximum
aggregate amount of ninety million dollars ($90,000,000) of special
indebtedness may be issued or incurred under this subdivision prior to
July 1, 2011.

(6) In the maximum aggregate principal amount of sixty-nine million
dollars ($69,000,000) to finance the capital facility costs of completing
a School of Dentistry expansion at the University of North Carolina at
Chapel Hill. No special indebtedness may be issued or incurred under
this subdivision prior to July 1, 2009. No more than a maximum
aggregate amount of twenty-five million dollars ($25,000,000) of
special indebtedness may be issued or incurred under this subdivision prior to July 1, 2010. No more than a maximum aggregate amount of sixty-one million dollars ($61,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2011.

(7) In the maximum aggregate principal amount of forty-two million six hundred seventy thousand dollars ($42,670,000) to finance the capital facility costs of completing an academic classroom and office building at the University of North Carolina at Greensboro. No more than a maximum aggregate amount of twenty-one million dollars ($21,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009.

(8) In the maximum aggregate principal amount of forty-five million one hundred seventy thousand five hundred dollars ($45,170,500) to finance the capital facility costs of completing a health care and mental health facility at the North Carolina Correctional Institute for Women. No more than a maximum aggregate amount of seventeen million dollars ($17,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009. No more than a maximum aggregate amount of forty-one million dollars ($41,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2010.

(9) In the maximum aggregate principal amount of thirteen million ten thousand dollars ($13,010,000) to finance the capital facility costs of completing a minimum security addition at Scotland Correctional Institution. No more than a maximum aggregate amount of six million dollars ($6,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009. No more than a maximum aggregate amount of ten million dollars ($10,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2010.

(10) In the maximum aggregate principal amount of eighteen million nine hundred fifty thousand dollars ($18,950,000) to finance the capital facility costs of completing a medium security addition at Bertie Correctional Institution. No more than a maximum aggregate amount of seven million dollars ($7,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009. No more than a maximum aggregate amount of fourteen million dollars ($14,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2010.

(11) In the maximum aggregate principal amount of thirteen million ten thousand dollars ($13,010,000) to finance the capital facility costs of completing a minimum security addition at Tabor Correctional Institution. No more than a maximum aggregate amount of six million dollars ($6,000,000) of special indebtedness may be issued or incurred
(12) In the maximum aggregate principal amount of one hundred seven million dollars ($107,000,000) to finance the capital facility costs of completing the Green Square Project in the Department of Environment and Natural Resources, originally authorized in S.L. 2005-255. No special indebtedness may be issued or incurred under this subdivision prior to July 1, 2009. No more than a maximum aggregate amount of forty million dollars ($40,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2010. No more than a maximum aggregate amount of one hundred four million dollars ($104,000,000) of special indebtedness may be issued or incurred under this subdivision prior to July 1, 2011.

SECTION 27.8.(b) Section 1.1 of S.L. 2004-179, as amended by Section 30.3A of S.L. 2005-276 and Section 2.1 of S.L. 2006-146, reads as rewritten:

> "SECTION 1.1. In accordance with G.S. 142-83, this section authorizes the issuance or incurrence of special indebtedness in the following maximum aggregate principal amounts to finance the costs of the following projects. The table below provides the maximum principal amounts. The first column is the aggregate maximum principal amount. The second column is the maximum portion of this amount that can be issued or incurred before July 1, 2005. The State, with the prior approval of the State Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or incur special indebtedness in order to provide funds to the State to be used, together with other available funds, to pay the cost of these projects.

<table>
<thead>
<tr>
<th>Aggregate Maximum</th>
<th>Maximum before 7/1/05</th>
<th>Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>$180,000,000</td>
<td>$110,000,000</td>
<td>Acquiring, constructing, and equipping a new cancer rehabilitation and treatment center, a nearby physicians' office building, and a walkway between the two, all to be located at the University of North Carolina Hospitals at Chapel Hill.</td>
</tr>
<tr>
<td>60,000,000</td>
<td>30,000,000</td>
<td>Acquiring, constructing, and equipping the North Carolina Cardiovascular Diseases Institute at East Carolina University.</td>
</tr>
<tr>
<td>35,000,000</td>
<td>25,000,000</td>
<td>Acquiring, constructing, and equipping a Bioinformatics Center at the University of North Carolina at Charlotte.</td>
</tr>
<tr>
<td>28,000,000</td>
<td>25,000,000</td>
<td>Acquiring, constructing, and equipping a stand-alone facility to house the new Pharmacy School program to be located at</td>
</tr>
<tr>
<td>Item</td>
<td>Amount 1</td>
<td>Amount 2</td>
</tr>
<tr>
<td>------</td>
<td>----------</td>
<td>----------</td>
</tr>
<tr>
<td>1</td>
<td>35,000,000</td>
<td>25,000,000</td>
</tr>
<tr>
<td>2</td>
<td>10,000,000</td>
<td>10,000,000</td>
</tr>
<tr>
<td>3</td>
<td>10,000,000</td>
<td>10,000,000</td>
</tr>
<tr>
<td>4</td>
<td>10,000,000</td>
<td>10,000,000</td>
</tr>
<tr>
<td>5</td>
<td>10,000,000</td>
<td>10,000,000</td>
</tr>
<tr>
<td>6</td>
<td>10,000,000</td>
<td>11,500,000</td>
</tr>
</tbody>
</table>

Elizabeth City State University, and interim temporary facilities to house the program during construction of the facility.

Acquiring, constructing, and equipping a Center for Health Promotion and Partnerships at the University of North Carolina at Asheville.

Land acquisition, site preparation, engineering, architectural, and other consulting services, and construction for the Southeastern North Carolina Nursing Education and Research Center at Fayetteville State University.

Site preparation, engineering, architectural, and other consulting services and the construction of a research building on the joint Millennial Campus of North Carolina Agricultural and Technical State University and the University of North Carolina at Greensboro.

Land acquisition, site preparation, engineering, architectural, and other consulting services, and construction of a Nursing and Allied Heath Building at the University of North Carolina at Pembroke.

To Western Carolina University for land acquisition, site preparation, engineering, architectural, and other consulting services, and construction of a building for Western Carolina University and the Mountain Area Health Education Consortium for the North Carolina Center for Health and Aging to be operated as a consortium among Western Carolina University, the University of North Carolina at Asheville, and the Mountain Area Health Education Consortium.

Land acquisition, site preparation, engineering, architectural, and other consulting services, and construction of a Center for Design Innovation in the Piedmont Triad Research Park to be operated jointly by Winston-Salem State University and the North Carolina School of the Arts.

**TOTAL:**
$388,000,000 $389,500,000 $265,000,000

SECTION 27.8.(c) Section 23.12(a) of S.L. 2006-66 reads as rewritten:
"SECTION 23.12.(a) In accordance with G.S. 142-83, this subsection authorizes
the issuance or incurrence of special indebtedness in the maximum aggregate principal
amount of forty million dollars ($40,000,000) forty-five million one hundred thirty
thousand dollars ($45,130,000) to finance the costs of constructing new buildings and
pavilions and renovating existing buildings at the North Carolina Museum of Art. The
State, with the prior approval of the State Treasurer and the Council of State, as
provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or
incur special indebtedness in order to provide funds to the State to be used, together
with other available funds, to pay the costs of constructing and renovating the project
described in this subsection."

SECTION 27.8.(d) This section is effective when it becomes law.

PART XXVIII. TAX LAW CHANGES

IRC UPDATE

SECTION 28.1.(a) G.S. 105-228.90(b)(1b) reads as rewritten:
"(1b) Code. – The Internal Revenue Code as enacted as of January 1, 2007,
May 1, 2008, including any provisions enacted as of that date which
become effective either before or after that date."

SECTION 28.1.(b) Notwithstanding subsection (a) of this section, any
amendments to the Internal Revenue Code enacted after January 1, 2007, that increase
North Carolina taxable income for the 2007 taxable year become effective for taxable
years beginning on or after January 1, 2008.

SECTION 28.1.(c) G.S. 105-130.5(a) reads as rewritten:
"(a) The following additions to federal taxable income shall be made in
determining State net income:

... (15) The—For taxable years 2002-2005, the applicable percentage of the
amount allowed as a special accelerated depreciation deduction under
section 168(k) or section 1400L of the Code, as set out in the table
below. In addition, a taxpayer who was allowed a special accelerated
depreciation deduction under section 168(k) or section 1400L of the
Code in a taxable year beginning before January 1, 2002, and whose
North Carolina taxable income in that earlier year reflected that
accelerated depreciation deduction must add to federal taxable income
in the taxpayer's first taxable year beginning on or after January 1,
2002, an amount equal to the amount of the deduction allowed in the
earlier taxable year. These adjustments do not result in a difference in
basis of the affected assets for State and federal income tax purposes.
The applicable percentage is as follows:

<table>
<thead>
<tr>
<th>Taxable Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2002 100%
2003 70%
2004 70%
2005 and thereafter 0%

SECTION 28.1.(d) G.S. 105-130.5(a) is amended by adding a new subdivision to read:
"(a) The following additions to federal taxable income shall be made in determining State net income:

(15a) The applicable percentage of the amount allowed as a special accelerated depreciation deduction under section 168(k) of the Code for property placed in service after December 31, 2007, but before January 1, 2009. In addition, a taxpayer who was allowed a special accelerated depreciation deduction in taxable year 2007 for property placed in service during that period, and whose North Carolina taxable income for that year reflected that accelerated depreciation deduction must add to federal taxable income in the taxpayer's 2008 taxable year an amount equal to the applicable percentage of the deduction amount allowed in the 2007 taxable year. These adjustments do not result in a difference in basis of the affected assets for State and federal income tax purposes. The applicable percentage under this subdivision is eighty-five percent (85%).

SECTION 28.1.(e) G.S. 105-134.6(c) reads as rewritten:
"(c) Additions. – The following additions to taxable income shall be made in calculating North Carolina taxable income, to the extent each item is not included in taxable income:

(8) The applicable percentage of the amount allowed as a special accelerated depreciation deduction under section 168(k) or section 1400L of the Code, as set out in the table below. In addition, a taxpayer who was allowed a special accelerated depreciation deduction under section 168(k) or section 1400L of the Code in a taxable year beginning before January 1, 2002, and whose North Carolina taxable income in that earlier year reflected that accelerated depreciation deduction must add to federal taxable income in the taxpayer's first taxable year beginning on or after January 1, 2002, an amount equal to the amount of the deduction allowed in the earlier taxable year. These adjustments do not result in a difference in basis of the affected assets for State and federal income tax purposes. The applicable percentage is as follows:

<table>
<thead>
<tr>
<th>Taxable Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>100%</td>
</tr>
</tbody>
</table>
SECTION 28.1.(f)  G.S. 105-134.6(c) is amended by adding a new subdivision to read:

"(c) Additions. – The following additions to taxable income shall be made in calculating North Carolina taxable income, to the extent each item is not included in taxable income:

..."

(8a) The applicable percentage of the amount allowed as a special accelerated depreciation deduction under section 168(k) of the Code for property placed in service after December 31, 2007, but before January 1, 2009. In addition, a taxpayer who was allowed a special accelerated depreciation deduction in taxable year 2007 for property placed in service for that period, and whose North Carolina taxable income for that year reflected that accelerated depreciation deduction must add to federal taxable income in the taxpayer's 2008 taxable year an amount equal to the applicable percentage of the deduction amount allowed in the 2007 taxable year. These adjustments do not result in a difference in basis of the affected assets for State and federal income tax purposes. The applicable percentage under this subdivision is eighty-five percent (85%).

..."

SECTION 28.1.(g)  G.S. 105-130.5(b) is amended by adding a new subdivision to read:

"(b) The following deductions from federal taxable income shall be made in determining State net income:

..."

(21a) In each of the taxpayer's first five taxable years beginning on or after January 1, 2009, an amount equal to twenty percent (20%) of the amount added to taxable income in taxable year 2008 as accelerated depreciation under subdivision (a)(15a) of this section.

..."

SECTION 28.1.(h)  G.S. 105-134.6(b) is amended by adding a new subdivision to read:

"(b) Deductions. – The following deductions from taxable income shall be made in calculating North Carolina taxable income, to the extent each item is included in taxable income:

..."

(17a) In each of the taxpayer's first five taxable years beginning on or after January 1, 2009, an amount equal to twenty percent (20%) of the amount added to taxable income in taxable year 2008 as accelerated depreciation under subdivision (c)(8a) of this section.
..."

SECTION 28.1.(i) Subsections (c) through (h) of this section are effective for taxable years beginning on or after January 1, 2008. The remainder of this section is effective when it becomes law.

EXTEND CREDIT FOR RESEARCH AND DEVELOPMENT

SECTION 28.2.(a) G.S. 105-129.51(b) reads as rewritten:

"(b) This Article is repealed for taxable years beginning on or after January 1, 2009-2014."

SECTION 28.2.(b) This section is effective when it becomes law.

EXTEND LOW-INCOME HOUSING CREDIT

SECTION 28.3.(a) G.S. 105-129.45 reads as rewritten:

"§ 105-129.45. Sunset. This Article is repealed effective January 1, 2010. The repeal applies to developments to which federal credits are allocated on or after January 1, 2010-2015."

SECTION 28.3.(b) This section is effective when it becomes law.

EXTEND MILL REHABILITATION TAX CREDIT

SECTION 28.4.(a) G.S. 105-129.70 reads as rewritten:

"§ 105-129.70. Definitions.

The following definitions apply in this Article:

(1) Certified historic structure. – Defined in section 47 of the Code.
(2) Certified rehabilitation. – Defined in G.S. 105-129.36.
(3) Cost certification. – The certification obtained by the State Historic Preservation Officer from the taxpayer of the amount of the qualified rehabilitation expenditures or the rehabilitation expenses incurred with respect to a certified rehabilitation of an eligible site.
(3a) Development tier area. – Defined in G.S. 143B-437.08.
(4) Eligibility certification. – The certification obtained from the State Historic Preservation Officer that the applicable facility comprises an eligible site and that the rehabilitation is a certified rehabilitation.
(5) Eligible site. – A site located in this State that satisfies all of the following conditions:
a. It was used as a manufacturing facility or for purposes ancillary to manufacturing, as a warehouse for selling agricultural products, or as a public or private utility.
b. It is a certified historic structure or a State-certified historic structure.
c. It has been at least eighty percent (80%) vacant for a period of at least two years immediately preceding the date the eligibility certification is made.
d. The cost certification documents that the qualified rehabilitation expenditures for a site for which a taxpayer is allowed a credit
under section 47 of the Code or the rehabilitation expenses for a
site for which the taxpayer is not allowed a credit under section
47 of the Code exceed three million dollars ($3,000,000) for the
site as a whole.

(6) Repealed by Session Laws 2006-252, s. 2.22, effective January 1,
2007.

(7) Pass-through entity. – Defined in G.S. 105-228.90.

(8) Qualified rehabilitation expenditures. – Defined in section 47 of the
Code.

(9) Rehabilitation expenses. – Defined in G.S. 105-129.36.

(10) State-certified historic structure. – Defined in G.S. 105-129.36.

(11) State Historic Preservation Officer. – Defined in G.S. 105-129.36."

SECTION 28.4.(b) G.S. 105-129.71(a) reads as rewritten:

"(a) Credit. – A taxpayer who is allowed a credit under section 47 of the Code for
making qualified rehabilitation expenditures of at least three million dollars
($3,000,000) with respect to a certified rehabilitation of an eligible site is allowed a
credit equal to a percentage of the expenditures that qualify for the federal credit. The
credit may be claimed in the year in which the eligible site is placed into service. When
the eligible site is placed into service in two or more phases in different years, the
amount of credit that may be claimed in a year is the amount based on the qualified
rehabilitation expenditures associated with the phase placed into service during that
year. In order to be eligible for a credit allowed by this Article, the taxpayer must
provide to the Secretary a copy of the eligibility certification and the cost certification.
The amount of the credit is as follows:

(1) For an eligible site located in a development tier one or two area,
determined as of the date of the eligibility certification, the amount of
the credit is equal to forty percent (40%) of the qualified rehabilitation
expenditures.

(2) For an eligible site located in a development tier three area, determined
as of the date of the eligibility certification, the amount of the credit is
equal to thirty percent (30%) of the qualified rehabilitation
expenditures."

SECTION 28.4.(c) G.S. 105-129.72(a) reads as rewritten:

"(a) Credit. – A taxpayer who is not allowed a federal income tax credit under
section 47 of the Code and who makes rehabilitation expenses of at least three million
dollars ($3,000,000) with respect to a certified rehabilitation of an eligible site is
allowed a credit equal to a percentage of the rehabilitation expenses. The entire credit
may not be taken for the taxable year in which the property is placed in service, but
must be taken in five equal installments beginning with the taxable year in which the
property is placed in service. When the eligible site is placed into service in two or more
phases in different years, the amount of credit that may be claimed in a year is the
amount based on the rehabilitation expenses associated with the phase placed into
service during that year. In order to be eligible for a credit allowed by this Article, the
taxpayer must provide to the Secretary a copy of the eligibility certification and the cost
certification. For an eligible site located in a development tier one or two area, determined as of the date of the eligibility certification, the amount of the credit is equal to forty percent (40%) of the rehabilitation expenses. No credit is allowed for a site located in a development tier three area."

SECTION 28.4.(d) G.S. 105-129.75 reads as rewritten:

"§ 105-129.75. Sunset.
This Article expires January 1, 2011, for rehabilitation projects for which an application for an eligibility certification is submitted on or after that date for qualified rehabilitation expenditures and rehabilitation expenses incurred on or after January 1, 2011."

SECTION 28.4.(e) This section is effective for taxable years beginning on or after January 1, 2008.

EXTEND SUNSET FOR STATE PORTS TAX CREDIT

SECTION 28.5.(a) G.S. 105-130.41(c1) reads as rewritten:

"(c1) Report. – The Department of Revenue must publish by May 1 of each year the following information itemized by taxpayer for the 12-month period ending the preceding December 31:

(1) The number of taxpayers taking a credit allowed in this section.
(2) The total amount of charges assessed for the taxable year.
(3) The amount of the charges attributable to imports.
(4) The amount of the charges attributable to exports.
(5) The total cost to the General Fund of the credits taken."

SECTION 28.5.(b) G.S. 105-130.41(d) reads as rewritten:

"(d) Sunset. – This section is repealed effective for taxable years beginning on or after January 1, 2009-2014."

SECTION 28.5.(c) G.S. 105-151.22(c1) reads as rewritten:

"(c1) Report. – The Department of Revenue must publish by May 1 of each year the following information itemized by taxpayer for the 12-month period ending the preceding December 31:

(1) The number of taxpayers taking a credit allowed in this section.
(2) The total amount of charges assessed for the taxable year.
(3) The amount of the charges attributable to imports.
(4) The amount of the charges attributable to exports.
(5) The total cost to the General Fund of the credits taken."

SECTION 28.5.(d) G.S. 105-151.22(d) reads as rewritten:

"(d) Sunset. – This section is repealed effective for taxable years beginning on or after January 1, 2009-2014."

SECTION 28.5.(e) This section is effective when it becomes law.

EXEMPT DISASTER ASSISTANCE DEBIT SALES

SECTION 28.6.(a) G.S. 105-164.13 is amended by adding a new subdivision to read:
"(58) Tangible personal property purchased with a client assistance debit card issued for disaster assistance relief by a State agency or a federal agency or instrumentality."

SECTION 28.6.(b) This section becomes effective July 1, 2008, and applies to purchases made on or after that date.

CLOSE FRANCHISE TAX LOOPHOLES BY REQUIRING A LIMITED LIABILITY COMPANY THAT ELECTS TO BE TREATED AS A CORPORATION AND A CAPTIVE REIT TO PAY FRANCHISE TAX

SECTION 28.7.(a) G.S. 105-114(b) reads as rewritten:

"(b) Definitions. – The following definitions apply in this Article:

..."

SECTION 28.7.(b) G.S. 105-114.1(a)(5) reads as rewritten:

"(5) Noncorporate limited liability company. – A limited liability company that does not elect to be taxed as a C-Corporation under the Code."

SECTION 28.7.(c) G.S. 105-125(b) reads as rewritten:

"(b) Certain Investment Companies. – A corporation doing business in North Carolina that qualifies as a "regulated investment company" under section 851 of the Code or as a "real estate investment trust" under section 856 of the Code and elects for federal income tax purposes to be treated as a "regulated investment company" or as a "real estate investment trust." A corporation doing business in North Carolina that meets one or more of the following conditions may, in determining its basis for franchise tax, deduct the aggregate market value of its investments in the stocks, bonds, debentures, or other securities or evidences of debt of other corporations, partnerships, individuals, municipalities, governmental agencies, or governments:

(1) A regulated investment company. – A regulated investment company is an entity that qualifies as a regulated investment company under section 851 of the Code;

(2) A REIT, unless the REIT is a captive REIT. – The terms 'REIT' and 'captive REIT' have the same meanings as defined in G.S. 105-130.12."
SECTION 28.7.(d) This section is effective for taxable years beginning on
or after January 1, 2009.

PUBLICLY TRADED PARTNERSHIPS

SECTION 28.8.(a) G.S. 105-154 reads as rewritten:

"§ 105-154. Information at the source returns.
(a) Repealed by Session Laws 1993, c. 354, s. 14.
(b) Information Returns of Payers. – A person who is a resident of this State, has
a place of business in this State, or has an employee, an agent, or another representative
in any capacity in this State shall file an information return as required by the Secretary
if the person directly or indirectly pays or controls the payment of any income to any
taxpayer. The return shall contain all information required by the Secretary. The filing
of any return in compliance with this section by a foreign corporation is not evidence
that the corporation is doing business in this State.
(c) Information Returns of Partnerships. – A partnership doing business in this
State and required to file a return under the Code shall file an information return with
the Secretary. A partnership that the Secretary believes to be doing business in this State
and to be required to file a return under the Code shall file an information return when
requested to do so by the Secretary. The information return shall contain all information
required by the Secretary. It shall state specifically the items of the partnership's gross
income, the deductions allowed under the Code, and the adjustments required by this
Part. The information return shall also include the name and address of each person who
would be entitled to share in the partnership's net income, if distributable, and the
amount each person's distributive share would be. The information return shall specify
the part of each person's distributive share of the net income that represents corporation
dividends. The information return shall be signed by one of the partners under
affirmation in the form required by the Secretary.
(d) Payment of Tax on Behalf of Nonresident Owner or Partner. – If a business
conducted in this State is owned by a nonresident individual or by a partnership having
one or more nonresident members, the manager of the business shall report the earnings
of the business in this State, the distributive share of the income of each nonresident
owner or partner, and any other information required by the Secretary. The manager of
the business shall pay with the return the tax on each nonresident owner or partner's
share of the income computed at the rate levied on individuals under
G.S. 105-134.2(a)(3). The business may deduct the payment for each nonresident owner
or partner from the owner or partner's distributive share of the profits of the business in
this State. If the nonresident partner is not an individual and the partner has executed an
affirmation that the partner will pay the tax with its corporate, partnership, trust, or
estate income tax return, the manager of the business is not required to pay the tax on
the partner's share. In this case, the manager shall include a copy of the affirmation with
the report required by this subsection.

(e) Publicly Traded Partnership. – The information return and payment
requirements under this section are modified as follows for a publicly traded partnership
that is described in section 7704(c) of the Code:

(1) The information return required under subsection (c) of this section is
limited to partners whose distributive share of the partnership's net
income during the tax year was more than five hundred dollars
($500.00).

(2) The payment requirements under subsection (d) of this section do not
apply.

SECTION 28.8.(b) This section is effective for taxable years beginning on
or after January 1, 2008.

INCREASE EARNED INCOME TAX CREDIT TO FIVE PERCENT

SECTION 28.9.(a) G.S. 105-151.31(a) reads as rewritten:

"(a) Credit. – An individual who claims for the taxable year an earned income tax
credit under section 32 of the Code is allowed a credit against the tax imposed by this
Part equal to three and one half percent (3.5%) five percent (5%) of the amount of credit
the individual qualified for under section 32 of the Code. A nonresident or part-year
resident who claims the credit allowed by this section 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."

SECTION 28.9.(b) This section is effective for taxable years beginning on
or after January 1, 2008.

INCREASE THE CREDIT FOR SMALL BUSINESS EMPLOYEE HEALTH
BENEFITS AND EXTEND THE SUNSET

SECTION 28.10.(a) G.S. 105-129.16E reads as rewritten:

"§ 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 or if its employees have qualifying existing coverage.

The credit is equal to a dollar amount per eligible employee whose total wages or
salary received from the business does not exceed forty thousand dollars ($40,000) on
an annual basis. The dollar amount is two hundred fifty dollars ($250.00), three hundred
dollars ($300.00), not to exceed the taxpayer's costs of providing health benefits for the
employee during the taxable year.

(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

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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 apportionable income to this State.

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

(2) Qualifying existing coverage. – Defined in G.S. 58-50-130(a)(4a).
(3) Small business. – A taxpayer that employs no more than 25 eligible
employees throughout the taxable year.

(d) Sunset. – This section expires for taxable years beginning on or after January
1, 2009.

SECTION 28.10.(b) This section is effective for taxable years beginning on
or after January 1, 2009.

PROVIDE A PROPERTY TAX EXCLUSION FOR HONORABLY
DISCHARGED DISABLED VETERANS AND THEIR SURVIVING
SPOUSES AND TO REIMBURSE LOCAL GOVERNMENTS FOR THE
RESULTING REVENUE LOSS

SECTION 28.11.(a) G.S. 105-275(21) is repealed.

SECTION 28.11.(b) Article 12 of Chapter 105 of the General Statutes is
amended by adding a new section to read:

"§ 105-277.1C. Property tax homestead exclusion for disabled veterans and for
surviving spouses of disabled veterans; election of benefit; application.

(a) Exclusion. – A permanent residence owned and occupied by a qualifying
owner is designated a special class of property under Article V, Section 2(2) of the
North Carolina Constitution and is taxable in accordance with this section. The amount
of the appraised value of the residence equal to the exclusion amount is excluded from
taxation. The exclusion amount is the greater of forty-eight thousand dollars ($48,000)
or fifty percent (50%) of the appraised value of the residence, not to exceed fifty percent
(50%) of the maximum amount of a conventional mortgage authorized under 12 U.S.C.
§ 1717(b)(2).

If the qualifying owner predeceases his or her spouse and if, upon the death of the
qualifying owner, the spouse holds legal or beneficial title to the homestead and
permanently resides on the homestead, the exclusion from taxation provided by this
section carries over to the benefit of the surviving spouse until he or she remarries. If
the spouse sells the property, an exclusion not to exceed the amount granted from the
most recent ad valorem tax roll may be transferred to his or her new residence, as long
as it is used as his or her primary residence and he or she does not remarry. The
exclusion amount for newly acquired property is subject to the valuation limitations in
the preceding paragraph of this subsection.

(1) Temporary absence. – An otherwise qualifying owner does not lose the
benefit of this exclusion because of a temporary absence from his or
her permanent residence for reasons of health or because of an
extended absence while confined to a rest home or nursing home, so
long as the residence is unoccupied or occupied by the owner's spouse
or other dependent.

2

(2) Multiple ownership. – A permanent residence owned and occupied by
husband and wife as tenants by the entirety is entitled to the full
benefit of this exclusion notwithstanding that only one of them meets
the disability requirements of this section. When a permanent
residence is owned and occupied by two or more persons other than
husband and wife and one or more of the owners qualifies for this
exclusion, each qualifying owner is entitled to the full amount of the
exclusion not to exceed his or her proportionate share of the valuation
of the property. No part of an exclusion available to one co-owner may
be claimed by any other co-owner, and in no event may the total
exclusion allowed for a permanent residence exceed the exclusion
amount provided in this section.

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

(1) Owner. – A person who holds legal or equitable title, whether
individually, as a tenant by the entirety, a joint tenant, or a tenant in
common, or as the holder of a life estate or an estate for the life of
another. A manufactured home jointly owned by husband and wife is
considered property held by the entirety.

(2) Permanent residence. – A person's legal residence. It includes the
dwelling, the dwelling site, not to exceed one acre, and related
improvements. The dwelling may be a single-family residence, a unit
in a multifamily residential complex, or a manufactured home.

(3) Qualifying owner. – An owner who is an honorably discharged veteran
of any branch of the Armed Forces of the United States who, as of
January 1 preceding the taxable year for which the exclusion is
claimed, is a North Carolina resident and who meets either one of the
following criteria:

a. Has been certified by the United States Government or the
United States Department of Veterans Affairs, or its
predecessor, with a permanent total disability that is
service-connected.


(c) Election. – An owner who qualifies for more than one form of property tax
relief under this section, G.S. 105-277.1, and G.S. 105-277.1B may elect to receive only
one of these forms of relief.

(d) Application. –

(1) Time for filing. – An application for the exclusion provided by this
section should be filed during the regular listing period, but may be
filed and must be accepted at any time up to and through June 1
preceding the tax year for which the exclusion is claimed.

(2) Separate applications for multiple ownership. – When property is
owned by two or more persons other than husband and wife and one or
more of them qualifies for this exclusion, each owner must apply separately for his or her proportionate share of the exclusion.

(3) Proof of disability or receipt of federal housing assistance. – Persons applying for this exclusion shall (i) enter the appropriate information on a form made available by the assessor under G.S. 105-282.1 and (ii) furnish acceptable proof of qualification. The proof must be in the form of a letter or other document from the United States Government or the United States Department of Veterans Affairs certifying that the applicant is an honorably discharged veteran who either has a service-connected total and permanent disability or who is receiving benefits under 38 U.S.C. § 2101."

SECTION 28.11.(c) Article 12 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-277.1D. Property classified for taxation at reduced valuation; duties of tax collectors; reimbursement of localities for tax lost.

(a) Tax Collectors to Furnish List of Qualifying Taxpayers. – On December 1 of each year, the tax collector of each county and the tax collector of each municipality shall furnish to the Secretary of Revenue a list containing the name and address of each taxpayer who has qualified in that year for the exclusion provided in G.S. 105-277.1C. The list shall also contain for each name the total amount of property excluded, the tax rate to which the property is subject, and the product obtained by multiplying those two numbers by each other. The lists shall be accompanied by an affidavit attesting to the accuracy of the list and shall all be on a form prescribed by the Secretary of Revenue.

(b) Extension. – The Secretary of Revenue may, for cause, grant an extension for the submission of a list required by this section.

(c) Reimbursement to Counties and Municipalities. – Before May 31, 2009, the Secretary of Revenue shall distribute to each county and municipality with taxpayers who qualified for the exclusion provided in G.S. 105-277.1C one hundred percent (100%) of the total lost revenue. The lost revenue is determined by multiplying the tax exclusion for each taxpayer on the list in subsection (a) of this section by the applicable tax rate. Each year thereafter, on or before May 31, the Secretary of Revenue shall pay the lost revenue to each county and municipality that was entitled to receive a distribution under this subsection in 2009.

(d) Funds Collected for Other Units of Local Government. – Any funds received by any county or municipality under this section because the county or municipality was collecting taxes for another municipality shall be credited to the funds of that other municipality in accordance with rules issued by the Local Government Commission.

(e) Funding for Reimbursement. – In order to pay for the reimbursement under this section, there is annually appropriated to each county and municipality with taxpayers who qualified for the exclusion provided in G.S. 105-277.1C an amount equal to the reimbursement amount. In order to pay for the cost to the Department of Revenue of administering reimbursement, there is annually appropriated to the Department of Revenue the cost of administration."

SECTION 28.11.(d) G.S. 105-282.1(a)(2)c. reads as rewritten:
"c. Special classes of property classified for taxation at a reduced valuation under G.S. 105-277(b), 105-277.1, 105-277.1C, 105-277.10, 105-277.13, 105-278."

SECTION 28.11.(e) This section is effective for taxes imposed for taxable years beginning on or after July 1, 2008. Notwithstanding the provisions of G.S. 105-282.1(a), an application for the benefit provided in this act for the 2008-2009 tax year shall be considered timely if it is filed on or before September 1, 2008.

SALES TAX HOLIDAY FOR CERTAIN ENERGY STAR RATED APPLIANCES

SECTION 28.12.(a) G.S. 105-164.3 is amended by adding a new subdivision to read:

"§ 105-164.3. Definitions.

The following definitions apply in this Article:

... (8g) Energy Star qualified product. – Defined in the Streamlined Agreement."

SECTION 28.12.(b) Article 5 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-164.13D. Sales and use tax holiday for Energy Star qualified products.

(a) The taxes imposed by this Article do not apply to the Energy Star qualified products listed in this section if sold between 12:01 A.M. on the first Friday of November and 11:59 P.M. the following Sunday. The qualified products are:

(1) Clothes washers, dishwashers, freezers, or refrigerators.
(2) Room air conditioners, dehumidifiers, or programmable thermostats.
(3) Compact fluorescent light bulbs.

(b) The exemption allowed by this section does not apply to the following:

(1) Sales of a product for use in a trade or business.
(2) Rentals."

SECTION 28.12.(c) G.S. 105-467 reads as rewritten:

"§ 105-467. Scope of sales tax.

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

(c) Sourcing. – The local sales tax authorized to be imposed and levied under this
Article applies to taxable transactions by retailers whose place of business is located
within the taxing county. The sourcing principles in G.S. 105-164.4B apply in
determining whether the local sales tax applies to a transaction."

SECTION 28.12.(d) The second paragraph of Section 4 of Chapter 1096 of
the 1967 Session Laws reads as rewritten:

"The exemptions and exclusions contained in G.S. 105-164.13 and the sales and use
tax holiday holidays contained in G.S. 105-164.13C and G.S. 105-164.13D apply with
equal force and like manner to the local sales tax authorized to be imposed and levied
under this division. The county shall have no authority, with respect to the local sales
and use tax imposed under this division, to change, alter, add, or delete any exemptions
or exclusions contained under G.S. 105-164.13."

SECTION 28.12.(e) This section is effective when it becomes law and
applies to sales made on or after that date.

SET INSURANCE REGULATORY FEE

SECTION 28.13.(a) The percentage rate to be used in calculating the
insurance regulatory charge under G.S. 58-6-25 is five and one-half percent (5.5%) for
the 2008 calendar year.

SECTION 28.13.(b) This section is effective when it becomes law.

SET REGULATORY FEE FOR UTILITIES COMMISSION

SECTION 28.14.(a) The percentage rate to be used in calculating the public
utility regulatory fee under G.S. 62-302(b)(2) is twelve one-hundredths of one percent
(0.12%) for each public utility's North Carolina jurisdictional revenues earned during
each quarter that begins on or after July 1, 2008.

SECTION 28.14.(b) The electric membership corporation regulatory fee
imposed under G.S. 62-302(b1) for the 2008-2009 fiscal year is two hundred thousand
dollars ($200,000).

SECTION 28.14.(c) This section becomes effective July 1, 2008.

EXTEND AND AMEND TAX CREDIT FOR REINVESTMENT

SECTION 28.15.(a) G.S. 105-129.28 reads as rewritten:

"§ 105-129.28. Credit for reinvestment.
(a) Credit. – A major recycling facility that is accessible by neither ocean barge
nor ship and that transports materials to the facility or products away from the facility is
allowed a credit against the tax imposed by Part 1 of Article 4 of this Chapter equal to
its additional transportation and transloading expenses incurred with respect to the
materials and products due to its inability to use ocean barges or ships. The additional
expenses for which credit is allowed are expenses due to using river barges and
expenses due to having to use another mode of transportation because the quantity that
is transported by river barge is insufficient to meet the facility's needs. In order to claim
the credit allowed by this section, the facility must provide the Secretary of Commerce
audited documentation of the amount of its additional transportation and transloading
expenses incurred during the taxable year.

(b) Cap. – The credit allowed to a major recycling facility under this section for
the taxable year may not exceed the applicable annual cap provided in the following
table:

<table>
<thead>
<tr>
<th>Taxable Year</th>
<th>Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>$ 150,000</td>
</tr>
<tr>
<td>1999</td>
<td>$ 640,000</td>
</tr>
<tr>
<td>2000</td>
<td>$ 3,860,000</td>
</tr>
<tr>
<td>2001</td>
<td>$ 8,050,000</td>
</tr>
<tr>
<td>2002</td>
<td>$ 9,550,000</td>
</tr>
<tr>
<td>2003</td>
<td>$ 10,100,000</td>
</tr>
<tr>
<td>2004-2007</td>
<td>$ 10,400,000</td>
</tr>
<tr>
<td>2008 and thereafter</td>
<td>$ 1,000,000</td>
</tr>
</tbody>
</table>

(c) Reduction. – For the first ten taxable years after the owner begins
transporting materials and products to and from the major recycling facility, the
credit allowed by this section must be reduced by the amount of credit allowed in
previous years that was used for a purpose other than an allowable purpose under
subsection (d) of this section, as certified by the Secretary of Commerce.

(d) Use of Credited Amount. – For the first ten taxable years after the owner
begins construction of the major recycling facility, the taxpayer must use the
amount of credit allowed under this section to pay for (i) investment in rail or roads
associated with the facility, (ii) investment in water system infrastructure designed to
reduce the expense of transporting materials and products to and from the recycling
facility, and (iii) investment in land and infrastructure for other industrial sites located in
the same county as the recycling facility. If the Department of Commerce, after
consultation with the owner, determines that there are no reasonable economic
opportunities in a given year to use the total amount of credit for the expenditures
described above, the owner may use the excess for investment at or in connection with
the recycling facility above the initial required investment of three hundred million
dollars ($300,000,000).

Expenses incurred for the purposes allowed in this subsection during a taxable year
in the ten-year period may be counted toward a credit allowed in a later taxable year in
the ten-year period. If the owner is not able to use the full amount of the credit
during a taxable year for any of the purposes allowed by this subsection, the excess may
be used for these purposes in subsequent taxable years.
The owner must provide the Secretary of Commerce with annual audited documentation demonstrating that the amount of credit received under this section during the previous twelve-month period has not been used for a purpose inconsistent with this subsection. If the Secretary of Commerce determines that the owner has used any of the credit for a purpose that is inconsistent with the requirements of this subsection, the Secretary of Commerce shall certify the amount so used to the Secretary of Revenue and the credit allowed the owner under this section for the following taxable year shall be reduced by that amount in accordance with subsection (c) of this section.

After the end of the ten-year period, the amount of any credit allowed under this section that has not yet been used may be used for investment at or in connection with the recycling facility above the initial required investment of three hundred million dollars ($300,000,000).

(e) Credit Refundable. — If the credit allowed by this section exceeds the amount of tax imposed by Part 1 of Article 4 of this Chapter for the taxable year reduced by the sum of all credits allowable, the Secretary shall refund the excess to the taxpayer. The refundable excess is governed by the provisions governing a refund of an overpayment by the taxpayer of the tax imposed in Part 1 of Article 4 of this Chapter. In computing the amount of tax against which multiple credits are allowed, nonrefundable credits are subtracted before refundable credits. Limitations. — The credit provided in this section is allowed against the franchise tax levied in Article 3 of this Chapter and the income tax levied in Part 1 of Article 4 of this Chapter. The credit provided in this section may not exceed the amount of tax against which it is claimed for the taxable year, reduced by the sum of all other credits allowed against that tax, except tax payments made by or on behalf of the owner. Any unused portion of the credit may be carried forward for the succeeding five years.

(f) Sunset. — This section expires for taxable years beginning on or after January 1, 2013.

SECTION 28.15.(b) G.S. 105-129.27 is amended by adding a new subsection to read:

"(g) Sunset. — This section expires for purchases or leases made on or after January 1, 2013."

SECTION 28.15.(c) Section 19 of S.L. 1998-55 is repealed.

SECTION 28.15.(d) Subsection (a) 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.

PART XXIX. FEES

FEE INCREASE FOR DOMESTIC VIOLENCE PROGRAMS

SECTION 29.1.(a) G.S. 7A-305(a2) reads as rewritten:

"(a2) In every action for absolute divorce filed in the district court, a cost of fifty-five dollars ($55.00) seventy-five dollars ($75.00) shall be assessed against the person filing the divorce action. Costs collected by the clerk pursuant to this subsection shall be remitted to the State Treasurer, who shall deposit fifty-five dollars
(§55.00) to the North Carolina Fund for Displaced Homemakers established under G.S. 143B-394.10, G.S. 143B-394.10 and twenty dollars ($20.00) to the Domestic Violence Center Fund established under G.S. 50B-9. Costs assessed under this subsection shall be in addition to any other costs assessed under this section."

SECTION 29.1.(b) This section becomes effective July 1, 2008.

FOREST DEVELOPMENT FUND/FOREST PRODUCTS ASSESSMENT RATES

SECTION 29.2.(a) G.S. 113A-192(c) through G.S. 113A-192(c) are repealed.

SECTION 29.2.(b) This section becomes effective July 1, 2008.

ADJUST SECURITIES FILING FEES

SECTION 29.3.(a) G.S. 78A-31(a)(4) reads as rewritten:


(a) The Administrator, by rule or order, may require the filing of any of the following documents with regard to a security covered under section 18(b)(2) of the Securities Act of 1933 (15 U.S.C. § 77r(b)(2)):

…

(4) A notice filing pursuant to this section shall expire on December 31 of each year or some other date not more than one year from its effective date as the Administrator may by rule or order provide. A notice filing of the offer of securities covered under federal law that are to be offered for a period in excess of one year shall be renewed annually by payment of a renewal fee of two hundred fifty dollars ($250.00) one thousand dollars ($1,000) and by filing any documents and reports that the Administrator may by rule or order require consistent with this section. The renewal shall be effective upon the expiration of the prior notice period.

…"

SECTION 29.3.(b) This section becomes effective July 1, 2008.

NEWBORN SCREENING FEE CHANGES

SECTION 29.4.(a) G.S. 130A-125(c) reads as rewritten:

"(c) A fee of fourteen dollars ($14.00) eighteen dollars and ninety-one cents ($18.91) applies to a laboratory test performed by the State Public Health Laboratory of Public Health performed pursuant to this section. Fees collected shall remain in the Department to be used to offset the cost of the Newborn Screening Program and shall be assessed for all specimens of the non-Medicaid eligible population. The Director of the State Laboratory of Public Health shall review the fee annually, and each time a new test is added to the Newborn Screening Program, to determine if an increase is necessary to cover the laboratory's newborn screening costs. If the actual cost to perform newborn screening exceeds the amount of the fee authorized under this section,
then the Department shall recommend an increase in the fee for consideration by the
Director of the Budget and the General Assembly."

SECTION 29.4.(b) The Department of Health and Human Services, Division of Public Health, may use one dollar and forty-six cents ($1.46) of the fee authorized under G.S. 130A-125(c), as enacted by this section, to support two positions in the Division of Public Health. One position shall be for working with families who have an infant that has tested positive for cystic fibrosis, and one shall be used for health promotion and public awareness.

SECTION 29.4.(c) This section becomes effective July 1, 2008.

HEALTH CARE FACILITY CONSTRUCTION PROJECT FEE INCREASES

SECTION 29.5.(a) G.S. 131E-267 reads as rewritten:

"§ 131E-267. Fees for departmental review of licensed health care facility or Medical Care Commission bond-financed construction projects.
(a) The Department of Health and Human Services shall charge a fee for the review of each health care facility construction project to ensure that project plans and construction are in compliance with State law. The fee shall be charged on a one-time, per-project basis as provided in this section. In no event may a fee imposed under this section exceed two hundred thousand dollars ($200,000) for any single project. The first seven hundred twelve thousand six hundred twenty-six dollars ($712,626) in fees collected under this section shall remain in the Division of Health Service Regulation. Additional fees collected shall be credited to the General Fund as nontax revenue and are intended to offset rather than replace appropriations made for this purpose.
(b) The fee imposed for the review of a hospital construction project varies depending upon the square footage of the project:

<table>
<thead>
<tr>
<th>Over</th>
<th>Up To</th>
<th>Project Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>5,000</td>
<td>$750.00 plus $0.25 per square foot</td>
</tr>
<tr>
<td>5,000</td>
<td>10,000</td>
<td>$1,500 plus $0.40 per square foot</td>
</tr>
<tr>
<td>10,000</td>
<td>20,000</td>
<td>$2,000 plus $0.50 per square foot</td>
</tr>
<tr>
<td>20,000</td>
<td>NA</td>
<td>$3,000 plus $0.75 per square foot</td>
</tr>
<tr>
<td>30</td>
<td>0</td>
<td>$1,500 plus $0.25 per square foot</td>
</tr>
<tr>
<td>5,000</td>
<td>10,000</td>
<td>$3,000 plus $0.25 per square foot</td>
</tr>
<tr>
<td>10,000</td>
<td>20,000</td>
<td>$4,500 plus $0.45 per square foot</td>
</tr>
<tr>
<td>34</td>
<td>20,000</td>
<td>$6,000 plus $0.45 per square foot</td>
</tr>
</tbody>
</table>

(c) The fee imposed for the review of a nursing home construction project varies depending upon the square footage of the project:

<table>
<thead>
<tr>
<th>Over</th>
<th>Up To</th>
<th>Project Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>2,000</td>
<td>$250.00 plus $0.15 per square foot</td>
</tr>
<tr>
<td>2,000</td>
<td>NA</td>
<td>$250.00 plus $0.16 per square foot</td>
</tr>
<tr>
<td>2,000</td>
<td>NA</td>
<td>$500.00 plus $0.25 per square foot</td>
</tr>
</tbody>
</table>

(d) The fee imposed for the review of an ambulatory surgical facility construction project varies depending upon the square footage of the project:

<table>
<thead>
<tr>
<th>Over</th>
<th>Up To</th>
<th>Project Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>2,000</td>
<td>$200.00 plus $0.15 per square foot</td>
</tr>
<tr>
<td>Over</td>
<td>Up To</td>
<td>Project Fee</td>
</tr>
<tr>
<td>------</td>
<td>-------</td>
<td>------------------------------------</td>
</tr>
<tr>
<td>0</td>
<td>2,000</td>
<td>$175.00 plus $0.10 per square foot</td>
</tr>
<tr>
<td>2,000</td>
<td>NA</td>
<td>$175.00 plus $0.20 per square foot</td>
</tr>
<tr>
<td>2,000</td>
<td>NA</td>
<td>$350.00 plus $0.45 per square foot</td>
</tr>
<tr>
<td>0</td>
<td>5,000</td>
<td>$750.00 plus $0.25 per square foot</td>
</tr>
<tr>
<td>5,000</td>
<td>10,000</td>
<td>$1,500.00 plus $0.25 per square foot</td>
</tr>
<tr>
<td>10,000</td>
<td>20,000</td>
<td>$2,250.00 plus $0.45 per square foot</td>
</tr>
<tr>
<td>20,000</td>
<td>NA</td>
<td>$3,000.00 plus $0.45 per square foot</td>
</tr>
</tbody>
</table>

(e) The fee imposed for the review of a psychiatric hospital construction project varies depending upon the square footage of the project:

<table>
<thead>
<tr>
<th>Over</th>
<th>Up To</th>
<th>Project Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>5,000</td>
<td>$200.00 plus $0.16 per square foot</td>
</tr>
<tr>
<td>5,000</td>
<td>10,000</td>
<td>$200.00 plus $0.25 per square foot</td>
</tr>
<tr>
<td>10,000</td>
<td>20,000</td>
<td>$300.00 plus $0.45 per square foot</td>
</tr>
<tr>
<td>20,000</td>
<td>NA</td>
<td>$400.00 plus $0.45 per square foot</td>
</tr>
</tbody>
</table>

(f) The fee imposed for the review of an adult care home construction project varies depending upon the square footage of the project:

<table>
<thead>
<tr>
<th>Over</th>
<th>Up To</th>
<th>Project Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>2,000</td>
<td>$175.00 plus $0.20 per square foot</td>
</tr>
<tr>
<td>2,000</td>
<td>NA</td>
<td>$350.00 plus $0.45 per square foot</td>
</tr>
</tbody>
</table>

(g) The fee imposed for the review of the following residential construction projects is:

<table>
<thead>
<tr>
<th>Residential Project</th>
<th>Project Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Care Homes</td>
<td>$200.00 plus $225.00 flat fee</td>
</tr>
<tr>
<td>ICFR Group Homes</td>
<td>$300.00 plus $350.00 flat fee</td>
</tr>
<tr>
<td>Group Homes: 1-3 beds</td>
<td>$100.00 plus $125.00 flat fee</td>
</tr>
<tr>
<td>Group Homes: 4-6 beds</td>
<td>$200.00 plus $225.00 flat fee</td>
</tr>
<tr>
<td>Group Homes: 7-9 beds</td>
<td>$250.00 plus $275.00 flat fee</td>
</tr>
</tbody>
</table>
| Other residential:  | $250.00 plus $275.00 plus $0.75 to $0.15 per square foot of project space."

SECTION 29.5.(b) This section becomes effective July 1, 2008.

CHANGES TO ASBESTOS CONTAINING MATERIAL REMOVAL PERMIT FEES

SECTION 29.6.(a) G.S. 130A-450 reads as rewritten:

"§ 130A-450. Asbestos containing material removal permit fees.

The Department shall establish and collect an application fee for asbestos containing material removal permits to support the asbestos hazard management program. The fee shall not exceed one—shall be the greater of the following, not to exceed one thousand five hundred dollars ($1,500):

(1) One percent (1%) of the contracted price or twenty percent (20%) of the price.

(2) Twenty cents ($0.20) per square foot or linear foot of asbestos containing material to be removed, whichever is greater.

SECTION 29.6.(b) This section becomes effective July 1, 2008.
FEE FOR FLOODPLAIN MAP USE

SECTION 29.7.(a) G.S. 143-215.56 is amended by adding a new subsection to read:

"(h) The Department may charge a fee of ten dollars ($10.00) for each commercial flood hazard determination performed for improved real estate and mobile homes in North Carolina. The proceeds of the fee must be credited to a special, nonreverting account within the Department and used for the production and maintenance of Flood Insurance Rate Maps. The Department must issue a unique digital flood use stamp to indicate payment of the fee required by this subsection. A member bank or mortgage institution for which a commercial flood hazard determination is performed must acquire a unique flood use stamp each time a Standard Flood Hazard Determination Form is completed. The member bank or mortgage institution must retain a copy of the unique flood use stamp for the same period that the member bank must retain a copy of the Standard Flood Hazard Determination Form under 12 C.F.R. § 208.25(f). For purposes of this subsection, the term 'commercial flood hazard determination' means a flood hazard determination for which all of the following are true:

(1) A member bank is required to use the Standard Flood Hazard Determination Form pursuant to 12 C.F.R. § 208.25(f).

(2) The entity performing the flood hazard determination is the member bank, mortgage institution, contracted company, or person performing the determination on behalf of the member bank or mortgage institution."

SECTION 29.7.(b) This section becomes effective January 1, 2009.

PART XXX. MISCELLANEOUS PROVISIONS

STATE BUDGET ACT APPLIES

SECTION 30.1. The provisions of the State Budget Act, Chapter 143C of the General Statutes, are reenacted and shall remain in full force and effect and are incorporated in this act by reference.

COMMITTEE REPORT

SECTION 30.2.(a) The "N.C. House of Representatives Appropriations Committee Report On The Continuation, Expansion and Capital Budgets for House Bill 2436, Committee Substitute, 3rd Edition, dated June 3, 2008, which was distributed in the House of Representatives and used to explain this act, shall indicate action by the General Assembly on this act and shall therefore be used to construe this act, as provided in the State Budget Act, Chapter 143C of the General Statutes, as appropriate, for these purposes shall be considered a part of this act and as such shall be printed as a part of the Session Laws.

SECTION 30.2.(b) The budget enacted by the General Assembly is for the maintenance of the various departments, institutions, and other spending agencies of the
State for the 2008-2009 budget as provided in G.S. 143C-3-5. This budget includes the appropriations of State funds as defined in G.S. 143C-1-1(d)(25).

The Director of the Budget submitted recommended adjustments to the 2008-2009 budget to the General Assembly in May 2008 in the documents "The North Carolina State Budget Recommended Adjustments 2008-2009" and "Governor's Recommended Budget Governmental and Proprietary Funds and Selected Component Units 2008-2009" for the 2008-2009 fiscal year for the various departments, institutions, and other spending agencies of the State.

SECTION 30.2.(c) The budget enacted by the General Assembly shall also be interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and other appropriate legislation.

In the event that there is a conflict between the line-item budget certified by the Director of the Budget and the budget enacted by the General Assembly, the budget enacted by the General Assembly shall prevail.

MOST TEXT APPLIES ONLY TO 2007-2009

SECTION 30.3. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2007-2009 fiscal biennium, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 2007-2009 fiscal biennium.

EFFECT OF HEADINGS

SECTION 30.4. The headings to the parts and sections of this act are a convenience to the reader and are for reference only. The headings do not expand, limit, or define the text of this act, except for effective dates referring to a part.

SEVERABILITY CLAUSE

SECTION 30.5. If any section or provision of this act is declared unconstitutional or invalid by the courts, it does not affect the validity of this act as a whole or any part other than the part so declared to be unconstitutional or invalid.

EFFECTIVE DATE

SECTION 30.6. Except as otherwise provided, this act becomes effective July 1, 2008.