

# Daily Bulletin

## ACTIONS BY THE NORTH CAROLINA GENERAL ASSEMBLY

School of Government  
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House Legislative Day 55

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Friday, April 29, 2011

## SUMMARIES OF AMENDMENTS AND COMMITTEE SUBSTITUTES

### HOUSE BILLS

**H 200. [APPROPRIATIONS ACT OF 2011](#).** Filed 3/1/11. House committee substitute makes the following changes to the 2nd edition.

#### PART I. INTRODUCTION AND TITLE OF ACT

This act shall be known as the Current Operations and Capital Improvements Appropriations Act of 2011.

#### PART II. CURRENT OPERATIONS AND EXPANSION GENERAL FUND

##### CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

**SECTION 2.1.** Makes the following appropriations from the General Fund for the fiscal biennium ending June 30, 2013.

Current Operations – General Fund	2011-2012	2012-2013
<b>EDUCATION</b>		
Community Colleges System Office	\$ 991,518,860	\$ 991,518,860
Department of Public Instruction	7,164,492,057	7,188,174,120
University of North Carolina – Board of Governors		
Appalachian State University	145,517,520	145,634,877
East Carolina University		
Academic Affairs	245,397,807	245,397,807
Health Affairs	65,196,439	65,196,439
Elizabeth City State University	38,046,385	38,218,704
Fayetteville State University	56,905,587	56,905,587

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NC A&T State University	105,176,407	105,615,356
NC Central University	94,313,451	94,313,451
NC State University		
Academic Affairs	433,670,004	433,784,186
Agricultural Research	59,239,461	59,239,461
Agricultural Extension	43,539,609	43,539,609
UNC-Asheville	41,957,576	41,957,576
UNC-Chapel Hill		
Academic Affairs	305,534,624	308,896,160
Health Affairs	219,507,009	222,570,732
AHEC	49,747,851	49,747,851
UNC-Charlotte	216,403,013	217,419,156
UNC-Greensboro	172,887,958	172,887,958
UNC-Pembroke	61,534,005	62,277,254
UNC-School of the Arts	27,558,488	27,558,488
UNC-Wilmington	105,812,709	107,008,285
Western Carolina University	90,591,556	91,070,460
Winston-Salem State University	76,496,951	76,496,950
General Administration	38,186,863	27,628,722
University Institution Programs	(440,030,224)	(441,270,898)
Related Educational Programs	74,207,668	74,660,590
UNC Financial Aid Private Colleges	94,038,880	94,038,880
North Carolina School of Science and Mathematics	18,937,535	18,937,535
UNC Hospitals at Chapel Hill	0	0

Total University of North Carolina – Board of Governors	\$ 2,440,375,132	\$ 2,439,731,176
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## HEALTH AND HUMAN SERVICES

Department of Health and Human Services		
Division of Central Management and Support	\$ 52,152,812	\$ 46,553,422
Division of Aging and Adult Services	37,019,667	37,019,667
Division of Services for Blind/Deaf/Hard of Hearing	7,889,110	7,872,886
Division of Child Development	266,102,933	266,102,933
Division of Health Service Regulation	16,133,031	16,133,031
Division of Medical Assistance	2,961,588,184	2,912,276,302
Division of Mental Health, Developmental Disabilities and Substance Abuse	665,342,797	710,342,797
NC Health Choice	79,452,317	83,717,865
Division of Public Health	157,538,834	157,538,834
Division of Social Services	185,077,068	185,077,068
Division of Vocational Rehabilitation	37,125,788	37,528,128
Total Health and Human Services	\$ 4,465,422,541	\$ 4,460,162,933

## NATURAL AND ECONOMIC RESOURCES

Department of Agriculture and Consumer Services	\$ 62,885,947	\$ 58,601,764
Department of Commerce		
Commerce	51,491,819	32,028,510
Commerce State-Aid	28,561,423	21,484,527
NC Biotechnology Center	17,551,710	17,551,710
Rural Economic Development Center	20,376,729	20,376,729

Department of Environment and Natural Resources	163,180,800	147,986,824
DENR Clean Water Management Trust Fund	10,000,000	10,000,000
Department of Labor	15,842,931	15,842,931
Wildlife Resources Commission	18,500,000	17,721,179

**JUSTICE AND PUBLIC SAFETY**

Department of Correction	\$ 1,340,202,159	\$ 1,350,623,300
Department of Crime Control and Public Safety	222,612,176	219,684,199
Judicial Department	439,752,763	433,930,299
Judicial Department – Indigent Defense	109,353,574	108,842,576
Department of Justice	81,834,747	81,994,872
Department of Juvenile Justice and Delinquency Prevention	135,862,879	131,409,752

**GENERAL GOVERNMENT**

Department of Administration	\$ 64,481,019	\$ 66,385,149
Department of State Auditor	11,085,580	9,904,041
Office of State Controller	27,768,957	27,768,957
Department of Cultural Resources		
Cultural Resources	61,753,553	61,110,275
Roanoke Island Commission	1,203,491	0
State Board of Elections	4,093,594	4,033,594
General Assembly	47,989,154	46,700,667
Office of the Governor		
Office of the Governor	5,243,332	5,243,332
Office of State Budget and Management	5,848,663	5,848,663
OSBM – Reserve for Special Appropriations	1,940,612	440,612
Housing Finance Agency	11,702,026	11,702,026
Department of Insurance		
Insurance	36,393,921	36,393,921
Insurance – Volunteer Safety Workers' Compensation	2,294,000	2,623,654
Office of Lieutenant Governor	567,733	567,733
Office of Administrative Hearings	4,983,871	4,983,871
Department of Revenue	78,321,271	78,321,271
Department of Secretary of State	9,219,596	9,219,596
Department of State Treasurer		

State Treasurer	6,657,031	6,621,750
State Treasurer – Retirement for Fire and Rescue Squad Workers	17,812,114	17,812,114

**RESERVES, ADJUSTMENTS, AND DEBT SERVICE**

Contingency and Emergency Fund	\$ 5,000,000	\$ 5,000,000
State Retirement System Contribution	297,400,000	404,200,000
Judicial Retirement System Contribution	7,900,000	9,000,000
Firemen & Rescue Squad Workers Pension Fund	5,800,000	6,900,000
National Guard Pension Fund	263,000	523,000
State Health Plan	11,725,587	109,480,158
Information Technology Fund	4,458,142	6,158,142
Reserve for Job Development Investment Grants (JDIG)	20,400,000	27,400,000
Continuation Review Reserve	0	36,738,931
Comprehensive Review of Compensation Plans	2,000,000	0
Severance Expenditure Reserve	75,000,000	0
Debt Service		
General Debt Service	688,957,188	759,984,974
Federal Reimbursement	1,616,380	1,616,380

**TOTAL CURRENT OPERATIONS –  
GENERAL FUND****\$ 19,299,698,062 \$ 19,510,349,072****Capital Improvements – General Fund****2011-2012 2012-2013**

Water Resources Development Projects	4,535,000	0
TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	4,535,000	0

**TOTAL ADJUSTMENT****\$ 19,304,233,062 \$ 19,510,349,072****GENERAL FUND AVAILABILITY STATEMENT**

**SECTION 2.2.(a)** The General Fund availability used in developing the 2011-13 biennial budget is as follows.

	<b>FY 2011-2012</b>	<b>FY 2012-2013</b>
Unappropriated Balance Remaining	\$ 0	\$ 120,233,506
Ending Unreserved Fund Balance for FY 2009-2010	236,902,394	0
Anticipated Reversions for FY 2010-2011	537,740,799	0
Anticipated Overcollections from FY 2010-2011	156,300,000	0
Repayment of Medicaid Receipts in FY 2010-2011	(125,000,000)	0

**Statutory Earmarks:**

Savings Reserve Account	(201,485,798)	0
Repairs and Renovations Reserve Account	(201,485,798)	0

<b>Beginning Unreserved Fund Balance</b>	<b>\$ 402,971,597</b>	<b>\$ 120,233,506</b>
<b>Revenues Based on Existing Tax Structure</b>	<b>\$18,129,800,000</b>	<b>\$19,181,900,000</b>
<b>Nontax Revenues</b>		
Investment Income	\$ 59,400,000	\$ 76,700,000
Judicial Fees	217,800,000	217,800,000
Disproportionate Share	100,000,000	100,000,000
Insurance	71,400,000	73,500,000
Other Nontax Revenues	182,500,000	182,500,000
Highway Trust Fund/Use Tax Reimbursement Transfer	41,500,000	27,600,000
Highway Fund Transfer	20,230,000	24,080,000
<b>Subtotal Nontax Revenues</b>	<b>\$ 692,830,000</b>	<b>\$ 702,180,000</b>
<b>Total General Fund Availability</b>	<b>\$19,225,601,597</b>	<b>\$20,004,313,506</b>
<b>Adjustments to Availability: 2011 Session</b>		
Loss of Estate Tax (nonrecurring)	\$ (57,100,000)	\$ (72,200,000)
Reserve for Finance Committee	(230,000,000)	(405,000,000)
Repeal Wildlife Resources Sales Tax Earmark	22,970,000	23,920,000
Suspend Corporate Income Tax Earmark (Public School Construction)	72,110,000	74,750,000
Increase in Judicial Fees	57,319,466	57,319,466
Transfer from E-Commerce Reserve Fund	4,483,526	0
Divert Funds from Parks & Recreation Trust Fund	8,435,000	0
Divert Funds from Recreational/ Natural Heritage Trust Fund	8,000,000	0
Transfer from Commerce – Enterprise Fund	500,000	0
Transfer from Highway Fund for State Highway Patrol	193,527,300	190,394,000
Transfer from Mercury Prevention Pollution Fund	250,000	0
Divert Funds from Scrap Tire Disposal Account	2,268,989	0
Divert Funds from White Goods Management Account	1,951,465	0
Diversion of Golden LEAF Funds	67,563,760	67,563,760
Tobacco Master Settlement Agreement Funds	16,585,466	16,697,818
Department of Revenue – Accounts Receivable Program	15,000,000	15,000,000
Medicaid Disproportionate Share Receipts	15,000,000	15,000,000
Redirect Dispute Resolution Fees	(205,535)	(205,535)
<b>Subtotal Adjustments to         Availability: 2011 Session</b>	<b>\$ 198,659,437</b>	<b>\$ (16,760,491)</b>
<b>Revised General Fund Availability</b>	<b>\$ 19,424,261,034</b>	<b>\$ 19,987,347,480</b>
<b>Less General Fund Appropriations:</b>	<b>\$ (19,304,233,062)</b>	<b>\$ (19,510,349,072)</b>
<b>Unappropriated Balance Remaining</b>	<b>\$ 120,027,971</b>	<b>\$ 476,998,408</b>

**SECTION 2.2.(b)** Transfers \$41.5 million for 2011-12 and \$27.6 million for 2012-13 under GS 105-187.9(b)(1) and GS 105-187.9(b)(2).

**SECTION 2.2.(c)** Directs the Secretary of Revenue to transfer the funds specified in GS 115C-546.1(b) to the State Controller for deposit in Nontax Budget Code 19978 (Intrastate Transfers) during the 2011-13 fiscal biennium to offset continued operations of the state's public schools.

**SECTION 2.2.(d)** Effective July 1, 2011, transfers the following amounts to the State Controller to be deposited in Nontax Budget Code 19878 (Intrastate Transfers) or the appropriate budget code as determined by the State Controller, to be used to support the General Fund appropriations as specified in this act for the 2011-12 fiscal year.

Budget Code	Fund Code	Description	Amount
24100	2514	E-Commerce Reserve	4,483,526
54600	5881	Commerce Enterprise Fund	500,000
24300	2119	Mercury Prevention Pollution Fund	250,000

**SECTION 2.2.(e)** Pursuant to Section 2(b) of SL 1999-2, transfers the 50% of the 2011-12 and 2012-13 annual installment payments to the North Carolina State Specific Account that would have been transferred to The Golden L.E.A.F. (Long-Term Economic Advancement Foundation), Inc. to the General Fund instead.

**SECTION 2.2.(f)** Effective for taxes levied during 2011-12, directs the Secretary of Revenue to credit to the General Fund the net tax proceeds that GS 105-187.19(b) directs the Secretary to credit to the Scrap Tire Disposal Account.

**SECTION 2.2.(g)** Effective for taxes levied during 2011-12, directs the Secretary of Revenue to credit to the General Fund the net tax proceeds that GS 105-187.24 directs the Secretary to credit to the White Goods Management Account.

**SECTION 2.2.(h)** Effective for taxes levied during 2011-12, directs the Secretary of Revenue to credit \$8.435 million to the General Fund of the net tax proceeds that GS 105-228.30(b) directs the Secretary to credit to the Parks and Recreation Trust Fund.

**SECTION 2.2.(i)** Effective for taxes levied during 2011-12, directs the Secretary of Revenue to credit \$8 million to the General Fund of the net tax proceeds that GS 105-228.30(b) directs the Secretary to credit to the Natural Heritage Trust Fund.

**SECTION 2.2.(j)** Of the funds available in the year-end 2010-11 fund balance, authorizes the Governor to use up \$125 million to repay the federal Centers for Medicare and Medicaid Services for excess Medicaid funds drawn down during the 2009-10 fiscal year. Directs the Governor to report the amount of funds used under this section no later than 30 days after payment to specified entities.

### PART III. CURRENT OPERATIONS/HIGHWAY FUND

#### CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND

**SECTION 3.1.** Appropriations from the State Highway Fund for the fiscal biennium ending June 30, 2013, are as follows.

Current Operations – Highway Fund	2011-2012	2012-2013
Department of Transportation Administration	\$ 87,555,806	\$ 87,555,806
Division of Highways Administration	30,709,626	28,923,392
Construction	80,401,826	79,508,087
Maintenance	1,073,293,592	1,145,325,356
Planning and Research	4,055,402	4,055,402
OSHA Program	372,792	372,792
Ferry Operations	31,189,589	38,538,132
State Aid Municipalities	89,373,921	90,187,224
Public Transportation	93,794,695	93,794,695
Airports	18,401,413	22,311,031
Railroads	22,101,153	22,101,153
Governor's Highway Safety	273,093	273,093
Division of Motor Vehicles	89,823,520	42,758,451
Other State Agencies, Reserves, Transfers	286,143,572	296,795,386
Capital Improvements	15,250,000	15,000,000

<b>Total</b>	<b>\$ 1,922,740,000</b>	<b>\$ 1,967,500,000</b>
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**HIGHWAY FUND AVAILABILITY STATEMENT**

**SECTION 3.2.** The Highway Fund availability used in developing the 2011-13 fiscal biennial budget is as follows.

<b>Highway Fund Availability Statement</b>	<b>2011-2012</b>	<b>2012-2013</b>
Unappropriated Balance from Previous Year	\$ 0	\$ 0
Beginning Credit Balance	0	0
Estimate Revenue	1,922,740,000	1,967,500,000
<b>Total Highway Fund Availability</b>	<b>\$ 1,922,740,000</b>	<b>\$ 1,967,500,000</b>
Unappropriated Balance	\$ 0	\$ 0

**PART IV. HIGHWAY TRUST FUND APPROPRIATIONS****Highway Trust Fund Appropriations**

**SECTION 4.1.** Appropriations from the State Highway Trust Fund for the biennium ending June 30, 2013, are as follows.

<b>Current Operations – Highway Trust Fund</b>	<b>2011-2012</b>	<b>2012-2013</b>
Intrastate	\$ 435,942,824	\$ 454,712,566
Aid to Municipalities	48,605,470	50,602,947
Secondary Roads	51,155,667	56,820,944
Program Administration	44,774,400	47,107,200
Turnpike Authority	99,000,000	99,000,000
Transfer to General Fund	41,497,276	27,595,861
Transfer to Highway Fund	400,000	400,000
Debt Service	79,231,728	81,481,543
Mobility Fund	272,602,635	213,568,939
<b>Grand Total Current Operations</b>	<b>\$ 1,073,210,000</b>	<b>\$ 1,031,290,000</b>

**HIGHWAY TRUST FUND AVAILABILITY STATEMENT**

**SECTION 4.2.** The Highway Trust Fund availability used in developing the 2011-13 fiscal biennial budget is shown below.

<b>Total Highway Trust Fund Availability</b>	<b>\$ 1,073,210,000</b>	<b>\$ 1,031,290,000</b>
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**PART V. OTHER APPROPRIATIONS****APPROPRIATION OF OTHER FUNDS**

**SECTION 5.1.(a)** Appropriates and authorizes state funds, as defined in GS 143C-1-1(d)(25), as provided in GS 143C-1-2 for the 2011-13 fiscal biennium, with the adjustments made to the continuation budget as reflected in the Governor's Recommended Budget and Budget Support document, as follows:

(1) For all budget codes listed in "The State of North Carolina Governor's Recommended Budget, 2011-2013" and in the Budget Support Document, cash balances and receipts are appropriated up to the amounts specified, as adjusted by the General Assembly, for 2011-12 and 2012-13. Funds may be expended only for the programs, purposes, objects, and line items or as otherwise authorized by the General Assembly. Expansion budget funds listed in those documents are appropriated only as otherwise provided in this act.

(2) Notwithstanding the provisions of subdivision (1) of this subsection:

a. Any receipts that are required to be used to pay debt service requirements for various outstanding bond issues and certificates of participation are appropriated up to the actual amounts received for 2011-12 and 2012-13, and must be used only to pay debt service requirements.

b. Other funds, cash balances, and receipts of funds that meet the definition issued by the Governmental Accounting Standards Board of a trust or agency fund are appropriated for and in the amounts required to meet the legal requirements of the trust agreement for 2011-12 and 2012-13.

**SECTION 5.1.(b)** Receipts collected in a fiscal year in excess of the amounts authorized by this section will remain unexpended and unencumbered until appropriated by the General Assembly in a subsequent fiscal year, unless the expenditure of overrealized receipts in the fiscal year in which the receipts were collected is authorized by the State Budget Act. Overrealized receipts are appropriated up to the amounts necessary to implement this subsection.

**SECTION 5.1.(c)** Directs the Office of State Budget and Management to report, as specified, to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division within 30 days after the end of each quarter on any overrealized receipts approved for expenditure under this subsection by the Governor.

**SECTION 5.1.(d)** Notwithstanding subsections (a) and (b) of this section, appropriates from the Reserve for Reimbursements to Local Governments and Shared Tax Revenues for each fiscal year an amount equal to the amount of the distributions required by law to be made from that reserve for that fiscal year.

#### OTHER RECEIPTS FROM PENDING GRANT AWARDS

**SECTION 5.2.(a)** Authorizes state agencies, with approval of the Governor and after consultation with the Joint Legislative Commission on Governmental Operations, to spend funds received from grants awarded subsequent to the enactment of this act.

**SECTION 5.2.(b)** Directs the Office of State Budget and Management to work with the recipient state agencies to budget grant awards according to the annual program needs and within the parameters of the respective granting entities, as detailed. Directs the Office of State Budget and Management to consult with the Joint Legislative Commission on Governmental Operations before expending any funds received from grant awards. Funds received from such grants are hereby appropriated and shall be incorporated into the authorized budget of the recipient state agency.

**SECTION 5.2.(c)** Prohibits any state agency from accepting a grant not anticipated in this act if acceptance of the grant would obligate the state to make future expenditures relating to the program receiving the grant or would otherwise result in a financial obligation as a consequence of accepting the grant funds.

#### CIVIL FORFEITURE FUNDS

**SECTION 5.3.** Appropriations. – Makes the following appropriations from the Civil Penalty and Forfeiture Fund for the fiscal biennium ending June 30, 2013.

	<b>FY 2011-2012</b>	<b>FY 2012-2013</b>
School Technology Fund	\$ 18,000,000	\$ 18,000,000
State Public School Fund	120,362,790	120,362,790
Total Appropriation	\$ 138,362,790	\$ 138,362,790

#### EDUCATION LOTTERY

**SECTION 5.4.(a)** Transfers \$424,973,630 for 2011-12 from the State Lottery Fund to support appropriations made in this act.

**SECTION 5.4.(b)** Makes the following appropriations from the Education Lottery Fund for 2011-12.

Teachers in Early Grades	\$ 220,643,188
Prekindergarten Program	63,135,709
Public School Building Capital Fund	55,238,170
Scholarships for Needy Children	34,600,000
UNC Need-Based Financial Aid	51,356,563
Total Appropriation	\$ 424,973,630

**SECTION 5.4.(c)** Prohibits the North Carolina State Lottery Commission from transferring funds to the Education Lottery Reserve Fund for 2011-12 or 2012-13.

**SECTION 5.4.(d)** Allocates funds appropriated in this section to the Public School Building Capital Fund for 2011-12 to counties on the basis of average daily membership (ADM). Permits counties to authorize local school administrative units to use funds received from the Public School Building Capital Fund under subsection (f) of this section for one or more of the following purposes only: (1) for school construction projects in accordance with GS 115C-546.2(d); (2) to retire indebtedness incurred on or after January 1, 2003, in accordance with



GS 115C-546.2(d), for school construction projects; and (3) for classroom teachers, only upon the request of the local board of education.

**SECTION 5.4.(e)** Specifies that the funds appropriated in this section for UNC Need-Based Financial Aid will be administered in accordance with the policy adopted by the UNC Board of Governors.

**SECTION 5.4.(f)** States that if the actual net lottery revenues for 2011-12 exceed the amounts appropriated in subsection (b) of this section, then the excess net lottery revenues will be allocated for school capital on the basis of average daily membership.

## **PART VI. GENERAL PROVISIONS**

### **CLARIFY CERTIFIED BUDGET**

**SECTION 6.1.(a)** States that the purpose of this section is to clarify the distinction between changes to the budget enacted by the General Assembly in this act and those made by the Director of the Budget pursuant to other authority.

**SECTION 6.1.(b)** Provides that for the 2011-13 fiscal biennium, the certified budget for each state agency must reflect only the total appropriations enacted for each state agency by the General Assembly in this act as modified by this act; therefore, the Director of the Budget must modify the certified budget only to reflect the following actions and only to the extent that they are authorized by this act: the allocation of funds set out in reserves, and government reorganizations. Requires the Director of the Budget to set out all other budget modifications in the authorized budget.

### **CONTINGENCY AND EMERGENCY FUND LIMITATION**

**SECTION 6.2.** Provides that for the 2011-13 fiscal biennium, funds appropriated to the Contingency and Emergency Fund may be used only for expenditures required by a court or Industrial Commission order or to respond to events as authorized under GS 166A-5(1)a.9. of the NC Emergency Management Act of 1977.

### **ESTABLISHING OR INCREASING FEES UNDER THIS ACT**

**SECTION 6.3.** Provides that 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 and that an agency may adopt an emergency rule to establish or increase a fee as authorized by this act in certain circumstances.

### **CONSULTATION REQUIRED BEFORE CREATION OF NEW FUNDS**

**SECTION 6.4.** Requires the Office of State Budget and Management (OSBM) and the Office of the State Controller to consult with the Joint Legislative Commission on Governmental Operations before establishing a new fund as defined in GS 143C-1-3.

### **INTERIM APPROPRIATIONS COMMITTEES/MEETINGS/CONSULTATION BY GOVERNOR**

**SECTION 6.5.** Authorizes the House and Senate Appropriations Committees (the Committees) to meet monthly between legislative sessions to examine and oversee state agencies' execution and administration of the budget and to perform specified tasks. Requires that the Governor consult with the Committees prior to certain events and expenditures.

### **JUSTIFICATION/OPERATIONAL REVIEWS**

**SECTION 6.6.** Requires periodic Justification Reviews for operations of state government and nongovernmental entities receiving state funds. Specifies scope of the reviews. Specifies programs or services that are to be the subject of review in fiscal 2011-12. Requires reporting.

### **CONTINUATION REVIEW OF CERTAIN FUNDS/PROGRAMS/DIVISIONS**

**SECTION 6.7.** States the General Assembly's intent to periodically and systematically review the funds, agencies, divisions, and programs financed by state government through a Continuation Review Program. Authorizes the Committees to review specified funds, programs, and divisions and requires them to determine whether to continue, reduce, or eliminate funding for them. Requires reporting. Specifies contents of continuation review reports.

### **STATE GOVERNMENT REORGANIZATION**

**SECTION 6.8.** Requires the Joint Legislative Commission on Governmental Operations to study the feasibility of creating a single department to support state departments, agencies, and offices with services, including human resource management, information technology, purchasing, and budget and financial management. Requires reporting.

#### **UTILIZATION REVIEW/PUBLIC SCHOOL AND PUBLIC HEALTH NURSES**

**SECTION 6.9.** Requires, beginning July 1, 2011, that the Fiscal Research Division, in consultation with the Department of Public Instruction and the Department of Health and Human Services, review all publicly funded public school nurse positions to determine the most effective and cost-efficient ways to provide nursing services. Specifies contents of the review and requires reporting.

#### **GLOBAL TRANSPARK DEBT/REPORT**

**SECTION 6.10.** Amends GS 147-69.2(b)(11), as amended, to set the final maturity of funds with respect to assets of the Escheat Fund and obligations of the Trans Park Authority not later than Oct. 1, 2012 (had been 2011). Requires reporting by the Global TransPark Authority.

#### **HEALTH AND WELLNESS TRUST FUND AND TOBACCO TRUST FUND/FUTURE MSA PAYMENTS**

**SECTION 6.11.** Effective December 31, 2011, abolishes the Health and Wellness Trust Fund. Rewrites Section 6 of S.L. 1999-2, reallocating funds under the Master Settlement Agreement as follows: 50% to the nonprofit corporation as provided by the Consent Decree; and 50% to debt service authorized by the State Capital Facilities Act of 2004, Part 1 of SL 2004-179 and SL 2004-124, \$8 million as credited to Budget Code 69430 to be transferred to the University Cancer Research Fund, and the balance to the state General Fund to be used for specified purposes. Requires the Health and Wellness Trust Fund Commission and the Tobacco Trust Fund Commission to develop a plan to phase out existing programs and staff by December 31, 2011. Provides that any funds remaining in the Health and Wellness Trust Fund and the Tobacco Trust Fund on December 31, 2011, shall revert to the General Fund. Repeals GS Chapter 147 Art. 6C, GS 143-717, 143-719, 143-723, 143C-9-3, and makes various conforming changes.

#### **COMPENSATION LIMITATIONS FOR GRANTEE ORGANIZATIONS RECEIVING STATE FUNDS**

**SECTION 6.12.** Provides that any private organization that is a GS 143C-6-23(a)(2) grantee must impose an annual salary cap on full and part-time employees paid from state funds in accordance with a specified schedule. Also provides that no state funds may be used to support the costs of any position with an annual salary in excess of \$250,000. Salaries capped pursuant to the provisions of Parts X and XIV of this act are exempted. GS 143C-6-23(f) applies to violations.

#### **CONSOLIDATION OF AIR SERVICES AND CENTRALIZATION OF AIR MANAGEMENT/STATE-OWNED PASSENGER AND NON-PASSENGER VEHICLES**

**SECTION 6.13.** Requires the Program Evaluation Division to (1) evaluate the consolidation of air services provided by the Department of Transportation, the State Bureau of Investigation, and the University of North Carolina Passenger Mission and make recommendations; (2) study the formation of an Aviation Management Authority; and (3) study all passenger and non-passenger vehicles owned and operated by all state government departments, institutions, and entities. Requires reporting.

#### **TORNADO ASSISTANCE**

**SECTION 6.14.** Expresses the General Assembly's intent to provide state matching funds to help mitigate losses, rebuild infrastructure, and aid citizens and businesses affected by the April 16, 2011, storms.

#### **STATE-OWNED DISPOSABLE ASSETS**

**SECTION 6.15.** Requires the Department of Administration to take certain action regarding "State-owned disposable assets" (defined as state-owned land, buildings, and other assets that are unused, underused, or do not involve a core function of government), including developing criteria to be considered prior to the sale; determining whether the highest and best use is being made of the asset; review assets to determine whether an agency has any property that meets the criteria as set forth in this section; and examining current law to determine amendments to allow for the most efficient and effective disposition of assets. Requires reporting.

#### **PART VI-A. INFORMATION TECHNOLOGY INFORMATION TECHNOLOGY FUND/AVAILABILITY**

**SECTION 6A.1.(a)** Specifies that the availability used to support appropriations made in this act from the Information Technology Fund established in GS 147-33.72H is as follows:

	FY 2011-2012	FY 2012-2013
Appropriation from General Fund	\$4,458,142	\$6,158,142
Interest	\$ 100,000	\$ 100,000
IT Fund Balance June 30	\$2,454,934	\$1,227,467
<b>Total Funds Available</b>	<b>\$7,013,076</b>	<b>\$7,485,609</b>

Makes appropriations from the Information Technology Fund for the 2011-13 fiscal biennium as follows:

	FY 2011-2012	FY 2012-2013
Information Technology Operations		
Center for Geographic Information and Analysis	\$ 599,347	\$ 599,347
Enterprise Security Risk Management	\$1,064,148	\$1,064,148
Enterprise Project Management Office	\$1,673,285	\$1,673,285
Architecture and Engineering	\$ 648,000	\$ 648,000
Criminal Justice Information Network	\$ 166,422	\$ 166,422
Statewide IT Procurement	\$0	\$0
ITS Overhead Reduction	(\$91,486)	(\$91,486)
Subtotal Information Technology Operations	\$4,059,716	\$4,059,716
Information Technology Projects		
State Portal	\$0	\$0
IT Consolidation	\$1,320,893	\$ 820,893
Transfer to OSC for Data Integration	\$ 100,000	\$ 100,000
Subtotal Information Technology Projects	\$1,420,893	\$ 920,893
Data Integration License Funding Transfer to State Agencies	\$ 200,000	\$2,400,000
Position Transfer to Office of State Budget and Management	\$ 105,000	\$ 105,000
<b>Total</b>	<b>\$5,785,609</b>	<b>\$7,485,609</b>

**SECTION 6A.1.(b)** Provides for an annual transfer of data integration funding in the Information Technology Fund to state agencies according to a specified allocation. Provides that any licensing requirements after the 2011-13 fiscal biennium are the responsibility of the participating agency. Requires the State Chief Information Officer to notify affected agencies of this requirement. Requires reporting.

**SECTION 6A.1.(c)** Provides that this section is effective when it becomes law.

#### INFORMATION TECHNOLOGY OPERATIONS

**SECTION 6A.2.(a)** Requires the Office of Information Technology Services (OITS) to develop an annual budget for review and approval by the OSBM that must be included in the Governor's budget recommendations to the General Assembly. Provides that OSBM must ensure that state agencies have an opportunity to adjust their budgets based on any rate changes proposed by the OITS and approved by OSBM. Provides that any uses of the Internal Service Fund not specifically related to the operation of the OITS must be reported immediately.

**SECTION 6A.2.(b)** Requires the State Chief Information Officer to consult the respective state agency chief information officer and obtain approval from the OSBM prior to the initiation of any enterprise project or contract. Provides that state agency requirements must be incorporated into any enterprise agreement signed by the State Chief Information Officer and that enterprise projects may not exceed the participating State agencies' ability to financially support the contracts.

**SECTION 6A.2.(c)** Prohibits the State Chief Information Officer from entering into any information technology contracts without obtaining written agreements from participating state agencies regarding the apportionment of the contract cost. Establishes requirements for state agencies agreeing to participate in a contract. Requires the State Chief Information Officer to ensure that enterprise project and contract costs are allocated to participating agencies in an equitable manner.

**SECTION 6A.2.(d)** Provides that prior to initiation, any information technology project or any segment of a multipart project costing \$100,000 must be approved by the General Assembly.

**SECTION 6A.2.(e)** Authorizes the OITS to procure information technology goods and services for up to three years where the terms of the procurement contract require payment of all, or a portion, of the contract price at the beginning of the contract agreement. Specifies conditions that must be met before payment for these agreements may be disbursed. Requires the OSBM to ensure the savings from any authorized agreement are included in the Information Technology Internal Service Fund rate calculations before the OSBM annually approves proposed rates. Any savings resulting from the agreements must be returned to agencies included in the contract in the form of reduced rates. Provides that multiyear contracts may not result in rate increases for participating agencies. Requires reporting by the Office of Information Technology Services.

**SECTION 6A.2.(f)** Requires state agencies developing and implementing information technology projects to use the state infrastructure to host their projects, subject to an exception. Requires that projects currently hosted outside the state infrastructure be returned to state infrastructure by the end of any current contract. Requires reporting.

**SECTION 6A.2.(g)** Requires that service level agreements developed with supported state agencies include metrics for the Office of Information Technology Services and the supported agencies. Provides for action in the event of failure to meet the metrics.

**SECTION 6A.2.(h)** Requires the OITS to assist state agencies in identifying the least expensive source and best value for the purchase of IT goods and services and ensure that agencies receive every available discount when making purchases. Requires reporting in certain circumstances.

**SECTION 6A.2.(i)** Requires the state CIO to ensure that bills from the OITS are easily understood and transparent. Provides that if a state agency fails to pay its IT Internal Service Fund bills within 30 days of receipt, the OSBM may transfer funds from the agency to cover the cost of the bill.

#### **COORDINATION OF INFORMATION TECHNOLOGY REQUIREMENTS AND GEOGRAPHIC INFORMATION SYSTEM REQUIREMENTS**

**SECTION 6A.3.** Requires the State Chief Information Officer (CIO), through the Enterprise Project Management Office, to develop a plan and adopt measures to avoid the duplication of information technology capabilities and resources. Provides that when multiple agencies require the same or substantially similar information technology capability, the CIO must designate one agency as the lead to coordinate support and to manage that capability for all state agencies requiring it, with the CIO maintaining oversight of the effort. Specifies activities that must be undertaken by the Enterprise Project Management Office, including review of ongoing and future technology projects for certain purposes and other activities and requires reporting by that office. Requires that all state agencies must coordinate any Geographic Information System initiatives through the Center for Geographic Information and Analysis (CGIA) to ensure that they are not duplicating an existing function. Requires the CGIA to monitor and approve all new GIS-related information technology projects and expansion budget requests. Requires reporting.

#### **CRIMINAL JUSTICE LAW ENFORCEMENT AUTOMATED DATA SERVICES (CJLEADS)**

**SECTION 6A.4.** Requires the Office of the State Controller, in cooperation with the State Chief Information Officer (State CIO) to continue the implementation of CJLEADS throughout the state, review plans to transition CJLEADS to the Department of Justice, provide a recommendation on the best alternative for managing and hosting CJLEADS and a time line for transition, and provide quarterly reports on program status. Requires the Office of the State Controller (OSC) to administer CJLEADS with the assistance of a Leadership Council composed of, among others, the Attorney General and AOC Director. Provides that data not classified as a public record under GS 132-1 shall not be considered a public record when incorporated into CJLEADS. Requires that each source agency providing data for CJLEADS is the sole custodian of the data for the purpose of requests for inspection or copies. Provides that CJLEADS may only allow access to data from the source agencies in accordance with rules adopted by those respective agencies. Repeals Section 6.10 of S.L. 2010-31.

#### **CONTINUING PILOT PROGRAM TO ALLOW PUBLIC-PRIVATE PARTNERSHIPS TO MEET DEPARTMENT OF REVENUE TECHNOLOGY NEEDS**

**SECTION 6A.5.** Authorizes the Secretary of the Department of Revenue (the Secretary) to enter into public-private arrangements where the funding of the project under the arrangement comes from project-generated revenue and the project is related to implementation of the Tax Information Management System (TIMS) and additional components of the Planning and Design Project (PDP). Provides that all such arrangements must terminate by June 30, 2015. Work under the arrangement may be contracted by requests for proposals, modifications to existing contracts, and purchases using existing contract vehicles. Requires the Secretary to establish a measurement process to determine the increased revenue attributable to the arrangements; the process must include: (1) Calculation of a revenue baseline against which the increased

revenue attributable to the project is measured; (2) Periodic evaluation to determine if the baseline needs to be modified; and (3) Monthly calculation of increased revenue attributable to contracts executed under this program. Of funds generated from collections above the subdivision (1) baseline in both the General Fund, Highway Funds, and the state portion of the Unauthorized Substance Tax collections of the Special Revenue Fund, up to \$45.5 million may be authorized by the OSBM for the purchases related to the implementation of TIMS and the additional components of the PDP. Authorizes the Department of Revenue to retain an additional \$6,646,557 from benefits generated for the General Fund since the beginning of the public-private partnership which must be used as payment of internal costs for the fiscal biennium and appropriates them for that purpose. Specifies that if the Department of Revenue finds that it cannot generate additional benefits totaling \$45.5 million through June 30, 2015, or that total costs exceed the total available appropriations and earned benefits, then the Department must: (i) immediately notify the chairs of the House and Senate Appropriations Committees and the Fiscal Research Division, (ii) identify any obligations to vendors, (iii) identify options for meeting obligations to vendors, and (iv) provide costs associated with each option. Notification must be made in time to allow the General Assembly to evaluate the options. Requires the Department of Revenue to engage the services of private counsel with pertinent expertise to review requests for proposals and negotiate and review contracts associated with TIMS and the additional components of the PDP. Establishes an Oversight Committee for reviewing and approving the benefits measurement methodology and calculation process and specifies committee's responsibilities and composition. Requires reporting by the Department of Revenue. Provides that TIMS shall be subject to existing Information Technology project oversight legislation and that TIMS project management must comply with all statutory requirements and other requirements established by the State CIO and the OSBM for information technology projects. The State CIO and the OSBM must immediately report such lapses. Repeals Section 6.20 of SL 2009-451, as rewritten by Section 2.3 of SL 2010-123.

#### **INFORMATION TECHNOLOGY PERSONAL SERVICES CONTRACT REQUIREMENTS**

**SECTION 6A.6.** Effective for the 2011-13 fiscal biennium, sets information technology personal services contract requirements. Requirements include, among other things, that no contract for such services, or providing personnel to perform information technology functions, may be established or renewed without the approval of the Statewide Information Technology Procurement Office and that before any State agency, department, or institution may renew a contract position for information technology personnel, it must report to the Statewide Information Technology Procurement Office, the OSBM, the Office of State Personnel, the Office of Information Technology Services, and the Fiscal Research Division. Provides that whenever a state agency, department, or institution determines that only a contractor can fill a position required to perform an ongoing function, the agency head must develop and implement a plan to hire or train a qualified state employee to fill the position within 12 months. Requires reporting of the plan. Requires monthly reporting by each state agency, department, and institution employing information technology personal services contractors, or contract personnel performing information technology functions. Specifies report contents. Requires each state agency to provide a detailed explanation of any differences between the agency report and the Information Technology Expenditures Report published annually by the OSC. Provides that this section does not apply to UNC and its constituent institutions.

#### **STATE INFORMATION TECHNOLOGY CONSOLIDATION**

**SECTION 6A.7.** Requires the State CIO, in conjunction with the OSBM, to develop a plan for consolidating the information technology infrastructure and applications of all state agencies, departments, and institutions in the executive branch. Specifies contents of the consolidation plan. When setting consolidation targets, requires the State CIO to give high priority to infrastructure issues that pose significant risk to agency operations or data that provide opportunities for immediate cost savings, and where a statewide approach would minimize disruption of services. In carrying out the consolidation, the Office of Information Technology Services will use the authority set out in GS 147-33.83. Requires the State CIO to plan and implement an enterprise level grants management system and the Department of Health and Human Services to develop a plan to implement a single case management system. Requires reporting.

#### **ITS/INTERNAL SERVICE FUND RATE ESTABLISHMENT/CASH MANAGEMENT**

**SECTION 6A.8.** Provides that for the 2011-13 fiscal biennium, receipts for the Information Technology Internal Service Fund may not exceed \$190 million, excluding a 60-day balance for contingencies. Requires that rates established by the OSBM to support the IT Internal Service Fund must be based on this required fund limit and that established rates be adjusted if the fund exceeds the limit. If an increase in receipts for the IT Internal Service Fund is required, authorizes the Office of Information Technology Services to implement the increase after consultation with the Joint Legislative Commission on Governmental Operations. Requires that rates be set to support a specific service for which an agency is being charged. Overhead charges to agencies must be

consistently applied and not exceed industry standards, rate increases must be approved by OSBM, and rate reductions must be immediately implemented following notification to the OSBM. Requires reporting by the State CIO.

#### **INFORMATION TECHNOLOGY PRIVATIZATION**

**SECTION 6A.9.** Provides that any privatization of any grouping of information technology services, or "towers," identified in the Infrastructure Study and Assessment (INSA) require prior General Assembly approval. Funding to support any outsourcing of any of these towers must be specifically appropriated by the General Assembly. Requires the State CIO to take specified steps before privatizing any major information technology function during the 2011-13 fiscal biennium and to take certain steps after privatizing any major information technology function, including, among other things, reporting.

#### **STATE PORTAL**

**SECTION 6A.10.** Authorizes the Department of Administration (Department) to implement and operate a statewide electronic enterprise portal to increase the convenience of members of the public in conducting online transactions with, and obtaining information from, state government and to facilitate their interactions and communications with government agencies. Requires the portal to be hosted on state information technology infrastructure. Requires the Department to provide specified items to the General Assembly prior to implementation of a portal, including, among other things, a detailed plan for development and implementation. Provides that participation in the portal by state agencies is voluntary and that any fees or charges collected for its use or any supporting functions must be collected by the Department and deposited in the General Fund. Requires the portal project to meet all requirements for project management established by the State CIO.

#### **TRANSFER CRIMINAL JUSTICE INFORMATION NETWORK TO THE OFFICE OF THE STATE CHIEF INFORMATION OFFICER**

**SECTION 6A.11.** Transfers the Criminal Justice Information Network to the Office of the State CIO and specifies that the transfer shall have all the elements of a Type II transfer, as defined in GS 143A-6. Makes conforming changes to provisions in GS Chapter 143.

#### **INTEGRATED BUDGET INFORMATION SYSTEM**

**SECTION 6A.12.** Requires the OSBM to create a detailed, comprehensive plan for the development and implementation of the Integrated Budget Information System (IBIS). Sets a date for plan submission and specifies plan contents. Requires the OSBM to report on the status of IBIS, and specifies report contents. Requires the State CIO to immediately suspend the project if OSBM fails to report. Provides that if OSBM fails to timely submit reports to the Enterprise Project Management Office for inclusion in the project portfolio management tool, the State CIO must immediately suspend the project until the information is completed in the tool.

#### **COMPREHENSIVE, ENTERPRISE-LEVEL DATA INTEGRATION CAPABILITY**

**SECTION 6A.13.** Requires the Office of the State Controller (OSC) to continue the development of a comprehensive, enterprise-level data integration capability, providing broad access to and analysis of information across state government. Requires the OSC to update the BEACON Strategic Plan for Data Integration and report accordingly. Requires the plan to comply with all necessary security measures and restrictions. Requires the OSC to develop, document, and enforce security requirements for data integration initiatives, to include establishing and monitoring security standards for vendors supporting development and implementation efforts. Requires the OSC to develop an enterprise process to detect fraud, waste, and improper payments across state agencies, includes specific requirements, and appropriates \$100,000 of the funds appropriated to the Information Technology Fund to support this initiative. Creates a Data Integration Steering Committee with responsibility for providing oversight for all data integration efforts in the state. Provides that the Committee will assume all of the BEACON Project Steering Committee roles and responsibilities for oversight of data integration projects and provides for Committee composition.

### **PART VII. PUBLIC SCHOOLS**

#### **EDUCATION REFORM IN NORTH CAROLINA**

**SECTION 7.1.** Directs the Joint Education Oversight Committee to study specified topics in order to implement the intent of the General Assembly with regard to the education of children of North Carolina. States that it is the intent of the General Assembly that the children of this state (1) are ready to succeed when they

begin school, (2) learn the appropriate foundational education in the early grades, (3) are prepared for a career or higher education upon graduation, and (4) have job and learning skills appropriate to the global economy.

Specifies education-related topics and issues to be studied in three areas: (1) elementary and secondary education, (2) transition from high school, and (3) higher education. In the area of *elementary and secondary education*, some of the topics to be studied are (1) the relationship of teacher pay and teacher tenure to student performance (2) specific class size ratios and the effectiveness of teacher assistants in kindergarten, (3) reducing the teacher-student ratio to 1:15 in first through third grades, (4) strategies for reducing the dropout rate, and (5) the option of funding one local school administrative unit (LEA) per county. In the area of *transition from high school*, some of the topics to be studied are (1) ways to reduce the need for remedial or developmental education in the state's higher education institutions, and (2) the most efficient and effective ways to provide opportunities for high school students to access higher education. In the area of *higher education*, some of the topics to be studied are (1) ways to increase transparency in spending and revenues in the university system; (2) the performance funding systems of other states including Ohio, Florida, and Washington; and (3) a revised set of accountability measures and performance standards to evaluate and measure student progress and success in the NC Community College System.

Provides that the funds that are appropriated to implement this section may be used by the committee to hire one or more external consultants to complete the study. Includes reporting requirement.

### **FUNDS FOR CHILDREN WITH DISABILITIES**

**SECTION 7.2.** Requires that the State Board of Education (SBE) allocate funds for children with disabilities on the basis of \$3,598.55 per child. Directs that each local school administrative unit (LEA) is to receive funds for children with disabilities based on the lesser number of: (1) all students who are identified as children with disabilities or (2) 12.5% of the 2011-12 allocated average daily membership (ADM) in the LEA. Provides that the dollar amounts allocated under this section for children with disabilities are to adjust in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve children with disabilities.

### **FUNDS FOR ACADEMICALLY GIFTED CHILDREN**

**SECTION 7.3.** Requires that the SBE allocate funds for academically or intellectually gifted children (AG) on the basis of \$1,083.52 per child for fiscal year 2011-12 and \$1,083.20 per child for fiscal year 2012-13. Provides that an LEA receive funds for a maximum of 4% of its 2009-10 allocated ADM regardless of the number of children identified as AG in an LEA. Provides that the dollar amounts allocated under this section for academically or intellectually gifted children are to adjust in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve academically or intellectually gifted children.

### **USE OF SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES**

**SECTION 7.4.** Provides that counties in which county wealth, as a percentage of state average wealth is less than 100%, are eligible to receive supplemental funding. Makes the following exceptions: (1) penalizes counties expending less than minimum effort in funding, based on a comparison of the effective tax rates in 1996-97 and 1997-98 or thereafter with a reduction in funding under this section and (2) directs the SBE to withhold funds from counties that it determines have used funds to supplant current expenses and make a report to the Joint Legislative Education Oversight Committee (Ed Oversight) before May 1, 2012, identifying those counties. Directs that counties may not use the funds to supplant local current expense funds.

Specifies acceptable purposes for which funds may be used. Encourages local boards of education (local boards) to use at least 25% of funds to improve the academic performance of students scoring below Level III on the end-of-grade tests and the grades 4 and 7 writing test. Provides allocation formula for funds based on the difference between state average current expense appropriation per student and current expenses appropriations per student that the county could provide, given county's wealth and average effort to fund schools. Directs that the funds for the LEAs located in whole or in part in the county be allocated based on the ADM of the county's students in the LEAs. Provides that if the funds appropriated for supplemental funds are insufficient to fully fund the formula, then each LEA is to receive a pro rata share of the funds appropriated for supplemental funding.

Requires the Department of Revenue to issue a preliminary report on the assessed value of the property tax base for each county to the Department of Public Instruction (DPI) before March 1 of each year and a final report before May 1 of each year. Specifies that the funding formula in this section is not intended to reflect any commitment by the General Assembly to appropriate additional supplemental funds for low-wealth counties and if funds are not adequate to fully fund the formula, funds will be distributed on a pro rata basis. Provides definitions of terms as used in this section.

**LITIGATION RESERVE FUNDS**

**SECTION 7.5.** Authorizes the SBE to use up to \$500,000 each year for the 2011-12 and 2012-13 fiscal years from unexpended funds for certified employees' salaries to pay expenses related to litigation.

**UNIFORM EDUCATION REPORTING SYSTEM (UERS) FUNDS**

**SECTION 7.6.** Effective June 30, 2011, prohibits funds appropriated for the Uniform Education Reporting System from reverting at the end of the 2010-11 fiscal year.

**FOCUSED EDUCATION REFORM PROGRAM FUNDS DO NOT REVERT**

**SECTION 7.7.** Effective June 30, 2011, directs that funds appropriated for the Focused Education Reform Pilot Program that are unexpended and unencumbered at the end of the 2010-11 fiscal year are not to revert but are to remain available for expenditure for that purpose through the 2011-12 fiscal year.

**DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING (DSSF)**

**SECTION 7.8.** Specifies that the approved uses for Disadvantaged Student Supplemental Fund (DSSF) are restricted to the following: (1) providing instructional positions or instructional support positions and/or professional development; (2) providing intensive in-school and /or after-school remediation; (3) purchasing diagnostic software and progress-monitoring tools; and (4) providing funds for teacher bonuses and supplements. Directs the SBE to set a maximum percentage of the funds that may be used for teacher bonuses and supplements.

Authorizes the SBE to require LEAs receiving DSSF to purchase the Education Value Added Assessment System for use in analysis of student performance and identifying strategies for improving student achievement. Requires that the DSSF allocation be based on the LEA's eligible DSSF population (calculated according to DPI formula) and calculations based on the student-to-teacher ratio differential. LEAs that received funds in 2005-06 will not receive a DSSF allocation less than the amount allotted in 2006-07. Provides that if the wealth of an LEA increases to a level that adversely affects the LEA's DSSF allotment ratio, the DSSF allotment ratio for the LEA will be maintained at the prior year level for one additional year.

**TUITION CHARGE FOR GOVERNOR'S SCHOOL**

**SECTION 7.9.** Amends GS 115C-12(36) to provide that the SBE may implement a tuition charge for students attending the Governor's School of North Carolina to cover the costs of the School (was, directed the SBE to implement a tuition charge of \$500).

**SCHOOL CONNECTIVITY INITIATIVE FUNDS**

**SECTION 7.10.** Amends Section 7.9(b) of SL 2010-31 to provide that up to \$350,000 of the School Connectivity Initiative funds (Initiative Funds) may be used for the 2010-11 fiscal year by the Office of the Governor for education innovation and the education E-learning portal (was, up to \$350,000 of Initiative Funds may be used for this and subsequent fiscal years).

Amends Section 7.6(a) of SL 2008-107, as amended, to provide that up to \$300,000 may be transferred annually through June 30, 2011 (was, June 30, 2013) to the Friday Institute at North Carolina State University to evaluate the effectiveness of using technology and its impact on 21<sup>st</sup> Century Teaching and Learning outcomes approved by the SBE.

**TEXTBOOKS**

**SECTION 7.11.** Provides that the SBE is not to adopt any new textbooks before July 1, 2013.

**SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING**

**SECTION 7.12.** Provides supplemental funding for each county LEA (1) with an average daily membership (ADM) of fewer than 3,175 students or (2) with a total ADM from 3,175 to 4,000 if the county-adjusted property tax base per student is below the state-adjusted property tax base per student. Provides that the allocation formula is to: (1) include a base for the consolidated funds allotment of at least \$717,360, excluding textbooks, for the 2011-12 fiscal year and a base of \$717,360 for the 2012-13 fiscal year and (2) allot vocational education funds for grade 6 as well as for grades 7-12. Provides additional specifications as to the designated uses of the allocation formula. Specifies that the funding formula in this section is not intended to reflect any commitment by the General Assembly to appropriate additional supplemental funds for small school systems and if funds are not adequate to fully fund the formula, funds will be distributed on a pro rata basis. Directs that counties may not use the funds to supplant local current expense funds. Directs the SBE to withhold funds from counties that it



determines have used funds to supplant current expenses and make a report to the Joint Legislative Education Oversight Committee (Ed Oversight) before May 1, 2012, identifying those counties.

Provides that if a unit becomes ineligible for small school supplemental funding under the formula because of (1) an increase in the county's population where the LEA is located or (2) an increase in the county-adjusted tax rate base per student in the county where the LEA is located, funding for the unit will continue for seven years after the unit becomes ineligible.

Encourages a local board of education (local board) to use at least 20% of the funds to improve the academic performance of students scoring less than a Level III on the end-of-grade tests in grades 3-8. Provides definitions of terms as used in this section.

#### **ELIMINATION OF REPORTING REQUIREMENTS**

**SECTION 7.13.** Amends GS 115C-47(32a) to delete language that provided that local boards of education were encouraged to incorporate policies and guidelines adopted under subdivision (32a) (to establish alternative learning programs and develop policies and guidelines) in their safe school plans developed under GS 115C-105.47.

Amends GS 115C-105.27(b)(2) to provide that the strategies for improving student performance included in the school improvement plan must include a plan to address school safety and discipline concerns (was, include a plan to address school safety and discipline concerns in accordance with the safe school plan developed under Article 8C (*Local Plans For Alternative Schools/Alternative Learning Programs and Maintaining Safe and Orderly Schools*) of GS Chapter 115C.

Deletes provisions of GS 115C-105.46 providing the responsibilities of the SBE in implementing Article 8C of GS Chapter 115C, except for the provision requiring the SBE to adopt policies that define who is an at-risk student.

Repeals GS 115C-105.47 (Local safe school plans), GS 115C-102.6C (Approval of local school system technology plans), and GS 115C-102.6D(d) (providing that no local school administrative unit may access technology-related funds until the State Board of Education has approved its school technology plan).

Amends GS 115C-102.7 to delete requirements regarding monitoring local system technology plans and makes conforming changes deleting any reporting and monitoring requirements related to local school system technology plans.

Repeals Section 7.61(b) of SL 2005-276, as amended (regarding reporting requirements for LEAs to maintain eligibility for funds appropriated for the At-Risk/Alternative Schools allotment and the Improving Student Accountability allotment).

#### **ALLOTMENT OF PRINCIPALS**

**SECTION 7.14.** Provides that a school with less than 100 students in final ADM is not entitled to 12 months of employment for a principal. Applies only to schools created after July 1, 2011.

#### **TRANSFER OF FEDERAL AGRICULTURAL EDUCATION FUNDS**

**SECTION 7.15.** Requires the Agricultural Education Program (Program) in the Department of Agricultural and Extension Education at North Carolina State University (NCSU) to develop the secondary agricultural education curricula. Directs the SBE to adopt the curricula recommended by the Program for inclusion in the Standard Course of Study. Directs the SBE, effective with the 2011 federal grant, to transfer a prorated share of funds from all federal Career and Technical Education funds available for state-level usage to the Agricultural Education and FFA Program housed in the Department of Agricultural and Extension at NCSU. Provides guidelines for calculating the percentage of the funds to be transferred and delineates the uses of the funds.

#### **PHASEOUT OF ALLOTMENT OF TEACHERS FOR GEOGRAPHICALLY ISOLATED SCHOOLS**

**SECTION 7.16.** Repeals Section 7.26 of SL 2009-451, providing for the allotment of teachers for geographically isolated schools. Directs the SBE, for the 2011-12 fiscal year, to modify its policy on the allotment of additional classroom teachers to a K-12 school located in an LEA in which the ADM is less than 1.5 per square mile in order to allot four additional teachers to the geographically isolated school.

#### **SCHOOL CALENDAR PILOT PROGRAM**

**SECTION 7.17.** Directs the SBE to establish a school calendar pilot program in Stanly County Schools and Wilkes County Schools to determine whether and to what extent an LEA can save money by consolidating the school calendar. Requires the school calendars for 2011-12 to include a minimum of 180 days or 1,000 hours of instruction covering at least nine calendar months. Permits the opening date for students to be before August 25. Allows the local boards in the pilot program to add instructional hours to previously scheduled school days, and

provides that the LEA is deemed to have 180 days of instruction and teachers employed for a 10-month term are deemed employed for those days, in such a situation. Instructs the SBE to report to the Joint Legislative Education Oversight Committee by March 15, 2012, on the administration of the pilot program, cost savings realized by it, and its impact on student achievement.

#### **PERFORMANCE PAY MODEL PROGRAM**

**SECTION 7.18.** Directs the SBE to establish a performance pay model program. Allows an LEA that is approved by the SBE as a performance pay model LEA to use state funds, except for funds allotted for salaries, to implement a performance pay model.

#### **BUDGET REDUCTIONS/DEPARTMENT OF PUBLIC INSTRUCTION**

**SECTION 7.19.** Provides that the Department of Public Instruction (DPI) may, after consulting with the Office of State Budget and Management and the Fiscal Research Division, reorganize if necessary to implement the budget reductions in this act. Requires the consultation to occur prior to DPI requesting budgetary and personnel changes through the budget revision process and directs DPI to provide a current organization chart in the consultation process. Requires DPI to report to the Joint Legislative Commission on Governmental Operations on any reorganization. Prohibits DPI from increasing the number of state-funded positions in any division of DPI identified for reductions in this act.

#### **LEA BUDGET ADJUSTMENT**

**SECTION 7.20.** Directs the SBE to notify each LEA and charter school of the amount that the LEA or charter school must reduce from the General Fund appropriations within 14 days of the date that this act becomes law. Provides that the SBE is to determine the amount of the reduction for each LEA and charter school on the basis of ADM. Requires each LEA or charter school to report to DPI on the flexibility budget reductions it has identified for the LEA or charter within 30 days of the date this act becomes law.

#### **LEA BUDGETARY FLEXIBILITY**

**SECTION 7.21.** Authorizes the SBE for fiscal years 2011-12 and 2012-13 to extend its emergency rules, in accordance with GS 150B-21.1A, granting maximum flexibility to LEAs regarding the expenditures of state funds. Provides that these rules are not subject to the limitations on transfers of funds between allotment categories set out in GS 115C-105.25. Prohibits the transfer of funds into central office administration.

Directs LEAs to make every effort to reduce spending for fiscal years 2011-12 and 2012-13 as appropriate but with the goal of protecting direct classroom services. Provides that LEAs are to have the maximum flexibility to use allotted teaching positions to maximize student achievement in grades 4-12. Directs that the allocation of teachers and class size requirements in grades K-3 are to remain unchanged.

#### **NORTH CAROLINA VIRTUAL PUBLIC SCHOOLS ALLOTMENT FORMULA**

**SECTION 7.22.** Directs the SBE to implement an allotment formula developed pursuant to Section 7.16(d) of SL 2006-66 for funding e-learning, beginning with the 2011-12 fiscal year. Directs the SBE to utilize only funds provided through the North Carolina Virtual Public School Allotment Formula to fund North Carolina Virtual Public Schools (NCVPS). Specifies steps that DPI is to take to implement the NCVPS Allotment Formula.

Provides that the NCVPS program is available at no cost to all high school students enrolled in North Carolina's public schools, Department of Defense schools, and schools that are operated by the Bureau of Indian Affairs. Directs the NCVPS to provide only high school courses and not to provide any courses in physical education. Directs the SBE to establish a separate per student fee structure for out-of-state students, private school students, and home-schooled students. Requires NCVPS to provide specific instructions for enrollment on its website for the 2011-12 school year and to provide, beginning with the 2012-13 school year, an online enrollment process for NCVPS courses.

Requires the SBE to direct NCVPS to develop and submit to SBE by September 15, 2011, a plan to generate revenue from the sale of courses to out-of-state educational entities. Specifies responsibilities of the Director of NCVPS. Caps the funds for administration of NCVPS at a maximum of 15% per year of the funds transferred to NCVPS.

#### **PERFORMANCE-BASED REDUCTIONS IN FORCE**

**SECTION 7.23.** Directs the SBE to adopt a Reduction in Force policy that is consistent across all LEAs. Delineates the criteria under the policy which is to apply to LEAs conducting any reductions in force. Requires the SBE to have the policy in place on or before July 15, 2011. Amends GS 115C-325(e)(2) (reduction in force) to

delete provision that gave priority to career employees for all positions in which they had career status and for which they were qualified for three consecutive years following their dismissal as a result of a reduction in force.

#### **TEACHING FELLOWS ADMINISTRATIVE REDUCTION**

**SECTION 7.24.** Amends GS 115C-363.23A(f) to direct that all funds appropriated or otherwise received by the Teaching Fellows Program, including funds received as repayment of scholarship loans and the interest earned on these funds, are to be placed in a revolving fund to be used for scholarship loans under the Teaching Fellows Program. Provides that the revolving fund may also be used for campus and summer program support, and costs related to disbursement of awards and collection of loan repayments with the prior approval of the General Assembly in the Current Operations Appropriations Act. Provides that the administrator for the Teaching Fellows Program, the Public School Forum, may use up to \$600,000 (was, \$800,000) for administrative costs associated with the Teaching Fellows Program.

#### **RESIDENTIAL SCHOOLS**

**SECTION 7.25.** Directs DPI not to close the following residential schools despite any other provisions of this act: (1) the Governor Morehead School for the Blind, (2) the Eastern North Carolina School for the Deaf and (3) the North Carolina School for the Deaf. Also prohibits consolidating the operations of any of the residential schools on the campus of another residential school until an enactment of the General Assembly instructs DPI to do so. Directs DPI to ensure that residential and instructional schedules for the residential schools in effect prior to February 8, 2010, remain in effect unless the General Assembly approves a material change to the instructional week. Provides additional directives to DPI regarding the programs at the residential schools. Provides that DPI may create a principal position at each residential school not currently assigned a principal. Eliminates the position of superintendent within DPI for the residential schools. Directs DPI to designate one of the directors of the residential schools to serve as the superintendent for the residential schools. Allots \$20,000 of funds previously appropriated to DPI for the superintendent position to be used to supplement the salary of the director who also serves as superintendent of residential schools. Provides that the remaining funds are to be used to offset other reductions to the residential schools made in this act.

#### **SIXTY-FIVE PERCENT OF SCHOOL FUNDING MUST BE USED FOR CLASSROOM INSTRUCTION**

**SECTION 7.26.** Adds new GS 115C-408.1 to Article 30 of GS Chapter 115C to provide that it is the duty of the SBE to ensure that each LEA spends at least 65% of the state funding that it receives for the operations of the public schools on classroom instruction. Directs the SBE to modify its rules regarding the expenditure of state funds, modify its allotment formulas, and transfer funds as necessary to achieve this outcome. Applies to expenditures for school years beginning with the 2012-13 school year.

#### **PART VIII. COMMUNITY COLLEGES**

##### **REORGANIZATION OF THE COMMUNITY COLLEGES SYSTEM OFFICE**

**SECTION 8.1.** Provides that consistent with the authority granted to the President of the North Carolina Community College System in GS 115D-3, the President may reorganize the System Office in accordance with recommendations and plans that have been submitted to the State Board of Community Colleges and approved by that Board. Expires June 30, 2012.

##### **REPEAL OBSOLETE REPORTING REQUIREMENTS**

**SECTION 8.2.** Amends GS 115D-4.1(e), deleting the requirement that the State Board of Community Colleges (SBCC) make an annual report to the General Assembly on the compliance of the community colleges with criteria and standards regulating the operation of college transfer programs. Also amends GS 115D-5(j), deleting the requirement that the SBCC report on expenditures from the SBCC Reserve Fund bi-annually to the Joint Legislative Education Oversight Committee (Ed Oversight).

##### **IMPLEMENT ALTERNATIVE FORMULA MODEL**

**SECTION 8.3.** Directs the SBCC to consolidate the Health Sciences Allotment, the technical Education Allotment, and the Special High Cost Allotment for Heavy Equipment with formula funds to support curriculum instruction. Provides criteria to be used in allocating formula funds appropriated to support curriculum instruction and the occupational education component of continuing education. Provides criteria for an instructional base allocation of funds to all colleges and allocation of the remaining funds on a weighted full-time equivalent (FTE) basis.

**USE OF OVERREALIZED RECEIPTS TO SUPPORT ENROLLMENT GROWTH RESERVE RATHER THAN EQUIPMENT RESERVE RATHER THAN EQUIPMENT RESERVE**

**SECTION 8.4.** Amends GS 115D-31(e) to provide for the transfer of receipts for community college tuition and fees that are in excess of the amount certified in the General Fund Codes at the end of the fiscal year to the Enrollment Growth Reserve (was, Equipment Reserve Fund). Provides that the funds in the Enrollment Growth Reserve do not revert and remain available to the SBCC until they are expended. Authorizes the SBCC to allocate the reserve funds to colleges that have an enrollment increase greater than 5% of budgeted enrollment levels.

**BASIC SKILLS PLUS**

**SECTION 8.5.** Allows the SBCC to authorize community colleges to use 20% of the State Literacy Funds to provide employability skills, job-specific occupational and technical skills, and developmental education instruction to students who are also enrolled in a community college course leading to a high school diploma or equivalent certificate and to allow colleges to waive the tuition and registration fees associated with this instruction.

**CARRYFORWARD OF COLLEGE INFORMATION SYSTEM FUNDS**

**SECTION 8.6.** Provides that up to \$1.25 million of the funds appropriated to the Community Colleges System Office for the College Information System for the 2011-13 biennium does not revert at the end of each fiscal year but remains available for use only to purchase periodic system upgrades until the funds are expended.

**STATE BOARD AUTHORITY TO ESTABLISH GED TESTING FEES**

**SECTION 8.7** Amends GS 115D-5(s) to authorize the SBCC to establish retain and budget fees for taking the GED, including fees for retesting (was, authorized the SBCC to retain and budget fees charged to students taking the GED).

**EQUIPMENT FUNDING**

**SECTION 8.8.** Permits community colleges to expend regular equipment allocations on equipment, repairs and renovation of existing facilities, and new construction for the 2011-13 fiscal biennium. Requires colleges to match funds spent on new construction on an equal matching-fund basis in accordance with GS 115D-31. Colleges are not required to provide matching funds for repairs and renovations of existing facilities. Directs colleges to have capital improvement projects approved by the SBCC and to identify any required matching funds by June 30, 2013. Directs the SBCC to allocate \$250,000 of the funds appropriated to the Community Colleges System Office for equipment for 2011-12 to Forsyth Technical Community College. Limits use of the funds to building and equipping the Stokes County multi-campus site and prohibits considering these funds for a management flexibility reduction.

**CLARIFICATION REGARDING EQUIPMENT TITLED TO STATE BOARD**

**SECTION 8.9.** Amends GS 115D-15(a) to authorize the transfer of personal property titled to the SBCC consistent with GS 115D-14 and GS 115D-58.3 to another community college at no cost and without the approval of the Department of Administration, Division of Surplus Property.

**NO STATE FUNDS FOR INTERCOLLEGIATE ATHLETICS**

**SECTION 8.10** Amends Article 3 of GS Chapter 115D adding new GS 115D-42.1 to provide as this section title indicates.

**MANAGEMENT FLEXIBILITY REDUCTION/ COMMUNITY COLLEGES**

**SECTION 8.11.** Provides guidelines for the allocation of the management flexibility reduction for the NC Community College System. Directs the community colleges to consider reducing budgets for senior and middle management personnel and for programs with both low enrollment and low postgraduate success before making deductions to instructional budgets. Directs colleges to minimize the impact on student support services and on the training of dislocated workers. Prohibits any reduction in funds allocated to Rowan-Cabarrus Community College for the Biotechnology Training Center at the North Carolina Research Campus..

**COMMUNITY COLLEGE TUITION WAIVERS**

**SECTION 8.12.** Amends GS 115D-5(b), which under current law allows the SBCC to provide general and uniform regulations for the waiver of tuition and registration fees for specified categories or groups of persons, and certain courses. Makes change to provide that waivers of tuition and registration fees apply to courses that have been *requested* for the training of specified public safety personnel (was, waivers apply to training courses

for specified public safety personnel). Deletes waiver of tuition and registration fees for: (1) clients of sheltered workshops; (2) clients of adult developmental activity programs; (3) students in Health and Human Services Development programs; (4) juveniles of any age committed to the Department of Juvenile Justice and Delinquency Prevention by a court of competent jurisdiction; (5) members of the NC State Defense Militia as defined in GS 127A-5; (6) prison inmates; and (7) patients in state alcoholic rehabilitation centers. Directs the SBCC not to waive tuition and registration fees for other individuals. Amends GS 115D-5 to prohibit waivers of tuition and registration fees for community college faculty or staff members. Permits community colleges to use state or local funds to pay tuition and registration fees for one course per semester for full-time community college faculty or staff employed for a term of nine to twelve months. Directs the Community Colleges System Office to transfer funds appropriated for curriculum and continuing education instruction to the Department of Correction (DOC) for use by the DOC to pay tuition and fees for prisoners. Provides criteria for calculating the amount to be transferred to DOC and projects a 43% reduction in the number of curriculum and continuing education courses provided to prisoners. Makes technical and organizational changes.

#### **FUNDING FOR MULTICAMPUS CENTERS**

**SECTION 8.13** Amends GS 115D-5(o) to require that all multi-campus centers approved by the SBCC receive funding under the same formula.

#### **STUDY COMMUNITY COLLEGE PERFORMANCE MEASURES**

**SECTION 8.14.** Directs the SBCC to report by March 1, 2012 to Ed Oversight on a revised set of accountability measures and performance standards for evaluating and measuring student success. Requires that the report include a plan to incorporate the revised accountability measures into regular formula funding. Provides that the revised measures and standards are also to be the basis for the allocation of performance funding under GS 115D-31.3(g) and (h).

#### **COMMUNITY COLLEGE AUDITS**

**SECTION 8.15.** Adds new GS 115D-58.16 to Article 4A of GS Chapter 115D to require that each community college be audited at minimum once every two years. Allows community colleges to use state funds to contract with the State Auditor or with a certified public accountant to perform the audits. Directs the colleges to submit the results of the audits to the SBCC. Additionally provides that in spite of the provisions of GS Chapter 143D, a community college is not subject to the EAGLE program administered by the Office of the State Controller *unless* (1) there is a finding of internal control problems in the most recent financial audit of the college, or (2) the SBCC determines that a college should be subject to the program.

#### **ENROLLMENT GROWTH**

**SECTION 8.16.** Requires that the continuation budget requirements proposed by the Governor to fund the community college enrollment growth include adjustments necessary to fund additional technology and equipment full time equivalent at the previous year's rate. Directs the SBCC's requests for funding enrollment growth to provide a detailed description of the costs of educating community college students beginning with any adjustments to the 2011-12 budget and annually from then on. Specifies the information that must be included for each community college in the enrollment requests.

#### **LIMITATION ON COMMUNITY COLLEGE TUITION**

**SECTION 8.17.** Prohibits community colleges' tuition for curriculum courses and fees for continuing education courses for the 2011-13 fiscal biennium from exceeding the amounts provided for in this act.

### **PART IX. UNIVERSITIES**

#### **CENTER FOR PUBLIC TELEVISION CONTINUATION REVIEW**

**SECTION 9.1.** Directs the University of North Carolina General Administration (General Administration) and the University of North Carolina Center for Public Television to jointly prepare a continuation review of the Center for Public Television to be submitted to the House of Representatives and Senate Appropriations Subcommittees on Education no later than March 31, 2012. Delineates all the information required to be in the report.

#### **DOCUMENTATION AND ACCOUNTABILITY FOR ENROLLMENT GROWTH FUNDING MODEL**

**SECTION 9.2.** Directs the General Administration to modify the existing student credit hour enrollment (SCH) change funding model. Provides some criteria for making modifications. Directs the General Administration to submit its revisions to Ed Oversight, the Office of State Budget and Management (OSBM), and the Fiscal

Research Division by February 1, 2012. Encourages Ed Oversight to fully examine the revised model and to ensure that the model aligns with the modifications listed in this section.

Directs the UNC Board of Governors (Board) with the assistance of the General Administration to develop written policies for enrollment change funding decisions. Provides that the written policies are to address (1) procedures for developing campus enrollment projections, calculating tuition offset, and calculating funding formula elements and cost factors, and (2) criteria for granting hold harmless status. Requires that the policies and procedures be made available to UNC System constituent institutions, the OSBM, and the Fiscal Research Division by February 15, 2012.

Enacts new subdivision (9a) to GS 116-11 to require the Board to submit a report annually by March 15 to Ed Oversight on the accuracy of enrollment growth projection at each campus and establishing key performance indicators meaningful to enrollment growth planning. Also requires that that report be published on the Board's web site and printed copies be made available upon request. Directs the Board to make a report as required by new subdivision (9a) by March 15, 2012. Lists information that the report must contain.

Amends GS 116-11(9) to provide that enrollment change funding is to be based on the performance of each constituent institution and contingent on the institution's target as determined by the Board. Withholds enrollment change funding from a constituent institution that fails to achieve the target. Directs the Board to provide full documentation and justification of any enrollment change funding request at the time it is recommended including hold harmless status requests, and to include an explanation of how the hold harmless status request meets established criteria and the history of hold harmless requests that have been granted to the institution.

#### **FISCAL ACCOUNTABILITY AND FLEXIBILITY**

**SECTION 9.3.** Prohibits, notwithstanding GS 116-30.2, a special responsibility constituent institution from increasing the state appropriation for any program or line item reduced by this act.

#### **UNIVERSITY CANCER RESEARCH FUND REPORTING REQUIREMENT**

**SECTION 9.4.** Amends GS 116-29.1 to require the Cancer Research Fund Committee to provide an annual financial report containing specified components to Ed Oversight and the OSBM by November 1 of each year.

#### **UNC BOARD OF GOVERNORS REVIEW OF FACULTY RECRUITMENT AND RETENTION**

**SECTION 9.5.** As the Section title indicates. Requires the Board to submit its findings and recommendations resulting from its review to Ed Oversight, the OSBM, and the Fiscal Research Division by April 1, 2012.

#### **UNC MANAGEMENT FLEXIBILITY REDUCTION**

**SECTION 9.6.** Directs the Board to refrain from use of an across-the-board method in allocating the management flexibility reduction for the University of North Carolina (UNC) but to instead act in a manner that recognizes the importance of the academic mission and differences among the UNC entities. Requires the Board to consider all of the following before taking reductions in instructional budgets:

- (1) Reducing state funding for centers and institutes, speaker series, and other nonacademic activities.
- (2) Faculty workload adjustments.
- (3) Restructuring of research activities.
- (4) Implementing cost-saving span of control measures.
- (5) Reducing the number of senior and middle management positions.
- (6) Eliminating low-performing, redundant, or low-enrollment programs.

Directs the Board and the constituent institutions to also review institutional trust funds and special funds held by or on behalf of UNC and its constituent institutions for possible available monies to assist with operating costs. Also directs the campuses of the constituent institutions to require their faculty to have a teaching workload equal to the national average in their Carnegie classification. Directs the Board and the campuses to make every effort to abolish vacant positions first when implementing personnel reductions.

Prohibits making reductions to funding for any of the following:

- (1) Hickory Metro Higher Education Center.
- (2) Need-Based Financial Aid.
- (3) Aid to Private Colleges.
- (4) Joint Graduate School of Nanoscience and Nanoengineering at North Carolina Agricultural and Technical State University and the University of North Carolina at Greensboro.

(5) The North Carolina Research Campus.

Provides that in allocating the management flexibility reduction, state funds for agricultural research stations operated by UNC cannot be reduced in either fiscal year of the biennium by more than 10% from the Governor's Recommended Continuation Budget for the 2011-13 fiscal biennium.

#### **CAMPUS-INITIATED TUITION INCREASES**

**SECTION 9.7.** Prohibits the approval or implementation by the Board of any campus-initiated tuition increase for the 2011-12 or 2012-13 academic years except as otherwise provided by this section. Permits any campus-initiated increases for the 2011-12 academic year that were approved by the Board in February 2011 to be implemented for the 2011-12 academic year.

#### **USE OF ESCHEAT FUND FOR NEED-BASED FINANCIAL AID PROGRAMS**

**SECTION 9.8.** Appropriates \$32,122,242 for 2011-12 and \$32,122,242 for 2012-13 from the Escheat Fund income to the UNC Board of Governors to be used for the UNC Need-Based Financial Aid Program. In addition to the aforementioned appropriation, also appropriates \$95,231,912 for 2011-12 from the Escheat Fund income to the UNC Board of Governors to be used for the UNC Need-Based Financial Aid Program.

Appropriates \$16.5 million for 2011-12 and \$16.5 million for 2012-13 from the Escheat Fund income to the State Board of Community Colleges to be used for community college grants.

Appropriates \$6,520,964 for 2011-12 and \$6,520,964 for 2012-13 from the Escheat Fund income to the Department of Administration, Division of Veterans Affairs to be used for need-based student financial aid.

Assigns the State Educational Assistance Authority (SEAA) to perform all the administrative functions necessary to implement this program of financial aid. Provides that these appropriated funds are to be allocated by SEAA for need-based financial aid in accordance with GS 116B-7. Provides that if the interest income generated from the Escheat Fund is insufficient to cover the appropriations in this section, then the difference may be taken from the Escheat principal to reach the appropriation amounts provided in this section; however, restricts reducing the Escheat Fund principal below the amount required in GS 116B-6(f). Provides for the return to the Escheat Fund of any uncommitted need-based financial aid as of the end of a fiscal year but only to the extent that the funds are more than the amount of the Escheat Fund income for that fiscal year.

Directs the SEAA to conduct periodic evaluations of the expenditures of the scholarship programs and authorizes SEAA to make recommendations for redistribution of funds to UNC, the Department of Administration, and the President of the Community College System regarding their respective scholarship programs. Directs the OSBM to transfer the cash balance of the community college grant program remaining in Budget Code 66801, Fund 6102 to the Escheat Fund.

#### **UNC NEED-BASED FINANCIAL AID PROGRAM FUNDING SCHEDULE**

**SECTION 9.9.** Directs that \$89 million of the funds appropriated in this act for 2011-12 for the UNC Need-Based Financial Aid Program, are not to be used for expenditures in 2011-12 but are to be carried forward and held in reserve by the SEAA, not to be disbursed until after July 1, 2012, for need-based student financial aid in the 2012-13 academic year in accordance with GS 116B-7.

Directs that \$89 million of the funds appropriated in this act for the 2012-13 fiscal year for the UNC Need-Based Financial Aid Program, are not to be used for expenditures in the 2012-13 fiscal year but are to be carried forward and held in reserve by the SEAA, not to be disbursed until after July 1, 2013, for need-based student financial aid in the 2013-14 academic year in accordance with GS 116B-7.

#### **CONSOLIDATE ASSETS OF MILLENNIUM TEACHING SCHOLARSHIP LOAN PROGRAM AND PROSPECTIVE TEACHERS SCHOLARSHIP LOAN FUND**

**SECTION 9.10.** Abolishes the Millennium Teaching Scholarship Loan Program (Program), effective January 1, 2012. Provides that all financial obligations to any student receiving a scholarship loan from the Program before January 1, 2012 will be fulfilled with funds from the Scholarship Loan Fund for Prospective Teachers established under GS 116-209.33, if the student remains eligible under the provisions of the Program. Provides that all contractual agreements between a student who received a Program loan before January 1, 2012 and the SEAA regarding the loan remain enforceable. Directs the assets and liabilities for the Program to be transferred as follows:

- (1) \$500,000 is to be transferred to the Escheat Fund on July 1, 2011.
- (2) The remaining balance of the assets and liabilities is to be transferred to the Scholarship Loan Fund for Prospective Teachers established under GS 116-209.33 on January 1, 2012.

**LIMIT CERTAIN FINANCIAL AID GRANTS TO THE TRADITIONAL TIME PERIOD REQUIRED TO EARN A BACCALAUREATE DEGREE**

**SECTION 9.11.** Prohibits a student from receiving a grant from the UNC Need-Based Financial Aid Program for more than nine full-time academic semesters or the equivalent if the student is enrolled part-time, unless the student is enrolled in a program officially designated by the Board as a five-year degree program, in which case the student may not receive the grant for more than 11 full-time academic semesters. Provides for the extension of an additional semester upon application and a student's showing of extraordinary hardship. Amends GS 116-21.3(d) to provide similar prohibitions regarding a legislative tuition grant received under GS 116-21.2(a) and amends GS 116-43.5(f) to impose similar limits on state grants. Effective for the 2012-13 academic year and each subsequent fiscal year.

Directs the Fiscal Research in cooperation with UNC, the NC Community College System (CCS), the NC Independent Colleges and Universities, Inc., and the SEAA to track and document the receipt of the need-based grants, legislative tuition grants, and state grants by students who enroll in both public and private institutions of higher education and receive a combination of these grants that exceeds a cumulative total of nine full-time academic semesters or 11 full-time academic semesters as appropriate. Provides additional topics and issues to be covered by the study and requires that the Fiscal Research Division report its findings and recommendations by March 1, 2012 to Ed Oversight and the Education Appropriation Subcommittees of the House of Representatives and the Senate.

**ACADEMIC COMMON MARKET**

**SECTION 9.12.** Prohibits the Board from participating in the Academic Common Market (ACM) for the purpose of accepting new students for the 2012-13 academic year, and prohibits enrolling any new students through the ACM program into the UNC graduate programs for the 2012-13 academic year. Provides that this section does not affect a student who enrolled in UNC System under the ACM prior to the 2012-13 academic year, and permits that student to continue to pay in-state tuition as long as that student is enrolled in that graduate program.

**ELIMINATE CERTAIN UNC TUITION WAIVERS FOR NONRESIDENT STUDENTS**

**SECTION 9.13.** As the title indicates. Repeals GS 116-143.6 (regarding in-state residency status for full scholarship students attending constituent institutions) and GS 116-143.5 (eligibility for in-state tuition of certain teachers). Amends GS 116-143(c) to prohibit the practice of giving tuition and fee waivers, especially reduced rates (was, prohibited tuition and fee waivers except as expressly authorized by statute or the Board). Abolishes the Prospective Teacher Scholars program begun as a pilot program under Section 9.9 of SL 2002-126.

**ELIMINATE PRIVATE MEDICAL SCHOOL AID**

**SECTION 9.14.** As the title indicates. Repeals GS 116-21.6.

**TRANSFER NORTH CAROLINA ARBORETUM RESPONSIBILITIES TO WESTERN NORTH CAROLINA**

**SECTION 9.15.** Amends GS 116-242 as the title indicates. Provides that state funds for the administration of the North Carolina Arboretum are to be appropriated to the University of North Carolina for Western Carolina University to administer on behalf of the Arboretum. Amends GS 116-243 to make changes in the appointments to the Board of Directors of the Arboretum and membership terms. Provides for two appointees by the President of UNC and increases the number of appointments by the Board from six to eight. Provides a schedule for the appointment of the new members. Also eliminates some member positions. Amends GS 116-244 to make changes to the duties and responsibilities of the Board of Directors of the Arboretum.

**SPECIAL RESPONSIBILITY CONSTITUENT INSTITUTION AUDITS**

**SECTION 9.16.** Adds new GS 116-30.8 to Article 1 of GS Chapter 116 to require that each special responsibility constituent institution be audited annually. Allows the Chancellor of the special responsibility constituent institution to use state funds to contract with the State Auditor or with a certified public accountant to perform the audit. Requires that the audit be provided to the Chancellor and Board of Trustees of the special responsibility institution, the UNC Board of Governors, and the State Auditor. Requires that the audit also be included in the State's Comprehensive Annual Financial Report (CAFR). Directs the Board to ensure that all special responsibility constituent institutions are audited in accordance with this section.



**PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES****CHILD CARE SUBSIDY RATES**

**SECTION 10.1.(a).** Provides that the maximum gross income for eligibility for subsidized child care services is 75% of the state median income, adjusted for family size.

**SECTION 10.1.(b).** Creates formula for determining the amounts of fees for families who are required to share in the cost of care, based on gross income and adjusted for family size.

**SECTION 10.1.(c).** Sets forth requirements for the purchase of child care services for low-income children. Sets maximum rates that may be charged to families by child care facilities participating in the subsidized child care program. Prohibits payments for transportation services or registration fees. Limits payments for subsidized child care services for postsecondary education to a maximum of 20 months of enrollment. Directs Department of Health and Human Services (DHHS) to make necessary rule changes to restructure services, including targeting benefits to employment.

**SECTION 10.1.(d).** Provides for payment rates for center-based and home-based child care providers in counties that do not have at least 50 children in each age group.

**SECTION 10.1.(e).** Requires a market rate to be calculated for child care centers and homes at each rated license level for each county and for each age group of enrollees. Directs the Division of Child Development to calculate a statewide rate and regional market rates for each license level and age category.

**SECTION 10.1.(f).** Provides that facilities licensed and operated pursuant to specified provisions in GS Chapter 110 may participate in the child care subsidy program. Prohibits the use of separate licensing requirements in the selection of facilities for participation. Requires facilities to meet any additional applicable requirements of federal law or regulations. Requires facilities that are exempt from regulation under GS Chapter 110, Article 7, to meet requirements established by other state law and the Social Services Commission. Prohibits county departments of social services or other local contracting agencies from reducing a provider's subsidized child care rate because of the provider's failure to comply with requirements additional to those provided in this subsection.

**SECTION 10.1.(g).** Requires payment for subsidized child care services provided with Work First Block Grant funds to comply with regulations and policies issued by the Division of Child Development.

**SECTION 10.1.(h).** Provides that noncitizen families residing in the state legally are eligible for child care subsidies if other eligibility criteria are met. Makes noncitizen families residing in the state illegally ineligible for subsidies unless the child for whom the subsidy is sought: (1) is receiving child protective services or foster care services, (2) is developmentally delayed or at risk of becoming developmentally delayed, or (3) is a United States citizen.

**CHILD CARE ALLOCATION FORMULA**

**SECTION 10.2.** Establishes formula for DHHS to use in allocating child care subsidy voucher funds to counties, using the mandatory 30% Smart Start subsidy allocation as the base amount and taking into account the projected cost of serving all eligible children under age 11. Provides that no county's allocation may be less than 90% of its FY 2001-02 allocation. Permits DHHS to reallocate unused subsidy voucher funds to meet the child care needs of low-income families. Requires DHHS to allocate up to \$20 million in federal block grant funds and state funds appropriated for fiscal years 2011-12 and 2012-13 for child care services, in order to prevent termination of services. Allows DHHS to use funds appropriated for specific purposes, including targeted market rate adjustments made in the past, separately from the allocation formula established by this section.

**CHILD CARE FUNDS MATCHING REQUIREMENT**

**SECTION 10.3.** Prohibits DHHS from requiring local matching funds as a condition of receiving an initial allocation of child care funds, unless federal law requires a match. However, if DHHS reallocates additional funds in excess of \$25,000, local purchasing agencies must provide a 20% local match. Matching requirements shall not apply when funds are allocated because of a disaster as defined in GS 166A-4(1).

**CHILD CARE REVOLVING LOAN**

**SECTION 10.4.** Provides that funds budgeted for the Child Care Revolving Loan Fund may be transferred to and invested by the financial institution contracted to operate the fund. Permits the fund's principal and income to be used to make loans, reduce loan interest or provide collateral for borrowers, pay the contractor's cost of operating the fund, or pay DHHS's cost of administering the program.

**EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVE ENHANCEMENTS**

**SECTION 10.5.(a).** Limits average statewide administrative costs for local partnerships to no more than 8% of the total allocation to all local partnerships. Defines administrative costs. Directs the North Carolina Partnership for Children, Inc. (Partnership) to develop a single statewide contract management system and requires local partnerships to participate in the system. Further directs the Partnership to direct local partnerships to collaborate with each other to increase efficiency and effectiveness.

**SECTION 10.5.(b).** Repeals GS 143B-168.12(a)(5), which requires the Partnership to develop, and local partnerships to participate in, a regional accounting and contract management system.

**SECTION 10.5.(c).** Sets the maximum amount of state funds that may be used for the salary of any individual employee at \$80,000 for an employee paid by the Partnership and \$60,000 for an employee paid by a local partnership. Provides that non-state funds may be used to supplement salaries.

**SECTION 10.5.(d).** Requires the Partnership and all local partnerships to use competitive bidding practices in contracting for goods or services. Specifies the practices that must be used for different contract amounts.

**SECTION 10.5.(e).** Requires the Partnership and all local partnerships in the aggregate to match 100% of the total amount budgeted for the program in each fiscal year. Specifies that at least 10% of the match must be cash and a maximum of 3% may be in-kind donated resources. Allows funds carried forward by the Partnership to be included in the match amount. Allows certain expenses incurred by entities that contract with the Partnership or a local partnership to be included in the match amount. Provides that failure to obtain a 13% match by June 30 of each fiscal year will result in a dollar-for-dollar reduction in the appropriation for the program for a subsequent fiscal year.

**SECTION 10.5.(f).** Requires DHHS to continue to implement the performance-based evaluation system.

**SECTION 10.5.(g).** Requires DHHS and the Partnership to ensure that allocations of funds for Early Childhood Education and Development Initiatives are administered and distributed in a manner that prohibits the use of funds for capital expenditures or advertising and promotional activities.

**SECTION 10.5.(h).** Permits a county to use the county's allocation of state and federal child care funds to subsidize child care according to the county's approved Early Childhood Education and Development Initiatives Plan.

**SECTION 10.5.(i).** Requires local partnerships to spend an amount for child care subsidies that provides at least \$52 million for the TANF maintenance of effort requirement and the Child Care Development Fund and Block Grant match requirement.

**SECTION 10.5.(j).** Prohibits local partnerships from using state funds on marketing campaigns, advertising, or associated materials. Permits the use of private funds for those activities.

**SECTION 10.5.(k).** Requires the Partnership and its Board to establish policies focused on the Partnership's mission of improving child care quality. Specifies that Partnership-funded activities must include assisting child care facilities with improving quality and implementing prekindergarten programs. Requires state funding for local partnerships to be used for evidence-based or evidence-informed programs that increase children's literacy, increase parents' ability to raise healthy successful children, improve children's health, or assist four- and five-star facilities in improving and maintaining quality.

**SECTION 10.5.(l).** States that it is the intent of the General Assembly that the Partnership implement an evidence-based pilot literacy program with specified goals and an annual evaluation.

**SECTION 10.5.(m).** Authorizes the Legislative Research Commission to study the Partnership's activities to increase early literacy, improve families' abilities to raise healthy productive children, and increase access to preventive health care for children from birth to age five. Directs the Commission to evaluate and report on specified matters.

**SECTION 10.5.(n).** Requires the Legislative Research Commission to report findings and recommendations by October 1, 2012.

#### **ADMINISTRATIVE ALLOWANCE FOR COUNTY DEPARTMENTS OF SOCIAL SERVICES**

**SECTION 10.6.** Directs the Division of Child Development to fund the allowance that county departments for social services may use for administrative costs at an amount equal to 4% of the county's total child care subsidy funds allocated in the Child Care Development Fund Block Grant plan.

#### **CONSOLIDATE MORE AT FOUR PROGRAM INTO DIVISION OF CHILD DEVELOPMENT**

**SECTION 10.7.(a).** Transfers More at Four program from the Department of Public Instruction to DHHS's Division of Child Development, which is renamed the Division of Child Development and Early Education (DCDEE). Provides that all funds transferred must be used for prekindergarten slots for four-year-olds and for management of the program. Requires DHHS to incorporate eight consultant positions into DCDEE's regulation and accounting sections and eliminate the remaining positions. Funds from the eliminated positions must be used to fund prekindergarten students.

**SECTION 10.7.(b).** Directs Childcare Commission to adopt rules for prekindergarten programmatic standards, and to approve and add to the existing More at Four curricula new comprehensive, evidence-based early childhood curricula with a reading component.

**SECTION 10.7.(c).** Increases membership of the Childcare Commission from 15 to 17 members, by adding two early childhood education specialists appointed by the General Assembly.

**SECTION 10.7.(d).** Requires additional curricula approved and taught in prekindergarten classrooms to also be taught in four- and five-star rated child care facilities' non-prekindergarten four-year-old classrooms. Requires Childcare Commission to increase standards in four- and five-star rated facilities to place an emphasis on early reading and to require those facilities to teach from the Commission's approved curricula.

**SECTION 10.7.(e).** Directs DCDEE to adopt a policy to encourage prekindergarten classrooms to blend private pay families with prekindergarten subsidized children. A waiver or transition period is permitted for public classrooms.

**SECTION 10.7.(f).** Allows the prekindergarten program to continue to serve at-risk children identified through existing "child find" methods and regardless of income, up to 20% of the four-year-olds served.

**SECTION 10.7.(g).** Directs DCDEE to adopt policies that improve the quality of child care for children who receive subsidies. Prohibits subsidy funds for one- or two-star rated facilities, but with an allowance for exemptions in nonstar-rated programs, such as religious programs.

**SECTION 10.7.(h).** Directs DCDEE to implement a parent co-payment for pre-kindergarten programs that matches the co-payment requirements for parents of children receiving regular child care subsidies.

**SECTION 10.7.(i).** Requires all prekindergarten classrooms to participate in the Subsidized Early Education for Kids (SEEK) accounting system.

**SECTION 10.7.(j).** Requires DCDEE to establish reimbursement rates based on the newly increased requirements for four- and five-star-rated facilities and the higher More at Four teacher standards for prekindergarten classrooms. Requires prekindergarten curriculum day to cover between 6.5 and 10 hours daily and no less than 10 months per year. Provides a one-year transition period for public classrooms to become licensed through DCDEE.

#### **MENTAL HEALTH CHANGES**

**SECTION 10.8.(a).** Directs the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMHDDSAS) to adjust the timing and method by which service dollars are distributed to non-single-stream local management entities (LMEs) in order to mitigate cash flow problems at the beginning of each fiscal year.

**SECTION 10.8.(b).** Allocates \$29.1 million of the funds appropriated to DMHDDSAS for each fiscal year of the biennium for the purchase of local inpatient psychiatric beds or bed days. Provides that LMEs shall manage and control the beds, but funds will be held by DMHDDSAS in a statewide reserve to which LMEs and community hospitals may remit claims. Requires DHHS to develop reporting requirements for LMEs regarding the use of beds or bed days. Funds appropriated by this section may not be used to supplant other available funds.

**SECTION 10.8.(c).** Allocates \$5.7 million of the funds appropriated to DMHDDSAS to LMEs for the support of 30 mobile crisis teams.

**SECTION 10.8.(d).** Authorizes DHHS to create a midyear process for reallocating state service dollars away from LMEs that do not appear to be on track to spend their full appropriation.

#### **MH/DD/SAS HEALTH CARE INFORMATION SYSTEM PROJECT**

**SECTION 10.9.** Permits DHHS to use an unspecified portion of its appropriation for the biennium to develop and implement a health care information system for state institutions operated by DMHDDSAS.

#### **LME FUNDS FOR SUBSTANCE ABUSE SERVICES**

**SECTION 10.10.** Encourages LMEs to use a portion of funds appropriated for substance abuse treatment services for prevention and education. Authorizes an LME to use up to 1% of funds allocated to it for substance abuse services to provide nominal incentives for consumers who achieve treatment benchmarks. Directs LMEs to consult with Treatment Accountability for Safer Communities (TASC) to improve offender access to substance abuse treatment. Directs DHHS to allocate up to \$300,000 to TASC before funds are allocated to LMEs. Requires LMEs, in providing drug treatment court services, to consult with the local drug treatment court team and select a treatment provider that meets the court's needs, and allows a single treatment provider to be chosen for non-Medicaid-eligible participants only.

#### **MH/DD/SAS COMMUNITY SERVICE FUNDS**

**SECTION 10.11.(a).** Directs DMHDDSAS to reduce the Community Service Fund by \$20 million.

**SECTION 10.11.(b).** Requires DMHDDSAS, in consultation with LME representatives and stakeholders, to develop a set of standardized covered benefits, which will become the only services paid for by community service funds through LMEs.

**SECTION 10.11.(c).** Requires DMHDDSAS to implement a copayment for all services based on Medicaid co-payment rates, effective January 1, 2012.

**SECTION 10.11.(d).** Directs DMHDDSAS to reduce the Community Service Fund by \$25 million for the 2011-12 fiscal year, and to allocate the reduction among LMEs based on unreserved, undesignated fund balance totals as of June 30, 2010.

**SECTION 10.11.(e).** Directs LMEs to spend their unreserved, undesignated fund balances on services. Requires LMEs to submit quarterly reports to DMHDDSAS to ensure expenditures occur at the level required.

**SECTION 10.11.(f).** Requires DHHS to report on its implementation of this section to the House and Senate appropriations subcommittees by December 12, 2011.

#### **CONSOLIDATION OF FORENSIC HEALTH CARE AT DOROTHEA DIX COMPLEX**

**SECTION 10.12.** Directs DHHS's Division of State Operated Facilities to issue a request for proposals to consolidate forensic hospital care. The Secretary of Health and Human Services must compare DHHS's cost to provide forensic care to the proposals received and determine whether it is cost-effective to contract for the service. Includes reporting requirement.

#### **TRANSITION OF UTILIZATION MANAGEMENT OF COMMUNITY-BASED SERVICES TO LOCAL MANAGEMENT ENTITIES**

**SECTION 10.13.** Requires DHHS to collaborate with LMEs to enhance the LMEs' administrative capacity to assume utilization management responsibilities for the provision of community-based services.

#### **THIRD-PARTY BILLING FOR STATE FACILITIES**

**SECTION 10.14.** Amends GS 122C-55 to authorize a facility subject to the confidentiality provisions of GS Chapter 122C to disclose confidential information for the purpose of collecting payment for services provided by the facility.

#### **COLLABORATION AMONG DEPARTMENTS OF ADMINISTRATION, HEALTH AND HUMAN SERVICES, JUVENILE JUSTICE AND DELINQUENCY PREVENTION, AND PUBLIC INSTRUCTION ON SCHOOL-BASED CHILD AND FAMILY TEAM INITIATIVE**

**SECTION 10.15.** Subsection (a) establishes the School-Based Child and Family Team Initiative (Initiative) to identify and coordinate community services and supports for children at risk of school failure or out-of-home placement. Directs departments named in section title, the Administrative Office of the Courts, and other state agencies that provide services for children to collaborate in the Initiative. Subsection (b) establishes the North Carolina Child and Family Leadership Council (Council) to advise the Governor in the development of the Initiative and to ensure the active participation and collaboration in the Initiative by state and local agencies that provide services to children in the participating counties. Subsection (a) requires the local board of education, in coordination with the Council, to establish the Initiative at designated schools and appoint a school nurse and a school social worker as Child and Family Team Leaders (Leaders). Each LME that has any selected schools in its catchment area must appoint a Care Coordinator (Coordinator), and any department of social services with a selected school in its catchment area must appoint a Child and Family Teams Facilitator (Facilitator). Directs Coordinators and Facilitators to provide training to school-based personnel. Directs Leaders to identify and screen children at risk of academic failure or out-of-home placement. Specifies responsibilities for local agencies or officials involved in the Initiative. Requires the superintendent of the local LEA in each county with a participating school to either identify an existing cross-agency collaborative or form a new group to serve as a local advisory committee to work with the Initiative. Specifies the public officials who must serve on the collaborative or group. Subsections (c) through (f) direct the heads of the affected state agencies to ensure that their agencies collaborate in the development and implementation of the Initiative, and provide all required support to ensure it is successful.

#### **DHHS POSITION ELIMINATIONS**

**SECTION 10.16.** Directs the Secretary of Health and Human Services to eliminate 250 full-time equivalent positions that have been continuously vacant since July 1, 2010, to achieve a savings of \$6.5 million. If the elimination of the vacant positions does not achieve the savings goal, the Secretary may eliminate other positions or achieve the savings through other administrative or operational reductions or efficiencies. Includes reporting requirement.

**DHHS REGULATORY FUNCTIONS STUDY AND PLAN**

**SECTION 10.17.** Directs DHHS to examine all regulatory functions performed by each of its divisions and report to the House and Senate Appropriations Committees on Health and Human Services and the Fiscal Research Division by January 30, 2012. Specifies the contents of the report. Requires DHHS to develop a plan to consolidate regulatory functions.

**REDUCE FUNDING FOR NONPROFIT ORGANIZATIONS**

**SECTION 10.18.** Requires DHHS to reduce funds allocated to nonprofit organizations by \$5 million on a recurring basis. Reductions in funds for the provision of direct services must be minimized, and reductions in funds allocated to nonprofit organizations to pay for direct services for individuals with developmental disabilities are prohibited.

**PROHIBIT USE OF ALL FUNDS FOR PLANNED PARENTHOOD ORGANIZATIONS**

**SECTION 10.19.** Prohibits DHHS from providing state funds or other funds it administers for contracts or grants to Planned Parenthood, Inc., and affiliated organizations.

**LIABILITY INSURANCE**

**SECTION 10.20.** Authorizes the Secretaries of DHHS, the Department of Environment and Natural Resources, and the Department of Correction to provide medical liability coverage of up to \$1 million per incident on behalf of: (1) their employees who are licensed to practice medicine or dentistry; (2) licensed physicians who are faculty members of the University of North Carolina working on contract with DMHDDSAS, for incidents that occur in DMHDDSAS programs; and (3) physicians in residency training programs from the University of North Carolina who are training at DHHS institutions. Provides that the coverage shall not extend to sexual, fraudulent, criminal, or malicious acts, or acts amounting to willful or wanton negligence.

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

**SECTION 10.21.** Provides that funds appropriated to DHHS for the Community-Focused Eliminating Health Disparities Initiative shall be used to provide grants-in-aid to local public health departments to close the gap in health status of minority populations. Provides that the grants-in-aid are awarded to honor the memory of recently deceased members of the General Assembly. Requires annual reports to the House and Senate Appropriations Committees on Health and Human Services and the Fiscal Research Division.

**FUNDS FOR SCHOOL NURSES**

**SECTION 10.22.** Requires that all funds appropriated in this act for the School Nurse Funding Initiative must be used to supplement and not supplant other sources of funds for school nurses. Provides that the appropriated funds shall not be used to fund nurses for state agencies. Distributes funds to local health departments according to a formula. Directs the Division of Public Health (DPH) to ensure that school nurses funded with state funds perform specified duties for school health programs, but do not assist in instructional or administrative duties associated with a school's curriculum.

**REPLACEMENT OF RECEIPTS FOR CHILD DEVELOPMENT SERVICE AGENCIES**

**SECTION 10.23.** Provides that receipts earned by Child Development Service Agencies (CDSAs) from third-party payers shall be budgeted on a recurring basis to replace reductions in state appropriations to CDSAs.

**HEALTH INFORMATION TECHNOLOGY**

**SECTION 10.24.** Directs DHHS, in cooperation with the State Chief Information Officer, to coordinate health information technology (HIT) policies and programs within the state. Specifies goals for HIT, including the security and protection of patient health information, improving health care quality, improving health care coordination, improving public health services, promoting early detection and management of chronic diseases, and facilitating research. Directs DHHS to establish and direct a HIT management structure with specified responsibilities. Requires written quarterly reports on the status of HIT efforts, beginning October 1, 2011.

**FUNDS FOR STROKE PREVENTION**

**SECTION 10.25.** Allocates \$400,000 in nonrecurring funds for each year of the biennium to DPH's Heart Disease and Stroke Prevention Branch, for continuation of community education campaigns. Allocates \$50,000 in nonrecurring funds for each year of the biennium to DPH's Stroke Advisory Council.

**AIDS DRUG ASSISTANCE PROGRAM**

**SECTION 10.26.** Requires DHHS to work with the Department of Correction (DOC) to use DOC funds to purchase HIV/AIDS medications for DOC inmates in a manner that allows the funds to serve as part of the state match for federal Ryan White funds.

**NC HEALTH CHOICE MEDICAL POLICY**

**SECTION 10.27.** Prohibits DHHS from changing medical policy affecting the amount, sufficiency, duration, and scope of NC Health Choice services and providers until the Division of Medical Assistance (DMA) has prepared a 5-year fiscal analysis documenting the increased cost of the proposed change and submitted it for departmental review (unless the changed policy is required by federal law). Provides a procedure for pre-implementation review and approval of proposed policy changes with a fiscal impact exceeding \$1 million in a given year.

**COMMUNITY CARE OF NORTH CAROLINA**

**SECTION 10.28.** Requires DHHS to arrange for annual independent reports on the Medicaid cost savings achieved by the Community Care of North Carolina (CCNC) networks. Directs DHHS and DMA to enter into a contract with North Carolina Community Care Networks, Inc. (NCCCN) and each of 14 participating CCNC networks, requiring NCCCN to provide standardized clinical and budgetary coordination, oversight, and reporting for a statewide case Enhanced Primary Care Case Management System for Medicaid enrollees. Requires NCCCN to report quarterly to DHHS and the Office of State Budget and Management (OSBM) on the development of the system. Requires DHHS and OSBM to assess the performance of NCCCN and CCNC by January 1, 2012, and based on the assessment, expand, cancel, or alter the contract. By July 1, 2012, DHHS, DMA and NCCCN must finalize a comprehensive plan that establishes management methodologies meeting specified criteria.

**MEDICAID MANAGEMENT INFORMATION SYSTEM (MMIS) FUNDS/IMPLEMENTATION OF MMIS**

**SECTION 10.29.** Authorizes the Secretary of DHHS to use prior year earned revenue for the new Medicaid Management Information System (MMIS). The amounts that may be used are \$3.2 million for fiscal year 2011-12 and \$12 million for fiscal year 2012-13. If DHHS does not receive prior year earned revenues in those amounts, it may, with the approval of OSBM, use other overrealized receipts and appropriated funds. Requires DHHS to make full development of MMIS a top priority and to develop plans to ensure certain capabilities. Authorizes DHHS to engage private counsel with information technology and computer law expertise to review requests for proposals and negotiate contracts. Requires DHHS to develop schedules for development and implementation of MMIS and to make quarterly reports on changes in its functionality and costs. Reports must include any changes to MMIS vendor contracts and provide detailed explanations for any cost increases.

**NORTH CAROLINA FAMILIES ACCESSING SERVICES THROUGH TECHNOLOGY (NC FAST) FUNDS**

**SECTION 10.30.** Allocates \$9.59 million in nonrecurring funds for each fiscal year of the biennium to support the NC FAST project. Further directs DHHS to use \$8.77 million of prior year earned revenues for the project. If DHHS does not receive prior year earned revenues in that amount, it may use other overrealized receipts and appropriated funds, provided DHHS receives prior approval from OSBM, the Office of Information Technology Services, and specified federal agencies. Appropriated funds must be used to expedite the development and implementation of the Global Case Management and Food and Nutrition Services and the Eligibility Information System components of NC FAST.

**MEDICAID****SECTION 10.31.(a)** Use of Funds, Allocation of Costs, Other Authorizations.

Specifies that (1) funds appropriated in this act for Medicaid services are for both the categorically needy and the medically needy; (2) the state pays 100% of the nonfederal costs of all applicable services listed in this section and 100% of the federal Medicare Part D clawback payments under the Medicare Modernization Act of 2004; and (3) DHHS, Division of Medical Assistance, may use funds that are identified to support the cost of development and acquisition of equipment and software and related operational costs through contractual means to improve and enhance information systems that provide management information and claims processing. Requires that DHHS identify adequate funds to support the implementation and first year's operational costs that exceed funds allocated for the new contract for the fiscal agent for the Medicaid Management Information System. Specifies that all required reports by DHHS to the General Assembly be submitted to the House of Representatives Appropriations Subcommittee for Health and Human Services, the Senate Appropriations

Committee on Health and Human Services, and the Fiscal Research Division of the Legislative Services Office, unless otherwise provided.

**SECTION 10.31.(b) Policy.**

Authorizes DHHS, Division of Medical Assistance, to (1) 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, subject to the approval of a change in the State Medicaid Plan and (2) 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. Requires DHHS, Division of Medical Assistance, to 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. Prohibits DHHS from changing 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 DHHS review. If the fiscal impact indicated by the fiscal analysis for any proposed medical policy change exceeds \$3 million in total requirements for a given fiscal year, then DHHS must submit the proposed medical policy change with the fiscal analysis to the OSBM and the Fiscal Research Division. Prohibits DHHS from implementing any proposed medical policy change exceeding \$3 million in total requirements for a given fiscal year unless the source of state funding is identified and approved by the OSBM. For medical policy changes exceeding \$3 million in total requirements for a given fiscal year that are required for compliance with federal law, DHHS must submit the proposed medical policy or policy interpretation change with the five-year fiscal analysis to the OSBM prior to implementing the change. Requires DHHS to provide the OSBM and the Fiscal Research Division a quarterly report itemizing all medical policy changes with total requirements of less than \$3 million. Sets requirements for posting of changes on the DHHS website pursuant to federal law. Requires Medicaid providers to submit claims electronically except where non-electronic claims are in the best interest of DHHS.

**SECTION 10.31.(c) Eligibility.**

Establishes the maximum family annual income eligibility standards for Medicaid and Work First Family Assistance and the Standard of Need for Work First Family Assistance.

Requires that for specified Medicaid eligibility classifications for which the federal poverty guidelines are used as income limits for eligibility determinations, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines. Requires DHHS, Division of Medical Assistance, to provide Medicaid coverage to specified classifications of people meeting specified federal poverty guidelines.

Requires DHHS, Division of Medical Assistance, to provide Medicaid coverage to adoptive children with special or rehabilitative needs regardless of the adoptive family's income.

Requires DHHS, Division of Medical Assistance, to provide Medicaid coverage to "independent foster care adolescents," ages 18, 19, and 20, as defined in section 1905(w)(1) of the Social Security Act [42 U.S.C. § 1396d(w)(1)], without regard to the adolescent's assets, resources, or income levels.

Allows DHHS to provide an incentive allowance to Medicaid-eligible recipients of ICF and ICF/MR services, who are regularly engaged in work activities as part of their developmental plan, and for whom retention of additional income contributes to their achievement of independence. Specifies monthly allowances based on monthly net wages. The state funds required to match the federal funds that are required by these allowances shall be provided from savings within the Medicaid budget or from other unbudgeted funds available to DHHS.

Requires DHHS, Division of Medical Assistance, to provide Medicaid coverage to women who need treatment for breast or cervical cancer and who are defined in 42 U.S.C. § 1396a.(a)(10)(A)(ii)(XVIII).

**SECTION 10.31.(d) Services and Payment Bases.**

Requires DHHS to spend funds appropriated for Medicaid services in accordance with a specified schedule of services and payment bases. Unless otherwise provided, services and payment bases will be as prescribed in the State Plan as established by DHHS and may be changed with the approval of the Governor. Designates the following as mandatory services: (1) hospital inpatient; (2) hospital outpatient; (3) nursing facilities; (4) physicians, certified nurse midwife services, physician assistants, and nurse practitioners; (5) EPSDT screens; (6) home health and related services, and durable medical equipment; (7) rural health clinical services; (8) family planning; (9) independent laboratory and X-ray services; (10) Medicare buy-in; (11) ambulance services; (12) Medicare crossover claims; (13) pregnancy-related services; and (14) specified mental health services for children. Lists optional services.

Reimbursements must be available for prescription drugs as allowed by federal regulations plus a professional services fee per month, excluding refills for the same drug or generic equivalent during the same month. Payment of the professional services fee shall be made in accordance with the State Plan adopted by DHHS, consistent with federal reimbursement regulations. DHHS shall establish the professional services fee and may pay an enhanced fee for pharmacy services. DHHS may establish authorizations, limitations, and reviews for

specific drugs, drug classes, brands, or quantities in order to manage effectively the Medicaid pharmacy program. DHHS may impose prior authorization requirements on brand-name medications for which the phrase "medically necessary" is written on the prescription.

Specifies that notwithstanding GS 90-85.27 through GS 90-85.31, or any other law to the contrary, under the Medical Assistance Program and except as otherwise provided in this subsection for drugs listed in the narrow therapeutic index, a prescription order for a drug designated by a trade or brand name shall be considered to be an order for the drug by its established or generic name, except when the prescriber has determined, at the time the drug is prescribed, that the brand-name drug is medically necessary and has written on the prescription order the phrase "medically necessary." An initial prescription order for a drug listed in the narrow therapeutic drug index that does not contain the phrase "medically necessary" shall be considered an order for the drug by its established or generic name, except that a pharmacy shall not substitute a generic or established name prescription drug for subsequent brand or trade name prescription orders of the same prescription drug without explicit oral or written approval of the prescriber given at the time the order is filled. Generic drugs shall be dispensed at a lower cost to the Medical Assistance Program rather than trade or brand-name drugs. As used in this subsection, *brand name* means the proprietary name the manufacturer places upon a drug product or on its container, label, or wrapping at the time of packaging; and *established name* has the same meaning as in Section 502(e)(3) of the Federal Food, Drug, and Cosmetic Act, as amended, 21 U.S.C. § 352(e)(3).

Requires DHHS to work with specialty drug providers, manufacturers, Medicaid recipients, and medical professionals to develop ways to prevent overutilization of specialty drugs. Requires DHHS to lock Medicaid enrollees into a single pharmacy and provider when the Medicaid enrollee's utilization of selected controlled substance medications meets the lock-in criteria of the NC Physicians Advisory Group. Requires DHHS to establish and implement a preferred drug list program that receives ongoing review of the Physicians Advisory Group. DHHS must enter into a multistate purchasing pool, negotiate directly with manufacturers or labelers, and contract with a pharmacy benefit manager for negotiated discounts and rebates. DHHS must establish a Preferred Drug List (PDL) Policy Review Panel to review Medicaid PDL recommendations from DHHS, Division of Medical Assistance. Sets forth the composition of DHHS appointees to the review panel. DHHS may establish a PDL for the North Carolina Health Choice for Children program and pursue negotiated discounts or rebates for all prescription drugs under the program.

Limits Medicaid coverage of mental health services to (1) services established by the Division of Medical Assistance in consultation with the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) when provided in agencies meeting the requirements and reimbursement is made in accordance with the State Plan; (2) services provided by professionals specified in the act; and (3) services rendered by qualified providers in accordance with approved state policies and the State Plan.

Prohibits Medicaid reimbursement for Never Events and Hospital Acquired Conditions.

Notwithstanding GS 150B-21.1(a), DHHS may adopt temporary rules in accordance with GS Chapter 150B of the General Statutes further defining the qualifications of providers and referral procedures in order to implement this subsection.

#### **SECTION 10.31.(e) Provider Performance Bonds and Visits.**

Authorizes DHHS to require Medicaid-enrolled providers to purchase a performance bond in an amount not to exceed \$100,000 naming as beneficiary DHHS, Division of Medical Assistance, or provide to DHHS a validly executed letter of credit or other financial instrument issued by a financial institution or agency honoring a demand for payment in an equivalent amount. DHHS may require the purchase of a performance bond or the submission of an executed letter of credit or financial instrument as a condition of initial enrollment, reenrollment, or reinstatement if the provider fails to demonstrate financial viability, DHHS determines there is significant potential for fraud and abuse, or DHHS otherwise finds it is in the best interest of the Medicaid program to do so. Authorizes DHHS to waive or limit these requirements for individual Medicaid-enrolled providers or for one or more classes of Medicaid-enrolled provider. If DHHS waives or limits the requirements, it must take into consideration the potential fiscal impact of the waiver or limitation on the State Medicaid Program. DHHS must provide to the affected provider written notice of the findings upon which its action is based and shall include the performance bond requirements and the conditions under which a waiver or limitation apply. DHHS may adopt temporary rules in accordance with GS 150B-21.1 as necessary to implement this provision.

Authorizes reimbursement for up to 30 visits per recipient per fiscal year for the following professional services: physicians, nurse practitioners, nurse midwives, physician assistants, clinics, health departments, optometrists, chiropractors, and podiatrists. Requires DHHS to (1) adopt medical policies in accordance with GS 108A-54.2 to distribute the allowable number of visits for each service or each group of services consistent with federal law, (2) establish a threshold of some number of visits for these services, and (3) ensure that primary



care providers or the appropriate CCNC network are notified when a patient is nearing the established threshold to facilitate care coordination and intervention as needed.

Exempts prenatal services, all EPSDT children, emergency room visits, and mental health visits subject to independent utilization review from the visit limitations contained in this subsection. Authorizes DHHS to authorize exceptions when additional care is medically necessary, subject to appropriate medical review. Specifies that routine or maintenance visits above the established visit limit will not be covered unless necessary to actively manage a life-threatening disorder or as an alternative to more costly care options.

**SECTION 10.31.(f) Exceptions and Limitations on Services; Authorization of Co-Payments and Other Services.**

Authorizes DHHS to waive service limitations, eligibility requirements, and payment bases in this section, with the approval of the Governor, to allow DHHS to carry out pilot programs for prepaid health plans, contracting for services, managed care plans, or community-based services programs in accordance with plans approved by the United States Department of Health and Human Services or when DHHS determines that such a waiver will result in a reduction in the total Medicaid costs for the recipient.

DHHS must charge a provider enrollment fee and may establish patient co-payments up to the maximum permitted by federal law and regulation.

**SECTION 10.31.(g) Rules, Reports, and Other Matters.**

Authorizes DHHS to adopt temporary or emergency rules according to the procedures established in GS 150B-21.1 and GS 150B-21.1A when it finds that these rules are necessary to maximize receipt of federal funds within existing state appropriations, to reduce Medicaid expenditures, and to reduce fraud and abuse. Requires DHHS to adopt rules requiring providers to attend training as a condition of enrollment and may adopt temporary or emergency rules to implement the training requirement.

Requires DHHS to consult with OSBM on the possible fiscal impact of the temporary or emergency rule and its effect on state appropriations and local governments before filing the temporary or emergency rules authorized under this subsection with the Rules Review Commission and the Office of Administrative Hearings.

#### **DMA CONTRACT SHORTFALL**

**SECTION 10.32.** Requires DHHS, Division of Medical Assistance, to receive budget approval by the OSBM before entering into any new contract or renewing or amending an existing contract that exceeds the current contract amounts. Directs the Division of Medical Assistance to create savings within its operational budget and use those savings to offset its contract shortfall. Authorizes DHHS to use funds appropriated in this act to cover the contract shortfall in the Division of Medical Assistance if insufficient funds exist within the Division.

#### **MEDICAID COST CONTAINMENT ACTIVITIES**

**SECTION 10.33.** Authorizes DHHS to use up to \$5 million in Medicaid services funds in 2011-12 and 2012-13 to support the cost of administrative activities when cost-effectiveness and savings are demonstrated. Specifies some of the activities that may be considered Medicaid cost-containment activities. Funds may be expended under this section only after the OSBM has approved a proposal for the expenditure submitted by DHHS. Proposals for expenditure of funds must include the cost of implementing the cost-containment activity and documentation of the amount of savings expected to be realized from the cost-containment activity. Requires DHHS to report annually on cost containment activity expenditures 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.

#### **MEDICAID SPECIAL FUND TRANSFER**

**SECTION 10.34.** Of the funds transferred to DHHS for Medicaid programs pursuant to GS 143C-9-1, the act appropriates from the Medicaid Special Fund to DHHS \$43 million for 2011-12 and \$43 million for 2012-13. These funds must be allocated for Medicaid programs as prescribed by GS 143C-9-1(b). Notwithstanding the prescription in GS 143C-9-1(b) that these funds not reduce state general revenue funding, these funds must replace the reduction in general revenue funding effected in this act. Authorizes DHHS to use funds in the Medicaid Special Fund to fund the settlement of the Disproportionate Share Hospital payment audit issues between DHHS and the federal government related to fiscal years 1997-2002, and appropriates funds from the Medicaid Special Fund for 2011-12 for this purpose.

#### **ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE**

**SECTION 10.35.** Directs that receivables reserved at the end of 2011-12 and 2012-13 be accounted for as nontax revenue for those years. For each fiscal year, requires DHHS to deposit \$115 million of its revenue with the Department of State Treasurer to be accounted for as nontax revenue. These deposits represent the return of

General Fund appropriations provided to DHHS to provide indigent care services at state-owned and operated mental hospitals.

#### **FAMILIES PAY PART OF THE COST OF SERVICES UNDER THE CAP-MR/DD PROGRAM AND THE CAP-CHILDREN'S PROGRAM BASED ON FAMILY INCOME**

**SECTION 10.36.(a)** Directs DHHS, Division of Medical Assistance, in consultation with the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, and Community Alternatives Program (CAP) stakeholders, to develop a schedule of cost-sharing requirements for families of children with incomes above the Medicaid allowable limit to share in the costs of their child's Medicaid expenses under the CAP-MR/DD (Community Alternatives Program for Mental Retardation and Developmentally Disabled) and the CAP-C (Community Alternatives Program for Children). The cost-sharing amounts must be based on a sliding scale of family income and take into account the impact on families with more than one child in the CAP programs. The Division of Medical Assistance may establish monthly deductibles as a means of implementing the cost-sharing. Requires DHHS to hold at least one public hearing and provide other opportunities for individuals to comment on the imposition of cost-sharing under the CAP program schedule.

**SECTION 10.36.(b)** Requires the Division of Medical Assistance, in collaboration with the Controller's Office of DHHS, the Division of Information Resource Management (DIRM), and the new vendor of the replacement Medicaid Management Information System to develop business rules, program policies, and procedures, and to define relevant technical requirements.

**SECTION 10.36.(c)** Implementation of the provision must be delayed until the implementation of the new Medicaid Management Information System.

#### **AUTHORIZE THE DIVISION OF MEDICAL ASSISTANCE TO TAKE CERTAIN STEPS TO EFFECTUATE COMPLIANCE WITH BUDGET REDUCTIONS IN THE MEDICAID PROGRAM**

**SECTION 10.37.(a)** Directs DHHS, the Division of Medical Assistance, to limit or reduce the expenditure of Medicaid and other funds on specified services. For In-Home Care, DHHS must no longer provide services under PCS and PCS-Plus on the later of January 1, 2012, or whenever CMS approves the elimination of the PCS and PCS-Plus programs and the implementation of the following two new services: (1) In-Home Care for Children (IHCC), which are services to assist families to meet the in-home care needs of children, including those individuals under the age of 21 receiving comprehensive and preventive child health services through the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program and (2) In-Home Care for Adults (IHCA), services to meet the eating, dressing, bathing, toileting, and mobility needs of individuals 21 years of age or older who, because of a medical condition, disability, or cognitive impairment, demonstrate unmet needs. DHHS must establish a Medical Coverage Policy for each of these programs up to a maximum number of hours specified in the act, and implement specified limitations and restrictions on the provision of these services. Sets forth admission requirements and a time line for implementation of the new IHCC and IHCA programs.

Requires the Division of Medical Assistance to amend clinical policies and submit State Plan amendments to the Centers for Medicare and Medicaid Services (CMS) to limit adult physical therapy, occupational therapy, and speech therapy visits to three visits per calendar year.

Directs that, for MH/DD/SAS personal care and personal assistance services, a denial, reduction, or termination of Medicaid-funded personal care services or in-home care services shall result in a similar denial, reduction, or termination of state-funded MH/DD/SAS personal care and personal assistance services. Requires authorization for a Community Support Team to be based upon medical necessity as defined by DHHS and must not exceed 18 hours per week.

Directs DHHS to restructure the Medicaid child mental health, developmental disabilities, and substance abuse residential services to ensure that total expenditures are within budgeted levels. All restructuring activities must be in compliance with federal and state law. Requires the Divisions of Medical Assistance and Mental Health, Developmental Disabilities, and Substance Abuse Services to establish a team inclusive of providers, LMEs, and other stakeholders to assure effective transition of recipients to appropriate treatment options. Sets forth numerous issues that must be addressed by the restructuring, including submission of the therapeutic family service definition to CMS, provider accreditation, entrance and continued stay criteria for residential services, length of stay not to exceed 180 days, the submission of a discharge plan, record maintenance, and the failure of a provider to comply with conditions of enrollment.

Directs the Secretary of DHHS to reduce Medicaid provider rates to accomplish the reduction in funds enacted in the act, to issue Medicaid identification cards to recipients on an annual basis with updates as needed, and to develop a plan for the consolidation of case management services utilizing Community Care of North Carolina (CCNC).

For the purpose of promoting cost-effective utilization of outpatient mental health services for children, DMA must require prior authorization for services following the sixteenth visit. DMA must change the Medicaid Private Duty Nursing program provided under the State Medicaid Plan to meet the authorization requirements and limits specified in the act, and develop and submit to CMS a Home and Community Based Services Waiver for individuals dependent on technology to substitute for a vital body function. Subject to prior approval of CMS, the Division of Medical Assistance must eliminate or modify the following Medicaid services: optical, durable medical equipment, specialized therapies (including physical, occupational, speech, respiratory, and audiological services), home health, the pregnancy home model initiative, and dental.

**SECTION 10.37.(b)** At least 30 days before the adoption of new or amended medical coverage policies necessitated by the reductions to the Medicaid program enacted in this act, DHHS must (1) publish the proposed new or amended medical coverage policies in the Medicaid Bulletin published on the DHHS Web site with an invitation to readers to send written comments, (2) notify via direct mail the members of the Physician Advisory Group (PAG) of the proposed policies, (3) update the policies published on the Web site to reflect any changes made as a result of written comments received from the PAG and others, and (4) provide written notice to recipients about changes in policy.

**SECTION 10.37.(c)** Directs DHHS to not take any action that it determines would jeopardize the receipt of federal funds.

#### **MEDICAID WAIVER FOR ASSISTED LIVING**

**SECTION 10.38.** Instructs DHHS, Division of Medical Assistance, to develop and implement a home and community based services program under Medicaid State Plan 1915(i) authority to continue Medicaid funding of personal care services to individuals living in adult care homes. The Division must implement the program upon approval of the application by the Centers for Medicare and Medicaid Services and by April 1, 2012, report on the status of approval and implementation of the program to the Joint Legislative Commission on Governmental Operations, the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

#### **PROGRAM INTEGRITY**

**SECTION 10.39.** Authorizes DHHS to do prepayment claims reviews of providers to ensure all claims presented by a provider for DHHS payment meet the DHHS medical necessity criteria and all other applicable Medicaid, Health Choice, or other federal or state documentation requirements.

#### **TRANSFER TO OFFICE OF ADMINISTRATIVE HEARINGS**

**SECTION 10.40.** Transfers \$1 million for 2011-12 and \$1 million for 2012-13 from DHHS to the Office of Administrative Hearings (OAH) for mediation services provided for Medicaid applicant and recipient appeals and to contract for other services necessary to conduct the appeals process. OAH must continue the Memorandum of Agreement (MOA) with the Department for mediation services necessary to conduct the appeals process.

#### **NC HEALTH CHOICE**

**SECTION 10.41.** Amends GS 108A-54.3 to provide that, upon DHHS approval of any medical policy change applicable to NC Health Choice for Children and that requires an amendment to the Health Choice State Plan, DHHS must submit an amendment to the Health Choice State Plan. Amends GS 108-70.21 to eliminate or limit health care services provided under NC Health Choice for Children. Specifically, the act eliminates coverage for long-term care services, nonemergency medical transportation, EPSDT, dental services (oral exams, teeth cleaning, topical fluoride treatment, and orthognathic surgery), and auditory diagnostic testing services and hearing aids. Limits vision services to NC Health Choice-enrolled providers. Sets co-payments for nonemergency visits to the emergency room for children. Repeals GS 108A-70.23 (services for children with special needs) and amends GS 108A-70.27(c) (reporting requirements). Adds new GS 108A-70.29 to give DHHS rulemaking authority over the transition and operation of the NC Health Choice Program.

#### **MEDICATION THERAPY MANAGEMENT PILOT**

**SECTION 10.42** Directs DHHS to develop a two-year medication therapy management pilot program to be administered through Community Care of North Carolina (CCNC) to determine (1) the best method of adapting the CheckMedsNC program to the Medicaid program and CCNC's Medical Homes and (2) the most effective and efficient role for community-based pharmacists as active members of CCNC's care management team. Sets forth required elements of the pilot program and requires CCNC to report on the development and implementation of the pilot program on January 1, 2012, and every six months thereafter, to DHHS, the House and Senate Appropriations Subcommittees on Health and Human Services, and the Fiscal Research Division. Directs that

funding for the pilot program must be made available through the Enhanced Federal Funding for Health Homes for the Chronically Ill.

#### **NO INFLATIONARY MEDICAID PROVIDER RATE INCREASES**

**SECTION 10.43.** Provides that DHHS may not authorize any inflationary increases to Medicaid provider rates during the 2011-13 fiscal biennium, except that increases for healthcare providers paying provider fees may occur if the state share of the increases can be funded with provider fees.

#### **MEDICAID RECIPIENT APPEALS**

**SECTION 10.44.** Requires DHHS to review the appeals process for adverse Medicaid determinations for Medicaid recipients to determine whether it conforms with, or exceeds, the requirements of federal law.

#### **DEPARTMENT TO DETERMINE COST-SAVINGS FOR MEDICAID THAT WOULD RESULT FROM PROVISION OF MUSCULOSKELETAL HEALTH SERVICES**

**SECTION 10.45.** Requires DHHS to study and determine the cost savings that would result for Medicaid if specified measures were implemented regarding the provision of services to those with musculoskeletal conditions. DHHS must report its findings to the House and Senate Appropriations Subcommittees on Health and Human Services and to the Fiscal Research Division by October 1, 2011.

#### **MEDICAID PROVIDER RATE ADJUSTMENTS**

**SECTION 10.46** Reduces the Medicaid provider rates for all Medicaid providers by 2%, except that the rate reduction does not apply to physicians, and hospital inpatient services must be reduced by 2% plus a percentage sufficient to achieve the amount of savings that would have resulted if the 2% rate reduction had been applied to physicians. Includes a rate reduction schedule.

#### **DHHS SAVINGS THROUGH CCNC**

**SECTION 10.47** Requires DHHS, CCNC, and North Carolina Community Care Inc. to obtain \$90 million in savings through cooperation and effective cost-savings on the part of healthcare providers. DHHS must monitor the performance of the CCNC Networks and the expenditures of healthcare providers and report quarterly, beginning October 1, 2011, on the savings achieved. The report must be made to the House and Senate Appropriations Subcommittees on Health and Human Services and to the Fiscal Research Division. If by October 1, 2011, savings are not being achieved at a sufficient rate to yield the savings required by this section, DHHS must reduce Medicaid rates by up to 2% and eliminate or reduce the level or duration of optional Medicaid services, to be effective January 1, 2012.

#### **INCREASE GENERIC DRUG DISPENSING RATE IN MEDICAID BY REVISING PHARMACY DISPENSING FEES FOR PHARMACISTS THAT DISPENSE HIGH PROPORTIONS OF GENERIC DRUGS**

**SECTION 10.48** Requires DHHS to revise its pharmacy dispensing fees to encourage a greater proportion of prescriptions to be generic prescriptions and thereby achieve savings of \$15 million in 2011-12 and \$24 million in 2012-13. DHHS must report on its progress in achieving the savings on November 1, 2011, January 1, 2012, and quarterly thereafter to the House and Senate Appropriations Subcommittees on Health and Human Services and to the Fiscal Research Division.

#### **NC NOVA**

**SECTION 10.49** Authorizes DHHS to use up to \$38,000 in each year of the fiscal biennium to continue the NC New Organizational Vision Award special licensure designation program established under GS 131E-154.14.

#### **INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND PERFORMANCE ENHANCEMENTS**

**SECTION 10.50** Directs that the Intensive Family Preservation Services (IFPS) Program must provide intensive services to children and families in cases of abuse, neglect, and dependency where a child is at imminent risk of removal from the home and to children and families in cases of abuse where a child is not at imminent risk of removal. DHHS must require programs that receive funding for IFPS to submit specified data and must establish performance-based funding protocols. DHHS may only provide funding to programs and entities that provide the specified data.

#### **FOSTER CARE AND ADOPTION ASSISTANCE PAYMENT RATES**

**SECTION 10.51** Adds new GS 108A-49.1 to set maximum per child, per month rates for state participation in the foster care assistance program and adoption assistance program. Also sets maximum rates for participation in

HIV foster care and adoption assistance. Requires the state, and the county participating in foster care and adoption assistance, to contribute 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.

#### **CHILD CARE INSTITUTIONS**

**SECTION 10.52** Directs that, until the Social Services Commission adopts rules setting standardized rates for child caring institutions as authorized under G.S. 143B-153(8), the maximum reimbursement for child caring institutions must not exceed the rate established for the specific child caring institution by DHHS, Office of the Controller. In determining the maximum reimbursement, the state must include county and 48 IV-E reimbursements.

#### **REPEAL STATE ABORTION FUND**

**SECTION 10.53** Eliminates funding for the termination of pregnancies caused by rape or incest or that endanger the life of the mother, for women whose income is below the federal poverty level and who are not eligible for Medicaid. Makes conforming changes.

#### **CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM**

**SECTION 10.54.(a)** Of the funds appropriated from the General Fund to DHHS, \$1,584,125 for 2011-12 and \$1,584,125 for 2012-13 must be used to support the child welfare postsecondary support program for the educational needs of foster youth aging out of the foster care system and special needs children adopted from foster care after age 12, by providing assistance with the "cost of attendance" as that term is defined in 20 U.S.C. § 1087II. These funds must be allocated by the State Education Assistance Authority.

**SECTION 10.54.(b)** Of the funds appropriated from the General Fund to DHHS, \$50,000 for each year of the 2011-13 fiscal biennium must be allocated to the North Carolina State Education Assistance Authority (SEAA) to perform administrative functions necessary to manage and distribute scholarship funds under the child welfare postsecondary support program.

**SECTION 10.54.(c)** Of the funds appropriated from the General Fund to DHHS, \$339,493 for each year of the fiscal biennium must be used to contract with an entity to administer the child welfare postsecondary support program described under subsection (a) of this section, which administration must include the performance of case management services.

**SECTION 10.54.(d)** Funds appropriated to DHHS for the child welfare postsecondary support program must be used only for students attending public institutions of higher education in this state.

#### **TANF BENEFIT IMPLEMENTATION**

**SECTION 10.55.(a)** Approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan FY 2010-2012," prepared by DHHS for the period October 1, 2010, through September 30, 2012, and directs DHHS to submit the State Plan, as revised in accordance with subsection (b) of this section, to the U.S. Department of Health and Human Services, as amended by this act or any other act of the 2011 General Assembly.

**SECTION 10.55.(b)** The counties approved as Electing Counties in the North Carolina Temporary Assistance for Needy Families State Plan FY 2010-2012 are Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

**SECTION 10.55.(c)** Counties that submitted the letter of intent to remain an Electing County or to be redesignated as an Electing County and the accompanying county plan for fiscal year 2011 through 2012, pursuant to G.S. 108A-27(e), shall operate under the Electing County budget requirements effective July 1, 2009. For programmatic purposes, all 50 counties referred to in this subsection shall remain under their current county designation through September 30, 2012.

**SECTION 10.55.(d)** For 2011-12, Electing Counties are held harmless to their Work First Family Assistance allocations for the 2010-11 fiscal year, provided that remaining funds allocated for Work First Family Assistance and Work First Diversion Assistance are sufficient for payments made by DHHS on behalf of Standard Counties pursuant to GS 108A-27.11(b).

**SECTION 10.55.(e)** Authorizes DHHS, in the event that its projections of Work First Family Assistance and Work First Diversion Assistance for 2011-2012 indicate that remaining funds are insufficient for Work First Family Assistance and Work First Diversion Assistance payments to be made on behalf of Standard Counties, to deallocate funds, from those allocated to Electing Counties for Work First Family Assistance in excess of the sums in GS 108A-27.11, up to the requisite amount for payments in Standard Counties. Prior to deallocation, DHHS must obtain approval by the Office of State Budget and Management. If DHHS adjusts the allocation set forth in subsection (d) of this section, it must report to the Joint Legislative Commission on Governmental

Operations, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

#### **PAYMENTS FOR LIEAP/CIP**

**SECTION 10.56.** Adds new GS 108A-25.4 to require that the Low-Income Energy Assistance Program Plan focus annual energy assistance payments on the elderly population age 60 and above with income up to 130% of the federal poverty level and on disabled persons receiving services through the Division of Aging and Adult Services. The energy assistance payment must be paid directly to the service provider by the county department of social services. The Plan for Crisis Intervention Program (CIP) must provide assistance for vulnerable populations who meet income eligibility criteria established by DHHS. The CIP payment must be paid directly to the service provider by the county department of social services. Directs DHHS to submit the Plan for each program to the U.S. Department of Health and Human Services no later than September 1 of each year and implement the Plan no later than October 1 of each year. Beginning September 1, 2011, on or before September 1 of each year, and for a period of three years thereafter, DHHS must submit a copy of the Plan to the House Appropriations Subcommittee on Health and Human Services and Senate Appropriations Committee on Health and Human Services.

#### **CONSOLIDATE BLIND, DEAF, AND VOCATIONAL REHABILITATION DIVISIONS**

**SECTION 10.57.** Directs DHHS, by January 1, 2012, to consolidate the Division of Services for the Blind, the Division of Services for the Deaf and the Hard of Hearing, and the Division of Vocational Rehabilitation Services into one division.

#### **NON-MEDICAID REIMBURSEMENT CHANGES**

**SECTION 10.58.** Directs that providers of medical services under the various state programs, other than Medicaid, offering medical care to citizens of the state must be reimbursed at rates no higher than those under the North Carolina Medical Assistance Program. Authorizes DHHS to reimburse hospitals at the full prospective per diem rates without regard to the Medical Assistance Program's annual limits on 5 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 are not required. DHHS may negotiate with providers of medical services under the various DHHS service 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. Sets maximum net family annual income eligibility standards for services in these programs. Directs the Secretary, subject to the prior approval of the Office of State Budget and Management, to reduce provider rates for services rendered for the Medical Eye Care, Independent Living, and Vocational Rehabilitation programs within the Division of Services for the Blind, and Independent Living and Vocational Rehabilitation programs within the Division of Vocational Rehabilitation to accomplish the reduction in funds for this purpose enacted in this act.

#### **STATE-COUNTY SPECIAL ASSISTANCE**

**SECTION 10.59.** Sets the maximum monthly rate for residents in adult care home facilities at \$1,182 per month per resident, and for residents in Alzheimer/Dementia special care units at \$1,515 per month per resident; provides that DHHS may recommend rates based on appropriate cost methodology and cost reports submitted by adult care homes that receive State-County Special Assistance funds. Requires DHHS to review activities and costs related to the provision of care in adult care homes and to 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. Authorizes DHHS to transfer funds from the State-County Special Assistance program within the Division of Social Services to the Division of Medical Assistance and use those funds as state match to draw down federal matching funds.

#### **DHHS BLOCK GRANTS.**

**SECTION 10.60.(a).** Makes the following appropriations from federal block grants for the fiscal year ending June 30, 2012.

#### **TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS**

Local Program Expenditures

Division of Social Services	
Work First Family Assistance	\$ 80,840,356
01. Work First County Block Grants	94,453,315
02. Work First Electing Counties	2,378,213
Adoption Services – Special Children's Adoption Fund	3,609,355
03. Family Violence Prevention	2,200,000
04. Child Protective Services – Child Welfare Workers for Local DSS	14,452,391
05. Child Welfare Collaborative	754,115
Division of Child Development	
06. Subsidized Child Care Program	67,439,721
Division of Public Health	
07. Teen Pregnancy Initiatives	450,000
DHHS Administration	
08. Division of Social Services	1,093,176
09. Office of the Secretary	75,392
Transfers to Other Block Grants	
Division of Child Development	
10. Transfer to the Child Care and Development Fund	82,210,675
11. Transfer to Social Services Block Grant for Child Protective Services – Child Welfare Training in Counties	1,300,000
12. Transfer to Social Services Block Grant for Foster Care Services	650,829
13. Transfer to Social Services Block Grant for Child Protective Services	5,040,000
14. Transfer to Social Services Block Grant for Adult Protective Services	1,191,925
15. Transfer to Social Services Block Grant for County Departments of Social Services	375,000
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) FUNDS	\$ 358,514,463

**TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF)  
EMERGENCY CONTINGENCY FUNDS**

Local Program Expenditures	
Division of Social Services	
01. NC FAST	\$ 1,664,936
02. Work First – Boys and Girls Clubs	2,500,000
03. Maternity Homes	943,002
Division of Public Health	
04. Teen Pregnancy Initiatives	2,500,000
DHHS Administration	
05. Division of Social Services	1,389,084
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) EMERGENCY CONTINGENCY FUNDS	\$ 8,997,022

**SOCIAL SERVICES BLOCK GRANT**

Local Program Expenditures	
Divisions of Social Services and Aging and Adult Services	
01. County Departments of Social Services	\$ 29,288,783
02. Child Protective Services (Transfer from TANF)	5,040,000
03. Adult Protective Services (Transfer from TANF)	1,191,925
04. State In-Home Services Fund	2,101,113
05. State Adult Day Care Fund	2,155,301
06. Child Protective Services/CPS Investigative Services-Child Medical Evaluation Program	609,455
07. Foster Care Services	

(Transfer from TANF \$650,829)	2,147,967
08. Special Children Adoption Incentive Fund	500,000
09. Child Protective Services-Child Welfare Training for Counties (Transfer from TANF)	1,300,000
10. Home and Community Care Block Grant (HCCBG)	1,834,077
11. Child Advocacy Centers	375,000
11A. Food Banks	1,000,000
Division of Central Management and Support	
12. ALS Association Jim "Catfish" Hunter Chapter	400,000
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	
13. Mental Health Services Program	422,003
14. Developmental Disabilities Services Program	5,000,000
15. Mental Health Services-Adult and Child/Developmental Disabilities Program/ Substance Abuse Services-Adult	3,234,601
Division of Public Health	
16. Prevent Blindness	150,000
Division of Vocational Rehabilitation	
16. Vocational Rehabilitation Services – Easter Seal Society/UCP Community Health Program	188,263
DHHS Program Expenditures	
Division of Aging and Adult Services	
17. UNC-CARES Training Contract	247,920
Division of Services for the Blind	
19. Independent Living Program	3,633,077
20. Accessible Electronic Information for Blind and Disabled Persons	75,000
Division of Health Service Regulation	
21. Adult Care Licensure Program	411,897
22. Mental Health Licensure and Certification Program	205,668
DHHS Administration	
23. Division of Aging and Adult Services	688,436
24. Division of Social Services	892,624
25. Office of the Secretary/Controller's Office	138,058
26. Office of the Secretary/DIRM	87,483
27. Division of Child Development	15,000
28. Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	29,665
29. Division of Health Service Regulation	235,625
30. Office of the Secretary-NC Interagency Council for Coordinating Homeless Programs	250,000
31. Office of the Secretary	48,053
Transfers to Other Block Grants	
Division of Public Health	
32. Transfer to Preventive Health Services Block Grant for HIV/STD Prevention and Community Planning	145,819
<b>TOTAL SOCIAL SERVICES BLOCK GRANT</b>	<b>\$ 64,042,813</b>
<b>LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT</b>	
Local Program Expenditures	
Division of Social Services	
01. Low-Income Energy Assistance Program (LIEAP)	\$ 11,862,617
02. Crisis Intervention Program (CIP)	48,679,871
02A. NC FAST Implementation	4,732,667
Local Administration	
Division of Social Services	
03. County DSS Administration	5,604,940



DHHS Administration	
04. Office of the Secretary/DIRM	276,784
05. Office of the Secretary/Controller's Office	12,332
Transfers to Other State Agencies	
Department of Commerce	
06. Weatherization Program	500,000
07. Heating Air Repair and Replacement Program (HARRP)	4,744,344
08. Local Residential Energy Efficiency Service Providers – Weatherization	25,000
09. Local Residential Energy Efficiency Service Providers – HARRP	227,038
10. Department of Commerce Administration – Weatherization	25,000
11. Department of Commerce Administration – HARRP	227,038
TOTAL LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT	\$ 76,917,631

### CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

Local Program Expenditures	
Division of Child Development	
01. Subsidized Child Care Services (CCDF)	\$ 151,534,624
02. Electronic Tracking System	3,336,345
03. Subsidized Child Care Services (Transfer from TANF)	82,210,675
04. Quality and Availability Initiatives (TEACH Program \$3,800,000)	25,948,434
Division of Social Services	
06. Local Subsidized Child Care Services Support (4% Administrative Allowance)	16,471,587
DHHS Administration	
Division of Child Development	
07. DCD Administrative Expenses	6,539,277
Division of Central Administration	
08. DHHS Central Administration – DIRM Technical Services	774,317
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	\$ 286,815,255

### MENTAL HEALTH SERVICES BLOCK GRANT

Local Program Expenditures	
01. Mental Health Services – Adult	\$ 6,656,212
02. Mental Health Services – Child	5,121,991
03. Administration	100,000
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	\$ 11,878,203

### SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

Local Program Expenditures	
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	
01. Substance Abuse Services – Adult	\$ 20,008,541
02. Substance Abuse Treatment Alternative for Women	8,107,303
03. Substance Abuse – HIV and IV Drug	5,116,378
04. Substance Abuse Prevention – Child	7,186,857
05. Substance Abuse Services – Child	4,940,500
06. Institute of Medicine	250,000
07. Administration	250,000
Division of Public Health	

08. Risk Reduction Projects	833,980
09. Aid-to-Counties	209,576
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT	\$ 46,703,135

**MATERNAL AND CHILD HEALTH BLOCK GRANT**

Local Program Expenditures	
Division of Public Health	
01. Children's Health Services	8,528,156
02. Women's Health	8,510,783
03. Oral Health	42,268
DHHS Program Expenditures	
Division of Public Health	
04. Children's Health Services	1,417,087
05. Women's Health	136,628
06. State Center for Health Statistics	164,318
07. Quality Improvement in Public Health	1,636
08. Health Promotion	89,374
09. Office of Minority Health	40,141
DHHS Administration	
Division of Public Health	
09. Division of Public Health Administration	631,966
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT	\$ 19,562,357

**PREVENTIVE HEALTH SERVICES BLOCK GRANT**

Local Program Expenditures	
Division of Public Health	
01. NC Statewide Health Promotion	\$ 1,730,653
02. Services to Rape Victims	89,152
03. HIV/STD Prevention and Community Planning (Transfer from Social Services Block Grant)	145,819
DHHS Program Expenditures	
Division of Public Health	
04. State Center for Health Statistics	55,040
05. NC Statewide Health Promotion	947,056
06. Oral Health	70,000
07. State Laboratory of Public Health	16,600
08. Services to Rape Victims	107,960
TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT	\$ 3,162,280

**COMMUNITY SERVICES BLOCK GRANT**

Local Program Expenditures	
Office of Economic Opportunity	
01. Community Action Agencies	\$ 18,075,488
02. Limited Purpose Agencies	1,004,194
DHHS Administration	
03. Office of Economic Opportunity	1,004,194
TOTAL COMMUNITY SERVICES BLOCK GRANT	\$ 20,083,876

**GENERAL PROVISIONS**

**SECTION 10.60.(b).** Requires DHHS to submit a separate plan for each block grant it administers and receives.

**SECTION 10.60.(c).** Provides that if Congress increases or decreases federal funds for any of the block grants, DHHS must allocate the increase or reduction proportionally across programs and activity appropriations identified in this section. In the event of an increase, prohibits OSBM from approving funding for new programs or activities not appropriated in this section.

**SECTION 10.60.(d).** Provides that appropriations from federal block grants must be made according to the schedule established for the fiscal year 2011-12 until a new schedule is enacted by the General Assembly.

**SECTION 10.60.(e).** Requires that all changes to the budgeted allocations for block grants, contingency funds, or other grants related to existing block grants administered by DHHS that are not specifically addressed in this section must be approved by OSBM.

#### **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS**

**SECTION 10.60.(f).** Allocates \$1.093 million of the TANF funds to the Division of Social Services (DSS) to support administration of TANF-funded programs.

**SECTION 10.60.(g).** Provides that \$2.2 million of the TANF funds appropriated to DSS must be used to provide domestic violence services to Work First recipients. The funds must be used for direct services to victims and may not be used to establish new domestic violence shelters or to facilitate lobbying. DSS may use up to \$75,000 to support one administrative position to implement this subsection. Requires each county department of social services and the local domestic violence shelter program serving the county to jointly develop a plan for using the funds. Provides a formula for DSS to use in allocating funds to county departments of social services.

**SECTION 10.60.(h).** Allocates \$14.45 million to county departments of social services for child welfare improvements, including hiring or contracting staff for child protective services, providing foster care and support services, recruiting and supporting foster and adoptive families, and providing interstate and post-adoption services for eligible families.

**SECTION 10.60.(i).** Allocates \$3.6 million to the DHHS Special Children Adoption fund. Directs DSS, in consultation with the NC Association of County Directors of Social Services and representatives of licensed private adoption agencies, to develop guidelines for the awarding of funds to licensed public and private adoption agencies. Requires that participating agencies who receive payments from the fund must use them exclusively to enhance the adoption services program. Provides that no local match may be required for receipt of the funds.

**SECTION 10.60.(j).** Provides that \$754,115 of the TANF funds appropriated to DHHS must be used to continue support for the Child Welfare Collaborative.

#### **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) CONTINGENCY FUNDS**

**SECTION 10.60.(k).** Provides that the \$2.5 million in TANF funds for Boys and Girls Clubs must be used to make grants for approved programs. Requires DHHS to administer a grant program to award the funds.

**SECTION 10.60.(l).** Provides that \$1.39 million of the TANF contingency funds appropriated to DSS must be used to support administration of TANF-funded programs.

#### **SOCIAL SERVICES BLOCK GRANT (SSBG)**

**SECTION 10.60.(m).** Provides that the \$1.3 million in SSBG funds appropriated to DSS must be used to support child welfare training projects, including the provision of a regional training center in southeastern North Carolina, and training for residential child caring facilities.

**SECTION 10.60.(n).** Provides that \$2.15 million in SSBG funds appropriated for child caring agencies must be allocated in support of state foster home children.

**SECTION 10.60.(o).** Authorizes DHHS to transfer SSBG funding allocated for departmental administration between divisions, subject to the approval of OSBM.

**SECTION 10.60.(p).** Requires a 50% local match for SSBG funds appropriated for the Special Children's Adoption Incentive Fund.

**SECTION 10.60.(q).** Provides that \$422,003 in SSBG funds appropriated to DSS must be used to continue a Mental Health Services Program for children.

**SECTION 10.60.(r).** Allocates \$5.04 million in SSBG funds to DSS and directs DSS to allocate the funds to local departments of social services to replace the loss of child protective services state funds that are currently used by county government to pay for local child protective services staff. The funds must be used to pay for salaries and related expenses only and are exempt from a state regulation requiring a local match.

**SECTION 10.60.(s).** Provides that \$400,000 of the SSBG funds appropriated to the Division of Central Management and Support must be allocated to the ALS Association, Jim "Catfish" Hunter Chapter, to provide patient care and community services to persons with ALS and their families. Exempts the funds from a state regulation requiring a local match.

**SECTION 10.60.(t).** Allocates \$150,000 of the SSBG funds appropriated to DPH to Prevent Blindness North Carolina to be used for direct service programs. Exempts the funds from a state regulation requiring a local match.

**SECTION 10.60.(u).** Provides that \$75,000 in SSBG funds appropriated to the Division of Services for the Blind must be used to provide accessible electronic information for blind and disabled persons. Exempts the funds from a state regulation requiring a local match.

**SECTION 10.60.(v).** Provides that \$375,000 of the SSBG funds appropriated to DSS must be used to continue support for the Child Advocacy Centers. Exempts the funds from a state regulation requiring a local match.

**SECTION 10.60.(w).** Provides that SSBG funds allocated to the North Carolina Inter-Agency Council for coordinating homeless programs and child medical evaluations are exempt from a state regulation requiring a local match.

#### **LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT**

**SECTION 10.60.(x).** Provides that 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; however, such funds must be reported to the Commission. Further, the allocation of funds for any activities other than assistance payments requires prior consultation.

**SECTION 10.60.(y).** Provides that \$11.86 million of the funds appropriated to DSS must be used for energy assistance payments for persons 60 years or older with incomes up to 130% of the federal poverty level and disabled persons eligible for services through the Division of Aging and Adult Services.

**SECTION 10.60.(y1).** Provides that \$4.73 million of the funds appropriated to DHHS, Central Management and Support Division, must be used to continue the implementation of the NCFAST program.

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

**SECTION 10.60.(z).** Requires payment for subsidized child care services provided with federal TANF funds to comply with regulations and policies issued by the Division of Child Development.

**SECTION 10.60.(aa).** Provides that, if funds appropriated through the Child Care and Development Fund Block Grant for any program cannot be obligated or spent within the periods allowed by the federal grants, DHHS may move the funds to child care subsidies, unless such a move is prohibited by the federal grant requirements.

#### **SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT**

**SECTION 10.60.(bb).** Provides that \$250,000 appropriated to DMHDDSAS for the North Carolina Institute of Medicine (NCIOM) must be used to continue NCIOM's Task Force on the mental, health, social, and emotional needs of young children and their families. Includes reporting requirement.

#### **MATERNAL AND CHILD HEALTH BLOCK GRANT**

**SECTION 10.60.(cc).** Allocates \$1.497 million of the Maternal and Child Health Block Grant appropriated to DPH as follows: (1) \$350,000 to the March of Dimes to provide folic acid and pre-conceptional education to women, (2) \$650,000 to Teen Pregnancy Prevention, (3) \$247,000 to Healthy Start/Safe Sleep, and (4) \$250,000 to Perinatal Quality Collaborative of North Carolina.

**SECTION 10.60.(dd).** Provides that, if funds are received under the Maternal and Child Block Grant for abstinence education, the funds will be transferred to the state Board of Education to be administered by the Department of Public Instruction.

**SECTION 10.60.(ee).** Directs DHHS to ensure there will be follow-up testing in the Newborn Screening Program.

### **PART XI. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES**

#### **TECHNICAL CORRECTIONS REGARDING COMMERCIAL FERTILIZER INSPECTION FEE AND PESTICIDE TECHNICIAN IDENTIFICATION CARD RENEWAL FEE**

**SECTION 11.1.** Amends GS 106-671(b) to increase the commercial fertilizer inspection fee from 25¢ to 50¢ per ton. Amends GS 106-65.31(b1) to increase the pesticide technician annual renewal fee from \$25 to \$40.

#### **REPEAL BOARD OF AGRICULTURE REVIEW OF FEE SCHEDULES**

**SECTION 11.2.** Repeals GS 106-6.1(b), which required biennial fee reports.

#### **FEES FOR OUT-OF-STATE SOIL TESTS AND EXPEDITED SOIL TESTS**

**SECTION 11.3.** Amends GS 106-22(17) to allow for out-of-state soil tests and expedited soil tests and provides that fees for these tests must be no less than \$5 and \$100 respectively.

**INCREASE FEES FOR PET SHOPS, AUCTIONS, KENNELS, AND DEALERS**

**SECTION 11.4.** Amends GS 19A-27, 19A-28, and 19A-29 to increase from \$50 to \$75 the costs of licenses to operate pet shops, public auction and boarding kennels, and dealers respectively.

**INCREASE AGRICULTURAL LIMING MATERIALS TONNAGE FEES**

**SECTION 11.5.** Amends GS 106-92.8 to increase fees for agricultural liming materials and landplaster from 10¢ to 50¢ per ton.

**INCREASE ANTIFREEZE DISTRIBUTION REGISTRATION FEE**

**SECTION 11.6.** Amends GS 106-579.4 to increase the license and inspection fee for each brand of antifreeze from \$250 to \$500.

**RECLASSIFY THREE VACANT POSITIONS WITHIN DACS TO ANIMAL WELFARE PROGRAM**

**SECTION 11.7.** Directs the Department of Agriculture and Consumer Services to reclassify three vacant positions within the Department and to fill these reclassified positions in a timely manner in order to provide support for the Animal Welfare Program within the Department.

**PART XII. DEPARTMENT OF LABOR****LABOR/REPEAL STATUTE REQUIRING BIENNIAL REVIEW OF FEES BY DEPARTMENT**

**SECTION 12.1.** Repeals GS 95-14.1, which requires Department of Labor biennial review of fees.

**PART XIII. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES****LOCALS TO SET AND COLLECT FOOD AND LODGING FEES AND RETAIN LARGER LOCAL PORTION OF THESE FEES**

**SECTION 13.1.** Rewrites GS 130A-248(d) to provide that certain establishments that prepare and sell meat food products, or poultry products, and public school cafeterias are required to pay a fee not to exceed \$250 (previously set at \$75) for each permit issued. Adds provision that a grocery store that elects to have separate inspections of its meat and seafood, delicatessen, produce and bakery operations will not be assessed a total fee of more than \$500. Provides that no more than 10% (previously 33.1/3%) of the fees collected under the subsection may be used to support state health programs and activities. Amends GS 130A-39 and 153-77 to direct the local health department or the consolidated human services board, whichever applies, to set the fees for local food and lodging permits. Sends those fees, to support state health programs and activities, to the Department of Health and Human Services. Makes other conforming changes.

**REDUCE PORTION OF CERTIFICATE OF TITLE FEES CREDITED TO MERCURY SWITCH REMOVAL ACCOUNT**

**SECTION 13.2.** Amends GS 20-85(a1) to reduce from \$1 to 50¢ of the amount collected for each specified motor vehicle certificate of title and registration fee that is transferred to the Department of Environment and Natural Resources for the Mercury Switch Removal Account.

**ABOLISH, TRANSFER TO OTHER DEPARTMENTS, OR CONSOLIDATE WITHIN DENR ALL ENVIRONMENTAL HEALTH PROGRAMS UNDER DENR**

**SECTION 13.3.(a)** Abolishes the Vector Control Program and the Tick Control Program.

**SECTION 13.3.(b)** Transfers all functions, powers, duties, and obligations previously entrusted in the Grade "A" Milk Sanitation Program within the Division of Environmental Health of the Department of Environment and Natural Resources (DENR) to the Food and Drug Protection Division of the Department of Agriculture and Consumer Services (DACS).

**SECTION 13.3.(c)** Transfers all functions, powers, duties, and obligations previously vested in the Sleep Products Program within the Public Health Pest Management Section of the Division of Environmental Health of DENR to DACS.

**SECTION 13.3.(d)** Transfers the following sections of the Division of Environmental Health that support programs implemented through local health departments and programs primarily focused on food safety and other public health concerns, from the Department of Environment and Natural Resources to the Division of Public Health of the Department of Health and Human Services: 1) Environmental Health Services Section; 2) On-Site Water Protection Section; 3) Radiation Protection Section; 4) Office of Education and Training.

**SECTION 13.3.(e)** Transfers the Public Water Supply Section of the Division of Environmental Health of DENR to the Division of Water Resources of DENR.

**SECTION 13.3.(f)** Transfers the Shellfish Sanitation and Recreational Water Quality Section of the Division of Environmental Health of DENR to the Division of Marine Fisheries of DENR.

**SECTION 13.3.(g)** Abolishes the Division of Environmental Health of DENR. Abolishes the Public Health Pest Management Section of the Division of Environmental Health of DENR.

**SECTION 13.3.(h)-(qqq)** Makes conforming and technical changes by recodifying various provisions under GS Chapter 106 to effectuate the transfers and consolidation in the act. Makes additional conforming changes to various provisions of the General Statutes.

**SECTION 13.3.(rrr)** Rewrites GS 113-221.3 to add a new subsection stating it is a Class 2 misdemeanor for any person to remove, destroy, damage, deface, mutilate, or otherwise interfere with, or have in his or her possession, without just cause or excuse, specified signs posted by DENR. Makes other conforming and technical changes.

**SECTION 13.3.(sss)-(uuu)** Makes further conforming and technical changes.

**SECTION 13.3.(VVV)** Provides that the transfers under the section become effective July 1, 2011.

#### **REQUIRE DENR TO USE DWQ'S GROUNDWATER INVESTIGATION UNIT'S WELL DRILLING SERVICES IN OTHER DENR DIVISIONS**

**SECTION 13.4.** Directs the Groundwater Investigation Unit (GIU) of the Division of Water Quality (DWQ) to bid on contracts to perform well drilling services for any division within the Department of Environment and Natural Resources (DENR) that needs such services. States that the purposes of this provision are to assure GIU staff are fully utilized and to reduce the need for DENR to enter into contracts with private well drilling companies.

#### **ADDITIONAL USES OF HAZARDOUS WASTE FEES**

**SECTION 13.5.** Amends GS 130A-294.1(b) to permit additional uses of fees collected for the hazardous waste program. Allows the fees to be used (1) to implement and provide oversight of response activities involving inactive hazardous waste sites or (2) to provide compliance and prevention activities to ensure hazardous waste is not disposed in solid waste management facilities.

#### **DENR CIVIL PENALTY ASSESSMENTS**

**SECTION 13.6.** Enacts new GS 143B-279.16, regarding civil penalty assessments for violations of environmental statutes or rules. Requires DENR to extend by 10 days the period of time between the date a notice of violation is sent and the date a civil penalty is assessed. States that the purposes of extension are (1) to provide the recipient of the notice of violation a greater opportunity to understand the corrective action needed, receive technical assistance from DENR, and take corrective action and (2) to provide the recipient of the notice of violation a greater opportunity to informally resolve the matter.

#### **WATER AND AIR QUALITY ACCOUNT REVERTS**

**SECTION 13.7.** Amends GS 143-215.3A(a), which established the Water and Air Quality Account. Deletes provision making the account nonreverting. Provides that funds credited to the account from fees collected for laboratory facility certifications that are not expended at the end of each fiscal year shall revert. Provides that any other unexpended funds shall not revert.

#### **DIVERT SCRAP TIRE TAX PROCEEDS TO GENERAL FUND**

**SECTION 13.8.** For the 2011-12 fiscal year, directs the Secretary of Revenue to credit to the General Fund the net tax proceeds that ordinarily must be credited to the Scrap Tire Disposal Account under GS 105-187.19(b).

#### **DIVERT WHITE GOODS TAX PROCEEDS TO GENERAL FUND**

**SECTION 13.9.** For the 2011-12 fiscal year, directs the Secretary of Revenue to credit to the General Fund the net tax proceeds that ordinarily must be credited to the White Goods Management Account under GS 105-187.24.

#### **CHANGE EFFECTIVE DATE REGARDING WELL TESTING**

**SECTION 13.10.** SL 2009-124 amended GS 87-97 to require local health departments to test newly constructed private drinking water wells for volatile organic compounds. The amendment became effective October 1, 2010. This provision would change the effective date to October 1, 2012.

#### **REPEAL DENR REVIEW OF FEE SCHEDULES**

**SECTION 13.11.** Repeals GS 143B-279.2(4), which requires DENR to conduct a biennial review of all fees charged under any of its programs to determine whether the fees should be changed.

#### **NO NEW FEES FOR PARKING IN STATE PARKS**

**SECTION 13.12.** Prohibits the imposition of new fees for parking in a state park during the 2011-13 biennium. Provides that fees that were charged before the 2011-12 fiscal year may still be charged.

#### **DIVERT PORTION OF DEED STAMP TAX REVENUE SOURCE FOR PARKS AND RECREATION TRUST FUND**

**SECTION 13.13.** For the 2011-12 fiscal year, directs the Secretary of Revenue to credit to the General Fund \$8.435 million of the net tax proceeds that ordinarily must be credited to the Parks and Recreation Trust Fund under GS 105-228.30.

#### **PARKS AND RECREATION TRUST FUND; ALLOCATION OF DEED STAMP TAX PROCEEDS CREDITED TO FUND**

**SECTION 13.14.** Provides that, for taxes levied during the 2011-12 fiscal year, the net tax proceeds credited to the Parks and Recreation Trust Fund shall be allocated as follows: (1) \$6 million for the operating expenses of the Division of Parks and Recreation; (2) up to \$8 million for the State Parks System for capital projects, repairs and renovations, land acquisition, and debt retirement; (3) up to \$4.23 million for grants to local government units; and (4) up to \$705,000 for the Coastal and Estuarine Water Beach Access Program.

#### **DIVERT PORTION OF DEED STAMP TAX REVENUE SOURCE FOR NATURAL HERITAGE TRUST FUND**

**SECTION 13.15.** For the 2011-12 fiscal year, directs the Secretary of Revenue to credit to the General Fund \$8 million of the net tax proceeds that ordinarily must be credited to the National Heritage Trust Fund under GS 105-228.30(b).

#### **NATURAL HERITAGE TRUST FUND USED FOR COSTS TO ADMINISTER PLANT CONSERVATION PROGRAM/CONSERVATION PLANNING & COMMUNITY AFFAIRS PROGRAM**

**SECTION 13.16.** Amends GS 113-77.9(c) to direct the trustees of the Natural Heritage Trust Fund to authorize expenditures from the fund of up to \$75,000 to pay the Department of Agriculture and Consumer Services to administer the Plant Conservation Program. Further directs the trustees to authorize up to \$325,000 to pay the cost of supporting staff in the Office of Conservation Planning and Community Affairs.

#### **DIVISION OF MARINE FISHERIES TO USE DIVISION OF FOREST RESOURCES MECHANICS FOR AIRCRAFT MAINTENANCE**

**SECTION 13.17.** Directs the Division of Marine Fisheries to use mechanics employed by the Division of Forest Services for aircraft maintenance except when impracticable.

#### **OYSTER SANCTUARY PROGRAM SUPPORT**

**SECTION 13.18.** Amends GS 113-175.1(c) to encourage the Marine Fisheries Commission and the Wildlife Resources Commission to consider supporting the Oyster Sanctuary Program.

#### **MARINE FISHERIES ENCOURAGED TO CONTRACT WITH PRIVATE SECTOR FOR OYSTER SANCTUARY RESTORATION**

**SECTION 13.19.** Encourages the Division of Marine Fisheries to contract with private sector business for any oyster sanctuary restoration projects in the Pamlico Sound that are funded in whole or in part with state funds or revenues from various state sources.

#### **MARINE FISHERIES INSPECTORS DELEGATED LAW ENFORCEMENT POWERS BY NATIONAL MARINE FISHERIES SERVICE**

**SECTION 13.20.** Amends GS 113-134.1 to permit a marine fisheries inspector who has been authorized by the Fisheries Director (or designee) to accept delegation of law enforcement powers from the National Marine Fisheries Service over matters within the Service's jurisdiction. Permits the office of marine fisheries inspector to be held concurrently with any other elected or appointed office.

#### **END PILOT PROGRAM FOR ANNUAL INSPECTIONS OF CERTAIN ANIMAL OPERATIONS**

**SECTION 13.21.** Effective June 30, 2011, terminates the pilot program for the annual inspection of animal operations subject to a permit under GS Chapter 143, Article 21. The program was initially authorized by SL 1997-443 and is presently scheduled to end September 1, 2011.

#### **END DSWC ROLE REGARDING ANIMAL WASTE MANAGEMENT SYSTEMS**

**SECTION 13.22.** Amends GS 143-215.10A to delete the requirement that the Division of Soil and Water Conservation provide technical assistance, through operations reviews, of animal waste management systems. Repeals GS 143-215.10D, a conforming change.

#### **AGRICULTURAL WATER RESOURCES ASSISTANCE PROGRAM/CONFORMING CHANGES**

**SECTION 13.23(a).** Adds new Article 5 to GS Chapter 139, Agricultural Water Resources Assistance Program. States that the purpose of the new program is to assist farmers and landowners in increasing water use efficiency, availability, storage, and in implementing best management practices to conserve and protect water resources. Directs the Soil and Water Conservation Commission to supervise, administer, and implement the program. Specifies the program's functions, including the provision of funds for certain projects.

**SECTION 13.23(b).** Provides that GS 14-234(a), which prohibits public officers and employees from deriving a direct benefit from contracts they make or administer, does not apply to an application for or receipt of a grant under the Agricultural Water Resources Assistance Program by a member of the Soil and Water Conservation Commission or to a district supervisor of a soil and water conservation district if certain requirements are met.

**SECTION 13.23(c) through 13.23(e).** These sections make conforming changes to other statutes.

**SECTION 13.23(f).** Identifies the stakeholders that the Director of the Division of Soil and Water Conservation and the Commission of Agriculture must meet with for the purpose of advising the Soil and Water Conservation Commission on the development and administration of the program.

**SECTION 13.23(g).** Requires the first report required by the new Article 5 to be submitted to the Environmental Review Commission by January 31, 2013.

**SECTION 13.23(h).** Directs DENR to transfer \$1 million of funds available for water resource projects to the Division of Soil and Water Conservation to implement the Agricultural Water Resources Assistance Program.

#### **CONTRACT TO OUTSOURCE GIFT SHOPS AT NC ZOO TO DIRECT PROFITS TO ZOO FUND**

**SECTION 13.24.** Directs DENR to enter into a contract for the operation of at least three of the gift shops located at the North Carolina Zoological Park. Provides that any profits from the contract must be credited to the Special Zoo Fund created under GS 143B-336.1.

#### **TRANSFER FORESTRY DIVISION AND FORESTRY COUNCIL FROM DENR TO DACS.**

**SECTION 13.25.** Transfers the Division of Forest Services from the Department of Environment and Natural Resources (DENR) to the Department of Agriculture and Consumer Services (DACS) as a Type I transfer, effective July 1, 2011. Under GS 143A-6, a Type I transfer means all agency functions, personnel, funds, authority, and related matters are transferred to the new department, and powers and duties are transferred to the head of the new department. Also transfers the Forestry Council from DENR to DACS as a Type II transfer, meaning that the agency is administered by the head of the new department, and management functions are performed under the direction of the new department head, but the agency continues to exercise statutory powers independent of the department head. Recodifies relevant provisions currently in GS Chapter 113 (Conservation and Development) and GS Chapter 143B, in GS Chapter 106 (Agriculture), and makes conforming statutory changes to effectuate the transfer in various Chapters of the General Statutes. Amends GS 106-22 to include forest maintenance, protection, restoration and fire prevention as duties of the Commissioner and Board of Agriculture, as well as the authority to acquire property for performance of those duties when approved by the Governor and the Council of State. Enacts new GS 143A-65.1, stating that DACS has charge of the work of forest maintenance, forest fire prevention, reforestation, and the protection of lands and water supplies, as well as the care of state forests. Directs the Revisor of Statutes to make conforming statutory changes and corrections as required to reflect the transfer. Specifies that the transfers under the section become effective July 1, 2011, with funds transferred as net of any changes enacted by the section.

#### **CLEAN WATER MANAGEMENT TRUST FUND.**

**SECTION 13.26.** Repeals GS 113A-253.1, which currently provides for \$100 million annual appropriation from the General Fund to Clean Water Management Trust Fund (Trust Fund). Provides that of funds appropriated to the Trust Fund in the budget bill (a) \$3 million is to be used each year for operating costs of administering fund and debt retirement, (b) \$1 million is to be used each year as matching funds for federal Readiness and Environmental Protection Initiative, and (c) \$6 million is to be used each year for costs of wastewater and water



quality restoration projects, minigrants and stormwater projects. Specifies that funds are not to be used for land acquisition except for the \$1 million appropriated for matching funds under (b). Any additional funds that become available are to be used for purposes listed in (a) and (c) above.

#### **NEW FUNDING SOURCE FOR WILDLIFE RESOURCE COMMISSION OPERATING BUDGET.**

**SECTION 13.27.** Repeals GS 105-164.44B, which currently provides for the Secretary of Revenue to transfer to the Wildlife Resources Fund a specified amount of sales tax revenue each year. Directs Office of State Budget and Management, State Controller, and Wildlife Resources Commission to effectuate the transition of commission from receiving sales tax revenue to an \$18.5 million operating budget from General Fund.

#### **ANNUAL REPORT TO GOV OPS ON WILDLIFE RESOURCES FUND EXPENDITURES**

**SECTION 13.28.** Amends GS 143-250 to require the Wildlife Resources Commission to report to the Joint Legislative Commission on Governmental Operations by October 1 of each year on expenditures from the previous year and plans for current fiscal year. First report due by October 1, 2011.

#### **ANNUAL APPROPRIATIONS FOR BEAVER DAMAGE CONTROL PROGRAM FROM FUNDS AVAILABLE TO THE WILDLIFE RESOURCES COMMISSION**

**SECTION 13.29.** Amends GS 113-291.10(f) to eliminate provision requiring that Wildlife Resources Commission must pay at least \$349,000 each year for beaver damage control program, stating instead that commission is to pay for program as funds are appropriated.

### **PART XIV. DEPARTMENT OF COMMERCE.**

#### **NER BLOCK GRANTS**

**SECTION 14.1.** Provides that appropriations from federal block grant funds for 2011-12 are allocated as follows: \$1 million for state administration; \$450,000 for state technical assistance; \$8 million for scattered site housing; \$7.21 million for economic development; \$3 million for small business/entrepreneurship; \$5 million for NC Catalyst; \$19.74 million for infrastructure; and \$600,000 for capacity building. Increases and decreases based on federal funding are to be proportionate. Specifies limitations. Requires Department of Commerce to consult with Joint Legislative Commission on Governmental Operations before reallocating funds except in certain emergencies, and requires report by September 1, 2011, on the use of funds in the previous fiscal year, including list and description of grantees.

#### **ONE NORTH CAROLINA FUND**

**SECTION 14.2.** Provides that Department of Commerce (Department) may not use more than \$250,000 each year for administrative costs of One North Carolina Fund. Also provides that the Department may use up to \$250,000 of One North Carolina Fund appropriations for 2011-12 for establishment of electronic database, and enacts new Article 10 of GS Chapter 143B setting out details of database. Database to be available to public on Internet and to list each business granted discretionary economic development incentive since January 1, 2005, with various specifications as to exact data to be provided, including name and address of business, names of state officials with further information, source of funds, intended use of funds, competing government entities, jobs created or retained, and cost per job. Beginning January 1, 2012, the Department is to include specified additional information in database, including number of projects meeting job goals, average wages, total jobs retained and created, costs per job, and percentage of businesses meeting job goals. Also requires quarterly reports of database information from Department to Joint Legislative Commission on Governmental Operations and the Program Evaluation and Fiscal Research divisions, with trends in job creation and wage goals plus actions taken on grantees where clawbacks are in force.

#### **STATUS OF TRAVEL AND TOURISM IN NC/ANNUAL REPORT**

**SECTION 14.3.** Amends GS 143B-434.2(d) to require that the Division of Tourism, Film and Sports Development report to General Assembly by October 15 of each year rather than January 15, with first report due October 15, 2011.

#### **EMPLOYMENT SECURITY COMMISSION FUNDS**

**SECTION 14.4(a).** Provides that funds from the Employment Security Commission Reserve Fund may be used by the Commission as collateral for federal funds to pay administrative costs of collection of fund surcharge. Limits administrative costs paid from fund for 2011-12 to \$2.5 million.

**SECTION 14.4(b).** Appropriates \$20 million from the Employment Security Commission Reserve Fund to the Commission for 2011-12 as follows: \$19.5 million for operation of local offices; \$200,000 to track former participants in state education and training programs; \$300,000 to employ Common Follow-Up Management Information System to evaluate effectiveness of training, education, and placement programs.

**SECTION 14.4(c).** Appropriates \$1 million from Reserve to Commission for 2011-12 for state initiatives not funded through federal grants.

**SECTION 14.4(d).** Appropriates \$1 million from Worker Training Trust Fund to Commission for fiscal 2011-12 to fund Opportunity NC, and specifies standards training must meet.

**SECTION 14.4(e).** Authorizes Commission to spend \$205,063,552 from NC account in federal Unemployment Trust Fund as follows: \$100 million to design and build integrated unemployment insurance benefit and tax accounting system, and remainder for operation of unemployment insurance program.

#### **TRANSFER EMPLOYMENT SECURITY COMMISSION TO DEPARTMENT OF COMMERCE**

**SECTION 14.5.** Transfers Employment Security Commission to Department of Commerce as Type I transfer under GS 143A-5, meaning all personnel, budget, property, and functions are transferred to new Department and are under the control of the head of the new Department.

#### **TRANSFER STATE PORTS AUTHORITY FROM DEPARTMENT OF COMMERCE TO DEPARTMENT OF TRANSPORTATION**

**SECTION 14.6.** Transfers State Ports Authority to Department of Transportation as Type I transfer under GS 143A-6. Recodifies present statutes governing the Authority in GS Chapter 143B as new Article 20 in Chapter 136, and makes conforming changes in various sections of GS Chapter 120, 143, 143B, and 146. Directs the Secretary of Transportation to fill the first Authority vacancy occurring after July 1, 2011.

#### **STUDY COSTS OF SERVICES PROVIDED BY DEPARTMENT OF COMMERCE TO AGENCIES IN THE DEPARTMENT OF COMMERCE**

**SECTION 14.7.** Requires Department of Commerce, in consultation with Fiscal Research Division, to study and report by May 1, 2012, to specified appropriations committees on types and costs, and formulas for determining costs, of services provided by the Department to ABC Commission, State Banking Commission, Credit Union Division, Cemetery Commission, Utilities Commission, Utilities Commission Public Staff, and Rural Electrification Authority. Requires Department and agencies to recommend formula to be used for allocating costs and to enter agreement on services to be provided.

#### **INDUSTRIAL COMMISSION FEES/COMPUTER SYSTEM REPLACEMENT**

**SECTION 14.8.** Authorizes Industrial Commission to retain revenue from increase in fee for filing compromised settlements over former \$200 fee, and use money to replace hardware and software and assess needs for purchases for and to develop Electronic Case Management System, including two time-limited positions for application development and support and mainframe migration.

#### **SET REGULATORY FEE FOR UTILITIES COMMISSION**

**SECTION 14.9.** Sets .12% as percentage rate to calculate public utility regulatory fee under GS 62-302(b)(2) for each quarter beginning July 1, 2011, or later. Sets electric membership corporation regulatory fee under GS 62-302(b1) at \$200,000 for fiscal 2011-12. Effective July 1, 2011.

#### **STATE-AID REPORTING REQUIREMENTS**

**SECTION 14.10.** Requires NC Association of Community Development Corps., NC Institute of Minority Economic Development, FFA Foundation, Ag in the Classroom, Land Loss Prevention Project, NC Minority Support Center, NC Community Development Initiative, Councils of Government, e-NC Authority, High Point Market Authority and Partnership for the Sounds to report to Joint Legislative Commission on Governmental Operations and Fiscal Research by September 1 of each year on the previous year's activities, accomplishments, and itemized expenditures, along with annual audited financial statement. Prohibits allotments after September 1 to any nonprofit organization that fails to report, and prohibits any organization from using more than \$120,000 in state funds for annual salary of any one employee.

#### **GRASSROOTS SCIENCE PROGRAM**

**SECTION 14.11.** Transfers Grassroots Science Program from Department of Environment and Natural Resources to Department of Commerce. Allocates \$2,899,885 of department appropriations for each year to 27 named local museums, science centers, nature centers, and parks in specified amounts. Requires the

Department of Commerce to report to Fiscal Research by March 1 of each year on actual and proposed operating budget and attendance for the previous fiscal year for each museum receiving funds. Requires museum to submit certain documents by November 1 of each year to be eligible for funding. Prohibits museum from using more than \$120,000 in state funds for annual salary of any one employee.

#### **WAKE FOREST INSTITUTE FOR REGENERATIVE MEDICINE/PROFIT SHARING WITH STATE**

**SECTION 14.12.** Provides that Wake Forest Institute for Regenerative Medicine may not receive state funds until it enters agreement with state to share profits from investments made with state funds. Requires agreement to be submitted to Joint Legislative Commission on Governmental Operations by January 15, 2012. Also requires annual reports from Institute and annual audited financial statement and prohibits Institute from using more than \$120,000 in state funds for annual salary of any one employee.

#### **REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS ALLOCATIONS**

**SECTION 14.13.** Sets out formula for allocating funds appropriated for regional economic development commissions based on sum of allocations for each county in regional commission as determined by the development factor calculated under GS 143B-437.08, except that \$174,890 is to be subtracted from funds for Eastern Region Economic Development Partnership for 2011-12 for interest on appropriations to Global TransPark Development Zone, with that amount to be allocated to other regional commissions. Prohibits each commission from using more than \$120,000 in state funds for annual salary of any one employee. Also encourages commissions to seek funding from cities and counties.

#### **BIOFUELS CENTER OF NORTH CAROLINA**

**SECTION 14.14.** Allocates for specified functions the \$4.5 million appropriated for each year of the biennium to Biofuels Center and requires Center to report by September 1 of each year to Joint Legislative Commission on Governmental Operations and Fiscal Research on prior year's activities, accomplishments and itemized expenditures, along with annual audited financial statement. Prohibits Center from using more than \$120,000 in state funds for annual salary of any one employee.

#### **NORTH CAROLINA BIOTECHNOLOGY CENTER**

**SECTION 14.15.** Allocates for specified functions the \$17,551,710 appropriated for each year of the biennium to the NC Biotechnology Center and requires Center to report by September 1 of each year to Joint Legislative Commission on Governmental Operations and Fiscal Research on prior year's activities, accomplishments and itemized expenditures, along with annual audited financial statement. Prohibits Center from using more than \$120,000 in state funds for annual salary of any one employee.

#### **RURAL ECONOMIC DEVELOPMENT CENTER**

**SECTION 14.16.** Allocates for specified functions the \$3,583,691 appropriated to the Rural Economic Development Center for each year of biennium. Provides that a community development corporation may not receive grant if it has outstanding tax assessment or collection action. Specifies qualifications of community development corporations, including incorporation under GS Chapter 55A, tax-exempt status under 501(c)(3), and mission to develop and improve low-income communities in Tier 1 counties. Requires Center to report same budget, personnel, and salary information to Office of State Budget and Management as state agencies. Sets preference for NC resident companies in award of grants, and priority for economically distressed areas. Requires report by September 1 of each year to Joint Legislative Commission on Governmental Operations and Fiscal Research on previous year's activities, accomplishments and itemized expenditures. Prohibits Center from using more than \$120,000 of state funds for salary of any one employee.

#### **RURAL ECONOMIC DEVELOPMENT CENTER/INFRASTRUCTURE PROGRAM**

**SECTION 14.17.** Specifies that \$16,505,758 of funds appropriated to the Rural Economic Development Center for each year of the biennium are to be allocated to continue NC Infrastructure Program; to provide matching grants to local governments in distressed areas to reuse vacant properties, with priority to towns of less than 5,000; and to provide technical assistance grants for towns of less than 7,500. Requires recipients of grants to provide 5% cash match. Requires Center to give preference to NC resident companies and priority for projects in economically distressed areas. Authorizes Center to use up to \$329,178 of funds each year for administration of the Economic Infrastructure Program. Requires report by September 1 of each year to Joint Legislative Commission on Governmental Operations and Fiscal Research on the progress of Economic Infrastructure Program.

**OPPORTUNITIES INDUSTRIALIZATION CENTERS FUNDS**

**SECTION 14.18.** Provides that \$287,280 of funds appropriated to Rural Economic Development Center for each year of the biennium is to be equally distributed to certified Opportunities Industrialization (OI) Centers; that Center is to report by September 1 of each year to Joint Legislative Commission on Governmental Operations and Fiscal Research on activities, accomplishments and itemized expenditures of each OI Center; that Rural Center is to assure compliance of each OI Center with audit and reporting requirements; and that no funds are to be released to OI Center with overdue tax debt.

**PART XV. JUDICIAL DEPARTMENT****GRANT FUNDS**

**SECTION 15.1.** Authorizes the Administrative Office of the Courts (AOC) to use up to \$1.5 million to provide the state match for federal grant funds. Requires reporting prior to use of these funds.

**TRANSFER OF EQUIPMENT AND SUPPLY FUNDS**

**SECTION 15.2.** Requires that funds appropriated to the Judicial Department (Department) in 2011-13 for equipment and supplies be certified in a reserve account. Allows the AOC to transfer these funds to and between programs as equipment priorities and supply consumptions occur. Funds may not be expended for any other purpose.

**REIMBURSEMENT FOR USE OF PERSONAL VEHICLES**

**SECTION 15.3.** Authorizes the Department, during 2011-13, to elect to establish a per-mile reimbursement rate for transportation by privately owned vehicles at a rate less than the business standard mileage rate set by the Internal Revenue Service.

**COLLECTION OF WORTHLESS CHECK FUNDS**

**SECTION 15.4.** Authorizes the Department to use any balance remaining in the Collection of Worthless Checks Fund on June 30, 2011, for the purchase or repair of office or information technology equipment during 2011-12. Requires reporting prior to use of funds.

**DISPUTE RESOLUTION FEES**

**SECTION 15.5.** Amends GS 7A-38.2(d) to provide that certification and renewal fees collected by the Dispute Resolution Commission are nonreverting and only may be used as directed by the Commission.

**WORKLOAD FORMULA FOR SUPERIOR COURT JUDGES/MINUTES MAINTAINED BY THE CLERK OF SUPERIOR COURT TO RECORD CONVENING AND ADJOURNMENT OR RECESS OF COURT**

**SECTION 15.6.** Requires the AOC to use available funds to contract with the National Center for State Courts (NCSC) to develop a workload formula for superior court judges. Requires submission of the formula to the House and Senate Appropriations Subcommittees on Justice and Public Safety by a specified date. Amends G.S. 7A-109, adding a new subsection (a1) providing that the clerk's minutes must record the date and time when court convenes, recesses, or adjourns. Requires the AOC to provide, on a monthly basis, the clerk's minutes specified in GS 7A-109(a) to the NCSC, the Fiscal Research Division, and the Study Committee on Consolidation of Judicial and Prosecutorial Districts.

**STUDY FEASIBILITY OF OFFICE OF PROSECUTORIAL SERVICES**

**SECTION 15.7.(a).** Requires the UNC School of Government to study the feasibility and cost of creating an Office of Prosecutorial Services. Specifies study contents and requires reporting by April 1, 2012.

**SECTION 15.7.(b).** Authorizes the Conference of District Attorneys to use funds available during 2011-12 to contract for services to analyze the differences between budgeted and actual position and associated costs in prosecutors' offices.

**ENSURE MINIMUM NUMBER OF CLERK OF COURT STAFF**

**SECTION 15.8.** Amends GS 7A-102(a) to provide that no superior court clerk's office may have fewer than five total staff positions in addition to the elected clerk of superior court.

**STUDY INFRACTIONS AND WAIVABLE OFFENSES**

**SECTION 15.9.** Requires the Revenue Laws Study Committee to study the penalties and fines for infractions and waivable offenses and determine whether the current amounts are appropriate for the offenses. Requires reporting.

#### **WAIVER OF CRIMINAL COURT COSTS ONLY WHEN JUDGE MAKES FINDING OF JUST CAUSE TO GRANT WAIVER**

**SECTION 15.10.(a).** Amends GS 7A-304(a), deleting language providing that costs may be assessed and collected only when the judgment imposing an active prison sentence specifically so provides. Adds a provision that costs may not be waived unless the judge makes a written finding of just cause to grant such a waiver.

**SECTION 15.10.(b).** Requires the AOC to modify its information systems to maintain records of all cases in which the judge grants a waiver of criminal court costs under GS 7A-304(a) and requires reporting.

#### **STUDY CONSOLIDATION OF JUDICIAL AND PROSECUTORIAL DISTRICTS**

**SECTION 15.11.** Creates a 10-member Study Committee on Consolidation of Judicial and Prosecutorial Districts. Requires the Committee to study the number and structure of judicial and prosecutorial districts and make recommendations to reduce those districts as specified. Requires reporting.

#### **COMMUNITY MEDIATION CENTERS/WORTHLESS CHECK PROGRAMS**

**SECTION 15.12.** Amends GS 14-107.2, adding a new subsection (b1) providing that a community mediation center may establish and charge fees for its services in the collection of worthless checks and may assist the AOC and district attorneys in establishing worthless check programs. Enacts GS 7A-38.7(a1) allowing a community mediation center to establish and charge fees for its services.

#### **INCREASE CERTAIN COURT COSTS.**

**SECTION 15.13(a).** Amends GS 7A-304(a)(4) to increase costs in criminal cases from \$100.50 to \$124.50 in district court, and from \$102.50 to \$154.50 in superior court. Reduces the amount remitted to the State Bar for services specified by GS 7A-474.4 from \$2.05 to \$1.00.

**SECTION 15.13.(b).** Amends GS 7A-305(a)(2) to increase costs in civil cases from \$125 to \$180 in superior court, from \$80 to \$130 in district court, and from \$55 to \$80 for cases heard by a magistrate. Reduces the amount remitted to the State Bar for services specified by GS 7A-474.4 from \$2.05 to \$1.00. Enacts GS 7A-305(a5) providing that in every civil action in superior or district court where a party files a pleading containing a counterclaim or cross-claim (subject to an exception), the following shall be assessed: (1) For the use of the courtroom and related judicial facilities, \$12 in cases before a magistrate, and \$16 in district and superior court; (2) For the upgrade, maintenance, and operation of the judicial and county courthouse phone systems, \$4, to be credited to the Court Information Technology Fund; (3) for support of the General Court of Justice, \$180 in the superior court, except that a complex business case must pay an additional \$1,000, and \$130 in the district court, except that if the case is assigned to a magistrate, the sum is \$80. Requires \$1 of each fee to be provided to the State Bar for services under GS 7A-474.4 and \$.95 for services under GS 7A-474.19. Enacts GS 7A-305(f) providing that for the support of the General Court of Justice, \$20 shall accompany any motion not listed in GS 7A-308 that is filed with the clerk.

**SECTION 15.13.(c).** Amends GS 7A-306(a)(2) to increase costs in special proceedings from \$75 to \$106. Reduces the amount remitted to the State Bar from \$2.05 to \$1.00 of each fee collected for services under GS 7A-474.4. Enacts GS 7A-306(g) providing that for the support of the General Court of Justice, \$20 shall accompany any motion not listed in GS 7A-308 that is filed with the clerk.

**SECTION 15.13.(d).** Amends GS 7A-307(a)(2) increasing costs in the administration of estates and trusts under wills and other matters from \$75 to \$106. Reduces the amount remitted to the State Bar for services specified by GS 7A-474.4 from \$2.05 to \$1.00. Enacts GS 7A-307(a)(4) providing that for the support of the General Court of Justice, \$20 shall accompany any motion not listed in GS 7A-308 that is filed with the clerk.

**SECTION 15.13.(e).** Amends GS 7A-308(a) to increase fees for foreclosure under power of sale in deed of trust or mortgage from \$150 to \$300. Enacts GS 7A-308(a)(21) providing that in civil matters, all alias and pluries summons issued and all endorsements issued on an original summons incur a fee of \$15.

**SECTION 15.13.(f)** Repeals GS 7A-34.1 (unnecessary cover sheets).

#### **CONTINGENT COURT COST INCREASES FOR COUNTIES**

**SECTION 15.14.** Provides that if House Bill 642 or substantially similar legislation requiring a misdemeanor with a period of confinement of six months or less to serve the period in a local confinement facility becomes law, then (1) GS 7A-304(a)(2) is amended to increase the fee for the use of the courtroom and related judicial facilities in district court from \$12 to \$30; (2) GS 7A-304(a)(4b) is enacted requiring \$50 for all offenses arising under GS

Chapter 20 resulting in a conviction of an improper equipment offense to be remitted to the Department of Correction; (3) GS 7A-311(a)(1)a. is amended increasing the fees for each item of civil process served from \$15 to \$30 and increasing the fee when two or more items of civil process are served simultaneously on one party at the same level; (4) GS 7A-313 is amended to increase the jail fee from \$5 to \$10; and (5) GS 153A-225(a) is amended to increase the fee per incident for nonemergency care to prisoners from \$10 to \$20.

#### **INCREASE INTERSTATE COMPACT FEE**

**SECTION 15.15.** As title indicates, amends GS 148-65.7(a) to increase the fee from \$150 to \$250.

#### **OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION FUNDS/EXPANSION OF PUBLIC DEFENDER OFFICES/STATEWIDE PUBLIC DEFENDER OFFICES**

**SECTION 15.16(a)** Authorizes the Office of Indigent Defense Services (IDS) to use up to \$2,150,000 during 2011-12 for the expansion of existing offices, creation of new public defender offices within existing public defender programs, or establishment of regional public defender programs. Authorizes IDS to use a portion of these funds to create positions within existing programs to handle cases in adjacent counties or districts. Funds may be used to create up to 50 new attorney positions and 25 new support staff positions in 2011-12, and for the salaries, benefits, equipment, and related expenses for these positions. Reporting required prior to use of funds.

**SECTION 15.16(b).** Amends GS 7A-498.7(b) to provide that IDS makes appointments to fill public defender vacancies (was, a judge).

**SECTION 15.16(c).** Amends GS 7A-498.7(a), deleting the provision about IDS recommendations that district or regional public defender offices be established and stating that a legislative act is required to establish a new office or to abolish an existing office.

**SECTION 15.16(d).** Amends GS 7A-498.7(a), which specifies the organization of counties into defender districts, by consolidating some districts and creating others. Provides that IDS must establish positions necessary to staff public defender offices using funds available.

**SECTION 15.16(e).** Provides that subsection (c) of this section becomes effective July 1, 2012, and that the remainder of this section becomes effective July 1, 2011.

#### **OFFICE OF INDIGENT DEFENSE SERVICES REPORT**

**SECTION 15.17.** Requires reporting by IDS, as specified.

#### **AUDIT OF FARMWORKER LEGAL AID PROGRAM**

**SECTION 15.18.** Requires the State Auditor to conduct a financial audit of the Farmworker Legal Aid program of Legal Aid of North Carolina; specifies content of such audit and requires it to be published before October 1, 2011.

### **PART XVI. DEPARTMENT OF JUSTICE**

#### **USE OF SEIZED AND FORFEITED PROPERTY TRANSFERRED TO STATE LAW ENFORCEMENT AGENCIES BY THE FEDERAL GOVERNMENT**

**SECTION 16.1(a)** Provides that assets transferred to the Departments of Justice, Correction, and Crime Control and Public Safety in 2011-13 pursuant to federal law shall be credited to the budgets of the respective departments and shall result in an increase of law enforcement resources for those departments. Requires reporting.

**SECTION 16.1(b)** Because assets transferred pursuant to federal law for new personnel positions, new projects, acquisition of real property, repair of buildings where the repair includes structural change, and construction of or additions to buildings may result in additional expenses for the state in future fiscal periods, prohibits the Departments of Justice, Correction, and Crime Control and Public Safety from using these assets for such purposes without the General Assembly's prior approval.

**SECTION 16.1(c)** Provides that North Carolina law enforcement agencies may receive funds from the U.S. Departments of Justice, Treasury, and Health and Human Services.

#### **PURCHASE OF TIME MANAGEMENT SOFTWARE**

**SECTION 16.2.** Requires the Department of Justice to use funds available to purchase, or purchase licenses for, time management software to be used to ensure adequate record keeping and management of Department attorneys' time.

**PRIVATE PROTECTIVE SERVICES AND ALARM SYSTEMS LICENSING BOARDS PAY FOR USE OF STATE FACILITIES AND SERVICES**

**SECTION 16.3.** Enacts GS 74C-4(h) providing that the licensing Board shall pay the appropriate state agency for the use of physical facilities and services provided to it by the state. Makes the same amendment to GS 74D-4.

**CERTAIN LITIGATION EXPENSES TO BE PAID BY CLIENTS**

**SECTION 16.4.** Amends GS 114-8.2 to provide that client state departments, agencies, boards, and commissions must reimburse the Department of Justice for reasonable court fees, attorney travel and subsistence costs, and other costs directly related to litigation in which the Department of Justice is representing the department, agency, or board.

**HIRING OF SWORN STAFF POSITIONS FOR THE STATE BUREAU OF INVESTIGATION**

**SECTION 16.5.** Provides that the Department of Justice may hire sworn personnel to fill vacant positions in the State Bureau of Investigation only in specified circumstances.

**PART XVII. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION****STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS**

**SECTION 17.1.** Provides that funds appropriated to the Department of Juvenile Justice and Delinquency Prevention (the DJJDP) in 2011-2012 may be used as matching funds for Juvenile Accountability Incentive Block Grants. Requires that the Office of State Budget and Management and the Governor's Crime Commission consult with the DJJDP regarding the criteria for awarding federal funds. Requires reporting.

**ANNUAL EVALUATION OF COMMUNITY PROGRAMS**

**SECTION 17.2.** Requires the DJJDP to evaluate wilderness camp programs and multipurpose group homes. Specifies contents and requires reporting.

**ALLOCATE REALIZED SAVINGS OF WILDERNESS CAMPS TO FUND CERTAIN LEVEL 2 INTERMEDIATE DISPOSITIONAL ALTERNATIVES FOR JUVENILES**

**SECTION 17.3.** Provides that if any funds appropriated for 2011-13 for wilderness camps are not required for or expended for that purpose, they must be allocated to the Juvenile Crime Prevention Council grants fund to be used for the Level 2 intermediate dispositional alternatives for juveniles listed in GS 7B-2506(13) through (23). Requires reporting on all expenditures made from the miscellaneous contract line in Fund Code 1310, as detailed.

**JUVENILE CRIME PREVENTION COUNCIL FUNDS**

**SECTION 17.4.(a)** Requires the DJJDP to report grant recipients, as specified.

**SECTION 17.4.(b)** Provides that of funds for 2011-12 appropriated to the DJJDP for Juvenile Crime Prevention Council grants, \$121,600 must be transferred to Project Challenge North Carolina, Inc., for the continued support of Project Challenge programs.

**FUNDING FOR JUVENILE JUSTICE AND DELINQUENCY PREVENTION EDUCATION PROGRAMMING**

**SECTION 17.5.** Requires the DJJDP to work with the Department of Public Instruction to identify all education fund sources that can be used to cover DJJDP education programming costs. Requires reporting.

**DJJDP AND DOC JOINT EFFORT TO MAKE IN-HOME MONITORING AVAILABLE AS ALTERNATIVE TO DETENTION FOR JUVENILES**

**SECTION 17.6.** Requires the DJJDP and the Department of Correction to work together to increase the use of in-home monitoring as an alternative to detention for juveniles. Specifies areas of focus and requires reporting.

**TREATMENT STAFFING MODEL AT YOUTH DEVELOPMENT CENTERS**

**SECTION 17.7.** Requires the Department to implement a specified staffing treatment model. Caps staffing levels at new youth development centers for 2011-13 and sets staffing ratios.

**YOUTH DEVELOPMENT CENTER ANNUAL REPORT**

**SECTION 17.8.** Requires the DJJDP to report on the Youth Development Center population, staffing, and capacity in the preceding fiscal year. Specifies report contents.

**DJJDP FACILITY MONTHLY COMMITMENT REPORT**

**SECTION 17.9.** Requires the DJJDP to report monthly regarding each juvenile correctional facility and the average daily population for the previous month. Specifies report contents.

**USE OF INMATE LABOR FOR REPAIR AND RENOVATION OF YOUTH DEVELOPMENT CENTERS**

**SECTION 17.10.** Requires the DJJDP and the Department of Correction in consultation with the Governor's Crime Commission to establish policies regarding the appropriate use of inmate construction crews.

**ALLOCATE FUNDS FOR REPAIRS AND RENOVATIONS TO STONEWALL JACKSON AND C.A. DILLON YOUTH DEVELOPMENT CENTERS**

**SECTION 17.11.** Provides that of the funds appropriated to the DJJDP for 2011-12, \$2,330,900 shall be allocated to the Stonewall Jackson Youth Development Center, and \$1,531,000 shall be allocated to the C.A. Dillon Youth Development Center to be used for certain repairs and renovations. This allocation is separate from and in addition to any allocation of funds that might be made pursuant to Section 30.5 of this act.

**PART XVIII. DEPARTMENT OF CORRECTION****FEDERAL GRANT REPORTING**

**SECTION 18.1.** Requires the Departments of Correction, Justice, Crime Control and Public Safety, and Juvenile Justice and Delinquency Prevention and the Judicial Department to report annually by May 1 on federal grant funds received or preapproved for receipt.

**FEDERAL GRANT MATCHING FUNDS**

**SECTION 18.2.** Authorizes the Department of Correction (Department) to use up to \$1.2 million in 2011-12 and \$1.2 million in 2012-13 for the state match for federal grant funds. Requires reporting before using funds.

**USE OF CLOSED PRISON FACILITIES**

**SECTION 18.3.** Requires the Department to consult with specified government entities and officials when closing prison facilities and to give priority to converting units to other criminal justice uses when considering proposals for future use. Allows the state to transfer or lease units. Authorizes the Department to consider converting units recommended for closing from one security custody level to another, when cost-effective. Exempts units under lease as a county jail from certain Secretary of Health and Human Services standards.

**LIMIT USE OF OPERATIONAL FUNDS**

**SECTION 18.4.** Funds appropriated for operational costs for additional facilities must be used for personnel and operating expenses as set forth in the budget. Funds may not be expended for any other purpose, except as provided. Funds may not be expended for additional prison personnel positions until the new facilities are within 120 days of projected completion, subject to a specified exception.

**REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL COSTS FOR INMATES, PAROLEES, AND POST-RELEASE SUPERVISEES AWAITING TRANSFER TO STATE PRISON SYSTEM**

**SECTION 18.5.** Authorizes the Department to use funds in 2011-13 to pay \$40 per day to counties for the cost of housing convicted inmates, parolees, and post-release supervisees awaiting transfer to the state prison system. Requires reporting on the expenditure of funds to reimburse counties for prisoners awaiting transfer and on progress in reducing the jail backlog.

**CENTER FOR COMMUNITY TRANSITIONS/CONTRACT AND REPORT**

**SECTION 18.6.** Authorizes the Department to continue to contract with The Center for Community Transitions, Inc. for the purchase of prison beds for minimum security female inmates in 2011-13. Requires reporting.

**PAROLE ELIGIBILITY REPORT/MUTUAL AGREEMENT PAROLE PROGRAM/MEDICAL RELEASE PROGRAM**

**SECTION 18.7.** Requires the Post-Release Supervision and Parole Commission to analyze the amount of time inmates eligible for parole on or before July 1, 2012, have served compared to the time served by offenders under Structured Sentencing. Requires the Commission to determine if the person has served more time in custody than he or she would have served if sentenced to the maximum sentence under GS Chapter 15A, Article 81B. Provides rules for calculating the maximum sentence. Specifies reporting requirements.



**CRIMINAL JUSTICE PARTNERSHIP**

**SECTION 18.8.** Authorizes a county to use Criminal Justice Partnership Act funds to provide more than one community-based corrections program. Effective July 1, 2011, requires the Department to recalculate the county allocation funding formula using updated data. Authorizes the Department to reallocate unspent or unclaimed funds distributed to counties to maintain the level of services realized in previous fiscal years. The Department may not deny funds to a county to support both a residential program and a day reporting center if the Department determines that the county has a demonstrated need and a fully developed plan for each type of sanction. Specifies reporting requirements.

**SWANNANOA CORRECTIONAL CENTER FOR WOMEN**

**SECTION 18.9.** Requires the Department to relocate the fence at Swannanoa Correctional Center for Women for specified purposes.

**INMATE MEDICAL COST CONTAINMENT**

**SECTION 18.10.** Requires the Department to reimburse providers and facilities providing approved inmate medical services outside the correctional facility the lesser amount of either 70% of the provider's then-current prevailing charge or two times the then-current Medicaid rate for any given service. The Department may audit any provider for specified purposes. Exempts certain vendors. Provides that the Department may contract with a provider for services at rates that provide greater documentable cost avoidance for the state than do the rates contained in this section or at rates that are less favorable to the state but that will ensure the continued access to care. Requires the Department to make every effort to contain inmate medical costs by making use of its own hospital and health care facilities. Puts restrictions on the use of other facilities and services. Requires the Department to make reasonable efforts to equitably distribute inmates among health care facilities. Requires the Department to make best efforts to limit the number of inmates at a single hospital to 9% of all inmates requiring hospitalization or hospital services on an annual basis beginning in 2011-12, subject to certain exceptions. Requires the Department to give preference to nearby health care facilities. Requires the Department to continue these efforts until it has reached a number which represents no more than 5% of all inmates requiring hospitalization or hospital services on an annual basis at any single hospital by July 1, 2013, subject to certain exceptions. Amends GS 131E-77 (hospital licensure requirements), adding a new subsection (a1) providing that as a condition of licensure, hospitals must accept inmates. Specifies reporting requirements.

**PART XIX. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY****CONSOLIDATE THE DEPARTMENT OF CORRECTION, THE DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION, AND THE DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY INTO THE DEPARTMENT OF PUBLIC SAFETY****CREATION OF DEPARTMENT**

**SECTION 19.1.(a).** Establishes the Department of Public Safety as a new executive department as title indicates.

**SECTION 19.1(b).** Amends GS Chapter 143B, adding a new Article 5A specifying the organization and powers and duties of the new Department and the powers and duties of its Secretary. Establishes the new Department with five divisions: Adult Correction, Juvenile Justice, Law Enforcement, Emergency Services, and Administration. Specifies which former departments and divisions fall within the five divisions. New GS 143B-259.1 and GS 143B-259.2 specify the powers and duties of the new Department and its Secretary.

**CREATION OF STATUTORY PARTS AND SUBPARTS**

**SECTION 19.1(c) through (f).** Amends GS Chapter 143B, Article 5A, to add new parts pertaining to the Divisions of Law Enforcement, Emergency Services, and Administration.

**CHANGES TO STATUTORY REFERENCES TO AGENCIES**

**SECTION 19.1 (g) through (q).** Makes conforming changes to various statutes as title indicates.

**RECODIFICATION OF AFFECTED STATUTES**

**SECTION 19.1(r) through (w).** Makes changes as title indicates.

**OTHER SUBSTANTIVE CHANGES**

**SECTION 19.1(y) through (aa).** Makes conforming changes.

**SECTION 19.1(bb).** Abolishes the Law Enforcement Support Services Division of the Department of Crime Control and Public Safety.

**SECTION 19.1(cc).** Provides that the evidence warehouse operated by the Law Enforcement Support Services Division and all state-owned personal property in or associated with the warehouse is reallocated to the NC State Crime Laboratory. Requires the Department of Justice to assume any lease to which the warehouse is subject.

**SECTION 19.1(cc1).** Amends GS 114-16 to provide the NC State Crime Laboratory with the following additional powers and duties: to provide (1) central storage and management of evidence and creation and maintenance of a data-bank of statewide storage locations of postconviction evidence or other similar programs, (2) central storage and management of rape kits as specified, and (3) for the storage and management of evidence.

#### **CONFORMING CHANGES**

**SECTION 19.1(dd) through (hhh).** Makes conforming changes to various statutes. Amends GS 143B-272.78 to delete provisions regarding support provided by the Crime Control Division to the Governor's Crime Commission.

#### **REPORTING AND EFFECTIVE DATE**

**SECTION 19.1.(iii)** Requires the Office of State Budget and Management, in consultation with the Departments of Juvenile Justice and Delinquency Prevention, Crime Control and Public Safety, Correction, and Justice, to report on progress implementing this section, as specified.

**SECTION 19.1.(jjj)** Except for subsection (iii) on reporting, provisions are effective January 1, 2012. On and after that date, any references or directives in this act to the Department of Correction, the Department of Juvenile Justice and Delinquency Prevention, or the Department of Crime Control and Public Safety shall be construed to apply to the appropriate division of the Department of Public Safety pursuant to the departmental consolidation enacted by this section.

#### **PART XX. DEPARTMENT OF ADMINISTRATION**

##### **STATE ENTITIES TO USE MAIL SERVICE CENTER AND AGENCY FOR PUBLIC TELECOMMUNICATIONS**

**SECTION 20.1.(a)** Rewrites GS 143-341(8) to allow all state agencies, departments, and institutions, including The University of North Carolina System, use of the established mail service center. Clarifies that the Employment Security Commission is not required to use the mail service center established.

**SECTION 20.1.(b)** Adds new GS 143B-426.11A requiring the Agency for Public Telecommunications (Agency) to be the primary party with whom all state agencies, departments, and institutions, including the University of North Carolina system, may contract for media placement and the creation of media to be placed, unless the Agency determines it cannot fulfill the agency's, department's, or institution's needs. The Governor and the Council of State may void any contract entered into contrary to this provision.

##### **TRANSFER OF NC HUMAN RELATIONS COMMISSION FROM DEPARTMENT OF ADMINISTRATION TO OFFICE OF ADMINISTRATIVE HEARINGS**

**SECTION 20.2.** Transfers, by Type I transfer, the North Carolina Human Relations Commission created pursuant to GS 143B-391, other than the Martin Luther King Jr. Commission created pursuant to GS 143B-426.34A, from the Department of Administration to the Office of Administrative Hearings. Makes conforming changes to GS 143B-391 and 143B-392.

##### **DOMESTIC VIOLENCE CENTER FUNDS**

**SECTION 20.3.** Directs the Department of Administration to administer the Domestic Violence Center Funds without limiting the number of grantees by county or other geographic limitation. Directs every domestic violence center in operation by the preceding July 1, which offers the services described in the statute and is a nonprofit corporation or a local government entity, to receive an amount that is equal to that received by all other grantees of the Fund.

##### **USE OF CAPITAL PROJECT CONTINGENCY FUNDS TO INCREASE THE SPEED AND EFFICIENCY OF THE STATE CONSTRUCTION OFFICE**

**SECTION 20.4.(a)** Directs that contingency reserve funds appropriated for capital improvement projects that are subject to the Department of Administration's review authority under GS 143-341(3)a. be placed in a statewide capital reserve administered by the Office of State Budget and Management. Permits the Governor to, when in the best interest of the state to do so, allocate funds from the reserve to the requesting agency to be used for any of the purposes for which contingency funds may permissibly be used. Specifies that under no circumstances may funds disbursed from the statewide capital reserve be used for a capital improvement project not previously authorized by the General Assembly.

**SECTION 20.4.(b)** Provides that each fiscal year of the biennium, the Governor may reallocate a portion of the funds deposited in the reserve not to exceed \$875,000 in any fiscal year to the State Construction Office in the Department of Administration to be used to support the staffing needs in connection with carrying out its design and plan review, construction, building code compliance, inspection, and related duties imposed by GS 143-341(3) and other provisions of the General Statutes to ensure timely and complete responses in an effort to reduce the need for the use of contingency fees.

**SECTION 20.4.(c)** Makes this section effective when it becomes law, applicable to all open and active capital improvement projects, regardless of the source of funds.

#### **OFFICE OF STATE PERSONNEL/STUDY CENTRALIZED HUMAN RESOURCES FOR COUNCIL OF STATE OFFICES**

**SECTION 20.5.** Directs the Office of State Personnel, in conjunction with the Office of State Budget and Management, to report to the General Assembly and to the Fiscal Research Division on the feasibility of transferring the human resources management functions currently divided among the various Council of State offices and departments to be centralized under the Office of State Personnel. Establishes minimum guidelines for what the report must include. Directs the report to be done by the convening of the 2012 Regular Session of the 2011 General Assembly.

#### **TRANSFER THE LOBBYING SECTION OF THE SECRETARY OF STATE AND THE CAMPAIGN FINANCE DIVISION OF THE STATE BOARD OF ELECTIONS TO THE STATE ETHICS COMMISSION**

**SECTION 20.6.** Directs any pending proceedings of the State Board of Elections concerning campaign finance law violations, and any pending proceedings of the Secretary of State concerning lobbying law violations, be transferred to the State Ethics Commission. Amends GS 138A-10(a) to give the Ethics Commission the authority to hear the proceedings. Makes other conforming changes.

#### **ELIMINATE FUNDING FOR DEVELOPMENT OF SMART CARDS**

**SECTION 20.7.** Transfers \$1 million from the E-Commerce Reserve Fund to the General Fund to support appropriations made in this act.

#### **PART XXI. DEPARTMENT OF CULTURAL RESOURCES**

##### **TRANSPORTATION MUSEUM SPECIAL FUND**

**SECTION 21.1.** Establishes the North Carolina Transportation Museum Fund and describes such fund, monies credited to the fund, emergency reserve, and audit procedures, by enacting new GS 121-7.6.

##### **ROANOKE ISLAND COMMISSION FUNDING/HISTORICAL ROANOKE ISLAND FUND**

**SECTION 21.2.(a)** Provides that the Roanoke Island Commission will receive state funds through the 2011-12 fiscal year and that beginning with the 2012-13 fiscal year the Roanoke Island Commission must be self-supporting.

**SECTION 21.2.(b)** Directs all funds and assets in the Outer Banks Island Farm Fund be transferred to the Roanoke Island Commission Fund established in GS 143B-131.8.

**SECTION 21.2.(c)** Amends GS 143B-131.8 by adding additional subsections which provide that, in particular and prescribed circumstances, the Commission may use funds from the principal and from the remaining 20% of the interest generated from the Roanoke Island Commission Endowment Fund. Specifies that such funds may not be used for capital expenditures. Makes other conforming changes.

**SECTION 21.2.(d)** Rewrites GS 143B-131.2(b)(1) to provide that the local government with jurisdiction over the affected portion of the travel corridor will possess the applications for and issue the certificates of appropriateness. Also states that the local government will be responsible for the enforcement of those certificates and any rules that apply to the portion of the travel corridor within the jurisdiction of the local government. The local government will not be reimbursed by the Commission for carrying out these duties.

**SECTION 21.2.(e)** Rewrites GS 143B-131.2(b)(10) by eliminating the requirement for the Commission to establish and maintain a separate fund for monies received from gifts, donations, grants, or bequests. Eliminates a provision that allows the Commission to transfer funds to the Friends of Elizabeth II, Inc. Adds a provision specifying that the balance of any unencumbered funds that were previously transferred to the Friends of Elizabeth II Inc. be used only for expenses as detailed.

**SECTION 21.2.(f)** Transfers all funds held by the Roanoke Island Commission, including those credited to the Roanoke Island Commission Endowment Fund, to the Historical Roanoke Island Fund established in GS 143B-131.8A. Effective July 1, 2012.

**SECTION 21.2.(g)** Rewrites GS 143B-131.1 to clarify that the Roanoke Island Commission is self-supporting. Effective July 1, 2012.

**SECTION 21.2.(h)** Rewrites GS 143B-131.2(b)(14) to make conforming change. Effective July 1, 2012.

**SECTION 21.2.(i)** Repeals GS 143B-131.8. Effective July 1, 2012

**SECTION 21.2.(j)** Adds new GS 143B-131.8A, which establishes the Historical Roanoke Island Fund as a nonreverting fund, and describes its funding, purpose, and duties. Makes other conforming changes. Effective July 1, 2012.

## **PART XXII. GENERAL ASSEMBLY**

### **PED STUDYING ADMINISTRATION OF STATE ATTRACTIONS**

**SECTION 22.1.** Directs the Program Evaluation Division (Division) to study and review state operations considered attractions in the state, and to recommend whether administration of such attractions can be consolidated in one Department or administrative unit. The Division must report its findings by March 30, 2012, to specified entities.

## **PART XXIII. DEPARTMENT OF INSURANCE**

### **PERMISSIBLE USE OF INSURANCE REGULATORY FUND**

**SECTION 23.1.** Specifies that the Department of Insurance must not expend funds from the Insurance Regulatory Fund created under GS 58-6-25 for any purpose other than to reimburse the General Fund.

### **NO BUDGET REDUCTION FOR CERTAIN STATE FIRE PROTECTION GRANT FUND RECIPIENTS**

**SECTION 23.2.** Provides that there is no reduction in funding under GS 58-85A-1 during the 2011-13 fiscal biennium for local fire districts and local governments that receive grant funding of \$1,000 or less under that statute.

## **PART XXIV. OFFICE OF ADMINISTRATIVE HEARINGS**

### **ACCESS TO REGISTER AND CODE**

**SECTION 24.1.** Rewrites GS 150B-21.24 to clarify that the Codifier of Rules must make the North Carolina Register available on the Internet at no charge and, upon request, provide a free copy of the current volume of the Register to any member of the General Assembly. Deletes provision allowing a free copy of the NC Administrative Code to specified parties.

## **PART XXV. OFFICE OF STATE BUDGET AND MANAGEMENT**

### **TRANSFER STATE FIRE PROTECTION GRANT FUND**

**SECTION 25.1.** Rewrites GS 58-85A-1 to transfer the State Fire Protection Grant Fund from the Office of State Budget and Management to the Department of Insurance. Makes other conforming changes.

### **NC SYMPHONY FUNDING**

**SECTION 25.2.** Appropriates, from the funds appropriated to the Office of State Budget and Management-Special Appropriations, \$1.5 million in nonrecurring funds to the North Carolina Symphony for the 2011-12 fiscal year in three increments of \$500,000, after specified non-state fundraising goals are achieved. Specifies that funds allocated pursuant to this section are in addition to any other funds allocated to the Symphony under this act.

## **PART XXVI. STATE BOARD OF ELECTIONS**

**NO EXPENDITURE OF HAVA TITLE II FUNDS FOR FEDERAL FY 2011-2012**

**SECTION 26.1.** Directs the State Board of Election to not expend any Help America Vote Funds (HAVA) Title II Funds for the 2011-12 fiscal year and, unless prohibited by federal law, retain those funds until Maintenance of Effort funds are appropriated.

**PART XXVII. DEPARTMENT OF THE STATE TREASURER****LOCAL GOVERNMENT UNIT POSITIONS**

**SECTION 27.1.(a)** Rewrites GS 105-501(b) to clarify that Department of State Treasurer costs in the preceding month, which must be deducted and credited to the Department, also include the cost of the Local Government Division, and the cost for personnel and operations of the Local Government Commission.

**SECTION 27.1.(b)** Rewrites GS 105-501(b), as rewritten by subsection (a) of this section, by removing the provision stating that 1/12th of the costs incurred by the state for the preceding fiscal year for personnel and operations provided by the Department of State Treasurer for the Local Government Commission are deducted and credited to the General Fund. Effective July 1, 2012.

**PART XXVIII. DEPARTMENT OF TRANSPORTATION****CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATION**

**SECTION 28.1.(a)** The General Assembly authorizes and certifies anticipated revenues for the Highway Fund as follows:

For Fiscal Year 2013-2014	\$1,996.5 million
For Fiscal Year 2014-2015	\$2,021.1 million
For Fiscal Year 2015-2016	\$2,040.5 million
For Fiscal Year 2016-2017	\$2,069.1 million

**SECTION 28.1.(b)** The General Assembly authorizes and certifies anticipated revenues for the Highway Trust Fund as follows:

For Fiscal Year 2013-2014	\$1,041.0 million
For Fiscal Year 2014-2015	\$1,097.5 million
For Fiscal Year 2015-2016	\$1,128.7 million
For Fiscal Year 2016-2017	\$1,122.8 million

**CHANGES TO HIGHWAY FUND CERTIFIED BUDGET TO INCREASE TRANSPARENCY**

**SECTION 28.2.** Directs the Office of State Budget and Management (OSBM) to consult with the Department of Transportation, the Office of State Controller, and the Fiscal Research Division to implement changes to the Department of Transportation's Highway Fund 2012-13 Fiscal Year Certified Budget to increase transparency by including object detail using the North Carolina Accounting System Uniform Chart of Accounts prescribed by the Office of the State Controller to provide a more detailed accounting of the proposed budgets and receipts and actual expenditures and revenue collections. These readjustments to the enacted budget are for the sole purpose of correctly aligning authorized positions and associated operating costs with the appropriate purposes and definitions as defined in GS 143C-1-1. The OSBM is to change the certified budget to reflect these adjustments only after reporting the proposed adjustments to the chairs of the Senate Appropriations Committee on Department of Transportation and the Chairs of the House Appropriations Subcommittee on Transportation and to the Fiscal Research Division by March 1, 2012. It is the intent of the General Assembly that these changes in the certified budget begin with the 2012-13 fiscal year and be used in subsequent fiscal years.

**REMOVE PILOT DESIGNATION FOR PUBLIC-PRIVATE PARTNERSHIPS**

**SECTION 28.3.** Rewrites GS 136-28.1 to remove the Department of Transportation's (DOT) limit of two pilot contracts for public-private participation in providing litter removal from state right-of-way. Removes the DOT limit of two pilot contracts for public-private participation at state-owned rest areas. Makes other technical changes.

**REMOVE CAP ON DESIGN-BUILD PROJECTS**

**SECTION 28.4.** Rewrites GS 136-28.11 by allowing DOT to award unlimited contracts each fiscal year for the construction of transportation projects on a design-build basis (previously capped at 25 projects per fiscal year).

**STUDY SPONSORSHIP OPPORTUNITIES**

**SECTION 28.5.** Directs the DOT to study the sponsorship opportunities that may be available to the DOT to offset operational costs, including sponsorship of welcome centers, visitors centers, rest areas, ferry, and Incident Management Assistance Patrols. DOT to report the following to the Joint Legislative Transportation Oversight Committee by March 1, 2012: (1) the current cost of the suggested activities to be sponsored, (2) the potential receipts that could reasonably be collected through sponsorships, (3) suggested guidelines and process for selecting reasonable sponsors, (4) what sponsorships might look like once implemented, and (5) statutory or regulatory changes that may be necessary to effect the DOT's proposed sponsorship changes.

#### **SMALL CONSTRUCTION AND CONTINGENCY FUNDS**

**SECTION 28.6.** Directs that funds appropriated to DOT be used for the following purposes:

(1) Directs that \$7 million be allocated in each fiscal year for small construction projects recommended by the State Highway Administrator in consultation with the Chief Operating Officer and approved by the Secretary of the DOT. These funds are to be allocated equally in each fiscal year of the biennium among the 14 Highway Divisions for small construction projects.

(2) Directs that \$5,169,020 be used statewide for rural or small urban highway improvements and related transportation enhancements to public roads and public facilities, industrial access roads, and spot safety projects, including pedestrian walkways that enhance highway safety. Projects funded pursuant to this subdivision must be approved by the Secretary of DOT.

Specifies that none of these funds used for rural secondary road construction are subject to the county allocation formulas in GS 136-44.5(b) and (c).

Specifies that these funds are not subject to GS 136 44.7.

Directs DOT to report to the General Assembly on projects funded pursuant to this section in each member's district prior to construction. DOT also must make a quarterly comprehensive report on the use of these funds to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division.

#### **ADJUST SECONDARY ROAD CONSTRUCTION AND SECONDARY ROAD MAINTENANCE**

**SECTION 28.7.(a)** Directs that secondary road construction and secondary road maintenance funds from the Highway Fund must not increase over the amounts allocated in the 2011-12 and fiscal year 2012-13 base budgets.

**SECTION 28.7.(b)** Directs that secondary road construction and secondary road maintenance funds from the Highway Trust Fund must not increase over the amounts allocated in the 2011-12 and fiscal year 2012-13 base budgets.

#### **SYSTEM PRESERVATION FUNDS PREFERENCE FOR DEFICIENT BRIDGES**

**SECTION 28.8.** Directs that the funds allocated to the system preservation program for 2011-12 and 2012-13 must be used for bridge improvements on structurally deficient bridges.

#### **INCREASE DOT PRIVATIZATION**

**SECTION 28.9.** Directs DOT to seek the use of contracts to further privatize design and engineering work where practical and economical by doing the following: (1) identify state-funded professional service contracts of \$250,000 or less that are likely to attract increased participation by Small Professional Services Firms and direct the solicitation of applicable contracts to those firms, (2) expand the use of multiple contract awards for maintenance and repair projects, and (3) increase the outsourcing of preliminary engineering projects to 50% of the total funds in the annual work plan.

#### **STATE STREET-AID TO MUNICIPALITIES (POWELL BILL) ADJUSTMENTS**

**SECTION 28.10.(a)** Rewrites GS 136-41.1(a) to designate one-half of the amount appropriated under the statute to be allocated in cash on or before October 1 of each year to the cities and towns of the state in accordance with the statute. The second one-half of the amount appropriated under the statute must be allocated in cash on or before January 1 of each year to the cities and towns of the state in accordance with the statute.

**SECTION 28.10.(b)** Adds new GS 136-41.2B providing that no municipality is eligible to receive funds under GS 136-41.1 unless the municipality maintains public streets that (1) are within its jurisdiction and (2) do not form a part of the state highway system.

**SECTION 28.10.(c)** Directs that unexpended and unencumbered funds previously allocated to municipalities made ineligible by subsection (b) of this section be reallocated to eligible municipalities in accordance with GS 136-41.1.

#### **FERRY DIVISION TOLLING ON ALL ROUTES**

**SECTION 28.11.(a)** Rewrites GS 136-82 by adding that all ferry routes be tolled in an amount established by the Board of Transportation. Effective April 1, 2012.

**SECTION 28.11.(b)** Directs the Board of Transportation (Board) to toll all ferry routes no later than the April 1, 2012, but encourages the Board to begin tolling all routes before such date. Directs the Board to consider the needs of commuters and other frequent passengers when establishing the tolls for ferry routes.

#### **STATE AID TO RAILROADS TRANSPARENCY**

**SECTION 28.12.** Repeals GS 136-44.20(d).

#### **STATE AID TO SHORT-LINE RAILROADS**

**SECTION 28.13.** Adds new GS 136-44.39 authorizing DOT to provide assistance to short-line railroads to continue and enhance rail service in the state. Assistance may involve both the Rail Industrial Access Program and the Short Line Infrastructure Access Program. Directs that grants under the statute must not exceed 50% of the nonfederal share and must be matched by equal or greater funding from the applicant.

#### **STUDY RAIL CONNECTION BETWEEN WILMINGTON AND FAYETTEVILLE**

**SECTION 28.14.** Directs DOT Rail Division (Division) to study the feasibility and cost of constructing a rail connection between Wilmington and Fayetteville. The Division must report its findings to the Joint Legislative Transportation Oversight Committee by March 1, 2012.

#### **REPORT, CONSULTATION, AND APPROVAL OF RAIL PROJECTS**

**SECTION 28.15.** Rewrites GS 136-44.36 by adding a new subsection (b) specifying that acceptance of federal funds by DOT for rail programs is subject to the following:

(1) DOT must report the project details, including the amounts of federal funds and any state matching funds, as well as the expected annual maintenance and operational costs to the state of the project for the next 25 years as specified.

(2) Provides the steps DOT must take if either the amount of state matching funds required by the federal grant or the amount of future annual maintenance and operational costs of the project are reasonably expected to exceed \$3 million.

(3) Provides the steps DOT must take if either the amount of state matching funds required by the federal grant or the amount of future annual maintenance and operational costs of the project are reasonably expected to exceed \$5 million.

Specifies that the definitions of "state matching funds" and "annual maintenance and operational costs to the state" do not include funds that may pass through DOT but that originally came from a non-state source.

#### **PROHIBIT RAIL DIVISION FROM PROVIDING CONVENIENCE ITEMS FREE OF CHARGE ON ALL PASSENGER RAIL SERVICE**

**SECTION 28.16.** Directs that DOT, Rail Division (DOT) must not provide convenience items, including bottled or canned drink products, excluding water, newspapers, or other items of convenience, to passengers free of charge unless the items are donated to the state. Allows DOT to charge a nominal fee for such items through vending machines or other mechanisms.

#### **ELIMINATE AERONAUTICS COUNCIL, BICYCLE COMMITTEE, AND RAIL COUNCIL**

**SECTION 28.17.(a)** Eliminates the Aeronautics Council of DOT by repealing GS 143B-356 and GS 143B-357.

**SECTION 28.17.(b)** Eliminates the North Carolina Bicycle Committee within DOT by repealing GS 136-71.13.

**SECTION 28.17.(c)** Eliminates the North Carolina Rail Council of DOT by repealing Part 9 of Article 8 of GS Chapter 143B.

#### **FLEXIBLE USE OF FUNDS TO LEVERAGE FEDERAL FUNDS FOR RURAL PUBLIC TRANSPORTATION**

**SECTION 28.18.** Provides DOT with the flexibility to transfer funding from the consolidated capital program of its rural funding programs for vehicles, technology, and facilities to the operating programs, based on DOT's ability to leverage all additional federal funds to meet the capital needs of rural transportation systems. Applies only to the fiscal years 2011-12 and 2012-13.

#### **MAXIMIZE LEVERAGE OF FEDERAL PUBLIC TRANSPORTATION OPERATING AND CAPITAL FUNDS FOR LOCAL PUBLIC TRANSPORTATION SYSTEMS.**

**SECTION 28.19.** Directs DOT to provide local public transportation systems with maximum flexibility to use state operating funds from specified grant programs to leverage all eligible federal transit operating assistance funds. Applies only to the fiscal years 2011-12 and 2012-13.

#### **STREAMLINE GRANT PROCESS AND CONSOLIDATE GRANTS FOR PUBLIC TRANSPORTATION**

**SECTION 28.20.(a)** Directs DOT to work with stakeholders to streamline the grant application process, determine levels for funding distributions, and make recommendations to the General Assembly to maximize the use of these grants funds. DOT must report these findings to the Joint Legislative Transportation Oversight Committee by March 1, 2012.

**SECTION 28.20.(b)** Directs DOT and OSBM to combine grant funding to specified grant programs, and directs the Highway Fund to reflect these consolidations. This section does not change grant categories and respective formulas. Directs the DOT to determine an appropriate distribution for funds based upon the needs of the local governments. Effective July 1, 2012.

#### **STUDY REGIONAL CONSOLIDATION OF TRANSIT SYSTEMS**

**SECTION 28.21.** Directs DOT to study the feasibility and appropriateness of developing regional transit systems with the goals of: (1) providing increased mobility between existing transit systems within one county and between counties, (2) improving planning and coordination to better meet public demand, (3) maximizing funding, and (4) developing centralized professional staff that will create operational and administrative efficiencies. The study is to examine both (1) the consolidation of transit service planning and delivery based on regional travel patterns and (2) the consolidation of single-county transit systems, where applicable. DOT must report the results of its study to the Joint Legislative Transportation Oversight Committee by March 1, 2012.

#### **DIVISION OF MOTOR VEHICLES BULK DATA**

**SECTION 28.22.** Adds new GS 20-43.1(e) providing that the Division of Motor Vehicles may provide copies of partial crash report data collected under GS 20-166.1, partial driver license data kept pursuant to GS 20-26(a), and partial vehicle registration application data collected pursuant to GS 20-52, in bulk form to persons or entities for non-official uses, upon payment of a fee of 3¢ per individual record. Prohibits the furnishing of such data except upon execution by the recipient of a written agreement to comply with the Driver's Privacy Protection Act of 1994, as amended, 18 U.S.C. 2721, et seq. Provides that the information released is not a public record under GS Chapter 132.

#### **FLEXIBLE USE OF FUNDS FOR DIVISION OF MOTOR VEHICLES FOR FISCAL YEARS 2011-2012 and 2012-2013**

**SECTION 28.23.** Directs that funds appropriated to the Division of Motor Vehicles be used for the following purposes:

- (1) \$105,000 may be used for contractual security services at the Division of Motor Vehicles Registration and International Registration Plan office in Charlotte.
- (2) \$225,030 may be used for staffing the dedicated commercial drivers license skills testing sites located in Lumberton and under construction in Iredell County. Authorizes the reclassification of five existing vacant positions for this purpose.

#### **STUDY EXEMPTING THE THREE NEWEST MODEL YEARS FROM EMISSIONS INSPECTIONS OF MOTOR VEHICLES**

**SECTION 28.24.(a)** Directs the Division of Motor Vehicles to study exempting, for the three newest model years, the emissions inspection required for motor vehicles under GS 20-183.2(b). Directs the Department of Environment and Natural Resources, Division of Air Quality (Division), to coordinate with DOT to evaluate the potential impacts of exempting these motor vehicles. Specifies certain considerations the Division must include when evaluating potential impacts.

**SECTION 28.24.(b)** Directs that by March 1, 2012, DOT and the Department of Environment and Natural Resources must submit a joint report of the results of the study under this section, including the findings, recommendations, and any legislative or administrative proposals, to specified committees.

#### **DEPARTMENT OF REVENUE TO REPORT ON MOTOR FUELS TAX AUDITOR AND INVESTIGATOR PERFORMANCE**

**SECTION 28.25.** Directs the Department of Revenue, Motor Fuels Division, and the Tax Enforcement Division (Department) to report on the performance of auditor and investigator collection and enforcement activities as they relate to the administration of the motor fuels, alternative fuels, motor carrier, and inspection tax



laws. The report must include the Department's collection and enforcement activities and include recommendations to improve these efforts. Directs the Department to develop a methodology to compare performance by employees and include these results in the report. The Department must report to the Joint Legislative Transportation Oversight Committee and to the Joint Legislative Commission on Governmental Operations by March 1, 2012.

#### **STUDY REIMBURSEMENT PROCESS FOR DEPARTMENT OF CORRECTION LITTER PICKUP**

**SECTION 28.26.** Directs OSBM, in consultation with the Department of Correction (DOC) and DOT, to study performance-based reimbursement as an alternative to the current funding mechanism for inmate litter pickup, which consists of a direct appropriation from DOT's Highway Fund budget to the DOC budget. OSBM must report to the Joint Legislative Transportation Oversight Committee and to the Joint Legislative Commission on Governmental Operations by March 1, 2012. Directs the report to contain recommendations for reimbursement rates that have been agreed upon by DOC and DOT. Directs that the report also include any statutory changes to be considered by the General Assembly in relation to this report.

#### **DRIVER EDUCATION REFORM**

**SECTION 28.27.** Amends GS 115C-215.1 to provide for a standardized driver education program, administered by the Department of Public Instruction. Expands eligibility to home school students. Adds requirement for one hour of motorcycle awareness training. Adds requirement that State Board of Education establish and implement a strategic plan for this program and specifies minimum elements of that plan. Requires local boards of education to offer noncredit courses using standardized curriculum provided by the Department of Public Instruction. Allows local boards of education to charge fee of up to \$75 for the course. Repeals GS 115C-215, recodifies portions of GS 20-88.1, and makes other conforming amendments.

#### **STATE HIGHWAY PATROL POSITIONS**

**SECTION 28.28.(a)** Eliminates the Administrative Services Section of the State Highway Patrol (SHP). Directs the Secretary of the Department of Crime Control and Public Safety (Department) to consolidate remaining Administrative Services Section positions and organizational units with other human resources functions of the Department.

**SECTION 28.28.(b)** Eliminates the following SHP positions:

Position ID	Position Title
60084611	Program Assistant V
60084615	Attorney
60085385	Sergeant
60084952	First Sergeant
60085315	W/A First Sergeant
60084628	Assessment Analyst
60084772	Office Assistant
60084779	Budget Analyst
60085953	Major
60084998	First Sergeant
60084947	Captain
60085945	W/A Captain
60085302	Lieutenant
60084755	Office Assistant
60084858	Office Assistant
60084686	Deputy Secretary

**SECTION 28.28.(c)** Authorizes the Commander of the SHP, upon the approval of the Secretary of the Department, to eliminate a greater number of positions than that specified in the Committee Report on the Continuation, Expansion, and Capital Budget for fiscal year 2011-12. Directs the Commander, when implementing the reductions in force required by this act, to minimize the number of sworn law enforcement officer positions allocated for district-level traffic and commercial motor vehicle enforcement that are to be eliminated. Specifies that reductions in force may include filled positions.

**SECTION 28.28.(d)** Directs the Commander of the SHP to report on the number of positions eliminated for fiscal year 2011-12 and specifies the information that must be included in the report. The Commander must submit the report to the House of Representatives Appropriations Subcommittee on Justice and Public Safety, the

Senate Appropriations Committee on Justice and Public Safety, and the Joint Legislative Crime Control and Public Safety Oversight Committee by March 1, 2012.

**SECTION 28.28.(e)** Suspends the salary increase provisions of GS 20-187.3 for fiscal year 2011-2012 and 2012-13.

#### **STATE HIGHWAY PATROL FUNDS TRANSFER**

**SECTION 28.29.** Transfers \$193,527,300 of the funds allocated to the Highway Fund under GS 105-449.125 to the General Fund for 2011-12 as specified. Transfers \$190,394,000 of the funds allocated to the Highway Fund under GS 105-449.125 to the General Fund for 2012-13. Directs the OSBM and the Office of State Controller to discontinue use of the Crime Control and Public Safety – Highway Fund budget code and to certify funds appropriated by this act for the SHP under a separate code within the Crime Control and Public Safety-General Fund budget code. Directs DOT, OSBM, and Office of State Controller to certify and account for state matching funds for Motor Carrier Safety Assistance Program grants, federal funds, and other receipts budgeted for SHP programs, as necessary. Rewrites GS 20-194 to eliminate language providing that all expenses incurred by carrying out the specified provisions be paid out of the highway fund.

#### **HIGHWAY TRUST FUND MONEY FOR VISITOR CENTERS; SPECIAL REGISTRATION PLATES MONEY FOR VISITOR CENTERS**

**SECTION 28.30.(a)** Rewrites GS 20-85.1(a1), as amended by Section 13.2 of this act, to include an additional 50¢ of the fee imposed for any transaction assessed a fee under (a)(1) of the statute to be credited as follows: (1) the first \$400,000 collected is to be credited to the Reserve for Visitor Centers in the Highway Fund and (2) any additional funds collected are to be credited to the Mobility Fund.

**SECTION 28.30.(b)** Rewrites GS 20-29.7(c)(2) to increase the appropriated amount from the Special Registration Place Account, which provides operating assistance to specified visitor centers, from \$1.2 million to \$1.3 million. Adds the visitor center at the intersection of Interstate 73 and Interstate 74 in Randolph County as a specified visitor center and appropriates \$100,000 of operating assistance to the center. Makes other conforming changes.

#### **MAINTAIN CURRENT LEVEL OF ADMINISTRATIVE FUNDING FROM HIGHWAY TRUST FUND**

**SECTION 28.31.** Provides that the amount of allowable expenses to administer the Highway Trust Fund must not increase over the amounts allocated in the 2011-12 and 2012-13 base budgets.

#### **TRANSFER UNENCUMBERED TURNPIKE PROJECTS GAP FUNDS TO MOBILITY FUND**

**SECTION 28.32.** Transfers any funds appropriated to the North Carolina Turnpike Authority under GS 136-176(b2) to cover debt service or related financing costs for the Mid-Currituck Bridge project that remain unencumbered at the end of 2010-11 to the Mobility Fund. Transfers any funds appropriated to the North Carolina Turnpike Authority under GS 136-176(b2) to cover debt service or related financing costs for the Golden Parkway project that remain unencumbered at the end of 2010-11 to the Mobility Fund solely for the use for urban loop projects.

#### **MOBILITY FUND PROJECT SELECTION CRITERIA ADJUSTMENT**

**SECTION 28.33.** Rewrites Section 28.7(b) of SL 2010-31, as rewritten by Section 8.2 of SL 2010-123, to remove language requiring DOT to give preferential consideration to projects qualified to receive state grants from the Congestion Relief and Intermodal Transportation 21<sup>st</sup> Century Fund under Article 19 of GS Chapter 136 when developing project criteria and selection processes. Directs the DOT to report to the Joint Legislative Transportation Oversight Committee on development of the selection criteria by October 15, 2011.

#### **TRANSFER URBAN LOOP PROGRAM TO THE MOBILITY FUND**

**SECTION 28.34.** Repeals GS 136-180 and rewrites GS 136-176(b)(2) to transfer funds formerly directed to those projects listed in GS 136-180 to the Mobility Fund. Specifies that funds transferred to the Mobility Fund in this manner are to be used solely for urban loop projects. Makes other conforming changes by eliminating references to GS 136-180 in other statutes.

#### **MODIFY DEPARTMENT OF TRANSPORTATION REPORTING REQUIREMENTS**

**SECTION 28.35.(a)** Repeals GS 136-12(a1), GS 136-12.2, GS 136-89.193(e), GS 136.93.1(g), and GS 136-125.2

**SECTION 28.35.(b)** Rewrites GS 136-44.2 to remove the provision stating that no federally eligible construction project may be funded entirely with state funds unless DOT has first reported to the Joint Legislative Commission on Government Operations.

**SECTION 28.35.(c)** Rewrites GS 136-89.182 to eliminate the requirement that any bylaws, or subsequent changes or amendments to the bylaws, adopted by the North Carolina Turnpike Authority Board be submitted to the Board of Transportation and the Joint Legislative Transportation Oversight Committee for review and comment at least 45 days prior to adoption by the Authority Board, and instead requires such bylaws, or subsequent changes or amendments to the bylaws, be included in the Annual Report as required by GS 136-89.193. Removes the requirement for the North Carolina Turnpike Authority to report the hiring of all administrative employees to the Joint Legislative Transportation Oversight Committee within 30 days of employment.

## PART XXIX. SALARIES AND BENEFITS

### GOVERNOR AND COUNCIL OF STATE

**SECTION 29.1.** Specifies that for the 2011-13 fiscal biennium, the salary of the Governor remains the amount set by GS 147-11(a), \$139,590 annually, payable monthly.

Specifies that the annual salaries for the members of the Council of State, payable monthly, for the 2011-13 fiscal biennium remain unchanged as follows:

Council of State	Annual Salary
Lieutenant Governor	\$123,198
Attorney General	123,198
Secretary of State	123,198
State Treasurer	123,198
State Auditor	123,198
Superintendent of Public Instruction	123,198
Agriculture Commissioner	123,198
Insurance Commissioner	123,198
Labor Commissioner	123,198

### NONELECTED DEPARTMENT HEAD

**SECTION 29.2(a).** Specifies that, in accordance with GS 143B-9, the maximum annual salaries, payable monthly, for the nonelected heads of the principal state departments for the 2011-13 fiscal biennium remain unchanged as follows:

Nonelected Department Heads	Annual Salary
Secretary of Administration	\$120,363
Secretary of Correction	120,363
Secretary of Crime Control and Public Safety	120,363
Secretary of Cultural Resources	120,363
Secretary of Commerce	120,363
Secretary of Environment and Natural Resources	120,363
Secretary of Health and Human Services	120,363
Secretary of Juvenile Justice and Delinquency Prevention	120,363
Secretary of Revenue	120,363
Secretary of Transportation	120,363

**SECTION 29.2.(b)** Provides that effective January 1, 2012, subsection (a) of this section is amended as follows:

Nonelected Department Heads	Annual Salary
Secretary of Administration	\$120,363
<del>Secretary of Correction</del>	<del>120,363</del>
<del>Secretary of Crime Control and Public Safety</del>	<del>120,363</del>
Secretary of Cultural Resources	120,363
Secretary of Commerce	120,363

Secretary of Environment and Natural Resources	120,363
Secretary of Health and Human Services	120,363
<del>Secretary of Juvenile Justice and Delinquency Prevention</del>	<del>120,363</del>
<u>Secretary of Public Safety</u>	<u>120,363</u>
Secretary of Revenue	120,363
Secretary of Transportation	120,363

### CERTAIN EXECUTIVE BRANCH OFFICIALS

**SECTION 29.3.** Specifies that the annual salaries, payable monthly, for the 2011-13 fiscal biennium remain unchanged as follows:

Executive Branch Officials	Annual Salary
Chairman, Alcoholic Beverage Control Commission	\$109,553
State Controller	153,319
Commissioner of Motor Vehicles	109,553
Commissioner of Banks	123,198
State Personnel Director	120,363
Chairman, Parole Commission	100,035
Members of the Parole Commission	46,178
Chairman, Utilities Commission	137,203
Members of the Utilities Commission	123,198
Executive Director, Agency for Public Telecommunications	92,356
Director, Museum of Art	112,256
Executive Director, North Carolina Agricultural Finance Authority	106,635
State Chief Information Officer	153,227

### JUDICIAL BRANCH

**SECTION 29.4.(a)** Directs that the annual salaries, payable monthly, for specified judicial branch officials for the 2011-13 fiscal biennium remained unchanged as follows:

Judicial Branch Officials	Annual Salary
Chief Justice, Supreme Court	\$140,932
Associate Justice, Supreme Court	137,249
Chief Judge, Court of Appeals	135,061
Judge, Court of Appeals	131,531
Judge, Senior Regular Resident Superior Court	127,957
Judge, Superior Court	124,382
Chief Judge, District Court	112,946
Judge, District Court	109,372
District Attorney	119,305
Administrative Officer of the Courts	126,738
Assistant Administrative Officer of the Courts	115,763
Public Defender	119,305
Director of Indigent Defense Services	123,022

**SECTION 29.4.(b)** Provides that effective for the 2011-13 fiscal biennium, the annual salaries of employees of the Judicial Department remain unchanged; applies to permanent full-time and part-time Judicial Department employees whose salaries are not itemized in this act, clerks of superior court, assistant and deputy clerks of court, and magistrates.

### GENERAL ASSEMBLY

**SECTION 29.5.** Provides that effective for the 2011-13 fiscal biennium the annual salaries of legislative branch employees remain unchanged; applies to members and officers of the General Assembly, principal clerks in each house, the sergeant-at-arms and the reading clerk in each house, and the annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly.

**COMMUNITY COLLEGES PERSONNEL**

**SECTION 29.6.** Provides that the annual salaries of all community college nonfaculty and professional staff whose salaries are supported from the state's General Fund remain unchanged for the 2011-13 fiscal biennium. Also provides that the annual salaries of all community college faculty whose salaries are supported from the state's General Fund remain unchanged for the 2011-13 biennium. Provides that minimum salaries for nine-month, full time curriculum community college faculty also remain unchanged as follows:

Education Level	Minimum Salary
Vocational Diploma/Certificate or Less	\$34,314
Associate Degree or Equivalent	\$34,819
Bachelor's Degree	\$37,009
Master's Degree or Education Specialist	\$38,952
Doctoral Degree	\$41,753

Specifies that no full-time faculty member may earn less than the minimum salary for his or her education level. The pro rata hourly rate of the minimum salary for each education level must be used to determine the minimum salary for part-time faculty members.

**UNIVERSITY OF NORTH CAROLINA SYSTEM**

**SECTION 29.7.** Provides no salary changes for the 2011-13 fiscal biennium for all UNC EPA faculty, EPA non-faculty, SPA employees, and teachers employed by the North Carolina School of Science and Math. Also provides that salaries remain unchanged for all employees of the UNC Health Care System and the Medical Faculty Practice Plan at East Carolina University for the 2011-13 fiscal biennium.

**LIMITED SALARY ADJUSTMENTS FOR SPECIAL CIRCUMSTANCES ONLY/ NO AUTOMATIC INCREASES**

**SECTION 29.8.** Provides pay is to remain unchanged for the 2011-13 fiscal biennium to all state employees from that pay which is authorized on June 30, 2011, or the last date in pay status during the 2010-11 fiscal year, if earlier. Provides exception to this by allowing pay increases to state employees employed by the North Carolina Community College System and local school boards who are paid from state funds and to judicial branch employees for local supplementation as authorized under GS 7A-300.1. Suspends automatic salary step increases for assistant and deputy clerks of superior court and magistrates, and the salary increase provision of GS 20-187.3 (concerning State Highway Patrol steps) for the 2011-13 fiscal biennium. Directs that employees of the Office of the Commissioner of Banks and the employees of the Lottery Commission are not to receive compensation bonuses for the fiscal biennium 2011-13. Specifies that employees of every other state agency and constituent institution of the University of North Carolina Health Care System and the Medical Facility Practice Plan at East Carolina University are not to receive compensation bonuses.

**MOST STATE EMPLOYEES**

**SECTION 29.9.(a)** Directs that the salaries in effect June 30, 2011, of all permanent, full-time state employees whose salaries are set in accordance with the State Personnel Act, remain unchanged for the 2011-13 fiscal biennium.

**SECTION 29.9.(b)** Directs that the salaries for permanent, full-time state officials and persons in exempt positions remain unchanged for the 2011-13 fiscal biennium.

**SECTION 29.9.(c)** Directs that the salaries for all permanent, part-time state employees remain unchanged for the 2011-13 fiscal biennium.

**SECTION 29.9.(d)** Directs that the compensation for temporary and permanent hourly state employees remain unchanged for the 2011-13 fiscal biennium.

**ALL STATE SUPPORTED PERSONNEL/NO SALARY INCREASES**

**SECTION 29.10.(a)** Provides that the salaries provided for in this act are effective July 1, 2011, and do not apply to persons separated from state service due to resignation, dismissal, reduction in force, death, retirement, or whose last workday is prior to July 1, 2011. Applies to all employees, subject to or exempt from the State Personnel Act, paid from state funds.

**SECTION 29.10.(b)** Directs that salaries for permanent, full-time employees who work a nine-, ten-, or eleven-month work year schedule remain unchanged for the 2011-13 fiscal biennium.

**STATE AGENCY TEACHERS' COMPENSATION**

**SECTION 29.11.** Salaries for specified employees paid on the Teacher Salary Schedule or the School-Based Administrator Schedule remain unchanged for 2011-13.

**TEACHER SALARY SCHEDULES**

**SECTION 29.12.(a)** Establishes the monthly salary schedules for the 2011-12 fiscal year for certified personnel of the public schools who are classified as teachers. The schedule contains 35 steps with each step corresponding to one year of teaching experience. Salaries range from \$3,043 for "A" Teachers with 0 years of experience to \$5,255 for those with 34+ years of experience, and from \$3,408 for teachers who are NBPTS certified with 3 years of experience to \$5,886 for those with 34+ years of experience. Salaries range from \$3,347 for "M" teachers with 0 years of experience to \$5,781 for those with 34+ years of experience and from \$3,749 for those that are NBPTS certified with 3 years of experience to \$6,475 for those with 34+ years of experience.

**SECTION 29.12.(b)** Specifies the following annual longevity payment rates for teachers:

(1) 1.5% of base salary for 10 to 14 years of state service; (2) 2.25% of base salary for 15 to 19 years of state service; (3) 3.25% of base salary for 20 to 24 years of state service; and (4) 4.5% of base salary for 25 or more years of state service. The longevity payment must be paid in a lump sum once a year.

**SECTION 29.12.(c)** Authorizes the following salary supplements (1) \$126 per month for certified personnel of the public schools who are classified as "M" teachers for certified public school teachers with certification based on academic preparation at the six-year degree level and (2) \$253 per month for certified personnel of the public schools who are classified as "M" teachers for certified public school teachers with certification based on academic preparation at the doctoral degree level.

**SECTION 29.12.(d)** Specifies that the first step of the salary schedule for school psychologists is 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. Directs that certified psychologists be placed on the salary schedule at an appropriate step based on their years of experience and receive longevity payments based on years of state service in the same manner as teachers.

Authorizes the following salary supplements (1) \$126 per month for certified psychologists for certified psychologists with certification based on academic preparation at the six-year degree level and (2) \$253 per month for certified psychologists with certification based on academic preparation at the doctoral degree level.

**SECTION 29.12.(e)** Specifies that 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 must be paid on the school psychologist salary schedule.

Authorizes the following salary supplements (1) \$126 per month for speech pathologists and audiologists for certified speech pathologists and audiologists with certification based on academic preparation at the six-year degree level; and (2) \$253 per month for speech pathologists and audiologists for certified speech pathologists and audiologists with certification based on academic preparation at the doctoral degree level.

**SECTION 29.12.(f)** Directs that certified school nurses who are employed in the public schools as nurses be paid on the "M" salary schedule.

**SECTION 29.12.(g)** Specifies that, as used in this section, the term "teacher" also includes instructional support personnel.

**SCHOOL-BASED ADMINISTRATION SALARY SCHEDULE**

**SECTION 29.13.(a)** Directs that the base salary schedule for school-based administrators applies only to principals and assistant principals. Establishes the base salary schedule for 2011-12 fiscal year, commencing July 1, 2011, for principals and assistant principals.

**SECTION 29.13.(b)** Provides a schedule for placement of principals and assistant principals on the salary schedule based on number of teachers supervised. Specifies that 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 is the Principal III level. Principals in alternative schools who supervise 33 or more teachers are classified according to the number of teachers supervised.

**SECTION 29.13.(c)** Directs that a principal 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. Provides that a principal who acquires an additional step for 2011-12 or 2012-13 is not to receive a corresponding increase in salary during the 2011-13 fiscal biennium. Specifies that a principal or assistant principal also continue to receive any additional state-funded percentage increases earned for the 1997-98, 1998-99, and 1999-00 school years for improvement in student performance or maintaining a safe and orderly school.

**SECTION 29.13.(d)** Directs that principals and assistant principals with certification based on academic preparation at the six-year degree level be paid a salary supplement of \$126 per month and at the doctoral degree level be paid a salary supplement of \$253 per month.

**SECTION 29.13.(e)** Directs that longevity pay for principals and assistant principals must be as provided for state employees under the State Personnel Act.

**SECTION 29.13.(f)** Specifies that 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 must 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 must 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.

Applies to all transfers on or after the effective date of this section, except transfers in school systems created by merging two or more school systems. Transfers in these merged systems are exempt from the provisions of this subsection for one calendar year following the date of the merger.

**SECTION 29.13.(g)** Provides that participants in an approved full-time master's in school administration program receive up to a 10-month stipend at the beginning salary of an assistant principal during the internship period of the master's program. Specifies that for the 2006-07 fiscal year and subsequent fiscal years, the stipend may 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 must supply the DPI with certification of eligible full-time interns.

**SECTION 29.13.(h)** During 2011-12, the placement on the salary schedule of an administrator with a one-year provisional assistant principal's certificate must be at the entry-level salary for an assistant principal or the appropriate step on the teacher salary schedule, whichever is higher.

#### CENTRAL OFFICE SALARIES

**SECTION 29.14.(a)** Directs that the following monthly salary ranges apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers and remain unchanged for the 2011-13 fiscal biennium, beginning July 1, 2011.

School Administrator I	\$3,309	\$6,207
School Administrator II	\$3,508	\$6,583
School Administrator III	\$3,724	\$6,984
School Administrator IV	\$3,874	\$7,262
School Administrator V	\$4,030	\$7,556
School Administrator VI	\$4,275	\$8,013
School Administrator VII	\$4,447	\$8,336

Directs the local board of education to 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. The category in which an employee is placed must be included in the contract of any employee.

**SECTION 29.14.(b)** Directs that the following monthly salary ranges apply to public school superintendents and remain unchanged for the 2011-13 fiscal biennium, beginning July 1, 2013.

Superintendent I	\$4,720	\$8,843
Superintendent II	\$5,011	\$9,377
Superintendent III	\$5,316	\$9,948
Superintendent IV	\$5,642	\$10,552
Superintendent V	\$5,988	\$11,196

Directs the local board of education to 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.

**SECTION 29.14.(c)** Directs that longevity pay for superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers must be as provided for state employees under the State Personnel Act.

**SECTION 29.14.(d)** Directs that superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers with certification based on academic preparation at the

six-year degree level receive a salary supplement of \$126 per month. Directs that superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers with certification based on academic preparation at the doctoral degree level receive a salary supplement of \$253 per month.

**SECTION 29.14.(e)** Prohibits the State Board of Education from permitting local school administrative units to transfer state funds from other funding categories for salaries for public school central office administrators.

**SECTION 29.14.(f)** Specifies that the salaries for permanent, full-time personnel paid from the Central Office Allotment, remain unchanged for the 2011-13 fiscal biennium.

#### **NONCERTIFIED PERSONNEL SALARIES**

**SECTION 29.15.** Directs that the annual salary for permanent, full-time and part-time noncertified public school employees whose salaries are supported from the state's General Fund are to remain unchanged for the 2011-2013 fiscal biennium.

#### **FURLOUGHS AUTHORIZED/PUBLIC SCHOOLS**

**SECTION 29.16.(a)** Provides the General Assembly's findings that local boards of education are under economic stress requiring they be granted flexibility in managing expenditures.

**SECTION 29.16.(b)** Authorizes local boards of education to implement furloughs of state-funded public school employees to offset the LEA funding flexibility adjustment.

**SECTION 29.16.(c)** Defines *furlough* as a temporary period of leave from employment without pay that (1) is ordered by a local board of education and (2) is not in connection with a demotion or other disciplinary action. Defines *public school employee* as any person employed by a local school administrative unit, including public officers.

**SECTION 29.16.(d)** Provides that the provisions of Section 29.18 (benefits protection) apply to public school employees furloughed pursuant to the section.

**SECTION 29.16.(e)** Directs LEAs, if required, to cooperate with DPI in the implementation of furlough.

**SECTION 29.16.(f)** Directs the SBE to adopt rules for the implementation of this section in accordance with GS 150B-21.1A, except that notwithstanding GS 150B-21.1A(d), those emergency rules may remain in effect until the expiration of this section. Sets as a timetable that the rules should be adopted as soon as practicable, and requires that the adoption of the rules take place no more than 30 calendar days from the effective date of this section. Directs local boards of education to apply the rules in designating the times public school employees may be subject to furlough. Sets out minimal requirements of matters to be addressed in the rules including (1) prohibiting the use of furloughs for employees who work only on instructional days; (2) prohibiting furloughs of employees who earn an annual base rate of \$25,000 or less; (3) a furlough for other employees must be for the same number of days as all such employees; (4) prohibition of furlough of a teacher on an instructional day or a protected work day; (5) the requirement of a public hearing by the local board of education to disclose the local school administrative unit's finances before a furlough is implemented; (6) allowing a local school administrative unit to spread the salary or wage reduction for furloughed employees over the contract period in order to lessen the impact on the employees; (7) requiring all of the savings realized as a result of a furlough to be used to offset the LEA budgetary flexibility adjustment; (8) directing the county in which an LEA implements a furlough not to supplant existing local current expense funds for schools; and (9) requiring the local school board to report the details of any furlough implemented by the LEA to the SBE and to certify that the furlough complied with the provisions of this section and the rules adopted by the SBE.

**SECTION 29.16.(g)** Provides that a furlough as implemented by this section does not constitute a demotion.

**SECTION 29.16.(h)** Provides that public school employees who are not paid out of state funds will receive the same reduction in pay applicable to state-paid employees in the event a furlough is enacted by an LEA.

**SECTION 29.16.(i)** Makes this section effective when it becomes law and expires June 30, 2013.

#### **FURLOUGHS AUTHORIZED/UNC**

**SECTION 29.17.(a)** Presents the General Assembly's findings that the University of North Carolina (UNC) requires flexibility in managing personnel-related expenditures and that the provisions of this section will aid in the administration of personnel-related costs.

**SECTION 29.17.(b)** Permits the President of UNC to implement furloughs of university employees or to delegate furlough authority to a chancellor of a constituent institution to offset the UNC management flexibility reduction.



**SECTION 29.17.(c)** Defines *furlough* as a temporary period of leave from employment without pay that (1) is ordered by the President of UNC or a chancellor when delegated and (2) is not in connection with a demotion or other disciplinary action. Defines *university employee* as any permanent full-time, permanent part-time, or time-limited employee of UNC, including employees exempt from the State Personnel Act under GS 126-5(c), 126-5(c1), 126-5(c7), and 126-5(c8) and including public officers.

**SECTION 29.17.(d)** Provides that Section 29.18 (benefits protection) applies to university employees furloughed pursuant to the section.

**SECTION 29.17.(e)** Directs UNC constituent institutions to cooperate with the UNC General Administration in the implementation of furloughs, if required.

**SECTION 29.17.(f)** Directs the UNC Board of Governors to adopt policies for the implementation of this section as soon as practicable, and no more than 30 calendar days from the effective date of this section. Provides that the policies are to remain in effect until the expiration of this section. Requires that the policies are to be applied by the President and the constituent institutions in implementing a furlough of university employees, and are to provide at a minimum, that: (1) the President may establish a salary threshold below which university employees cannot be subject to furlough and in no event can a full-time university employee, prorated for any part-time employee, earning \$25,000 or less be subject to furlough; (2) the scheduling of any furlough period is at the discretion of the President or the chancellor of the constituent institution when delegated; (3) no paid leave is to be used to offset all or any portion of a furlough; (4) if a holiday falls during the mandatory furlough period, the university employee must be paid for the holiday; (5) all savings realized as a result of a furlough must be used to offset the Management Flexibility Reduction for The University of North Carolina.

**SECTION 29.17.(g)** Requires that upon delegation of furlough authority to a chancellor, the constituent institution must develop a furlough plan to be approved by the President consistent with the policies adopted by the UNC Board of Governors. Requires that access to approved furlough plans be provided to all affected employees.

**SECTION 29.17.(h)** Makes this section effective when it becomes law and expires June 30, 2013.

#### **FURLOUGHS AUTHORIZED/NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

**SECTION 29.17A.(a)** Presents the General Assembly's findings that the North Carolina Community College System requires flexibility in managing personnel-related expenditures and that the provisions of this section will aid in the administration of personnel-related costs.

**SECTION 29.17A.(b)** Permits the President of the North Carolina Community College System (System President) to implement furloughs of community college employees or to delegate furlough authority to a local system president of a system institution to offset any management flexibility reduction.

**SECTION 29.17A.(c)** Defines *furlough* as a temporary period of leave from employment without pay that (1) is ordered by the System President or a local system president when delegated and (2) is not in connection with a demotion or other disciplinary action. Defines *community college employee* as any permanent full-time, permanent part-time, or time-limited employee of the North Carolina Community College system, including public officers.

**SECTION 29.17A.(d)** Provides that Section 29.18 (benefits protection) applies to community college employees furloughed pursuant to the section.

**SECTION 29.17A.(e)** Directs system institutions to cooperate with the North Carolina Community College System Office in the implementation of furloughs, if required.

**SECTION 29.17A.(f)** Directs the State Board of Community Colleges to adopt policies for the implementation of this section as soon as practicable, and no more than 30 calendar days from the effective date of this section. Provides that the policies are to remain in effect until the expiration of this section. Requires that the policies are to be applied by the System President and the system institutions in implementing a furlough of community college employees, and are to provide at a minimum, that: (1) the System President may establish a salary threshold below which community college employees cannot be subject to furlough and in no event can a full-time community college employee, prorated for any part-time employee, earning \$25,000 or less be subject to furlough; (2) the scheduling of any furlough period is at the discretion of the System President or the local system president of the system institution when delegated; (3) no paid leave is to be used to offset all or any portion of a furlough; (4) if a holiday falls during the mandatory furlough period, the community college employee must be paid for the holiday; (5) all savings realized as a result of a furlough must be used to offset the Management Flexibility Reduction for the North Carolina Community College System.

**SECTION 29.17A.(g)** Requires that upon delegation of furlough authority to a local system president, the system institution must develop a furlough plan to be approved by the System President consistent with the policies adopted by the State Board of Community Colleges. Requires that access to approved furlough plans be provided to all affected employees.

**SECTION 29.17A.(h)** Makes this section effective when it becomes law and expires June 30, 2013.

### **BENEFITS PROTECTION FOR FURLOUGHED STATE GOVERNMENT EMPLOYEES AND PUBLIC SCHOOL PERSONNEL**

**SECTION 29.18.** Adopts new provision to define *furlough* as a temporary period of leave from employment without pay that (1) is ordered or authorized by the Governor, the Chief Justice, the Legislative Services Commission, the UNC Board of Governors, the Board of the NC Community College System, or a local school board, and (2) is not in connection with a demotion or any other disciplinary action. Also defines *public agency* and *public employee*. Provides that a member of (1) any of the state-supported retirement plans administered by the Retirement Systems Division of the Department of the State Treasurer (Retirement Systems Division) or (2) an Optional Retirement Program (ORP) administered under GS 135-5.1 or GS 135-5.4 is considered in active service during any period of furlough and entitled to all of the same benefits to which the employee was entitled on the workday immediately preceding the furlough. Directs that there is to be no diminution of retirement average final compensation based on being on furlough and that the retirement average final compensation be calculated based on the undiminished compensation. Requires *the employer* to pay both employer and employee contributions to the Retirement Systems Division or ORP on behalf of the employee on furlough. Directs that a member of the State Health Plan (Plan) for Teachers and State Employees is to be considered eligible for coverage under the Plan on the same basis as the workday immediately preceding the furlough. Requires the *employer* to pay contributions on behalf of the furloughed employee as if the employee were in active service. Specifies exceptions for when this section does not apply to a furlough within a public agency. Asserts that this section is not to be construed as authorizing furloughs. Directs the respective authorizing officer or entity to report certain specifics regarding an authorized furlough including the positions affected, the employees affected, and make certain certifications regarding the reason for the furlough. Makes this section effective when it becomes law.

### **MONITOR COMPLIANCE WITH FREEZE ON MOST SALARY INCREASES**

**SECTION 29.19.(a)** Directs the Office of State Budget and Management (OSBM) and the Office of State Personnel (OSP) jointly to monitor the compliance of the following units of government with the provisions of Section 29.8 (regarding public employee salaries): (1) State agencies, departments, and institutions, including authorities, boards, and commissions; (2) the judicial branch; and (3) the University of North Carolina and its constituent institutions. Requires the OSBM and the OSP to submit quarterly reports of their monitoring activities to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Fiscal Research Division. Specifies information to be contained in the required quarterly reports.

**SECTION 29.19.(b)** Directs the Legislative Services Officer to report quarterly to the President Pro Tempore of the Senate and the Speaker of the House of Representatives on compliance with this act.

### **COMPREHENSIVE REVIEW AND REFORM OF PUBLIC EMPLOYEE COMPENSATION PLANS**

**SECTION 29.20.** Directs the Legislative Services Commission and specified entities to study the current compensation plans of public employees in two phases. Includes criteria to be included in the study. Specifies reporting requirement. Directs affected entities to dedicate staff for assistance as needed.

### **ESTABLISH SEVERANCE EXPENDITURE RESERVE**

**SECTION 29.21.** Establishes, within the Office of State Budget and Management, a General Fund reserve budget code for the purpose of funding severance-related obligations to state employees subject to the State Personnel Act (SPA) and employees exempt from the SPA who are separated from service due to a reduction-in-force action. Specifies severance-related expenditures that the reserve is obligated to fund. Requires the Governor to allocate funds appropriated in Section 2.1 of the act to the Severance Expenditure Reserve to public agencies to fund severance-related obligations incurred by the agencies as a result of reduction-in-force actions that cause state-supported public employees to be terminated from public employment. Requires funds to be expended in their entirety before funds appropriated to a public agency for state-supported personal services expenditures may be used to fund any severance-related obligations. Defines *public employee* as an employee of a state agency, department, or institution; the University of North Carolina; the Community College System Office; or a local administrative unit.

### **SALARY-RELATED CONTRIBUTIONS**

**SECTION 26.22.(a)** Directs that, effective for the 2011-13 fiscal biennium, required employer salary-related contributions for employees whose salaries are paid from department, office, institution, or agency receipts be paid from the same source as the source of the employee's salary. Specifies that if an employee's

salary is paid in part from the General Fund or Highway Fund and in part from department, office, institution, or agency receipts, required employer salary-related contributions may be paid from the General Fund or Highway Fund only to the extent of the proportionate part paid from the General Fund or Highway Fund in support of the salary of the employee, and the remainder of the employer's requirements be paid from the source that supplies the remainder of the employee's salary. The requirements of this section as to source of payment are also applicable to payments on behalf of the employee for hospital-medical benefits, longevity pay, unemployment compensation, accumulated leave, workers' compensation, severance pay, separation allowances, and applicable disability income benefits.

Directs that, notwithstanding any other provision of law, an employer who hires or has hired a retiree as an employee must enroll the retiree in the active group and pay the cost for the hospital-medical benefits if that retiree is employed in a position that would require the employer to pay hospital-medical benefits if the individual had not been retired.

**SECTION 26.22.(b)** Directs that, effective July 1, 2011, the state's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for 2011-12 are: (i) 13.62% – Teachers and State Employees; (ii) 18.62% – State Law Enforcement Officers; (iii) 12.36% – University Employees' Optional Retirement System; (iv) 12.36 percent – Community College Optional Retirement Program; (v) 31.54% – Consolidated Judicial Retirement System; and (vi) 5% – Legislative Retirement System. Each of the foregoing contribution rates includes 5% 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 0.52% for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include 0.16% for the Death Benefits Plan. The rate for State Law Enforcement Officers includes 5% for Supplemental Retirement Income.

**SECTION 26.22.(c)** Directs that, effective July 1, 2012, the state's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for 2012-13 are: (i) 15% – Teachers and State Employees; (ii) 20% – State Law Enforcement Officers; (iii) 12.66% – University Employees' Optional Retirement System; (iv) 12.66% – Community College Optional Retirement Program; (v) 33.51% – Consolidated Judicial Retirement System; and (vi) 5.3% – Legislative Retirement System. Each of the foregoing contribution rates includes 5.3% 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 0.52% for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include 0.16% for the Death Benefits Plan. The rate for State Law Enforcement Officers includes 5% for Supplemental Retirement Income.

**SECTION 29.22.(d)** Directs that, effective July 1, 2011, the maximum annual employer contributions, payable monthly, by the state for each covered employee or retiree for the 2011-2012 fiscal year to the State Health Plan for Teachers and State employees are: (1) \$3,776 for Medicare –eligible employees and retirees; and (2) \$4,962 for non-Medicare-eligible employees and retirees.

**SECTION 29.22.(e)** Directs that, effective July 1, 2012, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2012-2013 fiscal year to the State Health Plan for Teachers and State employees are: (1) \$3,981 for Medicare –eligible employees and retirees; and (2) \$5,232 for non-Medicare-eligible employees and retirees.

#### **LIMIT STATE ABORTION FUNDING/HEALTH PLAN/INSURANCE**

**SECTION 29.23.** Provides that no state funds may be used for the performance of abortions or to support the administration of any governmental health plan or government-offered insurance policy offering abortion. Makes the following exceptions: (1) where the life of the mother would be endangered if the unborn child were carried to term; or (2) the pregnancy is the result of rape or incest. Specifies that nothing in this section is to be construed to limit medical health care provided after a spontaneous miscarriage.

#### **PART XXX. CAPITAL APPROPRIATIONS**

##### **GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION**

**SECTION 30.1.** States that the appropriations made by the 2011 General Assembly for capital improvements are for constructing, repairing, or renovating state buildings, utilities, and other capital facilities, for acquiring sites where necessary, and for acquiring buildings and land for state government purposes.

##### **CAPITAL APPROPRIATIONS/GENERAL FUND**

**SECTION 30.2.** Appropriates the following amounts from the General Fund for 2011-12 for capital improvements.

<b>Capital Improvements – General Fund</b>	<b>2011-2012</b>
Department of Environment and Natural Resources Water Resources Development Projects	\$ 4,535,000
<b>TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND</b>	<b>\$ 4,535,000</b>

#### WATER RESOURCES DEVELOPMENT PROJECTS

**SECTION 30.3.(a)** Directs the Department of Environment and Natural Resources (DENR) to allocate appropriated funds for water resources development projects as follows. States that these funds provide a state match for an estimated \$23,449,000 in federal funds.

<b>Name of Project</b>	<b>2011-2012</b>
(1) B. Everett Jordan Lake Water Supply Storage	\$ 200,000
(2) Wilmington Harbor Maintenance	–
(3) Morehead City Harbor Maintenance	50,000
(4) Water Resources Planning in Support of Session Law 2010-143	–
(5) John H. Kerr Dam and Reservoir Sec. 216 – (50/50)	50,000
(6) Planning Assistance to Communities (50/50)	50,000
(7) Aquatic Plant Control, Statewide and Lake Gaston (50/50)	100,000
(8) Wilmington Harbor Improvements Feasibility (50/50)	250,000
(9) Belhaven Harbor – CAP – Sec. 1135 (75/25)	–
(10) Concord Streams, NC Sec. 206 (65/35)	–
(11) Manteo Old House Channel – CAP – Sec. 204 (65/25)	1,225,000
(12) Wilmington Harbor Deepening (75/25)	300,000
(13) Bogue Banks Coastal Storm Damage Reduction Study – (50/50)	50,000
(14) West Onslow Beach (Topsail Beach) PED (75/25)	–
(15) Surf City/NTB Coastal Storm Damage Reduction Study – PED (75/25)	85,000
(16) Neuse River Basin Restoration Feasibility Study (50/50)	300,000
(17) Currituck Sound Environmental Restoration Study (50/50)	275,000
(18) Princeville Flood Damage Reduction (50/50)	100,000
(19) State-Local Projects	500,000
(20) Agricultural Water Resources Assistance Program	1,000,000
<b>TOTALS</b>	<b>\$ 4,535,000</b>

**SECTION 30.3.(b)** Authorizes DENR to adjust allocations among projects as needed. Also permits DENR to use funds resulting from delayed projects or projects completed at a lower cost to fund the following:

- (1) U.S. Army Corps of Engineers project feasibility studies.
- (2) U.S. Army Corps of Engineers projects whose schedules have advanced and require state-matching funds in fiscal year 2011-12.
- (3) State-local water resources development projects.

Specifies that unexpended or unencumbered funds designated for the purposes in subdivisions (1) through (3) will revert to the General Fund at the end of 2012-13.

**SECTION 30.3.(c)** Specifies reporting requirements for DENR.

**SECTION 30.3.(d)** Provides that specified funds appropriated for a water resources development project will provide no more than 50% of the nonfederal portion of funds for the project, for projects in which a local government or local governments participate.

**SECTION 30.3.(e)** Enacts new subsection (c1) to GS 143-215.73A, requiring DENR to provide information to appropriate local government officials on certain funding availability and requirements at least 60 days before preparing the Water Resources Development Plan.

#### NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS

**SECTION 30.4.(a)** Authorizes the following capital projects to be funded with receipts or from other non-General Fund sources.

Name of Project	Amount of Non-General Fund Funding Authorized for FY 2011-2012
Department of Correction	
OSDT and DCC Search Trailer	\$ 45,400
Statewide Emergency Fund for Small Storage Buildings	85,000
Statewide Emergency Fund for Visitors Registration	500,000
Department of Crime Control and Public Safety	
High Point Readiness Center – Addition/Alteration	1,551,000
Greensboro Readiness Center – Addition/Alteration	306,000
Murphy Firefighting Team Support Facility	2,946,000
Morrisville Flight Facility Fixed Wing Hangar	8,815,000
Statewide Master Planning Support Services – Ph III	125,000
Statewide Master Planning Support Services – Ph IV	100,000
Statewide Master Planning Support Services – Ph V	100,000
Camp Butner Operations Readiness Training Center – Ph I	1,612,000
Department of Cultural Resources	
USS North Carolina Battleship Major Hull Repairs	1,914,000
Construction of Fort at Fort Dobbs State Historical Site	2,600,000
Department of Environment and Natural Resources	
Zoo – New Restrooms at Elephant/Rhino Exhibit	300,000
Aquarium – Roanoke Island Turtle Rehabilitation Center	500,000
Wildlife Resources Commission	
Agency Land Purchases	7,500,000
Watha Hatchery Replacement of 3 Residences	150,000
Fishing Access Areas – New Construction	240,000
Boating Access Areas – New Construction	800,000
Repair & Renovations	1,105,000
<b>TOTAL AMOUNT OF NON-GENERAL FUND CAPITAL PROJECTS AUTHORIZED</b>	<b>\$31,294,400</b>

**SECTION 30.4.(b)** Transfers \$30,000 from funds deposited with the State Treasurer in a capital improvement account to the Department of Agriculture and Consumer Services for costs related to the plant conservation program.

#### REPAIRS AND RENOVATIONS RESERVE ALLOCATION

**SECTION 30.5.(a)** Allocates 50% of the funds in the Reserve for Repairs and Renovations for 2011-12 to the UNC Board of Governors for repairs and renovations, and allocates 50% to the Office of State Budget and Management for repairs and renovations. Requires prior consultation with the Joint Legislative Commission on Governmental Operations before allocation or reallocation of the funds.

**SECTION 30.5.(b)** Directs a portion of the funds allocated to the UNC Board of Governors to be used to install fire sprinklers in university residence halls, as specified. Includes reporting requirement.

**SECTION 30.5.(c)** Directs a portion of the funds allocated to the UNC Board of Governors to be used for campus public safety improvements.

#### PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS

**SECTION 30.6.** States that the appropriations made by the 2011 General Assembly for capital improvements must be disbursed for the purposes provided by this act. Prohibits an expenditure of funds by any state department, institution, or agency until an allotment has been approved by the Governor. Specifies that, prior to the award of construction contracts for projects to be financed in whole or in part with self-liquidating appropriations, the Governor must approve the elements of the method of financing of those projects, including the source of funds, interest rate, and liquidation period; however, if the Governor approves the method of

financing a project, the Governor must report that action to the Joint Legislative Commission on Governmental Operations at its next meeting.

Provides that where direct capital improvement appropriations include the purpose of furnishing fixed and movable equipment for any project, those funds for equipment are not subject to transfer into construction accounts, except as authorized by the Governor. Requires the Governor to review and approve expenditures for fixed and movable equipment and furnishings.

Requires capital improvement projects authorized by the 2011 General Assembly to be completed within the limits of the amounts of the direct or self-liquidating appropriations provided, except as otherwise provided in this act. States that capital improvement projects authorized by the 2011 General Assembly for the design phase only must be designed within the scope of the project, as defined.

#### **UNC NON-GENERAL FUND CAPITAL PROJECTS**

Identical to the provisions in the 2nd edition.

#### **PART XXXI. FEES**

**SECTIONS 31.1 through 31.31.** Identical to revenue provisions included in the 2nd edition.

#### **PART XXXII. MISCELLANEOUS PROVISIONS**

##### **STATE BUDGET ACT APPLIES**

**SECTION 32.1.** States that the provisions of the State Budget Act, GS Chapter 143C, are reenacted and will remain in full force and effect and are incorporated in this act by reference.

##### **MOST TEXT APPLIES ONLY TO THE 2011-2013 FISCAL BIENNIUM**

**SECTION 32.2.** Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2011-13 fiscal biennium, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 2011-13 fiscal biennium.

##### **EFFECT OF HEADINGS**

**SECTION 32.3.** States that the headings in the act are for reference only, and do not expand, limit, or define the text of the act, except for specific effective dates.

##### **COMMITTEE REPORT**

**SECTION 32.4.(a)** Specifies that The House Appropriations Committee Report on the Continuation, Expansion, and Capital Budgets dated April 27, 2011, which was distributed in the House of Representatives and used to explain this act, indicates action by the General Assembly on this act and will be used to construe this act, as provided in the State Budget Act, Chapter 143C of the General Statutes, and will be considered a part of this act and printed as a part of the Session Laws.

**SECTION 32.4.(b)** States that the budget enacted by the General Assembly is for the maintenance of the various departments, institutions, and other spending agencies of the state for the 2011-13 biennial budget as provided in GS 143C-3-5, and includes appropriations of state funds as defined in GS 143C-1-1(d)(25). States that the Committee Report sets out adjustments to "The State of North Carolina Governor's Recommended Budget, 2011-2013" and related budget documents, submitted by the Governor on February 15, 2011.

**SECTION 32.4.(c)** Specifies that the budget enacted by the General Assembly will also be interpreted in accordance with GS 143C-5-5, the special provisions in this act, and other appropriate legislation. States that the budget enacted by the General Assembly will prevail in a conflict between the line-item budget certified by the Governor and the budget enacted by the General Assembly.

##### **SEVERABILITY CLAUSE**

**SECTION 32.5.** If any section or provision of this act is declared unconstitutional or invalid by the courts, it does not affect the validity of this act as a whole or any part other than the part declared to be unconstitutional or invalid.

##### **EFFECTIVE DATE**

**SECTION 32.6.** Except as otherwise provided, this act becomes effective July 1, 2011.

**H 200. APPROPRIATIONS ACT OF 2011.** Filed 3/1/11. Amendments from the House Appropriations Committee meeting on 4/27/11 make the following changes.

Amendment #1 amends Section 10.46.(b) to provide that required rate reductions must take effect no later than October 1, 2011. Further provides that if effective after July 1, 2011, the reductions are to be adjusted by a percentage sufficient to yield savings as if the reductions had taken effect July 1, 2011.

Amendment #2 adds a new section entitled:

#### **COUNCIL OF GOVERNMENT FUNDS**

**SECTION 14.12A.(a)** Directs that of the funds appropriated in this act to the Department of Commerce, \$343,187 for 2011-12 and \$243,187 for 2012-13 are to be used only as provided by this section. Allocates up to \$25,000 to each regional council of government or lead regional organization for 2011-12 and 2012-13.

**SECTION 14.12A.(b)** Directs a regional council of government to use funds allocated to it by this section only to assist local governments in grant applications, economic development, community development, support of local industrial development activities, and other activities as deemed appropriate by the member governments.

**SECTION 14.12A.(c)** Directs that funds allocated by this section must be paid by electronic transfer in two equal installments each fiscal year. Upon receipt of the report required by subsection (e) of this section, the first installment must be paid no later than September 15 of each year.

**SECTION 14.12A.(d)** Specifies that funds allocated by this section must not be used for payment of dues or assessments by the member governments and must not supplant funds appropriated by the member governments.

**SECTION 14.12A.(e)** Provides that by September 1 of each year, and more frequently as requested, each council of government or lead regional organization must report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division of the General Assembly on prior state fiscal year program activities, objectives, and accomplishments and prior state fiscal year itemized expenditures and fund sources. Each council of government or lead regional organization must provide to the Fiscal Research Division of the General Assembly a copy of the organization's annual audited financial statement within 30 days of issuance of the statement.

Amendment #7 adds a new section entitled:

#### **NORTH CAROLINA WINERIES & TOURISM/OPERATING COMMITTEES**

**SECTION 14.3A.(a)** Establishes an operating committee for the Vinifera Group and an operating committee for the Muscadines Group. Provides guidelines, including the purpose, membership, and meeting details for the committees.

Amendment #9 amends Section 13.22.(a) to provide that technical assistance, inspection, and enforcement will be provided by the Division of Water Quality.

Amendment #13 deletes Section 9.7, which forbids the Board of Governors of the University of North Carolina from approving or implementing campus-initiated tuition increases.

Amendment #14 deletes Section 9.2., entitled DOCUMENTATION AND ACCOUNTABILITY FOR ENROLLMENT GROWTH FUNDING MODEL.

Amendment #17 deletes Section 9.3., which provided that a special responsibility constituent institution must not increase the state appropriation for any program or line item reduced by the act.

Amendment #21 amends Section 10.8.(b) to allow, at the discretion of the Secretary of Health and Human Services, certain existing funds allocated to LMEs to be used to purchase additional local inpatient psychiatric beds or bed days. Makes other conforming changes.

Amendment #22 adds a new subsection:

**SECTION 7.19.(c)** Directs the Department of Public Instruction to not reduce funding or positions for the Positive Behavioral Support program.

Amendment #23 adds a new section entitled:

#### **FUNDS FOR RECYCLING PROGRAMS FOR PRODUCTS THAT CONTAIN MERCURY**

**SECTION 13.10B.** Effective July 1, 2011 until December 31, 2017, rewrites GS 130A-310.54 to implement and fund the Mercury Pollution Prevention Fund for the purpose of implementing recycling programs for products containing mercury, including at least recycling programs for light bulbs and thermostats. Makes other technical and conforming changes.

Amendment #28 amends Section 30.3.(b) to specify available funds are not to be used to fund the North Carolina International Terminal. Also adds a new section entitled:

**PROHIBIT GENERAL FUND, HIGHWAY FUND, OR HIGHWAY TRUST FUND EXPENDITURES FOR THE NORTH CAROLINA INTERNATIONAL TERMINAL**

**SECTION 30.8.** Directs that, notwithstanding any provision of law, funds from the General Fund, Highway Fund, or Highway Trust Fund are not to be used to fund the North Carolina International Terminal of the North Carolina State Ports Authority. Excepts the use of agency receipts.

Amendment #34 amends Section 31.23.(b), (c), and (d) by adding that no court costs are to be assessed to an application for the taxing of costs or a prayer for relief. Makes other technical and conforming changes.

Amendment #35 adds a new section entitled:

**TRANSFER SENTENCING SERVICES PROGRAM**

**SECTION 18.11.** Transfers all functions, powers, duties, and obligations of administering the Sentencing Services Program entrusted in the Office of Indigent Defense Services to the Department of Correction as a Type I transfer. Makes technical and conforming statutory changes.

Amendment #38 amends Section 10.31.(d), prohibiting the Department of Health and Human Services from imposing prior authorization requirements on medications prescribed for Medicaid recipients for the treatment of mental illness, unless the provider fails to prescribe those drugs in accordance with indications and dosage levels approved by the federal Food and Drug Administration, or HIV/AIDS. Further provides guidelines when individuals 18 years old and younger are prescribed three or more psychotropic drugs.

Amendment #41 amends Section 5.4.(b) to replace the word "Children" with "Students." Amends Section 19.1.(aa) by deleting the language which establishes the Division of Emergency Management within the Department of Crime Control and Public Safety in GS 143B-272.52. Deletes Section 19.1.(ff). Deletes Section 19.1.(nn), which deleted the definition of "Civil Air Patrol members" from GS 143-166.2(d), as rewritten by subsections (h) and (l) of the section. Deletes the word "FEDERAL" from the title of Section 26.1. and replaces it with the word "STATE." Deletes Section 28.28.(e), which suspended salary increase provisions under GS 20-187.3 for 2011-12 and 2012-13. Amends the bill by deleting numerous duplicative sections, and makes conforming changes. Amends the bill to create a new subsection:

**SECTION 20.6.(a)** Transfers the campaign finance functions of the State Board of Elections and the lobbying registration and enforcement functions of the Secretary of State to the State Ethics Commission and makes technical changes.

Makes further technical, conforming, and clarifying changes.

Amendment #45 amends the bill by adding a new section entitled:

**JOHNSTON COUNTY LME ADMINISTRATIVE FUNDING**

**SECTION 10.8A.** Provides that, notwithstanding GS 122C-115(a1), the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, must not further reduce, as a consequence of the total population of the catchment area served, the allocation of administrative funding to the Johnston County Area Mental Health, Developmental Disabilities, and Substance Abuse Authority for 2011-12.

Amendment #51 deletes Section 7.22. in its entirety and replaces it with a new section entitled:

**NORTH CAROLINA VIRTUAL PUBLIC SCHOOLS**

**SECTION 7.22.** Directs the North Carolina Virtual Public School (NCVPS) to report to the State Board of Education (SBE) and to maintain an administrative office at the Department of Public Instruction (DPI). Directs the Director of NCVPS to ensure that students residing in rural and low-wealth county local administrative units (LEAs) have access to e-learning course offerings. Directs the SBE to implement an allotment formula for NCVPS beginning with the 2011-12 school year. Specifies steps to be taken to implement the allotment formula. Provides that the NCVPS program is available at no cost to all high school students enrolled in North Carolina's public schools, Department of Defense schools, and schools that are operated by the Bureau of Indian Affairs.



Directs SBE to consider recommendations from the eLearning Commission and NCVPS Advisory Board when establishing a fee and payment structure for NCVPS. Directs the SBE to establish a separate per student fee structure for out-of-state students, private school students, and home-schooled students. Directs NCVPS to develop a revenue-generating plan for the sale of courses to out-of-state educational entities and to submit such plan to SBE by September 1, 2011. Requires, beginning in 2011, that the Director of NCVPS submit an annual report on NCVPS to SBE no later than December 1 of each year. Specifies the information required in the report. Directs SBE to reduce ADM dollar allotments on the basis of ADM in grades 6-12 to provide \$2,866,923 for state-level operations and administration of NCVPS for 2011-12 with such reductions continuing (adjusted annually) in future fiscal years. Directs SBE to reduce ADM dollar allotments on the basis of ADM in grades 6-12 to provide the sum of \$2 million in order to create the NCVPS enrollment reserve which is to fund NCVPS instructional costs for LEAs or charter schools with enrollments exceeding projected NCVPS enrollment. Provides formula to fund enrollment reserve for 2012-13 and annually thereafter. Requires SBE to use only funds provided through the North Carolina Virtual Public Schools Allotment Formula and the NCVPS enrollment reserve to fund instructional costs of NCVPS. Repeals section 7.4 of SL 2010-31 (North Carolina Virtual Public Schools Allotment Formula).

Amendment #54 deletes Section 20.2. which transfers the North Carolina Human Relations Commission from the Department of Administration to the Office of Administrative Hearings and replaces it with a new section entitled:

**STUDY BY THE LEGISLATIVE RESEARCH COMMISSION OF THE DUTIES AND SERVICES OF THE NORTH CAROLINA HUMAN RELATIONS COMMISSION AND THE CIVIL RIGHTS DIVISION OF THE OFFICE OF ADMINISTRATIVE HEARINGS**

**SECTION 20.2.** Authorizes the Legislative Research Commission (LRC) to study the duties and services of the North Carolina Human Relations Commission and the Civil Rights Division of the Office of Administrative Hearings to determine whether there is unnecessary overlap and duplication of services and to recommend the placement of the Commission and Division in the appropriate agencies. Requires LRC to make interim report to the 2011 General Assembly when it reconvenes in 2012 and make its final report to the 2013 General Assembly. Effective when it becomes law.

Amendment #71 amends Section 7.1.(b) (Education Reform) by rewriting certain subsections to provide more detailed and clarifying language. Adds numerous other subsections directing the Committee to study state funding formulas, course offerings, alternative course delivery methods, increasing public access to value-added assessments, school and district accreditation, adding additional information to the State Public School Report Cards, use of school district resources, privatization of local school administrative unit services, and strategies for measuring and strengthening academic achievement in middle schools.

Amendment #72 deletes Section 13.1., which increased certain inspections fees, gave local health departments authority to set such fees, and reduced the percentage of such fees that are used to support state health programs and activities.

Amendment #73 amends Section 13.27.(b) by deleting the word "operating" where it occurs and adds a provision directing that the funds appropriated under the section are to be transferred to the Wildlife Resources Fund, as provided by GS 143-250, and are to be used for personal services expenditures only.

Amendment #74 amends Section 10.21.(a) by directing the Office of Minority Health to coordinate and implement the grant-in-aid program. Amends Section 10.21.(c) by adding an additional provision forbidding the grantee from using more than 5% of the grant funds for indirect costs. Makes other technical and conforming changes.

Amendment #75 adds a new section entitled:

**FUNDS FOR CLEANUP AND MONITORING OF TEXFI SITE CONTAMINATION**

**SECTION 13.10A.** Reduces the operating expenses of the Solid Waste Management Trust Fund by \$50,000 for 2011-12 and provides funding of \$50,000 to be used for 2011-12 for the cleanup and monitoring of the groundwater and other contamination at the Texfi site in Fayetteville.

Amendment #77 adds a new section entitled:

**STATEWIDE ADMINISTRATIVE COURT SESSIONS**

**SECTION 15.11A.** Directs the Administrative Office of the Courts (AOC) to develop protocols to offer regular Administrative Court sessions in each district court in the state for the purpose of hearing Chapter 20 (Motor Vehicles) infractions and directs that such sessions be offered in each district by October 1, 2011. The

AOC must report to the Joint Legislative Commission on Governmental Operations on the scheduling and deployment of resources by February 1, 2012.

Amendment #81 amends Section 29.16.(f) by increasing the annual salary that an employee must earn to not be subject to a furlough from \$25,000 to \$30,500.

Amendment #98 amends Section 28.28. by deleting subsections (a) and (b) and replacing them with a new **SECTION 28.28(a)** granting the Department of Crime Control and Public Safety, State Highway Patrol, the flexibility to achieve a savings of \$1,380,370, recurring, in the State Highway Patrol's administrative structure and specifically authorizes the elimination of positions. Amends Section 28.28.(c) to forbid any elimination of sworn law enforcement positions allocated for district-level traffic and commercial vehicle enforcement unless the state Highway Patrol is otherwise incapable of implementing the above reductions. Makes other technical changes.

Amendment #99 amends Section 31.30. by providing that the Board of Transportation must maintain one untolled ferry route to any barrier island that is not accessible by a state-maintained road.

Amendment #100 adds a new section entitled:

#### **MEN'S HEALTH**

**SECTION 10.26A.** Directs the Department of Health and Human Services, Division of Public Health, to ensure attention to the prevention of disease and improvement in the quality of life for men over their lifetime by (1) developing a strategic plan to improve health care services, (2) building public health awareness, (3) developing initiatives within existing programs, and (4) pursuing federal and state funding for the screening, early detection, and treatment of prostate cancer and other diseases affecting men's health.

Amendment #105 adds a new section entitled:

#### **MODIFY ELIMINATION OF NON-MATCH POSITIONS IN REGIONAL OFFICES**

**SECTION 13.3A.** Provides that the following positions, eliminated in items 104, 105, 107, 109, and 110 of the Report on the Continuation, Expansion and Capital Budgets are not to be eliminated: (1) 60035967; (2) 60035965; (3) 60035966; (4) 60035968; (5) 60035957; and (6) 60035972. Grants DENR flexibility to select other positions supported by the General Fund, in the same dollar amount, to substitute for elimination.

Budget and Appropriations; State Government; Agriculture, Environment, and Natural Resources; Alcoholic Beverage Control; Animal Law; APA/Rule Making; Banking and Finance; Business and Commerce; Children and Juvenile Law; Civil Law and Procedure; Community and Economic Development; Courts; Criminal Law, Procedure, and Sentencing; Education; Elections Law; Emergency Services; Employment and Retirement; Energy and Utilities; General Assembly; Health, Social Services, and Aging; Local Government; Lottery and Gaming; Property, Land Use, and Housing; Taxation; Transportation

## **NEXT SESSIONS**

**May 2, 2011**

**HOUSE convenes at 7:00 p.m.**

**SENATE convenes at 7:00 p.m.**